Published in: March 2016

Published by: African Institute of Corporate Citizenship (AICC)
Nedbank House, City Centre, Private Bag 382, Lilongwe 3
Tel.: +265 1775691

Author: Tobias Hoffarth
(AICC and GIZ)
tobias@aiccafrica.org; tobias.hoffarth@giz.de

Softcopy available at: http://www.aiccafrica.org

This publication was produced with support of Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ) GmbH. The analysis, results and recommendations in this manual represent the opinion of AICC and the author and are not necessarily representative of the position of GIZ.
# Contents

Foreword .................................................................................................................................................. iii

Introduction ................................................................................................................................................ 1

What is corporate citizenship and why is it needed? .......................................................................... 2
  From classic to corporate citizenship ................................................................................................. 2
  Africa’s cultural values ...................................................................................................................... 3
  African Approach to Corporate Citizenship .................................................................................... 4
  A special note on multinational enterprises .................................................................................. 5

Which theories and models explain corporate citizenship? ............................................................. 7
  Introduction ......................................................................................................................................... 7
  Applying theories to Africa ................................................................................................................ 7
  Carroll’s Corporate Citizenship Pyramid .......................................................................................... 7
  Core competence strategic model .................................................................................................... 10
  Impact model .................................................................................................................................... 12
  Stakeholder theory ............................................................................................................................ 13
  Integrative social contract theory .................................................................................................... 15
  Stages of corporate citizenship ....................................................................................................... 16
  Other theories and models ............................................................................................................... 18

Corporate citizenship in practice ........................................................................................................ 20
  South Africa ...................................................................................................................................... 20
  Malawi ............................................................................................................................................... 21
  Illiovo ............................................................................................................................................... 22
  Napoleon Dzombe ............................................................................................................................ 23

Recommended reading ....................................................................................................................... 24

Glossary .................................................................................................................................................. 26

References ............................................................................................................................................... 29
Foreword

This training manual is part of a series of manuals that have been developed by the African Institute of Corporate Citizenship (AICC), with the technical support from the Malawi-German Development Cooperation implemented by GIZ, for the use by stakeholders that work closely with private sector in mobilising its interventions in development projects. Although the key audience at the inception was AICC’s members of staff, the general framework makes it easy to be applied by any organisation in Malawi and beyond. Two imperatives however ignored the production of this manual. The first is the need for business, government and non-governmental organisations to understand corporate citizenship as it applies to Malawi and Africa. The second is the need for practical documents that can help the different sectors to build on their knowledge and understanding of corporate citizenship. These two imperatives should be obvious as despite the seemingly increased mantra around corporative citizenship, the comprehension by stakeholders around this approach is apparently shallow and erroneous.

Unlike other approaches that we at AICC could have easily ignored, this one in question is hard to brush aside primarily on two accounts. Firstly, in the modern development discourse, the supremacy of the state in development is considered paramount and effective only when an appropriate social compact is struck with private sector. Economic growth, which ensures the expansion of the national cake is an illusion in the absence of a robust private sector engagement not only at economic growth but also at direct social development interventions. Secondly, matters of sustainable use of all forms of resources risk a flop if the major use of such resources (private sector) is left at the periphery of our affairs. The appropriate mix of sustainable resource use and profitability calls for a corporate citizenship approach that ensures best interest of "private" and "public" interests. AICC has a tool kit of models that have worked in this regard.

AICC is a non-governmental organisation that is committed to promoting responsible growth and competitiveness in Africa by changing the way companies in liaison with the public sector do business to benefit people and the economy in order to build sustainable communities. This is generally termed as corporate citizenship. The vision of AICC is to be a centre of excellence in corporate citizenship by creating responsible, competitive, well governed, sustainable and profitable business enterprises in Africa.

The content and materials produced in this manual are the result of the expertise as well as experience gained in delivery of duties by Mr Tobias Hoffarth who is currently a technical advisor from GIZ and who supports AICC in the delivery of its efforts in corporate citizenship in the Cotton and Health Project. I would therefore like to express my sincere gratitude to Tobias through the GIZ for such tremendous support.

Just as with any other publication, there were different individuals that played a big role in shaping-up this manual. Mwakamwereti Kanjo, AICCs Communications Manager, did a great job in mobilising and facilitating the production of this manual amidst other pressing assignments. Marieke Wagenhausser reviewed an earlier manuscript and my thanks are equally due to her. My Secretary, Wezzie Mtonga, kept me at the edge of my diary by constantly reminding fixing several consultations with the author for smooth production of this manual. I am thankful.

It is my hope that the work contained in this manual and the trainings to be undertaken will enhance the efforts of people, institutions and businesses to apply principles of corporate citizenship in their daily operations so that together we can achieve sustainable development in the country.

Felix Lombe PhD
Acting Chief Executive Officer
Introduction

Corporate citizenship practitioners, policymakers, civil activists and others interested in corporate citizenship benefit from a solid understanding of what corporate citizenship is about, of how it can be mainstreamed, and of how its impact can be assessed. This has motivated the African Institute of Corporate Citizenship to publish a series of manuals on corporate citizenship. The manuals provide a concise summary of the professional and academic literature on the subject.

This is the first manual of the series. It covers the following topics:

- What is corporate citizenship?
- Why is it needed?
- Is corporate citizenship compatible with indigenous cultural values in Africa?
- How is corporate citizenship defined and practiced in Africa?
- What theories and models are available to explain corporate citizenship?

In addition to answering these questions, the manual also includes:

- A recommended reading list
- A glossary, including key terms that are frequently used in the context of corporate citizenship

This manual leaves many important aspects of corporate citizenship untouched. It is more concerned with concepts and theories rather than practice. The subsequent manuals will build on this conceptual and theoretical knowledge. For example, the second manual will have a more practical focus, explaining how corporate citizenship can be mainstreamed with the objective of increasing its impact on the African continent.

The manual is organised in five sections. The subsequent section discusses the question of what corporate citizenship means and why it is needed. The third section turns to theories and models about corporate citizenship. It provides a brief introduction to the most popular theories and models that have been applied to corporate citizenship in Africa. The fourth section provides some examples about corporate citizenship in practice, outlining achievements and challenges. The fifth section presents a recommended reading list for those readers that would like to further deepen their knowledge of corporate citizenship. The reading list only includes sources that are freely available on the internet. The final section is a glossary. It briefly explains various terms that are frequently used in the context of corporate citizenship, including double bottom line, stakeholder and social license to operate.
What is corporate citizenship and why is it needed?

From classic to corporate citizenship

The classic concept of citizenship refers to the status of a person regarding rights and duties. It appears inseparably linked to a territory governed by a sovereign state. Nationality is indeed often used as a synonym for citizenship. The rights of citizens include access to healthcare, education and physical safety. The duties include paying taxes and obeying the law.

The practice of citizenship in Africa differs fundamentally from its theory because governments have struggled to guarantee the social rights of their citizens, while also finding it difficult to ensure compliance with the law. The interconnected issues of poverty and the size of the informal sector provide two prime illustrations of this problem.

- **Poverty:** Every citizen has the right to a standard of living adequate for health and well-being. Poverty is a violation of this right. Africa has experienced economic growth over the last decades. In all but two years since 2004, real GDP growth in Africa has been in excess of 5 per cent, lying above the global average. But this economic growth has not trickled down to most African households. While the proportion of people living on less than USD 1.25 a day was halved in the world, declining from nearly 50 per cent in 1990 to 22 per cent in 2010, sub-Saharan Africa lags behind. The proportion of people living on less than USD 1.25 a day was only reduced from 56 per cent in 1990 to 48 per cent in 2010 (United Nations, 2014). More needs to be done to ensure that poverty is reduced.

- **Size of informal sector:** The informal sector of the economy is neither monitored nor taxed by government. It comprises businesses that do not pay taxes and do not comply with the law and workers that are without a secure income, employment benefits and social protection. In sub-Saharan Africa, the majority of people work in the informal sector. In fact, the informal sector contributes about 55 per cent of sub-Saharan Africa’s GDP and 80 per cent of the labour force (African Development Bank, 2013). A central idea behind corporate citizenship in Africa is that the companies operating in the informal sector change their behaviour in order to contribute more to socioeconomic development. It may still take some time until the size of the informal sector is significantly reduced but companies should still seek to improve their socially responsible behaviour in the meantime in order to improve the welfare of people working in the informal sector.

In light of these and other issues, it is now widely acknowledged that solitary action by governments is not sufficient for guaranteeing the social rights of citizens.

The challenges with classic citizenship have given rise to a new concept of citizenship - corporate citizenship. Corporate citizenship implies that socioeconomic development does no longer rely on solitary action by the government. Rather, it provides a framework for enabling the business sector to join government and civil society to improve human welfare. In other words, corporate citizenship suggests that companies are expected to enter the area of citizenship where governments fail to guarantee social rights (Matten and Crane, 2005).

Although corporate citizenship is a framework for collective action, the inclusion of the term ‘corporate’ indicates that it is primarily concerned with involving the business sector as a means to achieve an end, namely, improved human welfare.
Africa's cultural values
There is a strong culture of mutual caring and pursuit of the collective good in Africa. This is in sharp contrast to individualistic Western capitalism. The African cultural values provide fertile soil for the emergence of corporate citizenship as a framework for collective action among the business sector, government and civil society.

Africa’s cultural values are expressed by various indigenous philosophies and ideologies, including the following:

- **Umbuntuism** is a concept shared by all tribes of a Bantu origin. It is derived from a Nguni aphorism, which is, umuntu ngumuntu ngabantu. This can be translated as ‘a person is a person because of or through others’. Umbuntuism expresses compassion, humanity, mutual interests and reciprocity and seeks to build and maintain communities (Khoza, 2006; Mbigi and Maree, 2005; Nussbaum, 2003).

- **Omoluabi** originated among the Yoruba people in Western Africa, mainly Nigeria. A person or company that acts in accordance with the principles of omoluabi believes in hard work, respects the rights of others and contributes to the community's welfare (Dartey-Baah and Amponsah-Tawiah, 2011).

- **Harambe** comes from East Africa, in particular Kenya. It embodies the values of mutual assistance, joint effort and community self-reliance. It privileges the collective good over the individual gain (Winston and Ryan, 2008 seen in Klins et al, 2010).

- **Zekat** (or Zakat) reflects cultural values among Africa's Muslim population. It can be translated as charity or alms to the poor (Klins et al, 2010).

- **African Renaissance** has been popularised by a South African - Thabo Mbeki. It implies that the African people should solve the many problems troubling the African continent. The concept stresses the importance of sharing and helping each other (Dartey-Baah and Amponsah-Tawiah, 2011).

- **Nkrumaism** originated in Ghana. It is an ideology that is primarily known for guiding pan-Africanism and dealing with challenges in an African way. Kwame Nkrumah also promoted a mixed economy in which companies act in a socially responsible manner.

*Women dancing during one of Corporate Social Responsibility event.*
The behaviour of companies is not immune to the cultural values of the African people. Several studies have found that companies have responded to them and incorporated indigenous philosophies into their management practices. For example, the management practices of large Malawian and South African companies were found to be largely premised on an inclusive stakeholder-centred approach of business ethics - which is in line with the ubuntu philosophy - rather than on an exclusive shareholder-centred approach (Khomba et al, 2013). By contrast, ignoring indigenous norms or adopting foreign philosophies has led to various corporate failures in Africa (Gichure, 2006).

Companies face economic incentives to incorporate indigenous philosophies into their business practices. For instance, companies, such as Eskom and South African Airways, have gained financial benefits from adopting ubuntuism (Broodryk, 2005; Wolmarans, 1995). In the case of Eskom, this resulted in an after-tax profit of R 5.2 billion over a period of 15 months. In general, Africa’s indigenous philosophies have been identified as a source of a competitive advantage, enabling African companies to gain competitive excellence in the global economy (Dandala, 1996; English; 2002; Mangaliso, 2001; Mbigi and Maree, 2005).

**African approach to corporate citizenship**

The African Approach to Corporate Citizenship developed by the African Institute of Corporate Citizenship acknowledges the distinct cultural values of Africa and considers corporate citizenship as a framework for collective action among the business sector, government and civil society.

The African Institute of Corporate Citizenship defines corporate citizenship as a normative behaviour of businesses (and entities that deal with and are affected by businesses) that is sustainable, ethical, supportive for collective action and contributes to human development. Each element of this definition merits further explanation:

- **Normative - more than voluntary philanthropy:** The African Approach puts great emphasis on corporate citizenship being something that companies SHOULD do rather than something what they CAN choose to do. Corporate citizenship is also particularly relevant for the core operations of a company and its impact on the value chain rather than being exclusively limited to philanthropy. In this sense, the African Approach’s definition of corporate citizenship differs to other definitions that only see it as a voluntary act of philanthropy.

- **Sustainable - profits and environment:** Sustainability embodies profit and environmental sustainability. Companies need to strive towards competitive excellence to ensure that they accumulate sufficient profits to run financially sustainable business operations. Otherwise, companies would not be able to support human welfare in the long run. Furthermore, companies need to pursue sustainability with regards to the environment. They need to monitor their impact on the environment and take proactive measures to minimise and ideally avoid negative impacts.

- **Ethical - building on indigenous cultural values, such as ubuntuism:** Mutual caring and pursuit of the collective good are central cultural values in Africa, as ubuntuism and the other previously discussed philosophies and ideologies highlight. Ethical corporate conduct means that companies incorporate African philosophies into their management practices in order to meet social expectations.

- **Collective action - business sector joins government and civil society:** Corporate citizenship provides a framework to involve the business sector in efforts to drive socioeconomic development. Experience has shown that solitary action by governments, civil society and the business sector is usually not sufficient to advance human welfare.
• **Human welfare:** The ultimate objective of corporate citizenship is to improve human welfare. This distinguishes the African Approach’s view on corporate citizenship from those that only consider corporate citizenship as a public relations exercise to improve the reputation of a company. It also highlights that companies are not only responsible to their shareholders but also to various stakeholders, including employees and communities.

This distinct understanding of corporate citizenship has to date not been adopted by many companies on the African continent. Most African companies and multinational enterprises with subsidiaries in Africa have primarily considered corporate citizenship as voluntary philanthropy or a public relations exercise (Gesellschaft fuer Technische Zusammenarbeit, 2009; Klins et al, 2010; Muthuri, 2013). They have made donations and have run praiseworthy small-scale community development projects, but they have rarely done more. They have seen corporate citizenship as a bolt-on to their business-as-usual approach rather than something that is deeply embedded in their business operations.

For the future, it is highly desirable that a paradigm change takes place that influences the actual practice of corporate citizenship. Corporate citizenship should no longer be limited to philanthropy. It needs to become a more holistic and more powerful force to drive socioeconomic development. The business sector, government and civil society are well advised to embrace the African Approach to Corporate Citizenship rather than considering corporate citizenship as voluntary philanthropy or a public relations exercise.

**A special note on multinational enterprises**

Multinational enterprises, some of them with an African origin, have expanded their business operations on the African continent over the last decades. In fact, the African continent is often seen as one of the last frontiers of growth, providing attractive business opportunities.

Multinational enterprises are not exempted from corporate citizenship. On the contrary, their high visibility means that an unethical behaviour by them can set a bad example and mislead other companies. In light of their economic power that often dwarfs that of African countries, multinational enterprises need to strike the right balance with regards to their social engagement and political involvement. Social engagement refers to taking care of the welfare of workers and driving community development, while political involvement refers to the use of material (e.g. financial donations) and non-material (e.g. lobbying) resources to bring a desired political outcome about.

The social engagement and political involvement of multinational enterprises can be defined with reference to four types: corporate tourists, colonialists, citizens and activists (Malan, 2003).

- **Corporate tourists:** Multinational enterprises that are simply present in host countries without significant social engagement and political involvement are described as corporate tourists.

- **Corporate colonialists:** The expansion of multinational enterprises has sometimes been associated with neo-colonialism, meaning that multinational enterprises reap profits, while giving nothing back to society. Such companies also use their economic power to influence policymakers, bypassing democratic decision-making processes. In other words, corporate colonialists have a minimal social engagement but a large political involvement.

- **Corporate citizens:** Corporate citizens are those companies that are committed to an ethical behaviour. They proactively drive socioeconomic development through an exemplary social engagement. They care about the welfare of their workers and drive community development. Their political involvement is limited because they do not want to undermine or bypass democratic decision making processes.
• **Corporate activists**: The social responsibility of corporate activists is similar to that of corporate citizens. They are also committed to an ethical behaviour. Yet, corporate activists differ to corporate citizens in their political involvement. They are more active with regards to influencing policy makers. On the one hand, this can be socially desirable when the policies that are supported by the companies are in line with the interests and needs of the public. Nevertheless, on the other hand, political activism by companies is often controversial, since it bypasses democratic decision making processes.

![Figure 1: Malan’s matrix](image)

<table>
<thead>
<tr>
<th>High Social responsibility</th>
<th>Corporate citizen</th>
<th>Corporate Activist</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate tourist</td>
<td>Corporate colonialist</td>
<td></td>
</tr>
</tbody>
</table>

**Low Political involvement**  **High**

*Source: Malan, 2005*

For the future, it is highly desirable that multinational enterprises move away from acting like tourists or colonialists. More of them need to become corporate citizens, while being responsible with their activism.
Which theories and models explain corporate citizenship?

Introduction
Corporate citizenship is a complex phenomenon. Stakeholders who are affected by negative impacts of business operations and corporate citizenship practitioners who strive towards supporting companies to improve business operations may ask various questions:

- What does motivate companies to act socially responsible?
- Why and how should the business sector, government and civil society cooperate to create an enabling environment for corporate citizenship?
- Is the impact of corporate citizenship only limited to voluntary contributions?
- To whom is a company responsible for and which of their stakeholders' interests are most important?
- How does corporate citizenship evolve over time?

Theories and models help answer these questions. They are concerned with providing purposeful representations for reality. They are used to explain observations, propose hypotheses and make normative judgements. For example, the general theory of relativity explains why gravity gives weight to physical objects and causes them to fall toward one another. Similarly, stakeholder theory explains why companies support the welfare of the communities in which they operate.

Applying theories to Africa
There is no comprehensive African theory or model of corporate citizenship (Klins et al, 2010). Most theories and models are based on research that was conducted in a Western context. This challenges the utility of Western theories in an African context because the principles, practices and drivers of corporate citizenship differ across cultural and socioeconomic contexts (Dartey-Baah and Amponsah-Tawiah, 2011).

The theories that are discussed in the subsequent section have proven to be applicable to an African context and the particularities of applying them to an African context are discussed below.

Carroll's corporate citizenship pyramid
The perhaps most popular model to explain corporate citizenship is Carroll's corporate citizenship pyramid. The model essentially seeks to answer the following question:

- What does motivate companies to act socially responsible?

Carroll's corporate citizenship pyramid model suggests that there are four faces of social responsibility constituting total corporate citizenship (Carroll, 1991, 1998).
The four faces of corporate citizenship are:

- **Economic**: Economic responsibilities are concerned with the classic profit-making motive of companies. Companies are for-profit organisations and are expected to make profits. The need to accumulate profits is sometimes seen as being in conflict with addressing the needs of employees and communities. But caring about the employees and communities can provide companies with financial benefits. For example, employees that receive a good salary may be more motivated, which in turn may increase the company’s productivity. Similarly, investing in environmental-friendly business practices has often contributed to more cost-effective business operations. These economic benefits of corporate citizenship are sometimes described as the business case for corporate citizenship, which is discussed in more detail in the second manual of this series.

- **Legal**: Society has expectations about an appropriate behaviour of companies. Some of these expectations are codified in law. Government only issues a legal license to operate for companies when they comply with law and regulations. For example, the law and regulation set standards for minimum wages, maximum working hours and taxes to be paid. If companies disobey these standards, they can face penalties, ranging from simple warnings to a withdrawal of the legal license to operate.

- **Ethical**: Not all social expectations of society about fairness and justice are codified in law. Ethical responsibilities embody those standards, norms and expectations that are not codified in law. They refer to norms which consumers, employees, shareholders and the community regard as fair and just. As previously discussed and expressed by ubuntuism and other philosophies, the African people put great emphasis on mutual caring and pursuit of the collective good. If companies fail to meet these social expectations, they can be disadvantaged by having hostile relationships with the communities in which they operate. This in turn provides them with a motive to meet social expectations.
• **Philanthropic:** Philanthropic and ethical responsibilities are closely related to each other. The distinguishing feature is that philanthropy is not expected, while compliance with ethical norms is expected. This makes philanthropy more discretionary or voluntary.

Carroll’s model is referred to as the pyramid of corporate citizenship because the four faces of corporate citizenship can be depicted in the form of a pyramid. Each responsibility has a different weight, meaning that it is more significant and more influential than the other responsibilities. The layering of the pyramid is highly contested and differs across countries. While Carroll’s work primarily focuses on Western countries, the model has also been adopted to explain corporate citizenship in Africa.

One of the leading African scholars on corporate citizenship - Judy Muthuri - in collaboration with Victoria Gilbert applied Carroll’s model to Kenya (2011). They argue that economic responsibilities are the most significant responsibility for companies in Kenya because without profits the other responsibilities would simply become infeasible in the long run. Philanthropic responsibilities are identified as the second most significant influence. This is because philanthropy is highly popular among Kenyan companies and often drives community development. Social responsibilities are the next layer of the pyramid. One reason why it is considered less significant than philanthropic responsibilities is that companies largely fail to engage in a dialogue with communities in which they operate. They implement projects under the umbrella of corporate citizenship that are perceived to be socially desirable rather than involving the communities in order to discuss and address their actual needs. Legal responsibilities are identified as the least significant responsibility among Kenyan companies, largely because government lacks the resources to monitor and enforce the legal framework. Thus, companies face poor incentives to comply with the law.

The pyramid of Carroll’s model based on the aforementioned analysis of Kenya is depicted in the figure below.

**Figure 2: Application of Carroll’s Pyramid of Corporate Citizenship to Kenya**

![Pyramid Diagram](image.png)

*Source: Muthuri and Gilbert, 2011*

The pyramid of corporate citizenship model provides practitioners with guidance on how to identify strategies for motivating companies to act more socially responsible. For example, the aforementioned analysis of corporate citizenship in Kenya suggests that it seems more promising to focus on economic responsibilities and philanthropy as motives for corporate citizenship rather than legal responsibilities.
Core competence strategic model

Corporate citizenship is a framework for collective action among the business sector, government and civil society. But some may wonder:

- Why and how should the business sector, government and civil society cooperate to create an enabling environment for corporate citizenship?

Such a question is indeed justified because collective action among the business sector, government and civil society has often proven to be difficult and sometimes even impossible. This calls for a model that guides representatives from the business sector, government and civil society to recognise the benefits from and particularities of collective action. The core competence strategic model provides practitioners with such guidance (Waddell, 2002).

The model suggests that the business sector, government and civil society have different logics. For example, the business sector is concerned with efficiency and seeks to accumulate profits; the government is concerned with being re-elected and providing social services to the public; and civil society is concerned with the effectiveness of initiatives that seek to address human welfare. These different logics in turn give rise to different core competences, resources and weaknesses. When the business sector, government and civil society engage in partnerships and take collective action, they can benefit from the core competences and resources of the other sectors, which in turn can lead to a unique role of the partnership to drive socioeconomic development (Figure 3).

Figure 3: Core competence strategic model

![Diagram of the core competence strategic model]

Source: Waddell, 2002

The function (or role) of the collective partnership can help to overcome constraints that otherwise limit the expansion of corporate citizenship. For example, governments may fail to implement successful mobile clinics because they lack resources (e.g. low tax revenues) and have weak links to their constituencies in remote areas. By contrast, the private sector may contribute some financial resources, since it might hope for an improved productivity of farmers as a result of better access to healthcare. Moreover, civil society organisations have a better link to households in remote areas. As a result, government, private sector, and civil society might together be more successful in implementing mobile clinics than on their own.

Each sector has distinctive attributes with regards to its interest, control agent, power source, goal, assessment frame, goods produced, dominant organisational form, operating ethic, relationship basis and temporal framework. These attributes are summarised in the table below (Table 1).
### Table 1: Some comparative distinctive attributes of the sectors

<table>
<thead>
<tr>
<th></th>
<th>State sector</th>
<th>Market sector</th>
<th>Civil sector</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary interest</strong></td>
<td>Political</td>
<td>Economic</td>
<td>Social</td>
</tr>
<tr>
<td><strong>Primary control agents</strong></td>
<td>Voters/rulers</td>
<td>Owners</td>
<td>Communities</td>
</tr>
<tr>
<td><strong>Primary power from Primary goals</strong></td>
<td>Laws, police, fines</td>
<td>Money</td>
<td>Traditions, values</td>
</tr>
<tr>
<td><strong>Assessment framework</strong></td>
<td>Legality</td>
<td>Profitability</td>
<td>Expression of Justice</td>
</tr>
<tr>
<td><strong>Goods produced</strong></td>
<td>Public</td>
<td>Private</td>
<td>Group</td>
</tr>
<tr>
<td><strong>Dominant organisational form</strong></td>
<td>Governmental</td>
<td>For-profit</td>
<td>Non-profit</td>
</tr>
<tr>
<td><strong>Operating ethic</strong></td>
<td>Administrative</td>
<td>Managerial</td>
<td>Developmental</td>
</tr>
<tr>
<td><strong>Relationship bias</strong></td>
<td>Rules</td>
<td>Transactions</td>
<td>Values</td>
</tr>
<tr>
<td><strong>Temporal framework</strong></td>
<td>Election cycles</td>
<td>Profit-reporting cycles</td>
<td>Sustainability</td>
</tr>
</tbody>
</table>

*Source: Waddell, 2002*

The different attributes of each sector give rise to distinct resources, weaknesses, capabilities and competences. As a matter of fact, all sectors can possess all the resources, weaknesses and competences to some degree but certain resources, weaknesses, capabilities and competences tend to be more dominant in one sector than in others. For example, the constitution provides the Malawian government with the power for establishing regulatory frameworks and enforcing rules, making regulatory powers one of the government's core resources. The core resources, weaknesses, capabilities and competences of each sector are summarised in the table below (Table 2).

### Table 2: Sector’s generic comparative primary resources and weaknesses

<table>
<thead>
<tr>
<th></th>
<th>State</th>
<th>Market</th>
<th>Civil society</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resources</strong></td>
<td>Regulatory and taxation powers</td>
<td>Capital and financial assets</td>
<td>Inspiration and volunteer assets</td>
</tr>
<tr>
<td></td>
<td>Enforcement apparatus</td>
<td>Production systems</td>
<td>Community bonds</td>
</tr>
<tr>
<td></td>
<td>Specialised policy-impact knowledge</td>
<td>Specialised industry knowledge</td>
<td>Specialised community /issue knowledge</td>
</tr>
<tr>
<td></td>
<td>Government reputation</td>
<td>Business reputation</td>
<td>Community reputation</td>
</tr>
<tr>
<td><strong>Weaknesses</strong></td>
<td>Inflexibility in rule application</td>
<td>Tendency to monopoly</td>
<td>Restricted (interest) focus</td>
</tr>
<tr>
<td></td>
<td>Slow pace of decision making</td>
<td>Disregard for externalities</td>
<td>Amateurism</td>
</tr>
<tr>
<td></td>
<td>Complexity of jurisdictions/levels</td>
<td>Integration of longerm concerns</td>
<td>Material scarcity</td>
</tr>
<tr>
<td></td>
<td>Difficult in internal co-ordination</td>
<td>Inequality of outcomes</td>
<td>Fragmentation (scale)</td>
</tr>
<tr>
<td></td>
<td>Desire to control other sectors</td>
<td>Transactional parochialism</td>
<td>Ideological parochialism (political correctness)</td>
</tr>
<tr>
<td><strong>Capabilities</strong></td>
<td>Public policy development</td>
<td>Production process management</td>
<td>Issue development</td>
</tr>
<tr>
<td></td>
<td>Enforcement skills</td>
<td>Capital mobilization</td>
<td>Community organising skills</td>
</tr>
<tr>
<td></td>
<td>Government agency networks</td>
<td>Management skills</td>
<td>Civil-society networks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Business networks</td>
<td></td>
</tr>
</tbody>
</table>
| Core competencies | • Rules-focused activity  
  • Creation of ‘level playing field’  
  • Redistribution of benefits  
  • Infrastructure development | • Efficiency-focused activity  
  • Profit generation  
  • Delivery of goods and services to medium and upper income | • Human impact-focused activity  
  • Community relationship and trust generation  
  • Support for the vulnerable and marginalised |

*Source:* Waddell, 2002

The core competence strategic model provides practitioners with guidance on how to improve partnerships for corporate citizenship. It makes it possible to analyse and realistically assess the potential contributions of each sector. It also makes it possible to determine individual goals for each sector to keep each sector motivated in the partnership.

**Impact model**

The impact model describes the total impact of a company in terms of its corporate citizenship. It is a relative simple but highly illustrative model which has been developed in more or less the same way by several academics and professionals. The subsequent model refers to the version of David Logan (Cormack, 2012). The impact model essentially addresses the following question:

- Is the impact of corporate citizenship only limited to voluntary contributions?

The impact model stresses that companies do not only impact the welfare of employees and communities in which they operate through philanthropy. By contrast, it emphasises that the company’s core operations and its value chain are much more significant impact areas. The model outlines three major areas of impact:

- **Core business operations:** The largest impact of a company is related to how it manages its core business operations (e.g. provision of services, nature of employment contracts, workplace conditions, etc.). For example, a company that pays its employees an adequate salary, provides employees with financial protection for various risks (e.g. health insurance), and offers products that empower low-income households (e.g. micro-credits with fair interest rates) arguably contributes much more to socioeconomic development than a company that simply makes a few donations.

- **Value chain:** The second major area of impact is in its value chain, including sourcing, production, distribution and consumer use as well as disposal of products. A company that is committed to corporate citizenship can link its procurement practices to corporate citizenship issues. This in turn encourages the company’s suppliers to act in a more socially responsible manner as well. Notably, the more a company outsources operations, the more important its impact through the value chain becomes.

- **Voluntary contributions:** Voluntary contributions are the third area of impact. They tend to be highly visible (e.g. donations of companies are often publicised by media and public relations departments). However, they are only the tip of the iceberg. In comparison with the overall impact of the company’s operations, they have a negligible role. For example, most companies do not even spend 1 per cent of their net income on projects related to corporate citizenship.

To illustrate the visibility and actual size of each impact area, an iceberg provides a useful illustration (Figure 5). It highlights that most impact of corporate citizenship is caused through the company’s core operations and its value chain rather than its philanthropy. Yet, the iceberg also illustrates that philanthropic activities usually have the greatest visibility.
Stakeholder theory
The actual responsibilities of companies are highly contested. Sometimes it is argued that the sole responsibility of business is to generate profits for its shareholders. By contrast, corporate citizenship implies that companies respond to the needs of various stakeholders, not only shareholders but also employees and communities. This gives rise to a critical question:

- To whom is a company responsible for and which of their stakeholders’ interests are most important?

Stakeholder theory has sought to answer this question and it has become the most popular management theory. The original stakeholder theory was introduced by Jones (1980) and Freeman (1984). Their theory has essentially softened the view that companies are only responsible for creating wealth for their shareholders.

The term stakeholder comprises various groups of people that are affected by the impact of business operations. In general, it is possible to distinguish between internal stakeholders (e.g. employees, managers, owners) and external stakeholders (e.g. suppliers, society, government, creditors, shareholders, and customers). The various stakeholders are depicted in the graphic below (Figure 5).
Stakeholder theory suggests that the success of a company depends on the quality of its relationships with constituents and how well these relationships are managed. This is closely related to the previously discussed social expectations of society towards companies. If companies fail to meet these expectations, they can easily find themselves in a hostile environment that is not conducive for profitable business operations. The modern firm is no longer expected to exclusively satisfy shareholder needs. Rather, the modern firm is expected to contribute to the welfare of stakeholders other than shareholders. Stakeholder theory suggests that business entities should be used as vehicles for coordinating stakeholders’ interests.

The popularity of stakeholder theory has enabled it to have a significant impact on business practices. For example, a survey among senior and middle managers in Southern Africa (nearly 50 per cent of respondents were from Malawi) highlighted that 7 out of every 10 respondents considered not only the needs of shareholders but also of communities when it comes to corporation planning and performance (Khomba and Vermaak, 2012). Understanding and responding to the needs of various stakeholder groups requires companies to manage their relations with stakeholders. But this leads to two inevitable questions:

- How many stakeholders groups must be served?
- Which of their interests are most important?

The original stakeholder theory by Freeman suggests that companies are supposed to address at a minimum those interests of stakeholders from who they have accepted benefits (labour of workers, payment of customers, inputs from suppliers, etc.). Notably, some definitions of corporate citizenship explicitly outline specific stakeholders as beneficiaries. For example, the definition of the World Business Council for Sustainable Development suggests employees, their families and local communities as beneficiaries of corporate citizenship (World Business Council for Sustainable Development, 2001).

For making decision on the importance of stakeholder needs, stakeholder theory does not provide a one-size-fits-all response. On the contrary, it recommends that managers engage in proactive stakeholder management (Freeman, 1984). In other words, stakeholder theory puts the management of companies in charge of ensuring that stakeholder needs are addressed.

A legumes seed conference for mapping the way forward in legumes sector
Integrative social contract theory
The social contract theory is closely related to stakeholder theory. It is also concerned with guiding companies on how to manage relationships with their stakeholders. Social contract theory also seeks to answer the same basic question as stakeholder theory:

- To whom is a company responsible for and which of their stakeholders’ interests are most important?

Social contract theory is closely related to the idea of citizenship. Classic social contract theories sought to establish what rights citizens should have. Most of the classical theories are based on a thought experiment to decide the just distribution of rights, positions and resources among citizens. For example, Rawls introduced the idea of the veil of ignorance, which implies that individuals know nothing about their particular abilities, tastes, and position within the social order of society. The veil of ignorance prevents them from knowing about who they will be in that society. It is thus assumed that individuals make judgments which to lead to a just distribution of rights, positions and resources among citizens.

The classic social contract theory has been applied to management practice but this has been problematic because the classical theories tend to be very vague. This has led to the development of the integrative social contract theory (ISCT), which has proven to be a groundbreaking framework for practical applicability, in particular for countries in Africa (Donaldson and Dunfee, 1994; Auchter and Dziwa, 2013; Malan, 2005). The following introduction to the integrative social contract theory largely draws from Donaldson and Dunfee (1994) and Malan (2005).

The ISCT essentially suggests the following:

- An absolute moral threshold (so-called hyper-norms) exists and applies anywhere in the world.
- All corporations should respect local customs and traditions without transgressing the moral threshold.
- Ethical decisions are rarely easy. Context matters when deciding between right and wrong.

ISCT requires corporations and communities to negotiate micro social contracts determining what should be regarded as ethical and unethical. At the same time, a macro social contract based on hyper norms applies. A convergence of religious, cultural and philosophical beliefs around certain core principles helps identify hyper-norms. In terms of international corporate norms, it was, for example, suggested that multinational companies should adopt adequate health and safety standards for employees and grant them the right to know about job-related health hazards. Other hyper-norms relate to human rights, personal freedom, physical security, political participation, ownership of property, and the right to subsistence. The combination of a micro and macro social contract aims at avoiding the vagueness of macro contracts. Macro social contracts also complement micro social contracts that are sometimes morally out of bounds. For example, some micro social contracts exclude members of a certain race or religion.

ISCT implies that all contracts accept the following core assumptions:

- Humans make mistakes because they are physical and psychological constrained, which renders many existing ethical theories insufficient for resolving ethical dilemmas.
- Higher-quality and more efficient economic interactions are preferable to lower-quality and less efficient economic interactions.
- All things being equal, economic activity is consistent with the cultural, philosophical or religious attitudes of economic actors in preferable to economic activity that is not.
Based on these assumptions, contractors are expected to agree on the following minimum terms of economic ethics:

- Local economic communities have moral free space in which they may generate ethical norms for their members through micro social contracts.
- Micro social contracts must be grounded in consent.
- Only when micro social contracts are compatible with hyper-norms are they legitimate
- Conflicts among norms must be resolved through the application of rules consistent with the spirit and letter of the macro social contract.

When ISCT is applied to ethical decision-making, the following steps should be followed:

- Identify all relevant stakeholders.
- Identify all relevant hyper-norms.
- Ensure that there is evidence that the norms are supported by a clear majority.
- Ensure that the norms are not in conflict with hyper-norms.
- Resolve conflicts if and when they arise through rules consistent with the spirit and letter of the macro social contract.

ISCT is vulnerable to several critiques: First, the framework provides little guidance on the identification of relevant communities. Second, the identification of authentic norms and hyper-norms is complex and may not always be feasible. Third, the justification for and value of hyper-norms are highly contested. Nevertheless, ISCT remains a groundbreaking framework for practical applicability.

**Stages of corporate citizenship**

The maturity among corporate citizens can differ significantly. Some may have just started to become engaged in corporate citizenship, others may already be transforming the way business is done in their countries with the objective of driving socioeconomic development. This makes it necessary to distinguish between different stages of corporate citizenship and leads to the following question:

- How does corporate citizenship evolve over time?

The model of the stages of corporate citizenship developed by Mirvis and Googins (2006) describes more or less sequential stages in the development of corporate citizenship. Companies are unlikely to completely operate at a particular stage; rather, some of their practices tend to be illustrative for specific stages.

The model distinguishes between an elementary, engaged, innovative, integrated and transforming stage (Figure 6).

**Figure 6: Stages of corporate citizenship**

Adopted from: Mirvis and Googins, 2006
Each of the five stages has criteria with reference to seven dimensions, which are, citizenship concept, strategic intent, leadership, structure, issue management, stakeholder relationships, and transparency. For example, companies who are at an elementary stage do not have a particular concept of corporate citizenship; their social engagement is limited to the creation of jobs and tax payments. While becoming more committed to their social responsibilities, companies increase their philanthropic activities. At some point, they move beyond philanthropy in order to proactively manage the interests of their stakeholders. The more they do this, the more their corporate conduct aims at contributing to the company’s triple bottom line.

The model assumes that companies at each stage face distinct challenges with regards to taking corporate citizenship to the next stage. For example, a company that has become engaged in corporate citizenship needs to build a capacity (financially, institutionally, technically) with the objective of being in a position to practice corporate citizenship. After this capacity is build, it is likely to notice that the company’s corporate citizenship lacks coherence, so it needs to work on the coherent implementation of corporate citizenship. When the coherence is strengthened, it might want to deepen its commitment, which is the next challenge.

The characteristics and challenges of each stage are summarised in the table below (Table 3).

**Table 3: Stages of corporate citizenship along 7 dimensions**

<table>
<thead>
<tr>
<th>Citizenship Concept</th>
<th>Stage 1: Elementary</th>
<th>Stage 2: Engaged</th>
<th>Stage 3: Innovative</th>
<th>Stage 4: Integrated</th>
<th>Stage 5: Transforming</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs, Profits &amp; Taxes</td>
<td>Philanthropy, Environmental Protection</td>
<td>Stakeholder Management</td>
<td>Sustainability or Triple Bottom Line</td>
<td>Change the Game</td>
<td></td>
</tr>
<tr>
<td>Legal compliance</td>
<td>License to operate</td>
<td>Business case</td>
<td>Value proposition</td>
<td>Market creation or social change</td>
<td></td>
</tr>
<tr>
<td>Leadership</td>
<td>Lip service, out of touch</td>
<td>Supporter, in the loop</td>
<td>Steward, on top of it</td>
<td>Champion, in front of it</td>
<td>Visionary, ahead of the pack</td>
</tr>
<tr>
<td>Structure</td>
<td>Marginal: staff driven</td>
<td>Functional ownership</td>
<td>Cross functional coordination</td>
<td>Organization alignment</td>
<td>Mainstream: business driven</td>
</tr>
<tr>
<td>Issues management</td>
<td>Defensive</td>
<td>Reactive policies</td>
<td>Response, programs</td>
<td>Pro-active systems</td>
<td>Defining</td>
</tr>
<tr>
<td>Stakeholder relationships</td>
<td>Unilateral</td>
<td>Interactive</td>
<td>Mutual partnership influence</td>
<td>Alliance</td>
<td>Multi-organization</td>
</tr>
<tr>
<td>Transparency</td>
<td>Frank protection</td>
<td>Public relations</td>
<td>Public reporting</td>
<td>Assurance</td>
<td>Full disclosure</td>
</tr>
<tr>
<td>Challenge</td>
<td>Gain credibility</td>
<td>Build capacity</td>
<td>Coherence</td>
<td>Deepen commitment</td>
<td>Differentiation</td>
</tr>
</tbody>
</table>

*Source: Mirvis and Googins, 2006*
From an African perspective, the vast majority of companies are considered to be in the elementary or engaged stage with the notable exception of South Africa, where many companies are seen in more advanced stages (Muthuri, 2013).

Other theories and models
The previously discussed theories and models are not the only ones. Other theories and models have also sought to provide purposeful representations of the reality of corporate citizenship.

All theories are essentially related to a question asked by Bowen in his seminal work when he established the academic study of corporate social responsibility: "To what extent do the interests of business in the long run merge with the interests of society?" (Bowen, 1953). A multitude of different theoretical approaches have sought to answer this and related questions.

The various existing theoretical approaches can be categorised in utilitarian, managerial and relational theories (Secchi, 2007):

- **Utilitarian theories** take a simplified and mechanical approach to corporate citizenship. They suggest that the economic system is responsible for the extent of a company's social responsibility. From a utilitarian perspective, capitalism requires companies to accumulate profits; companies are merely seen as instruments for profit-maximisation. For example, Michael Porter and Mark Kramer adopted a utilitarian theoretical approach to establish the link between competitive advantage and corporate social responsibility. They argue that embracing corporate citizenship supports profit-maximisation, since it enables companies to gain an advantage over their competitors (Porter and Kramer, 2006, 2011).

- **Managerial theories** take the perspective of the management of companies and consider what impact corporate citizenship has on a company's triple bottom line. They assume that business depends on society for its growth and sustainability; it goes beyond the exclusive focus on profit-maximisation. Managerial theories heavily rely on quantitative methods to gain knowledge in order to make objective decision on the actual impact of social responsibility. For example, corporate social performance is concerned with keeping detailed information about the role of social responsibility for the company. It measures whether social responsibility is compatible with the company’s core goals, analyses the specific advantages social responsibility brings to the company, and examines how social responsibility is perceived by stakeholder groups (Carroll, 1979, Wood, 1991).

- **Relational theory** focuses on analysing the interrelations between a company and its environment. They acknowledge that companies are influenced by institutional norms, values and regulations of a particular governance context (Matten and Moon, 2008). The previously discussed stakeholder theory and the social contract theory are examples of relational theories.

Key aspects of each category are summarised in the table below.
Table 4: Overview of utilitarian, managerial and relational theories

<table>
<thead>
<tr>
<th>Who is responsible for the extent of corporate citizenship?</th>
<th>Utilisation theory</th>
<th>Managerial theory</th>
<th>Relational/institutional theory</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Economic system</td>
<td>Company</td>
<td>Relationship between company and stakeholders</td>
</tr>
<tr>
<td>What is the key criterion for successful corporate citizenship?</td>
<td>Contribution to Profit-maximisation</td>
<td>Provision of measurable contributions to triple bottom line</td>
<td>Values of company and stakeholders are in line with corporate citizenship</td>
</tr>
<tr>
<td>What use has it for practitioners?</td>
<td>Simplified and mechanical explanation</td>
<td>Guidance for managers, given the organisational oriented and measurable focus of theory</td>
<td>Provides normative arguments, in particular with regards to how to deal with implicit contracts</td>
</tr>
<tr>
<td>Example</td>
<td>Theories of social cost</td>
<td>Corporate social performance</td>
<td>Stakeholder theory, social contract theory</td>
</tr>
</tbody>
</table>

*Adopted from Secchi, 2007*
Corporate citizenship in practice

A brief summary of corporate citizenship in practice provides some examples about the current state of corporate citizenship in Africa. Notably, the practice of corporate citizenship will be discussed in more detail in the next manual of this series. The African Institute of Corporate Citizenship also plans to publish a specific publication on corporate citizenship in practice.

South Africa

South Africa has set a good example for the rest of the continent. In South Africa corporate citizenship issues are relatively well integrated in the business sector (Klins et al, 2010). In fact, South Africa could be seen as a global leader in the areas of collective business action, corporate governance, government alignment, prioritisation of critical issues and stakeholder engagement (Visser, 2005).

The advanced development of corporate citizenship in South Africa is largely explained by constant efforts by the government, civil society and business sector to build and sustain an enabling environment for corporate citizenship. The perhaps most prominent pillars of this environment are South Africa’s economic infrastructure, the Broad-Based Back Economic Empowerment Act, the King Report and the Social Investment Index of the Johannesburg Stock Exchange.

South Africa’s economic infrastructure is more developed than in other African countries. This has enabled companies to run profitable business operations. In fact, many South African companies have become large multinational enterprises that maintain subsidiaries in various countries and export their products to destinations all around the world. In other words, they have achieved competitive excellence on a global level.

South Africa is the only country in Africa with a specific corporate citizenship legal framework. The Broad-Based Back Economic Empowerment Act initially aimed at encouraging companies to hire employees from segments of the population that had previously been disadvantaged. Since then, it has incorporated various corporate citizenship issues and has become a strong corporate citizenship related factor, driven by government (Hanks et al, 2008).

The King Report provides a non-legislative code based on principles and practices. It is concerned with corporate governance and rests on three key elements: leadership, sustainability and good corporate citizenship. It implies that managers should direct their companies to achieve sustainable economic, social and environmental performance. The code is voluntary but companies listed on the Johannesburg Stock Exchange are obliged to comply. The code has been applauded all around the world for providing companies with guidance on corporate citizenship.

The Johannesburg Stock Exchange introduced a social investment index, listing companies that comply with certain social and environmental criteria. These criteria are based on the King Report. The index enables companies to receive investments from investors who integrate social and environmental criteria in their decisions, while encouraging companies to act more socially responsible.

South Africa still has its own challenges to improve corporate citizenship. So far, corporate citizenship has largely been promoted by large enterprises, whereas small and medium enterprises lag behind. The impact of corporate citizenship on poverty alleviation in South Africa also leaves room for improvement.

It would be highly desirable if other African countries followed the lead of South Africa. Yet, the exceptional economic size and history of South Africa suggest that efforts that worked in South Africa cannot simply be duplicated in other countries.
Malawi

Malawi fundamentally differs to South Africa. Malawi’s domestic market is much smaller and the country has few local companies that have achieved competitive excellence on a global level. Yet, Malawi has taken first steps to develop its corporate citizenship landscape. In fact, Malawi has made achievements that have been applauded by the international community. For example, Malawi has together with Botswana, Nigeria and Zambia been involved in the Business Action against Corruption (BAAC) initiative. This initiative has executed several activities to combat corruption in Malawi, including the drafting of a Business Code of Conduct for Combating Corruption. In 2009, BAAC was awarded the 2nd prize in the World Bank’s Anti-Corruption Collective Action Competition.

Despite such success stories, corporate citizenship in Malawi remains in its infancy. A study on corporate citizenship in Malawi found that most companies only see corporate citizenship as the philanthropic allocation of finances, while only a few large companies focus on improving the livelihoods of people through stronger corporate citizenship efforts (IMANI, 2011).

One reason why corporate citizenship has not become more advanced in Malawi is that companies face few incentives to engage in corporate citizenship. For example, regulations that are related to corporate citizenship are poorly monitored and enforced (IMANI, 2011). A further problem is that companies have not developed their organisational governance for corporate citizenship and lack basic instruments, such as an explicit corporate citizenship policy to guide them. In addition to this, adverse economic developments have made it increasingly difficult for Malawian companies to prioritise corporate citizenship in their budgets (IMANI, 2011). In other words, corporate citizenship takes place in a less developed enabling environment in Malawi than in South Africa.

A previous study by the African Institute of Corporate Citizenship analysed the state of corporate citizenship in Malawi’s cotton sector (Hoffarth, 2015). On a positive note, the study found that cotton companies have done very well in terms of minimising various forms of discrimination (e.g. gender, HIV/AIDS), which is an important human and labour rights issue under the umbrella of corporate citizenship. Many cotton companies have also implemented projects with a focus on improving human welfare, such as drilling bore holes, providing stipends to students, and supporting mobile clinics to improve the cotton farmers’ access to health care.

Malawi’s cotton companies still have much room for improvements with regards to various corporate citizenship issues, such as occupational health and safety. For example, many workers at the cotton gineries are not provided with sufficient and adequate full protective equipment, although government regulation requires this. Similarly, although HIV/AIDS mainstreaming has been prominent among companies in Africa, a sizeable portion of workers at the cotton companies still feels that they have insufficient knowledge about HIV/AIDS, indicating that cotton companies have not done enough to inform their workforce about it.

The reasons for why Malawi’s cotton companies have not been more committed to corporate citizenship are similar to the aforementioned factors impeding the general emergence of corporate citizenship in the country. The managements of the cotton companies reported that the business climate in Malawi makes it difficult to run profitable business operations, which in turn makes it difficult to fund corporate citizenship initiatives. For example, the ginning capacity of the companies is underutilised. In fact, the companies only use about one-fifth of their ginning capacity as a result of low domestic cotton production. In addition to this, the majority of managers were also found to have the impression that government regulation for human and labour rights would not be adequately enforced. Only 2 out of 6 managers reported that such regulation would be adequately enforced. These economic and legal challenges highlight that Malawi’s companies do not operate in an enabling environment that is conducive for the emergence of corporate citizenship. More efforts are required by government, civil society and businesses to establish such an environment.
There are still some companies in Malawi that have set an example for other companies in the field of corporate citizenship. Illovo provides a prime example.

**Illovo**

Illovo Sugar Malawi Limited is a subsidiary of the South African Illovo Sugar Group. It has exercised corporate citizenship through its core operations, value chain and voluntary contributions. It is also a company that addresses the interests of stakeholders other than shareholders.

The creation of employment and payment of taxes can be seen as two of the most important, if not even the most important, contributions of companies to socioeconomic development. Illovo has led Malawi’s private sector in both regards. Illovo has employed 11,552 people in Malawi, including seasonal and non-permanent workers, making it the single largest private sector employer of the country (Corporate Citizenship, 2014). The company also paid over ZAR 254 million in taxes to Malawi’s government in 2012/2013, making it the single biggest taxpayer in the country (Corporate Citizenship, 2014).

Furthermore, Illovo has promoted corporate citizenship through its value chain. Under the company’s policy, a clause on ethical business practices is included in contracts signed by non-cane suppliers, covering corporate citizenship issues, such as working conditions, freedom of association, non-discrimination, non-child labour, and corruption (Corporate Citizenship, 2014). The company has also sought to favour local businesses in its procuring practices in order to support socioeconomic development in Malawi (Corporate Citizenship, 2014).

*Illovo Sugar presenting a donation*

In addition to its impact through core operations and value chain, Illovo has exercised corporate citizenship through voluntary and philanthropic activities. It has cooperated with a wide range of partner organisations, including local non-governmental organisations and international donor agencies, in order to implement community development projects. These projects cover various issues, including nutrition, education and healthcare (Corporate Citizenship, 2014). For example, Illovo supports various community schools which are attended by more than 13,000 pupils.
Illovo has moved beyond simply complying with regulatory norms to improve the welfare of stakeholders other than shareholders. The company is said to pay its workers wages that are above the government set minimum wage and its full-time employees are also provided with housing, food and medical treatment (IMANI, 2011). Smallholder farmers have also received support from Illovo, since Illovo has helped them become part of smallholder farming associations that are certified by Fair Trade. This Fair Trade certification means that farmers receive a higher price for their sugar and also benefit from social development projects initiated by Fair Trade (Corporate Citizenship, 2014).

The previous examples highlight that Illovo is one of Malawi’s leading corporate citizens. Nevertheless, the company still has room for improvement to further strengthen its commitment to corporate citizenship principles. For example, Illovo has adopted international corporate citizenship standards, such as ISO 9001 (quality management) and FSSC 22000 (food safety) but it has not adopted specific corporate citizenship standards, such as the SA8000, which would set even higher standards for Illovo’s business operations.

**Napoleon Dzombe**

Corporate citizenship is first and foremost associated with large companies that have the technical and financial resources to comply with corporate citizenship principles and invest in human welfare. Yet, corporate citizenship is also mainstreamed by small companies and individuals.

Napoleon Dzombe is an example of an individual who has supported the emergence of corporate citizenship in Malawi (Lombe, 2014). He runs a farming business called Mtalimanja Holdings, which has taken various measures to empower farmers. For example, the Mtalimanja Agriculture School for Family Independence (SAFI) was established in order to provide education to those families that cannot afford to pay school fees.

The example of Dzombe highlights that corporate citizenship is not only about economic and legal incentives but also social incentives. Asked about his motives for improving human welfare, Dzombe referred to the bible and stressed that he would like to set an example for others to follow.
Recommended readings

Readers who are interested in deepening their knowledge of corporate citizenship are likely to encounter two major problems:

- **Plethora of information**: Simply running a Google search with the terms corporate citizenship, corporate social responsibility, business ethics, social responsible investment and stakeholder management provides a plethora of information on the subject. But it may be difficult to immediately distinguish between the more useful and less useful sources.

- **Access to books and academic journals**: Unfortunately, most research outputs are published in academic journals that are not accessible or affordable for most people. Similarly, many classic books on the subject are not available in African bookshops.

The manual therefore includes a recommended reading list. The listed articles and books discuss the content of this manual in more detail and provide an opportunity to learn more about corporate citizenship. They are all freely available online.

Table 5: Recommended readings

<table>
<thead>
<tr>
<th>Topic</th>
<th>Author</th>
<th>Description</th>
<th>Link</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concept of Corporate Citizenship</td>
<td>Matten and Crane</td>
<td>An introduction to the concept of corporate citizenship and different views on corporate citizenship. One of the most often cited articles on corporate citizenship.</td>
<td><a href="http://www.nottingham.ac.uk/business/ICCSR/assets/researchpapers/04-2003.PDF">http://www.nottingham.ac.uk/business/ICCSR/assets/researchpapers/04-2003.PDF</a></td>
</tr>
<tr>
<td></td>
<td>Klins et al</td>
<td>Outlines the current state of CSR in Africa, referring to social expectations, trends, legislation and priority issues amongst other aspects</td>
<td><a href="http://www.greenleaf-publishing.com/content/pdfs/wg_africa.pdf">http://www.greenleaf-publishing.com/content/pdfs/wg_africa.pdf</a></td>
</tr>
<tr>
<td></td>
<td>Malan</td>
<td>Explains how the behaviour of a corporate citizen differs to that of a corporate tourist, colonialist and activist.</td>
<td><a href="http://www.greenleaf-publishing.com/content/pdfs/jcc18mala.pdf">http://www.greenleaf-publishing.com/content/pdfs/jcc18mala.pdf</a></td>
</tr>
<tr>
<td>Ubuntu</td>
<td>Khomba and Kangaude Ulaya</td>
<td>An introduction to ubuntu philosophy and a comprehensive literature review of how it is related to management practices.</td>
<td><a href="http://www.davidpublishing.com/DownLoad/?id=13473">http://www.davidpublishing.com/DownLoad/?id=13473</a></td>
</tr>
<tr>
<td></td>
<td>Mangaliso</td>
<td>An argument about how ubuntuism enables companies to gain a competitive advantage.</td>
<td><a href="http://www.umass.edu/cie/on_campus/Mangaliso%20UbuntuManagement.pdf">http://www.umass.edu/cie/on_campus/Mangaliso%20UbuntuManagement.pdf</a></td>
</tr>
<tr>
<td></td>
<td>IMANI</td>
<td>A detailed analysis of the state of CSR in Malawi with particular focus on the regulatory framework and a case study of Illovo.</td>
<td><a href="http://www.norway.mw/Global/SiteFolders/webhl/CSR%20in%20Malawi_Imani%2020111205.Pdf">http://www.norway.mw/Global/SiteFolders/webhl/CSR%20in%20Malawi_Imani%2020111205.Pdf</a></td>
</tr>
<tr>
<td></td>
<td>Hoffarth</td>
<td>A detailed analysis of the state of CSR in Malawi’s cotton sector.</td>
<td><a href="http://www.aiccafrica.org">www.aiccafrica.org</a></td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>---------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>Donaldson and Dunfee</td>
<td>‘Ties that bind’ is a classic in literature on business ethics and introduces the integrative social contract theory in great detail. Most pages of the book are available at Google Books.</td>
<td><a href="https://books.google.mw/books/about/Ties_that_Bind.html?id=c71T8RuT10C&amp;redir_esc=y">https://books.google.mw/books/about/Ties_that_Bind.html?id=c71T8RuT10C&amp;redir_esc=y</a></td>
<td></td>
</tr>
</tbody>
</table>
| Mirvis and Googins                        | A detailed description of the stages of corporate citizenship by the inventors of the concept. | http://www.karmayog.org/relateddocumentsoncsr/upload/30192/stages%20of%20corp%20citizenship.pdf }}
Glossary

The introduction of this manual highlighted that various terms are used when an ethical behaviour of companies is discussed. The subsequent glossary briefly describes key terms frequently used in the context of corporate citizenship.

3Ps: The 3Ps stand for people, planet and profits. In other words, the term is closely related to the triple bottom line. The term should not be confused with public private partnerships (PPPs).

Aid for Trade (AFT): Aid for trade is concerned with building the supply side capacity and trade related infrastructure that developing countries need to benefit from international trade. Equally, it is concerned with ensuring that trade is inclusive and benefits the entire society. As a consequence, most AFT initiatives require exporters to comply with strict social and ecological requirements in order to ensure that production and trade are beneficial for the entire society, while not excessively harming the environment. The Fair Trade movement and the Rainforest Alliance are perhaps the most popular examples of AFT initiatives. The Cotton Made in Africa Initiative provides a further example.

Bottom / Base of the Pyramid (BOP): The bottom of the pyramid refers to the largest but poorest socio-economic group. C. K. Prahalad and Stuart L. Hart argue that private companies can alleviate poverty by engaging in business activities with the bottom of the pyramid. Prahalad and Hart define the bottom of the pyramid as those people living on less than USD 2 per day. The term base of the pyramid is sometimes used as a synonym for bottom of the pyramid.

Brundtland Report: The Brundtland Report was commissioned by the United Nations. It was a highly influential report placing environmental concerns on the political agenda in the late 1980. Many publications in the field of corporate citizenship have ever since referred to the Brundtland Report to underpin their arguments. The official title of the report is ‘Our Common Future’.

Corporate Activist: Corporate activists are those corporations that strongly participate in the social and political components of a host country.

Corporate Colonialist: Corporate colonialists are those corporations which seek for sources of profit, while caring little about the well-being of those regions.

Corporate Responsibility (CR): The term CR drops the word social. The argument behind this shortened version is that environmental and financial aspects of corporate responsibility are as important as social aspects.

Corporate Social Investment (CSI): CSI refers to the way in which companies care for the well-being of the social and ecological environment of the communities in which they operate. To this end they invest, in a variety of ways, in the advancement of certain socially and/or environmentally defined needs, projects or causes extraneous to their regular business activities (Gesellschaft fuer Technische Zusammenarbeit, 2009). In other words, corporate social responsibility (CSR) is not directly for purposes of increasing profit. This distinguishes CSI from CSR, since CSR is also concerned with the accountability of companies to shareholders.

Corporate Social Performance (CSP): Corporate social performance embraces corporate social responsibility, responsiveness and the entire spectrum of socially beneficial activities of businesses. Corporate social performance stresses results and suggests that social activities need to be assessed by criteria referring to quantity, quality, effectiveness and efficiency (Carroll, 1979).
Corporate Social Responsibility (CSR): Various definitions about corporate social responsibility are available, as previously mentioned. In accordance with the ISO 26000 standard, social responsibility refers to actions of an organization to take responsibility for the impacts of its activities on society and the environment, where these actions: a) are consistent with the interests of society and sustainable development, b) are based on ethical behaviour, compliance with applicable law and intergovernmental instruments; and c) are integrated into the ongoing activities of an organization (International Organization for Standardization, 2010).

Corporate Social Responsiveness (CSR2): Corporate social responsiveness is closely related to corporate social responsibility and performance. Yet, it particularly emphasises the capacity of a corporation to respond to social issues.

Corporate Sustainability (CS): The concept arose out of concerns for the environment. In recent years, it has been used to also encompass social and economic aspects of business operations.

Corporate Tourist: Corporate tourists are those corporations that are present in host countries without much social or political involvement.

Double / Triple Bottom Line: The conventional bottom line refers to an organisation’s fiscal performance. The double bottom line extends the bottom line by adding a second bottom line with the objective of measuring an organisation’s social impact. The triple bottom line extends the double bottom line by adding a third bottom line in order to measure an organisation’s impact on the environment.

Explicit contract: An explicit contract is a relational contract that is legally enforceable.

Externalities: Externalities are costs or benefits that affect a party who did not choose to incur that cost or benefit. For example, if a company pollutes water, then fishermen may find it more difficult to catch fish. The fishermen’s loss of income is a negative externality.

Footprint: A company’s footprint is the total impact of the company, its products or services, operations, voluntary community development, purchasing and sales. The footprint is created not just through the company’s direct operations, but also through its value chain.

Global Compact: The Global Compact is an initiative of the United Nations concerned with motivating companies worldwide to adopt socially responsible and sustainable business practices. The Global Compact is principle-based and promotes ten principles in the areas of human rights, labour, environment and anti-corruption.

Implicit contract: Implicit contracts are relational contracts that are not legally enforceable. Notably, they can become self-enforcing when the present value of a firm’s gains from maintaining its reputation is greater than the loss if the firm reneges on its implied contracts (Ruf et al, 2001).

ISO 9000: ISO stands for International Standardisation Organisation. It is an organisation that belongs to the United Nations framework and promotes international standards. The ISO 9000 is a family of standards (including ISO 9001, 9004, 19011) rather than a single standard. It provides guidance and tools for companies and organisations who want to ensure that their products and services consistently meet stakeholder requirements, and that quality is consistently improved.

ISO 14000: The ISO 14000 is concerned with the environment. It guides companies on how to comply with existing environmental regulations and reduce their impact on the environment.
ISO 26000: The ISO 26000 standard is concerned with social responsibility. It guides companies on how to act more socially responsible.

King Report: The King Report is a code of corporate governance in South Africa. Companies listed on the Johannesburg Stock Exchange are required to comply with the report. It also offers one of the most popular definitions of corporate social responsibility in Africa. The 2009 King Report defines it as responsibility of the company for the impacts of its decisions and behaviour that contributes to sustainable development, including health and the welfare of society; takes into account the legitimate interests and expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the company and practiced in its relationships.

Public Private Partnership (PPP): Various definitions of PPP exist. It essentially refers to a partnership between the public sector (government) and private sector (civil society and business sector). An increasing number of countries are enshrining a definition of PPPs in their laws, each tailoring the definition to their institutional and legal particularities. In Malawi, the PPP Act regulates public private partnerships.

SA8000: SA stands for social accountability. The SA8000 is one of the world's first audible social certification standard for decent workplaces. It was developed by Social Accountability International (SAI). It is concerned with eight areas of social accountability in the workplace, which are, child labour, health and safety, free association and collective bargaining, discrimination, disciplinary practices, working hours and compensation.

SEE: SEE stands for key aspects of corporate citizenship, which are, social, economic and environmental. It is closely related to the term triple bottom line.

Shareholder: A shareholder refers to any individual or group that owns a stock in a company. It is also described as a stockholder.

Silver Book: The original silver book was introduced in 2006 by Malaysia's government to guide companies on how they can contribute to society in a responsible manner. It also clarifies social obligations that would bring benefits to business and society. In the meantime, some academics and professionals have begun using the term silver book to refer to government set guidelines on corporate social responsibility.

Stakeholder: The popularity of stakeholder management has given rise to various definitions. For example, a stakeholder can be defined as anyone influencing or influenced by a firm (Freeman, 1984, quoting Thompson, 1967).

Social license to operate (SLO): The social license to operate is concerned with the relationship of a company and its host community. It implies that companies do not only need to provide their host communities with money but also other resources and responsible business practices in order to ensure the host community's acceptance of the business operations. The social license to operate is an implicit contract; it is not granted by government.

Sustainability: The Brundtland report is often cited for defining sustainability. It suggests that sustainability is concerned with meeting the needs of the present without comprising the ability of future generations to meet their own needs.


References


