Corporate Citizenship
Manual

Mainstreaming Corporate Citizenship in Africa
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Foreword

The first manual under this series had unearthed the basic concepts, terms, theories and basis of corporate citizenship in general but with a particular focus on Africa. However, corporate citizenship is a normative value and "way of life" which entails that it can and should be applied in all facets of life and sector of economy by all players at all stages of operation. As an approach, it needs to be mainstreamed across the strata of human operations if its benefits are to be realised. As a relatively new approach in development discourse, we thought it wise to package into a manual methods and models that work and have worked elsewhere in the application of the corporate citizenship approach. We appreciated that the first manual on its own would have been incomplete in its usage if it had not been accompanied by the practical toolkit provided in this edition. This second manual looks at how practitioners select corporate citizenship focus areas, the drivers of corporate citizenship and most importantly for me is the success factors for successful corporate citizenship.

Although the newness of some of these topics is an obviousity, the discussion about the conventional frameworks under which corporate citizenship is today being applied will not be new to many of us. A number of protocols governing different sectors of our economy and human development today do in one or the other reflect the continued appreciation of corporate citizenship as an approach for identifying the common human destiny as well as the means for getting there. Presented in a simple but informative mode, the manual illustrates how stakeholder involvement, organisational governance, human resources, availability and management of funding, and intervention with the right drivers at the right place are some of the key success factors of corporate citizenship mainstreaming.

Although the manual does not claim to be exhaustive in the methods and models that have worked, we have tried to bring-out the up-to-date methods that have been tested by several stakeholders but also by AICC itself within the programmatic areas of its mandate.

Just as with the first edition, the audience of this manual include front-line private sector players, public sector as well as non-governmental organisations (NGOs). The latter group will find this manual additional useful in their pursuance to engage private sector in their interventions. Our constant advice and argument as an institution is that unless NGOs in Africa collaborate with not only government but also private sector, the sustainability and depth of impact of our interventions will remain a lip service.

It is my stable belief once again that you will find this manual useful as we forge mutually beneficial partnerships for the shared prosperity of social and economic development.

Felix Lombe PhD
Acting Chief Executive Officer of AICC
**Introduction**

**What is corporate citizenship?**
The first manual of this series introduced the reader to concepts and theories of corporate citizenship. But it may still help to briefly return to the essential question of what corporate citizenship actually is.

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 actions by governments, civil society and the business sector are 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.

**What is mainstreaming?**
The adjective 'mainstream' refers to something that is considered normal because it is done or accepted by most people, while the gerund 'mainstreaming' refers to a strategy for ensuring that attention to a specific issue is central to all activities of an organisation.
Mainstreaming is more than just promotion. It does not only seek to increase the salience of an issue. Rather, it seeks to ensure that an issue becomes deeply embedded in the day-to-day operations of an organisation. For example, over the years, gender and HIV/AIDS mainstreaming have gained popularity. As a result, both issues have become deeply embedded in the operations of more organisations.

Corporate citizenship mainstreaming aims at embedding principles of ethical business behaviour in the day-to-day operations of an organisation.

Why does it matter?
The practice of corporate citizenship still falls short to its potential on the African continent. The first manual of this series introduced the reader to five stages of corporate citizenship - an elementary, engaged, innovative, integrated and transforming stage. The corporate citizenship of companies at the elementary stage is primarily concerned with legal compliance and with creating jobs, generating profits and paying taxes for improving human welfare. By contrast, the corporate citizenship at the integrated stage is concerned with proactively addressing issues of stakeholders and working towards the triple bottom line.

On the African continent, most companies are at the elementary stage of corporate citizenship, while few companies have reached the innovative, integrated or transforming stage. The problem is that corporate citizenship is largely considered as a public relations exercise or voluntary philanthropy by African companies (Gesellschaft fuer Technische Zusammenarbeit, 2009; Klins et al, 2010). For example, in Kenya, philanthropy was the most frequently mentioned corporate citizenship process, being reported by 87 per cent of companies, and most community development activities were one-off events rather than long-term partnerships (Muthuri and Gilbert, 2011).

Mainstreaming is needed to ensure that corporate citizenship is no longer a bolt-on to a business-as-usual approach but something that is deeply embedded in the day-to-day operations of African organisations. This is expected to unfold the full potential of corporate citizenship - taking advantage of collective action among the business sector, government and civil society to improve human welfare.

Structure of manual
This manual is structured in several sections. The content of each section is briefly summarised below.

- **Corporate citizenship issues**: The next section looks at what issues fall under the umbrella of corporate citizenship and presents different approaches to categorising these issues. It also provides guidance for practitioners on how corporate citizenship focus areas should be selected. Moreover, it briefly discusses what issues are prominent on the corporate citizenship agenda in Africa.

- **Competitiveness**: The third section pays attention to competitiveness, explaining why competitiveness is a pre-requisite for corporate citizenship. The section also discusses the determinants of competitiveness, such as stable and predictable macroeconomic conditions and targeted interventions for strengthening competitiveness. It also discusses competitiveness in the context of Africa and outlines key hindrances to competitiveness. Moreover, the relation between competitiveness and corporate citizenship is explained, while outlining the importance of aligning economic competitiveness with corporate citizenship.
• **Drivers of corporate citizenship:** The fourth section is the centrepiece of this manual. It presents various driving forces of corporate citizenship, including government regulation, industry self-regulation, ethical consumerism, procurement practices, subsidies, stakeholder activism, peer pressure and many more. Each driving force is discussed with reference to its advantages, challenges and two examples. The examples are exclusively drawn from African countries or international initiatives that are active in Africa. Although most recorded examples in the literature on corporate citizenship are related to South Africa, many examples from other countries are also included.

• **Interaction among business sector, civil society and public sector:** Corporate citizenship relies on collective action among the business sector, civil society and public sector. Yet, the relationship among the sectors can take different forms, ranging from antagonistic and confrontational to friendly and cooperative relations. The fifth section introduces the concept of corporate citizenship clustering, providing practitioners with guidance on various forms of relationships among the different sectors.

• **Key success factors for successful corporate citizenship projects:** The fifth section outlines five key factors for successful implementation of corporate citizenship. These are closely related or even identical with the drivers of corporate citizenship but merit particular attention.

• **Reading list:** The final section provides a reading list, presenting recommended articles and books that help practitioners to further deepen their knowledge on corporate citizenship mainstreaming. All sources listed are available as free access online.
Corporate citizenship issues

Corporate citizenship comprises various subjects and issues. Practitioners need to be aware of the variety of issues that are related to corporate citizenship. They also need to know which issues they should select for corporate citizenship initiatives.

Categorising issues

Several categorisations for subjects and issues related to corporate citizenship have been introduced to provide practitioners with guidance on what issues fall under the umbrella of corporate citizenship. The Global Compact, the ISO 26000 and the State of Sustainability Initiatives Review provide popular categorisations of corporate citizenship issues.

Global Compact

The United Nations launched the Global Compact in 2000. It is the world's largest corporate citizenship initiative with 10,000 participating companies and other stakeholders in over 130 countries. The Global Compact explicitly states the mainstreaming of ten principles in business activities around the world as its objective. This is expected to support the broader goals of the United Nations, such as the Millennium Development Goals and, more recently, the Social Development Goals.

The principles of the Global Compact concentrate on four subject areas of corporate citizenship: human rights, labour, environment and anti-corruption. Companies are supposed to incorporate them into their strategies, policies and procedures. The Global Compact stresses that good practices in one area should not cause harm in another area.

The ten principles of the Global Compact are enumerated in the table below (Table 1). The principles are derived from the Universal Declaration of Human Rights, the International Labour Organisation’s Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention against Corruption.

Table 1: 10 principles of the Global Compact

<table>
<thead>
<tr>
<th>Issue area</th>
<th>Principle</th>
<th>Principle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Rights</td>
<td>Principle 1</td>
<td>Business should support and respect the protection of internationally proclaimed human rights, and make sure that they are not complicit in human rights abuses</td>
</tr>
<tr>
<td></td>
<td>Principle 2</td>
<td>Principle 3</td>
</tr>
<tr>
<td></td>
<td>Principle 4</td>
<td>Principle 5</td>
</tr>
<tr>
<td>Labour</td>
<td>Principle 7</td>
<td>Principle 8</td>
</tr>
<tr>
<td></td>
<td>Principle 9</td>
<td>Principle 10</td>
</tr>
</tbody>
</table>
ISO 26000

ISO stands for the International Organization for Standardization. It is an organisation affiliated with the United Nations and responsible for developing international standards. The ISO 26000 is the standard on social responsibility.

The ISO 26000 standard was developed with a participatory multi-stakeholder process, involving experts from more than 90 countries and 40 international or broadly-based regional organisations involved in different aspects of corporate citizenship. The standard has sought to take a balanced approach, ensuring that the listed subjects and issues are as relevant for developing as for developed countries.

The subjects and issues as identified by the ISO 26000 are enumerated in the table below (Table 2). For further clarification on each subject and issue, the reader is well-advised to read the actual document of the ISO 26000 standard (see Reading List).

<table>
<thead>
<tr>
<th>Subject</th>
<th>Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisational governance</td>
<td>Organisational governance</td>
</tr>
<tr>
<td>Human rights</td>
<td>Issue 1: Due diligence</td>
</tr>
<tr>
<td></td>
<td>Issue 2: Human rights risk situations</td>
</tr>
<tr>
<td></td>
<td>Issue 3: Avoidance of complicity</td>
</tr>
<tr>
<td></td>
<td>Issue 4: Resolving grievances</td>
</tr>
<tr>
<td></td>
<td>Issue 5: Discrimination and vulnerable groups</td>
</tr>
<tr>
<td></td>
<td>Issue 6: Civil and political rights</td>
</tr>
<tr>
<td></td>
<td>Issue 7: Economic, social and cultural rights</td>
</tr>
<tr>
<td></td>
<td>Issue 8: Fundamental rights at work</td>
</tr>
<tr>
<td>Labour practices</td>
<td>Issue 1: Employment and employment relationships</td>
</tr>
<tr>
<td></td>
<td>Issue 2: Conditions of work and social protection</td>
</tr>
<tr>
<td></td>
<td>Issue 3: Social dialogue</td>
</tr>
<tr>
<td></td>
<td>Issue 4: Health and safety at work</td>
</tr>
<tr>
<td></td>
<td>Issue 5: Human development and training in the workplace</td>
</tr>
<tr>
<td>Environment</td>
<td>Issue 1: Prevention of pollution</td>
</tr>
<tr>
<td></td>
<td>Issue 2: Sustainable resource use</td>
</tr>
<tr>
<td></td>
<td>Issue 3: Climate change mitigation and adaption</td>
</tr>
<tr>
<td></td>
<td>Issue 4: Protection and restoration of the natural environment</td>
</tr>
<tr>
<td>Fair Operating practices</td>
<td>Issue 1: Anti-corruption</td>
</tr>
<tr>
<td></td>
<td>Issue 2: Responsible political involvement</td>
</tr>
<tr>
<td></td>
<td>Issue 3: Fair competition</td>
</tr>
<tr>
<td></td>
<td>Issue 4: Promoting social responsibility in the sphere of influence</td>
</tr>
<tr>
<td></td>
<td>Issue 5: Respect for property rights</td>
</tr>
<tr>
<td>Consumer issues</td>
<td>Issue 1: Fair marketing, information and contractual practices</td>
</tr>
<tr>
<td></td>
<td>Issue 2: Protecting consumers’ health and safety</td>
</tr>
<tr>
<td></td>
<td>Issue 3: Sustainable consumption</td>
</tr>
<tr>
<td></td>
<td>Issue 4: Consumer service, support, and dispute resolution</td>
</tr>
<tr>
<td></td>
<td>Issue 5: Consumer data protection and privacy</td>
</tr>
<tr>
<td></td>
<td>Issue 6: Access to essential services</td>
</tr>
<tr>
<td></td>
<td>Issue 7: Education and awareness</td>
</tr>
<tr>
<td>Community involvement and development</td>
<td>Issue 1: Community involvement</td>
</tr>
<tr>
<td></td>
<td>Issue 2: Education and culture</td>
</tr>
<tr>
<td></td>
<td>Issue 3: Employment creation and skills development</td>
</tr>
<tr>
<td></td>
<td>Issue 4: Technology development</td>
</tr>
<tr>
<td></td>
<td>Issue 5: Wealth and income creation</td>
</tr>
<tr>
<td></td>
<td>Issue 6: Health</td>
</tr>
<tr>
<td></td>
<td>Issue 7: Social investment</td>
</tr>
</tbody>
</table>

Source: International Organization for Standardization, 2010
State of sustainability initiatives review

The State of Sustainability Initiatives review has been developed by the International Institute for Sustainable Development. It provides a bird’s-eye view of various certification schemes that set minimum standards for the social and environmental performance of companies. These standards highlight the multitude of issues that are related to corporate citizenship.

The State of Sustainability Initiatives review categorises issues related to corporate citizenship into three groups: social, environmental, economic. The specific issues are enumerated in the table below (Table 3).

**Table 3: Corporate citizenship issues by State of Sustainability Initiatives**

<table>
<thead>
<tr>
<th>Category</th>
<th>Subject</th>
<th>#</th>
<th>Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social</td>
<td>Community involvement</td>
<td>1a</td>
<td>Community consultation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1b</td>
<td>Local hiring and purchasing</td>
</tr>
<tr>
<td></td>
<td>Employment benefits</td>
<td>2a</td>
<td>Paid leave</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2b</td>
<td>Pension and security benefits</td>
</tr>
<tr>
<td></td>
<td>Employment conditions</td>
<td>3a</td>
<td>Treatment of contract workers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3b</td>
<td>Transparency of employment practices</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3c</td>
<td>Written contracts for employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3d</td>
<td>Timely payment for wages</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3e</td>
<td>Maximum number of working hours</td>
</tr>
<tr>
<td></td>
<td>Gender</td>
<td>4a</td>
<td>Gender in governance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4b</td>
<td>Women’s labour rights</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4c</td>
<td>Women’s health and safety</td>
</tr>
<tr>
<td></td>
<td>Health and safety</td>
<td>5a</td>
<td>Safety at work</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5b</td>
<td>Healthy work conditions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5c</td>
<td>Access to safe drinking water</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5d</td>
<td>Access to sanitary facilities at work</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5e</td>
<td>Access to medical assistance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5f</td>
<td>Access to training</td>
</tr>
<tr>
<td></td>
<td>Human rights</td>
<td>6a</td>
<td>Education</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6b</td>
<td>Housing and sanitary facilities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6c</td>
<td>Medical care</td>
</tr>
<tr>
<td></td>
<td>Humane treatment of animals</td>
<td>7a</td>
<td>Human treatment of animals</td>
</tr>
<tr>
<td></td>
<td>Labour rights</td>
<td>8a</td>
<td>Equal remuneration</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8b</td>
<td>Freedom of association</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8c</td>
<td>Collective bargaining</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8d</td>
<td>Non-discrimination</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8e</td>
<td>Worst forms of child labour</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8f</td>
<td>Forced labour</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8g</td>
<td>Minimum age</td>
</tr>
<tr>
<td>Environment</td>
<td>Soil</td>
<td>1a</td>
<td>Soil conservation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1b</td>
<td>Soil quality maintenance</td>
</tr>
<tr>
<td></td>
<td>Biodiversity</td>
<td>2a</td>
<td>Habitat seasides</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2b</td>
<td>Flora densities/diversity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2c</td>
<td>Land conversion</td>
</tr>
<tr>
<td></td>
<td>Genetically modified</td>
<td>3a</td>
<td>Prohibition of genetically modified organisms</td>
</tr>
<tr>
<td></td>
<td>organism prohibition</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Water</td>
<td>4a</td>
<td>Waste disposal</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4b</td>
<td>Waste management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4c</td>
<td>Pollution</td>
</tr>
<tr>
<td></td>
<td>Waste</td>
<td>5a</td>
<td>Water practices in scarcity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5b</td>
<td>Waste reduction criteria</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5c</td>
<td>Waste water disposal</td>
</tr>
</tbody>
</table>
Selecting focus areas

Given the multitude of issues that may be addressed, corporate citizenship practitioners are likely to select specific issues that are to be addressed rather than focusing on all issues at the same time.

The following factors should be taken into account when it comes to making decisions in favour of particular focus areas:

- **Identify urgent issues through stakeholder dialogue and research:** The most urgent issues differ across regions, countries, communities and industries. Practitioners are ill-advised to select an issue because it is assumed to be urgent. Rather, constructive dialogue with stakeholders and research activities provide a good approach to identify urgent issues. Otherwise, a corporate citizenship project is unlikely to have its desired outcome.

- **Seek to solve operational problem of business and strengthen competitiveness:** The business sector is more likely to buy in a specific corporate citizenship initiative if the initiative solves an operational problem of the business. For example, the business operations of many African companies have been undermined by the HIV/AIDS pandemic. As a result, the mainstreaming of HIV/AIDS has become relatively popular on the African continent. Corporate citizenship targeted at HIV/AIDS helps reduce the absenteeism rate due to illness and thereby increases the company’s productivity. This provides companies with a strong incentive to focus on HIV/AIDS issues and makes their buy in more likely.

- **Take expertise of company into account:** Companies usually possess a significant technical expertise in their field of business. In particular if core business activities are used to address corporate citizenship issues, this technical expertise can play an important role. The most popular example refers to microfinance, where financial institutions began to use their financial expertise to provide credit to low income households.

- **Consider feasibility:** The most urgent issue of stakeholders may not necessarily be solvable in the near term future. Realistic targets must be set. Otherwise, stakeholders may become disappointed with corporate citizenship and failure to fulfil expectations may harm the public perception of corporate citizenship.

*Source: Potts et al, 2014*
• **Consider feasibility:** The most urgent issue of stakeholders may not necessarily be solvable in the near term future. Realistic targets must be set. Otherwise, stakeholders may become disappointed with corporate citizenship and failure to fulfil expectations may harm the public perception of corporate citizenship.

• **Consider sustainability:** Corporate citizenship practitioners need to select issues that can be addressed in the long run. Sustainability is a key concern. Put in the words of Tony Aubynn, former head of Affairs and Social Development at Gold fields Ghana, "Our previous approach was to build a school here, a road there. We learnt that this doesn’t make sense. When you build a school, you have to ask will it have teachers? Will it have books? What happens when you leave? To work on that you have to get the government on board" (Forstater et al, 2010). Corporate citizenship practitioners must not ignore sustainability concerns.

Carefully selecting corporate citizenship focus areas helps avoid one key challenge to effective corporate citizenship - 'selective amnesia' (Jenkins, 2005). The previous experience with corporate citizenship has shown that much attention is paid to a few specific issues, while other issues are rarely addressed. For example, tax compliance in Africa is very low but issues of tax avoidance and profit expatriation by multinational enterprises receive little attention.

**Prominent corporate citizenship issues in Africa**
The most urgent issues and popular corporate citizenship focus areas differ across regions, countries and industries.

In Nigeria, a study was conducted about the values of people who expect support from the private sector. The social concerns of the respondents included multiple concerns, namely, conflict, economic empowerment and enterprise, education, health, human disaster relief, environment, human rights, poverty alleviation, promotion of sports, rural development, urban development, and weak governance. Among the cited concerns, education, health and poverty alleviation were identified as the most urgent stakeholder issues (Figure 1) (Phillips, 2006).

**Figure 1: Social concerns of stakeholders in Nigeria**

![Pie chart showing social concerns in Nigeria](source: Phillips, 2006)

The aforementioned needs of the Nigerian community and other communities in Africa indicate that corporate citizenship is expected to address issues, which fall into the responsibility of the state in other parts of the world, such as Europe. Addressing weak public sector services delivery in areas of health, education, labour skills development and poverty alleviation have indeed been one of the factors explaining the companies' selection of corporate citizenship focus areas (Fox, 2004; Hamann, 2008; Gesellschaft fuer Technische Zusammenarbeit, 2009; Klins et al, 2010).
An overview of the corporate citizenship focus areas of companies in South Africa, Namibia, Mozambique, Malawi, Kenya and Ghana that participated in a study by Gesellschaft fuer Technische Zusammenarbeit is illustrated in the figure below (Figure 2). It highlights that issues related to education, health and the environment are most prominent. The figure also shows that focus areas differ across countries. For example, Malawian companies account for the largest portion of companies focusing on labour rights, although labour rights are not a prominent focus area among African companies. By contrast, Malawian companies pay hardly any attention to downstream enterprise development.

Figure 2: Corporate citizenship focus areas of Africa companies

Source: Gesellschaft fuer Technische Zusammenarbeit, 2009

The company’s self-interest is a key reason for explaining why education, health, sports events, and skills development are more popular than labour rights and human rights. Investments in education and skills development enable companies to invest in their current and future workforce. Many companies have realised that they will not find and retain qualified workers in the long run unless they make such investments. Similarly, an unhealthy workforce is unlikely to achieve the same level of productivity as a healthy workforce. This is one of the reasons why companies have invested in health. Moreover, supporting sports and cultural events provides companies with a marketing platform to increase the popularity of their brand. On the contrary, Africa companies have a weaker interest to invest in labour and human rights. One of the reasons why companies have to fear little in terms of disobeying labour and human rights is that government regulation tends to be poorly monitored and enforced in most African countries. Notably, the advantages and disadvantages of various incentives for companies to invest in corporate citizenship, such as self-interest and government regulation, are discussed in more detail below (see Drivers of Corporate Citizenship).
Competitiveness

Importance of competitiveness
Economic competitiveness pertains to the ability of a firm, industry, country or region to supply products and services that meet the quality standards of markets at prices that provide adequate returns on the resources employed or consumed in producing them (Business Dictionary, 2015).

- **Corporate citizenship main streaming needs to take competitiveness concerns into account for two major reasons**: Companies are for-profit organisations: Companies can be used as vehicles to address the needs of stakeholders other than shareholders. They can be a driving force of socioeconomic development and improved human welfare. But they essentially remain for-profit organisations. This requires them to focus on economic competitiveness. Companies are unable to survive in a market setting and act as good corporate citizens in the long run unless they achieve economic competitiveness. Put simply, competitiveness is a pre-requisite for corporate citizenship.

- **Removing factors fostering underdevelopment**: Corporate citizenship often seeks to advance community development. But this has sometimes diverted attention away from problems fostering community underdevelopment (Idemudia, 2011). Several factors responsible for fostering community underdevelopment are the same as those undermining competitiveness. For example, education has been a key focus area of corporate citizenship in Africa, while it has also been a key hindrance to stronger competitiveness on the African continent. Hence, a strengthening of competitiveness can advance community development and address urgent social issues.

Determinants of competitiveness
The economic competitiveness of regions, countries, value chains, industries and companies is highly dependent on the system in which they operate. A system conducive for economic competitiveness is characterised by stable and predictable macroeconomic conditions, such as exchange rate stability and prudent fiscal policy, and targeted interventions for strengthening competitiveness, such as education, trade and industrial policy (Meyer-Stamer, 2008). The innovation culture within a system is a further important determinant of competitiveness, partly because it allows shifting an economy to value added production.

Practical experience and research has shown that there are various determinants of competitiveness. These determinants are summarised by the concept of systemic competitiveness (Meyer-Stamer, 2008).

The concept distinguishes between four analytical levels - the micro, meso, macro and meta level. The micro level pays attention at how companies and networks of companies produce and allocate resources, goods and services. The meso level looks at targeted interventions to address market failures and strengthen the competitive advantage of companies as well as entire economies. The macro level pays attention to generic economic policies and institutions that seek to establish a stable and competition-oriented economic environment. The meta level looks at the sphere of societal framework conditions that guide decisions about fundamental economic alternatives, such as socio-cultural values, basic patterns of governance, and collective memory.
The determinants of competitiveness at each level are illustrated by the figure below (Figure 3).

**Figure 3. Determinants of systemic competitiveness**

Source: Meyer-Stamer, 2008

The more developed the individual determinants of systemic competitiveness are, the more likely companies are to thrive in an economy and encounter profit-making opportunities. This in turn enables them to run financially sustainable business operations and take on the role of corporate citizens in the long run.

**Competitiveness in Africa**

South Africa's wine industry and various other examples show that Africa has achieved competitive excellence in various fields. Overall, however, the pursuit of competitiveness remains an enormous challenge on the African continent. In accordance with the Global Competitiveness Index, only 3 African countries (Mauritius, South Africa and Rwanda) are listed among the upper half of the index. By contrast, 13 of the 20 least competitive economies of the world are in sub-Saharan Africa (World Economic Forum, 2014). The global top 5, the sub-Saharan Africa top 10 and the global bottom 20 of the index are enumerated in the table below (Table 4).

More competitiveness does not necessarily lead to improved human welfare in a country. Equally, improved human welfare does not necessarily result in more competitiveness. Yet, both factors are correlated and countries with a faster growth of competitiveness also develop their human capital more rapidly (Lonska and Boronenko, 2015). Those countries that are at the bottom of the global competitiveness index are similar to those at the bottom of the human development index. African economies have lagged behind in terms of achieving competitiveness largely because they struggle to develop the determinants of systemic competitiveness. In accordance with the most recent African Competitiveness Report, the following aspects need to be particularly targeted in order to strengthen competitiveness on the African continent: 1) Better infrastructure, including transport, energy, information communication technology, and irrigation; 2) improving the quality of education; 3) reducing barriers to trade, including the streamlining of border administration and international trade conditions; and 4) stronger regulatory frameworks (World Economic Forum, 2015).
### Table 4: Global Competitiveness Index 2014-2015

<table>
<thead>
<tr>
<th>Global Rank</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Switzerland</td>
</tr>
<tr>
<td>2</td>
<td>Singapore</td>
</tr>
<tr>
<td>3</td>
<td>United States</td>
</tr>
<tr>
<td>4</td>
<td>Finland</td>
</tr>
<tr>
<td>5</td>
<td>Germany</td>
</tr>
</tbody>
</table>

#### Top 10 from sub-Saharan Africa

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>39</td>
<td>Mauritius</td>
</tr>
<tr>
<td>56</td>
<td>South Africa</td>
</tr>
<tr>
<td>62</td>
<td>Rwanda</td>
</tr>
<tr>
<td>74</td>
<td>Botswana</td>
</tr>
<tr>
<td>88</td>
<td>Namibia</td>
</tr>
<tr>
<td>90</td>
<td>Kenya</td>
</tr>
<tr>
<td>92</td>
<td>Seychelles</td>
</tr>
<tr>
<td>96</td>
<td>Zambia</td>
</tr>
<tr>
<td>106</td>
<td>Gabon</td>
</tr>
<tr>
<td>107</td>
<td>Lesotho</td>
</tr>
</tbody>
</table>

#### Bottom 20

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>125</td>
<td>Gambia</td>
</tr>
<tr>
<td>126</td>
<td>Libya</td>
</tr>
<tr>
<td>127</td>
<td>Nigeria</td>
</tr>
<tr>
<td>128</td>
<td>Mali</td>
</tr>
<tr>
<td>129</td>
<td>Pakistan</td>
</tr>
<tr>
<td>130</td>
<td>Madagascar</td>
</tr>
<tr>
<td>131</td>
<td>Venezuela</td>
</tr>
<tr>
<td>132</td>
<td>Malawi</td>
</tr>
<tr>
<td>133</td>
<td>Mozambique</td>
</tr>
<tr>
<td>134</td>
<td>Myanmar</td>
</tr>
<tr>
<td>135</td>
<td>Burkina Faso</td>
</tr>
<tr>
<td>136</td>
<td>Timor-Leste</td>
</tr>
<tr>
<td>137</td>
<td>Haiti</td>
</tr>
<tr>
<td>138</td>
<td>Sierra-Leone</td>
</tr>
<tr>
<td>139</td>
<td>Burundi</td>
</tr>
<tr>
<td>140</td>
<td>Angola</td>
</tr>
<tr>
<td>141</td>
<td>Mauritania</td>
</tr>
<tr>
<td>142</td>
<td>Yemen</td>
</tr>
</tbody>
</table>

*Source: World Economic Forum, 2014*

Many of the underdeveloped determinants of systemic competitiveness are closely related to corporate citizenship. Improving the quality of education is a key issue of corporate citizenship that has been prominent on the agenda in Africa. In fact, many African companies have supported the construction of schools or offered scholarships as part of their community development and have trained their employees on various topics related to their work. International trade conditions have undermined the export volumes of developing countries to developed countries but ethical consumerism and voluntary certification schemes seeking to induce corporate citizenship have contributed to better trade conditions. Moreover, stronger regulatory frameworks are not only
needed for competitiveness but also for creating a level playing field for corporate citizens. These examples suggest that corporate citizenship and competitiveness are mutually supportive but the relation between competitiveness and corporate citizenship is highly complex, as the next section discusses.

Relation between competitiveness and corporate citizenship
The relation between competitiveness and corporate citizenship is complex and highly contested. In general, there are two distinct views on how corporate citizenship impacts competitiveness:

- **The business case for corporate citizenship - competitiveness and corporate citizenship are mutually supportive:** Corporate citizenship can provide companies with financial benefits and reinforce their competitive advantage under certain conditions. This is described as the business case for corporate citizenship. Companies who believe in the business case for corporate citizenship are more likely to invest in socially- and environmentally-friendly business practices.

- **Corporate citizenship as hindrance to competitiveness:** Countries and companies may have the opinion that corporate citizenship is a hindrance to competitiveness. As a matter of fact, investing in corporate citizenship usually incurs costs, at least in the short run, thereby increasing production costs and undermining competitiveness. Countries and companies taking such a sceptical perspective on the relationship between competitiveness and corporate citizenship are likely to be reluctant to mainstream corporate citizenship out of the fear of reduced competitiveness.

Neither of these views on the relation between competitiveness and corporate citizenship is completely correct. Corporate citizenship can result in more competitiveness under certain conditions (Boston College Center for Corporate Citizenship, 2009; Raynard and Forstater, 2002). But corporate citizenship may also undermine competitiveness.

Business case for corporate citizenship
Selling investments in corporate citizenship activities to managers, shareholders and investors may be difficult because they may not see any financial rewards of such investments. The business case has been developed to respond to such concerns.

The ways in which corporate citizenship activities improve a company’s financial performance are manifold and include the following (Boston College Center for Corporate Citizenship, 2009; Dougherty Centre for Corporate Responsibility, 2011; Gesellschaft fuer Technische Zusammenarbeit, 2009; Raynard and Forstater, 2002):

- **Building and maintaining a good reputation:** A company’s brand value and reputation is one of its key assets. Improved social and environmental performance can result in a better reputation if stakeholders take notice of the improved performance. A company’s reputation is not immutable and can actually change quickly. For example, companies that ignored their social and environmental performance have been subject to stakeholder activism and experienced severe damage to their reputation. The example of Shell’s business operations in the Niger delta in Nigeria is a case in point.

- **Attracting, motivating and retaining talented employees:** Employees may be seen as the most important stakeholder group of a company. The work motivation of employees is not only related to financial rewards but also to work conditions, the existence of fairness and trust, and corporate citizenship. Employees may be more committed, productive and innovative if they are highly satisfied with their work conditions. These gains in commitment, productivity and innovation can in turn result in improved operational efficiency and decreased costs. For example, Gallup
conducted a global survey analysing the workforce's motivation and willingness to invest discretionary effort in organisational goals. The study found that work units in the top 25 per cent have significantly higher productivity, profitability, less turnover and absenteeism, and fewer safety incidents that those in the bottom 25 per cent (Gallup, 2013).

- **Improving operational efficiency**: Improvements in an organisation's social and environmental performance can lead to higher levels of efficiency. For example, better relationships with suppliers can increase knowledge sharing and improve effectiveness of resource use. Investing in engaging employees can create a more diverse workforce and better organisational learning and thus lead to more innovation. Better supply-chain management can be achieved by providing suppliers with support and security, such as stable terms of conditions. Investing in occupational health and safety can reduce absenteeism. An enhanced reputation can also help an organisation to reduce its costs during the recruitment process, as more talented workers approach the company rather than requiring the company to look for talented workers.

- **Opening new growth opportunities**: Engaging in corporate citizenship can provide companies with new growth opportunities. Doing business with the low-income households, the so-called bottom of the pyramid, in order to empower them to leave poverty behind is a case in point. Similarly, investing in emerging markets, such as renewable energies, has also provided companies with growth opportunities.

- **Better access to capital**: More socially- and environmentally-friendly practices can help an organisation benefit from improved access to capital. Likewise, companies with a strong track record in corporate citizenship are more likely to attract social responsible investment.

- **Sharper anticipation and management of risks**: A strong focus on an organisation's social and environmental performance can result in an improved ability to identify and reduce exposure to risk. For example, an enhanced reputation can reduce risk of boycotts and minimise negative press, which in turn can avoid declining sales related to negative public perception. Similarly, positive relations with the community in which an organisation operates can decrease exposure to conflict and protect the company's social license to operate.

- **Building macro-economic stability**: Corporate citizens who address macro-level sustainable development can create business benefits, if not always in the short term. For example, investing in improved education and health may result in a more productive workforce in the future. Similarly, engaging in anti-corruption campaigns can tackle the problem of corrupt business practices.

The business case has been a central driving force behind the emergence of corporate citizenship. A study of why African companies engaged in corporate citizenship highlighted that many of their rationales are closely related to the business case (Figure 4). More than 60 per cent of the companies referred to enhanced reputation. Over 20 per cent referred to attracting customers and employees and nearly 30 per cent of the companies thought that corporate citizenship would enhance their core business activity. Moreover, around 15 per cent of the companies thought corporate citizenship would contribute to increased profits (Gesellschaft fuer Technische Zusammenarbeit, 2009).
Previous experience has shown that companies can create significant value from engaging in corporate citizenship but properly measuring value creation has posed a challenge to the development of business cases (Boston College for Corporate Citizenship Center, 2009). Moreover in many cases, corporate citizenship has been found to not provide any significant financial returns. For example, a review of more than 150 statistical studies of the relationship between companies’ social and financial performance came to the conclusion that a causal relationship between the two has not been demonstrated (Margolis et al, 2007).

The problems of measuring value creation and failure to receive direct financial returns have made some companies sceptical about the business case. A 2004 survey among South Africa’s top-300 companies found that only 38 per cent of them claimed that corporate citizenship would make good business sense (Trialogue, 2004). Similarly, a study by Utting found that executive directors acted more socially responsible as a result of pressure from civil society and consumers rather than financial rewards (Utting, 2000).

In Africa, the potential for and conditions under what the business case takes place remain under-researched topics. Most African companies have not integrated social and environmental criteria in their monitoring and evaluation systems. Similarly, most corporate citizenship researchers have also concentrated on companies in developed countries.

Practitioners should seek to develop a business case for corporate citizenship but they should refrain from exclusively using the business case as a driving force for corporate citizenship. In fact, there are various drivers that can be used to induce more socially- and environmentally-friendly business behaviour (see section on Drivers of Corporate Citizenship below).

Questions with regards to how to incorporate social and environmental criteria in a monitoring and evaluation system and on how to develop a business case will be subject of the forthcoming third training manual of this series.

**Corporate citizenship as a hindrance to competitiveness**

The business case takes a very positive view on the relation between competitiveness and corporate citizenship. It suggests that they mutually reinforce each other. By contrast, corporate citizenship has also been portrayed as a hindrance to competitiveness.
The two major arguments presenting corporate citizenship as a hindrance to competitiveness refer to the higher costs due to investing in corporate citizenship and non-tariff protectionism:

- **Higher costs due to investing in corporate citizenship:** Basic economics tells us that investing in more socially- and environmentally-friendly business practices incurs additional costs on a corporate citizen compared with companies that refrain from such investments. The corporate citizen is likely to transfer the costs of its investment to the product and increase the price of it. This in turn undermines the competitiveness of the corporate citizen in comparison with non-corporate citizens. However, the increased price may be cancelled out by consumers who accept the higher price. Such investors are essentially willing to pay a corporate citizenship premium, as ethical consumerism exemplifies. In addition to this, the investment in more socially- and environmentally-friendly business practices may provide financial returns, so that the initial higher costs are cancelled out by lower costs in the long run. For example, employees who are more satisfied with their wage and work conditions may be more productive and innovative. Similarly, more effective waste management may reduce costs.

- **Non-tariff protectionism:** Critics of corporate citizenship suggest that there is a threat of non-tariff protectionism for African and other developing countries. The concern of non-tariff protectionism is usually discussed with reference to voluntary certification schemes. These schemes put standards in place that are said to put barriers on developing countries to comply with them and thus enter the markets of developed countries. The problem is that companies in developing countries often lack the resources to implement such standards or at least require more time to achieve compliance. However, several certification schemes have pursued a differential treatment of producers and have provided developing countries with financial and technical support to adopt their standards.

**Social competitiveness**

Corporate citizenship mainstreaming implies that corporate citizenship is at least consistent and preferably mutually reinforced by competitiveness strategies. Countries and companies should not achieve competitiveness at the expense of corporate citizenship. This has been described as social competitiveness (Zadek et al, 2003). The basic idea behind social competitiveness is that corporate citizenship and competitiveness strategies are means for achieving improved human welfare.

Corporate citizenship practitioners need to ensure that the pursuit of competitiveness does not come at the expense of corporate citizenship. By contrast, they need to have a holistic view on the relation between economic competitiveness and corporate citizenship and seek to ensure that they mutually reinforce each other. A holistic view on the relation between corporate citizenship and competitiveness takes into account that economic competitiveness and corporate citizenship can contribute to improved human welfare. The former enables companies to run profitable business operations, which in turn enables them to create employment and pay taxes to government for funding social services. The latter can address a plethora of issues that improve human welfare, including better working conditions and community development projects. In addition to this, the holistic view also acknowledges that corporate citizenship can strengthen economic competitiveness if the conditions for the business case of corporate citizenship are given.

The holistic view on the relation between competitiveness and corporate citizenship that is central to social competitiveness is depicted in the figure below (Figure 5).
Figure 5: Responsible competitiveness

Adopted from: Swift and Zadek, 2002
Drivers of corporate citizenship

Introduction
The previously discussed business case for corporate citizenship can motivate companies to act more socially responsible. It essentially reconciles their traditional responsibility (generating profits) with modern responsibilities (taking care of welfare of stakeholders). But the business case must not be taken for granted because it only takes place under certain conditions. Hence, mainstreaming efforts should not exclusively rely on the business case. Rather, other driving forces need to be identified and strengthened.

The willingness of the business sector to engage in corporate citizenship is essentially driven by productivity and legitimacy concerns (Zadek et al, 2003):

- **Productivity** - concerns the direct benefits of an improved social and environmental performance of a company in terms of cost savings, quality improvements, staff morale, product development, innovation, understanding of new markets, and better risk management. These concerns are closely related to the previously discussed business case for corporate citizenship.

- **Legitimacy (legal and social license to operate)** - concerns the benefits of a company to meet social and environmental standards. These standards refer to the legal and social licenses to operate. Governments and other institutions authorise under what conditions businesses are allowed to run their operations. This is described as the legal license to operate. The social license to operate refers to the expectations of society about appropriate business behaviour. These expectations reflect a concern for what is regarded as fair, just and respectful for the moral rights of stakeholders. Companies that meet these expectations are said to have obtained the social license to operate. Unlike the legal license to operate, the social license to operate is neither an explicit document nor directly enforceable through legal and financial penalties. However, companies operating without a social license to operate may face hostility, increased crime rates and increased transaction costs.

The various drivers of corporate citizenship related to productivity and legitimacy concerns can be further specified and grouped into three general categories: regulation, economic incentives and social incentives (Table 5).

**Figure 5: Drivers of corporate citizenship**

<table>
<thead>
<tr>
<th>Category</th>
<th>General driver</th>
<th>Specific driver</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulations</td>
<td>Government regulation</td>
<td>• Command and control regulation</td>
</tr>
<tr>
<td>Regional and international governance</td>
<td>Regulations of regional unions</td>
<td>• Regulations of regional unions</td>
</tr>
<tr>
<td></td>
<td>Regulations of trading blocs</td>
<td>• Regulations of trading blocs</td>
</tr>
<tr>
<td></td>
<td>Multilateral and bilateral trade agreements</td>
<td>• Multilateral and bilateral trade agreements</td>
</tr>
<tr>
<td></td>
<td>Standards of the International Standardisation Organisation</td>
<td>• Standards of the International Standardisation Organisation</td>
</tr>
<tr>
<td></td>
<td>Declarations, Conventions and Resolutions of the United Nations</td>
<td>• Declarations, Conventions and Resolutions of the United Nations</td>
</tr>
<tr>
<td></td>
<td>Conventions and Recommendations of the International Labour Organisation</td>
<td>• Conventions and Recommendations of the International Labour Organisation</td>
</tr>
<tr>
<td>Industry self regulation</td>
<td>Traditional self-regulation</td>
<td>• Traditional self-regulation</td>
</tr>
<tr>
<td></td>
<td>Socially oriented industry codes</td>
<td>• Socially oriented industry codes</td>
</tr>
<tr>
<td>Voluntary certification schemes</td>
<td>Self declaration</td>
<td>• Self declaration</td>
</tr>
<tr>
<td></td>
<td>Verification</td>
<td>• Verification</td>
</tr>
<tr>
<td></td>
<td>Certification</td>
<td>• Certification</td>
</tr>
</tbody>
</table>
| Economic and financial incentives | Organisational governance | • Policies (e.g. code of conduct)  
• Specialist function (e.g. ethics officer)  
• Institutional platform for social dialogue |
|----------------------------------|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ethical consumerism              | Procurement practices     | • Purchasing products that are compliant with standards on corporate citizenship issues  
• Boycotting products that are produced under unethical conditions |
|                                 | Investment                | • Public procurement standards  
• Private procurement standards |
|                                 | Subsidies                 | • Positive investment  
• Negative screening  
• Divestment |
|                                 | Stakeholder activism      | • Cash grants  
• Loans (interest free, low interest)  
• Lower taxes  
• Insurance  
• Rent rebates  
• Depreciation write-offs |
|                                 | Peer pressure and stakeholder reputation management | • Corporate citizenship reporting  
• Forum for discussion and information sharing  
• Best company awards  
• Honourable mentions |
|                                 | Incorporating cultural values into management practices | • Ubuntuism  
• Omoluabi  
• Harambe  
• Zekat  
• African Renaissance  
• Nkrumaism |

In terms of using the drivers of corporate citizenship to mainstream corporate citizenship, the following aspects should be observed:

- **Drivers of corporate citizenship are interconnected and complement each other:**
  Grouping the drivers of corporate citizenship in distinct categories serves more of an analytical rather than a practical purpose. In fact, most drivers of corporate citizenship are highly interconnected and complement each other. For example, stakeholder activism may raise concerns about unethical business practices. In response to these concerns, companies may join voluntary certification schemes in order to receive an official endorsement that their goods are produced in accordance with strict social and environmental criteria. This in turn enables companies to tap the ethical consumer market, providing them with economic incentives for corporate citizenship. Similarly, African governments have found it difficult to implement an adequate regulatory framework for monitoring and enforcing compliance with corporate citizenship principles but the implementation of industry self-regulation, ethical consumerism and stakeholder activism may act as measures to address the shortfalls of inadequate government regulation.
• The influence of the drivers differs across regions, countries, value chains and industries: It is impossible to make a universal statement about the influence of a particular driver of corporate citizenship. Rather, the drivers differ across regions, countries, value chains and industries. A study comparing evidence from Malawi and Botswana with evidence from the USA suggested that socioeconomic and cultural conditions do not influence the extent of corporate citizenship (Lindgreen et al., 2010). However, such conclusions are only drawn by a minority of scholars. By contrast, the dominant argument is that socioeconomic and cultural conditions matter (Matten and Moon, 2008; Muthuri and Gilbert, 2011; Visser, 2008). To provide a few examples: On a continental level, government regulation has been a major driver of corporate citizenship in Europe, while it has been far less influential in Africa. On a national level, South Africa has implemented various strong drivers of corporate citizenship, such as the Broad-Based Black Economic Empowerment Act, the King Report and the Social Responsible Index of the Johannesburg Stock Exchange. By contrast, most other African countries have taken different measures. On a micro level, a few companies may have joined a voluntary certification scheme, while the majority of companies has not followed suit. For instance, there is only one Malawian cotton company working towards the certification of Cotton made in Africa (Hoffarth, 2015).

• Multiple accountabilities lead to trade-offs: Government, civil society and businesses can implement and strengthen the drivers of corporate citizenship. But they have multiple accountabilities to various stakeholders, requiring them to pursue several objectives simultaneously. These objectives may be mutually supportive, but trade-offs may become unavoidable when objectives come into conflict with each other. For instance, the government of Kenya was reluctant to impose more stringent regulations for companies for fear of discouraging domestic investment (Mwaura, 2005; Oondo, 2009). Similarly, many governments have set-up so-called export processing zones, where social and environmental standards are loosened with the objective of attracting more foreign investment. Civil societies are not immune to such trade-offs but have multiple accountabilities to donors, staff, supporters and the alleged beneficiaries of their projects. Moreover, the business sector is responsible for responding to the shareholders and stakeholders' needs. This places various demands upon them that cannot always be reconciled and satisfied.

Regulation

Regulation is essentially concerned with setting minimum standards and providing rewards for compliance and sanctions for non-compliance with these standards. When compliance is monitored and enforced, regulation can become a powerful instrument to induce corporate citizenship. Regulation is not only the concern of governments. Rather, it is the concern of a multitude of authorities (sovereign and non-sovereign, territorial and non-territorial), which has emerged and regulated business behaviour.

There are various types of regulatory approaches, including the following that are discussed in more detail in the remainder of this section:

• Government regulation
• Regional and international governance
• Industry self-regulation
• Voluntary certification schemes
• Organisational governance
Regulations do not necessarily need to address corporate citizenship at broad. They could also address issues related to individual pillars of corporate citizenship. In fact, few African countries have specific regulations on corporate citizenship, while aspects of it can still be found in other areas of regulations in most countries, such as labour, health and environment.

Rationale - a backdrop against which companies can be held accountable: Good corporate citizenship is a very vague term, leaving room for various interpretations of what it exactly means. Regulations set minimum standards for business behaviour and make it possible to hold companies accountable against these standards.

General challenge - monitoring and enforcing compliance: Setting minimum standards for corporate citizenship is only one side of a coin. The other side is monitoring and enforcing compliance with these standards and, unfortunately, this has been a key challenge across the global. However, it is even more pressing in Africa due to various challenges: First, public and private regulatory bodies may lack the required mandate as well as the financial and technical resources to monitor and enforce compliance. Second, many regulations are non-binding, making compliance voluntary. Third, bribery, political donations, the need for maintaining funding, and dependence on technical expertise and industry experience can threaten the independence and thus effectiveness and efficacy of regulators.

Government regulation
Governments exercise command and control regulation. The 'command' part signifies that the government sets minimum standards for corporate conduct and embeds them within a legal framework. The 'control' part means that government monitors the legal framework and imposes negative sanctions, such as financial fines, for companies that do not comply with regulatory norms. Government regulation takes place in the government's territorial jurisdiction and in some cases also outside of it:

- **Territorial jurisdiction:** Governments are the ultimate authority and have the legal means to enforce compliance within their territorial jurisdictions.

- **Extraterritorial jurisdiction:** National governments have sometimes sought to punish an unethical business behaviour that took place overseas. However, there are only a few cases of successful extraterritorial jurisdiction, such as the Trafigura case (see below). Concerns related to sovereignty usually complicate the effectiveness of extraterritorial jurisdiction.

Advantage - comprehensiveness: Government regulation applies to all companies operating within the government's territorial jurisdiction and may even apply to extraterritorial jurisdictions. This makes government regulation more comprehensive than industry self-regulation and voluntary certification schemes whose regulations only apply to participating companies.

Specific challenge - corporate litigation strategies: Governments need to embark on a complicated and sometimes long-lasting strategy to enforce compliance. They usually need to gather evidence, hold a trial and hear testimonies. Then, if a company is sentenced for unethical business behaviour, it may still decide to file an objection and challenge the court's decision. This sometimes long-lasting, cost-intensive and complicated process has encouraged companies to develop sophisticated litigation strategies that are used by the business sector to avoid or postpone enforcement of compliance.
Example 1 - mandatory stakeholder engagement in Ghana: In 1998 the Ghanaian government introduced mandatory legislation, requiring timber cutting companies to engage with their stakeholders. Under the legislation, the companies are required to negotiate an agreement with the local community. Otherwise, they cannot operate their business (Mayers and Vermeulen, 2002). This forces companies to engage in stakeholder dialogue and puts the local community in a more privileged position to make their voices heard.

Example 2 - Trafìgura case: Trafìgura is a Dutch multinational commodity trading company. It was involved in the 2006 Ivory Coast toxic waste case, when the company chartered a commodity ship that offloaded toxic waste at the Ivorian port of Abidjan. A local contractor thereafter dumped the waste at 12 sites around the city of Abidjan. In 2008, thousands of Ivorians launched a civil lawsuit against Trafìgura in England. The government of the Ivory Coast supported the lawsuit and did not object to the process taking place in England. In the end, Trafìgura offered an unnamed figure and achieved an out-of-court settlement. The lesson learnt from the Trafìgura case is that extraterritorial jurisdiction can work if problems related to sovereignty do not arise.

Regional and international governance
Various regional and international organisations have been established and provided with a mandate for regulating business behaviour. The regional and international organisations governing business behaviour include the following:

- Regional unions - e.g. African Union, European Union
- Major tradition groups – e.g. Common Market of the East and Southern African (COMESA), Southern African Development Community (SADC), East African Community (EAC) and the Economic Community of West African States (ECOWAS)
- Bilateral or multilateral trade agreements
- International Standardisation Organisation – e.g. ISO 14000, ISO 26000
- United Nations – e.g. Declaration on Human Rights, Convention on the Rights of the Child, General Assembly Resolution 55/56 (resulting in establishment of Kimberly Process)
- International Labour Organisation – e.g. Labour Inspection Convention (No. 81), Employment Policy Convention (No. 122), Labour Inspection (Agriculture) Convention (No. 129) and Tripartite Consultation Convention (No. 144)
- Organization for Economic Cooperation and Development Guidelines for Multinational Enterprises
Some international organisations established looking into issues of corruption

The impact of regional and international regulation is not only relevant in terms of its direct impact on business behaviour but also in terms of its indirect impact. Various voluntary certification schemes, industry self-regulations, organisational governance policies and reporting initiatives have build on supranational regulatory norms. For example, the SA8000 standard is based on the United Nations Declaration on Human Rights, the United Nations Convention on the Rights of the Child and the International Labour Organisation conventions.

**Advantage - stop 'race to the bottom':** The so-called 'race to the bottom' is a concern in the international political economy. It signifies that national governments continuously under-match the regulations of other countries with the objective of reducing operational costs for businesses to attract more investment. One of the most popular examples is that labour intensive manufactures have shifted their production to countries where labour costs and operational health and safety standards are lower. Regional and international governance has the potential to stop the 'race to the bottom'. It can harmonise regulatory norms across various countries and establish a level playing field, where governments cannot under-match minimum standards for ethical business behaviour.

**Specific challenge - government adaptation and ratification:** Most regional and international regulations are only put into effect when they are adapted and/or ratified by national governments. Yet, African countries lag behind in adapting and ratifying these norms. For instance, a 2011 study highlighted that Malawi had only ratified 28 of the 188 conventions of the International Labour Organisation related to corporate citizenship (IMANI, 2011). South Africa is an exception on the African continent, where supranational regulatory standards are relatively widely incorporated in the corporate citizenship landscape, including the Organization for Economic Cooperation and Development Guidelines for Multinational Enterprises and ISO 14001.
Example 1 - African Peer Review Mechanism under the New Economic Partnership for African Development: African governments have recognised that they play a pivotal role in establishing an enabling environment for corporate citizenship. A background paper for the Africa Economic Summit held in Durban in 2002 stated that "good corporate citizenship will be absolutely central to the success of (…) [the New Economic Partnership for African Development] and its goals of encouraging economic growth and reducing poverty. African governments must play the key leadership role in setting the appropriate framework" (World Economic Forum, 2002). The African Peer Review Mechanism functions as a self-monitoring instrument under the New Economic Partnership for African Development to encourage conformity with regards to political, economic and corporate governance values, codes and standards among Africa countries. It compares the practices and policies of a country with a defined standard. For example, the 2005 report for Ghana outlined that companies only regard their social responsibility as a philanthropic add-on and are not actively engaged in community development (African Peer Review Mechanism, 2005). Similarly, Malawi commissioned a report in 2004 prior to acceding to the African Peer Review Mechanism. The report highlighted several issues regarding corporate citizenship in Malawi, including funding limits of inspections of labour laws, weak and marginalised unions, and low awareness of corporate social responsibility (South African Institute of International Affairs, 2004). The idea of using the African Peer Review Mechanism clearly incentivises corporate citizenship and is a step in the right direction but its effectiveness has been limited. Ghana and Malawi have still not resolved the problems that were raised a decade ago. Moreover, 7 of the 11 Southern African countries have acceded to the African Peer Review Mechanism, while only 4 of them completed the review process (African Peer Review Mechanism, 2013).

Example 2 - International Labour Organisation conventions and recommendations: The International Labour Organisation’s constituents, namely, government, employers and workers, have set out basic principles and rights at work. They are either conventions, which are legally binding international treaties that may be ratified by member states, or recommendations, which serve as non-binding guidelines. The convention usually lays down the basic principle to be implemented, whereas the recommendation supplements the convention. Countries that have ratified the convention commit themselves to applying the convention in national law and practice and reporting on its application at regular intervals. The International Labour Organisations outlines a few fundamental conventions, covering freedom of association, collective bargaining, forced labour, child labour, equal remuneration, discrimination of employment and occupation. The International Labour Organisation has also designated four priority conventions because of their importance for international labour standards. These priority conventions are the Labour Inspection Convention (No. 81), Employment Policy Convention (No. 122), Labour Inspection (Agriculture) Convention (No. 129) and Tripartite Consultation Convention (No. 144). In addition to these fundamental and priority conventions, the International Labour Organisation has also introduced various other conventions.

Industry self-regulation

The business sector can opt for self-regulation. Industry self-regulation can take place both on the national and international level.

In general, it can be distinguished between traditional self-regulation and more recent industry codes (Haufler, 2001).

• Traditional self-regulation: Self-regulation by the business sector can be traced back hundreds of years ago, when the business sector began improving coordination and lowering transaction costs with technical rules and guidelines for various materials, products and processes.
• More recent industry codes: Self-regulation has increasingly become concerned with the social impact of the business sector in recent years. These regulations usually originate in response to stakeholder activism or threats of more stringent government regulation.
Pure industry self-regulation is more of a theory than a practice. Self-regulatory bodies may collaborate with civil society or government. Most of the voluntary certification schemes that are discussed below combine industry self-regulation and civil society regulation. Similarly, some self-regulatory frameworks have become integrated in the government’s legal framework. The rise of self-regulation is based on multi-stakeholder partnerships that seek to benefit from the advantages of self-regulation, while tackling its challenges.

**Advantage - potentially more effective than government regulation:** One of the key challenges for most government regulatory bodies is the availability of sufficient resources to monitor and enforce compliance. The business sector may have more financial and better technical resources available than the government. This provides the business sector with an opportunity to establish more effective regulatory bodies. But the self-regulatory bodies will not unfold their potential unless they are equipped with the required resources and have the necessary mandate.

**Specific challenge - not a replacement for government regulation:** Industry self-regulation can supplement and complement government regulation. But it is widely acknowledged that self-regulation cannot completely replace government regulation (Haußer, 2001). One problem is that self-regulation affects only participating companies unless the government integrates self-regulatory bodies in the government’s regulatory approach. Conflict of interest is a further problem. It is questionable to what extent the business sector can be effective in regulating its own behaviour. Self-regulation essentially means ‘putting the fox in charge of the hen house’.

**Example 1 - Ghana Business Code:** Two Ghanaian business associations (Ghana Employers Association, Association of Ghana Industries) have, in collaboration with the Ghana National Chamber of Commerce and Industry and the development agency of the Danish government, developed the Ghana Business Code. The code is modelled on the Global Compact and was implemented in 2006. It is envisaged to not only guide corporate citizenship practices but also attract foreign business operations and investments in Ghana. Although companies are not obliged to adapt the code, companies of all scale have decided to sign up and appreciated its value. For example, FUSEAD Electronics only had 25 employees when signing up for the code in 2007. Its Chief Executive Officer stated that the code helped him realise that business is not only about profits but also about taking on broader responsibilities in society. By mid-2009, 150 companies had signed up for the code (Modern Ghana, 2009). The code became an often-cited example in the literature on corporate citizenship in Africa. However, in the more recent past, the Secretariat implementing the Business Code has been closed down, demonstrating that sustainability of industry self-regulation standards remains a challenge (Organization for Economic Cooperation and Development / African Development Bank, 2012).

**Example 2 - Nigeria’s Convention on Business Integrity:** Nigeria’s private sector created the Convention on Business Integrity and adopted a Code of Business Integrity in 1998. The code sets standards on business integrity for signatories to the Convention on Business Integrity. The standards include three key requirements: First, signatories are required to issue directives to all employees and other representatives reminding them of their duty neither to condone nor promote any form of corrupt practices. Second, internal whistle blowing procedures need to be adopted and an ethics counsellor within the company needs to be appointed. Third, organisations need to be externally audited by peers before becoming a signatory. If signatories are found to disobey with the standards, they are blacklisted or temporarily de-listed (Organization for Economic Cooperation and Development / African Development Bank, 2012).
Voluntary certification schemes

Civil society organisations and multi-stakeholder initiatives have established various certification schemes to attest and determine companies’ compliance with strict social and environmental standards. Companies that comply with the scheme’s standards are usually entitled to print a label of the scheme on the product, enabling the companies to tap the ethical consumer market.

Certification schemes use different approaches for conformity assessment:

- **Self-declaration**: Some voluntary certification schemes rely on the participating company to attest and determine its compliance with the standard. In other words, the producer claims that certain standards are met.
- **Verification**: Under verification, the producer still makes the claim of compliance but involves a third party to verify claims about compliance.
- **Certification**: Under certification, the producer does no longer make the claim of compliance. A third-party attests and determines compliance with the standard.

**Advantage - strengthening monitoring and enforcement of existing standards**: The majority of voluntary certification schemes build on standards that are already implemented in national or supranational regulations. For example, the SA8000 standard is based on the United Nations Declaration on Human Rights, the United Nations Convention on the Rights of the Child and the International Labour Organisation conventions. Voluntary certification schemes can strengthen compliance with existing standards on the national and supranational level because they tend to run their own monitoring and enforcement mechanisms.

**Specific challenge - ‘whitewashing’**: Voluntary certification schemes have in some cases been criticised for ‘whitewashing’. This means that companies are provided with a label for ethical behaviour, although their actual behaviour is rather unethical. The unethical behaviour is essentially glossed over and covered up by the certification. The certification schemes may employ this approach as a strategy to raise more funds from the business sector or encourage more companies to uptake their schemes.

**Example 1 - SA8000**: Social Accountability International introduced the SA8000 standard in 1997 with the objective of applying socially acceptable practices in the workplace. The standard seeks to create a common language and standard for measuring social compliance across various industries. It can be applied to any company in any industry in any country. The standard is based on the International Organization for Standardization’s standards, the conventions of the International Labour Organisation, the United Nations Convention on the Rights of the Child and the Universal Declaration of Human Rights. The performance of a company is measured in eight areas: child labour, forced labour, health and safety, free association, collective bargaining, discrimination, disciplinary practices, working hours and compensation. The certification process is carried out by 23 accredited certification bodies. The standard is adopted by companies all around the world but coverage in most African countries remains patchy. For example, there is also only one company in Malawi working towards the SA8000 standard, the Satemwa Tea Estates in the Thyolo District (IMANI, 2011).

**Example 2 - Fairtrade, the Rainforest Alliance and Co.**: Fairtrade, the Rainforest Alliance and other voluntary certification schemes have become popular labels for ethical consumerism. The 16 most important international voluntary certification schemes active in the agriculture, forestry and bio-fuels sectors are enumerated in the table below (Table 6). These schemes particularly aim at empowering smallholder farmers and reducing poverty. But the actual economic impact of voluntary certification schemes on the target group has been mixed (German Federal Ministry for Economic Development Cooperation, 2008). Under certain conditions, the schemes have contributed towards a rising income of target groups and reduced poverty. The Cotton made in Africa scheme in Zambia and the Fairtrade standard in Brazil had positive effects on income. By contrast, the Forest Stewardship
Council certification in Brazil did not achieve significant increases in the income of target groups. In terms of the previous mentioned challenge of whitewashing, the Rainforest Alliance provides the perhaps most popular example. Critics argue that the standards of the Rainforest Alliance are not strict enough. For example, coffee is eligible for the seal if at least 30 per cent of the beans come from sustainable plantations, while most of them do not need to come from these plantations (Kte’pi, 2011).

Table 6: International voluntary certification schemes active in agriculture, forestry and bio-fuels sectors

<table>
<thead>
<tr>
<th>Name</th>
<th>Established by</th>
<th>Industry coverage</th>
<th>Active in Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Federation of Organic</td>
<td>X</td>
<td>Multiple products</td>
<td>Yes</td>
</tr>
<tr>
<td>Agriculture Movements (IFOAM)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rainforest Alliance</td>
<td>X</td>
<td>Multiple products</td>
<td>Yes</td>
</tr>
<tr>
<td>Forest Stewardship Council</td>
<td>X X</td>
<td>Wood and paper products</td>
<td>Yes</td>
</tr>
<tr>
<td>Ethical Tea Partnership</td>
<td>X</td>
<td>Tea</td>
<td>Yes</td>
</tr>
<tr>
<td>Fairtrade</td>
<td>X X</td>
<td>Multiple products</td>
<td>Yes</td>
</tr>
<tr>
<td>Global G.A.P.</td>
<td>X X</td>
<td>Multiple products</td>
<td>Yes</td>
</tr>
<tr>
<td>PEFC</td>
<td>X</td>
<td>Wood and paper products</td>
<td>Yes</td>
</tr>
<tr>
<td>UTZ Certified</td>
<td>X</td>
<td>Multiple products</td>
<td>Yes</td>
</tr>
<tr>
<td>Roundtable on Sustainable Palm Oil</td>
<td>X X</td>
<td>Palm oil</td>
<td>Yes</td>
</tr>
<tr>
<td>Better Cotton Initiative</td>
<td>X X</td>
<td>Cotton</td>
<td>Yes</td>
</tr>
<tr>
<td>Cotton made in Africa</td>
<td>X X X</td>
<td>Cotton</td>
<td>Yes</td>
</tr>
<tr>
<td>4C Association</td>
<td>X X X</td>
<td>Coffee</td>
<td>Yes</td>
</tr>
<tr>
<td>Round Table on Responsible Soy</td>
<td>X X</td>
<td>Soybeans</td>
<td>No</td>
</tr>
<tr>
<td>Roundtable on Susttainable Biomaterials</td>
<td>X X</td>
<td>Bio-fuels</td>
<td>Yes</td>
</tr>
<tr>
<td>Bonsucro</td>
<td>X X</td>
<td>Cane sugar</td>
<td>No</td>
</tr>
<tr>
<td>ProTerra</td>
<td>X X</td>
<td>Soybeans</td>
<td>No</td>
</tr>
</tbody>
</table>

Source: Potts et al, 2014

Organisational governance

Organisational governance refers to the system by which an organisation makes and implements decisions in pursuit of its objectives. These systems need to ensure that principles and practices of social responsibility are applied. As long as organisations do not adequately govern their behaviour, they are less likely to act consistently in a socially responsible manner.

Instruments of organisational governance include:

- Policies (e.g. HIV/AIDS policy, gender policy, corporate social responsibility policy)
- Specialist functions (e.g. gender focal person, ethics officer)
- Institutionalised platforms for social dialogue (e.g. employee welfare committee, trade unions)
**Advantage - enables leading by example:** Organisational governance is not completely dependent on existing regulations. It provides organisations with an opportunity to define and pursue higher standards.

**Specific challenge - gap between what is on paper and what is being done in practice:** Various organisations have taken praiseworthy measures in terms of implementing policies and other instruments of organisational governance. But managers and employees are often not aware of the existing policies or simply ignore them.

**Example 1 – code of conduct:** A code of conduct is a popular instrument for organisational governance. In general, most codes of conduct include the following elements (Cormack, 2012):

- Compliance with all applicable laws and regulation
- Respect for human rights
- Wages and working hours must, as a minimum, comply with applicable minimum wage, overtime and maximum hour laws, rules and regulations
- No forced labour
- Freedom of association and collective bargaining
- Safe and healthy working conditions
- Environmental care in operations
- Products offer value for money in terms of price and quality
- Fair marketing
- Anti-corruption

**Example 2 - specialist function:** Companies may introduce a specialist function for corporate citizenship, meaning that some staff is concerned with corporate citizenship issues or issues related to corporate citizenship. For example, many companies have introduced a gender focal person or an ethics officer. The specialist function can either work full-time or part-time on corporate citizenship. The role of the specialist function is concerned with fulfilling the seven Cs: coordinating, communicating, coaching, consulting, codifying, connection, and build a corporate citizenship consciousness (Ainsbury and Grayson, 2014).

**Economic and financial incentives**

Most regulatory approaches provide companies with negative incentives or punishments for unethical business behaviour. The emergence and expansion of corporate citizenship can also be driven by positive incentives. Economic and financial incentives for corporate citizenship have been the most popular example of such positive incentives.

Economic and financial incentives are essentially concerned with appealing to the traditional responsibility of a company, namely, the generation of profits. They provide companies with financial rewards for good corporate citizenship.

The instruments for linking corporate citizenship to economic and financial incentives include the following, which are discussed in more detail in the remainder of this section:

- Ethical Consumerism
- Procurement Practices
- Investment
- Subsidies (grants, loans with low interest rates, lower taxes, insurance, rent rebates, etc.)
Rationale - reconciliation of traditional and modern responsibility of the company: The traditional responsibility of the company is to generate profits for its shareholders. As Milton Friedman infamously said, the social responsibility of business is to increase profits. More recently, companies have increasingly been expected to be responsible for addressing the needs of stakeholders other than shareholders. This more comprehensive perspective on the responsibilities of companies has also given rise to the concept of corporate citizenship. In practice, companies often refrain from corporate citizenship because they fear that it would have a negative impact on their financial performance. But when corporate citizenship makes positive contributions to the company’s financial performance, the traditional and modern responsibilities of the company are reconciled.

General challenge - scaling up: Government, civil society and the business sector have set economic incentives for corporate citizenship, but they have rarely reached scale. The market of ethical consumerism has grown over the last decades but it has only achieved a minority share of the total market. Procurement practices linked to corporate citizenship have become more popular but public procurement is rarely organised on the national level by African governments. Markets for socially responsible investments have grown but they still play an insignificant role on the African continent with the exemption of South Africa. Good corporate citizenship can be rewarded with lower taxes but African governments also need to expand their tax base.

Ethical consumerism

Consumer demand is a central market force. When consumers call for products that are produced in accordance with strict social and environmental criteria, companies can face significant economic incentives for supplying such products. This is called ethical consumerism.

Instruments of ethical consumerism include:

- Purchasing products that are compliant with social and environmental standards
- Boycotting products that are produced under unethical conditions

Companies that seek to offer products produced under ethical conditions usually seek support of the previously discussed voluntary certification schemes.

Advantage - focus on demand side: Most incentives and constraints related to ethical business behaviour concentrate on the supply side. They encourage companies to produce their goods under more ethical conditions. One key problem for the companies is that their ethically produced goods then compete in a market with less expensive products that are not produced under ethical conditions. Ethical consumerism provides a solution for this dilemma. It focuses on the demand side and seeks to create new markets, where all products are produced in accordance with strict social and environmental criteria. In this market, consumers are willing to pay a higher premium for compensating companies for their increased production costs. Notably, a significant share of some markets (e.g. 40 per cent of global coffee market and 22 per cent of cocoa market) is produced in accordance with strict social and environmental criteria (Potts et al, 2014).

Specific challenge - attitude behaviour gap: There is a significant discrepancy between a declared ethical attitude of consumers and their actual behaviour. There are various factors that lead to the attitude behaviour gap, including higher prices for ethical products, the potential loss of quality, additional effort required to select ethical products, availability of ethical products and information asymmetry. For example, it is difficult for consumers to understand and assess the full impact of the products and services they purchase. Moreover, many consumers are unlikely to change their purchasing behaviour unless they are directly affected by corporate practices (Vogel, 2005). As a result of this attitude behaviour gap, the actual growth of ethical consumer markets has not met initial expectations.
Example 1 - coffee: Coffee is a product that originated in East Africa but is now cultivated in countries across the world. Coffee is seen as the pioneering industry for voluntary certification schemes (Reinecke et al., 2011). This has largely been the case because coffee production is dominated by smallholder farmers who are often vulnerable to poverty and in close interaction with highly biodiverse biomes. Consumers have increased their demand for coffee produced in accordance with strict social and environmental standards. In fact, the share of standard-compliant coffee production as a percentage of global production increased from 15 per cent in 2008 to 40 per cent in 2012 (Potts et al., 2014). Although only one Africa country ranks among the top 5 coffee producers (Ethiopia), no African country ranks among the top five producers of standard-compliant coffee (Brazil, Colombia, Vietnam, Peru and Honduras).

Example 2 - cocoa: Cocoa originated in the Americas but most of the production is nowadays taking place in Africa, in particular in Ivory Coast and Ghana. In fact, Ivory Coast and Ghana account for 58 per cent of global cocoa production and they are also the top two standard-compliant producers. Cocoa is a product that is largely grown by smallholder farmers. The smallholder farmers’ exposure to poverty as well as high degrees of child and forced labour, deforestation, pesticide use and biodiversity maintenance have made cocoa a popular product on the shopping list of ethical consumers. The share of standard-compliant cocoa production increased from 3 per cent in 2008 to 22 per cent in 2012 (Potts et al., 2014).

Procurement practices

Governments have traditionally used public procurement for social policy purposes and it has proven a useful method, in particular when other methods of regulation are not acceptable, available or effective (McCrudden, 2006).

In general, there are two broad categories of procurement:

- Public procurement
- Private procurement

Advantage - purchasing power of government and global value chain: The purchasing power of government and the expansion of global value chains can turn procurement practices in a major driving force of corporate citizenship. Government is often the single biggest buyer of goods and services in countries. In fact, in industrialised countries public procurement represents 15-25 per cent of gross domestic product (Julien, 2014). This enables them to induce corporate citizenship if public procurement practices are linked to social and environmental criteria. Similarly, an increasing amount of companies becomes integrated in global value chains. When core companies within these value chains require suppliers to meet certain social and environmental criteria, they can pressurise their suppliers to act more socially responsible.

Specific challenge - corruption: A key challenge for using procurement practices to drive ethical business behaviour is that procurement is often closely related to corruption. Public procurement systems in Africa have increasingly become a target for corrupt practices (United Nations Economic Commission for Africa, 2015). This undermines the emergence and expansion of corporate citizenship in two ways. First, resources that could be used to encourage corporate citizenship are abused. Second, it sets a bad example for the private sector and does not portray government as a good citizen. Unless the vulnerability of procurement systems to corruption is addressed, procurement systems are unlikely to become a major driving force of corporate citizenship.

Example 1 - Kenya: Public procurement has grown over the past two decades in Kenya, accounting for around 25 per cent the country’s gross domestic product. Estimates suggest that the government spends about 65 per cent of its revenues on procurement. The Public Procurement and Disposal Act
and other legislation regulate Kenya’s public procurement. Unfortunately, there has been a culture of secrecy in public procurement and procurement agreements and operations have not been open to public scrutiny, although the government and civil society have sought to tackle these deficiencies in recent years (Okello, 2012). The government has slowly begun to link procurement practices to corporate citizenship issues. The Office of the President seeks to involve enterprises owned by youths and females in public procurement. Some public procurement entities have also issued individual policies for green and climate friendly procurement. However, a national policy for incorporating corporate citizenship issues in procurement practices has not been implemented. The Kenyan government is currently working on this task (Roos, 2013).

**Example 2 - Ghana:** Public procurement accounts for 18 per cent of gross domestic product and more than 50 per cent of the national budget in Ghana. The Public Procurement Act provides the legal framework for public procurement. The Ghanaian government has sought to link its procurement practices to social and environmental concerns. To start this process, the government carried out a market readiness analysis to examine whether the national business has the capacity to respond to potential procurement tenders linked to social and environmental concerns. The government’s so-called sustainable procurement practices have only been rolled out in 2013, so it is still too early to assess the actual benefits (Roos, 2013).

**Investment**

The so-called social responsibility investment has become a driver of corporate citizenship. It means that investors integrate social and environmental concerns in decisions on investments. Social responsible investment is primarily debated in terms of private investment but government-controlled-funds (e.g. pensions) can also be invested in a socially and environmentally responsible manner.

The most popular strategies by investors to promote social responsible investment are: positive investment, negative screening and divestment.

- **Positive investment:** Positive investment is concerned with investors making investments in companies that are assumed to have a positive social impact. To assist such investment strategies, some stock exchanges have introduced indices that only list companies that comply with certain corporate citizenship criteria. The Dow Jones Sustainability Index is the leading example of such an index but developing countries have followed suit. For example, the Johannesburg Stock Exchange launched the Social Responsible Investment Index in 2004. These social indices assist investors to take into ethical criteria than making decisions on investments.

- **Negative screening:** The act of negative screening excludes certain companies from investment considerations based on social and environmental criteria.

- **Divestment:** The term divestment describes the removal of stocks from a portfolio for social and ethical objections rather than financial objections.

**Advantage - focus on finance:** Finance is the function in a business responsible for acquiring funds. Large multinational enterprises tend to have separate finance departments, while most small African enterprises take a less formalised approach to finance. But all companies are concerned with acquiring funds at some point. The more acquiring funds depends on criteria linked to corporate citizenship, the greater the pressure for companies seeking funds to incorporate such criteria in their business operations.
**Specific challenge - definition of social responsible investment:** Similar to the term corporate citizenship, the meaning of social responsible investment is highly contested. It means different things to different people. This also gives rise to the problem of 'whitewashing' with regards to social responsible investment because some investments are declared to be socially responsible, although they are not.

**Example 1 - South Africa:** Social responsible investment has played a key role in the development of South Africa. Between the 1970s and early 1990s, large companies avoided investments in South Africa, partly due to the practices of the apartheid regime. South African businesses suffered from reduced investment inflows and eventually drafted a charter calling for an end of apartheid. It would be an exaggeration to claim that social responsible investment alone brought the apartheid regime down but it is difficult to deny that it played an important role. Since then, South Africa has sought to promote socially responsible investment. For example, the Johannesburg Stock Exchange is the largest stock exchange in South Africa. In 2004 it launched the Social Responsible Investment Index, listing companies that comply with certain social and environmental criteria. In 2012, the Johannesburg Stock Exchange also became a founding member of the United Nations Sustainable Stock Exchanges initiative, providing stock exchanges, investors, regulators and companies with a learning platform to promote social responsible investment. These and other aspects have made the Johannesburg Stock Exchange one of the world’s leaders with regards to social responsible investment.

**Example 2 - United Nations-supported Principles for Responsible Investment (PRI) Initiative:** The United Nations Environmental Programme Finance Initiative and the Global Compact have launched the PRI Initiative in 2006 at the New York Stock Exchange. It is an international network of investors working together to put six principles of responsible investment into practice. The initiative has 1380 signatories and manages assets worth USD 59 trillion. The initiative also includes an African network of investors. The main purpose of the initiative is to encourage and support investors to incorporate social and environmental concerns into their decision-making and ownership practices. In recent years, the PRI initiative has been criticised by investors for its own governance structures and lack of transparency. In 2014, the PRI initiative re-structured its governance structure to address deficiencies.

**Subsidies**

Financial constraints have been one of the key barriers to corporate citizenship. For example, small and medium enterprises can often not afford to adopt more socially responsible practices due to high costs of adopting such practices. Subsidies provide financial aid to solve this dilemma.

Subsidies are most closely associated with government but businesses and civil society can also provide subsidies. Research activities have neglected the role of subsidies from non-government actors with regards to strengthening corporate citizenship. But it is highly likely that many community development projects under the umbrella of corporate citizenship are provided by non-governmental organisations and international donor agencies. For example, Malawian cotton companies received cash payments and grants to drill boreholes and implement climate change mitigation measures (Hoffarth, 2015).

There are in general two types of subsidies:

- **Direct subsidies:** Cash payment, grant and interest-free loan.
- **Indirect subsidies:** Tax concessions, insurance, low-interest loans, guarantees, depreciation write-offs, insurance, and rent rebates.
Advantage - enabling differential support: Some Africa countries and companies, in particular small and medium enterprises, may require financial support to become engaged in corporate citizenship. Subsidies provide an instrument to correct market imperfections in order to enable these companies to improve their social responsibility.

Specific challenge - exit strategy: A major concern with subsidies is their availability when they are required in the long run. Partnerships that rely on subsidies to drive corporate citizenship either need to develop a realistic exit strategy or they need to ensure that funds are available in the long-run (e.g. earmarking taxes).

Example 1 - Lesotho’s fiscal budget for civil society participation: The Agenda 21 is an action plan of the United Nations for advancing sustainable development. It also seeks to encourage companies to act in a more environmentally-friendly manner. The Agenda 21 acknowledges the potential of multi-sector partnerships and seeks to involve governments, businesses and civil society in the process. Unfortunately, many local civil society organisations do not have the required funds to participate in the implementation of Agenda 21. The government of Lesotho has recognised this problem and set aside a certain portion of the fiscal budget to support the participation of civil society organisations (Government of Lesotho, 2002). In other words, the government subsidises civil society’s participation in the Agenda 21.

Example 2 – Providing insurance to the bottom of the pyramid: The experience with doing business with the so-called bottom of the pyramid provides a prime example for the use of classical government subsidies. Initially, there was an enormous hype; management professionals and academics argued that doing business with low-income households provides companies with a profit-making opportunity, while enabling low-income households to be in a better position to leave poverty behind. Most analyses relied on evidence found in the field of microfinance. However, whilst the bottom of the pyramid approach was applied to other goods and services, its business viability became increasingly subject to scrutiny. Since then, it has become clear that the provision of some goods and services to low-income households, in particular to those in extreme poverty, is not always profitable for the business sector unless subsidies are provided. The experience of providing health insurance by private companies to low-income households is a case in point (Holtz et al, 2015). Governments pay subsidies to enable private companies to provide health insurance to low-income households because it complements public sector efforts to achieve universal health coverage. Companies would often not be able to provide health insurance to low income households without these subsidies.

Social Incentives

Society has expectations about appropriate business behaviour. This exposes companies to social pressures to meet these expectations and provides them with incentives for acting in a socially and environmentally responsible manner.

There are various instruments for creating social incentive for corporate citizenship, including the following that are discussed in more detail in the remainder of this section:

• Stakeholder activism
• Peer pressure
• Incorporating cultural values into management practices

The rationale - omission of key issues in regulatory frameworks: It is simply impossible to codify all societal expectations in regulatory frameworks. Societal expectations can also change over time, while it may take time to update regulatory frameworks. Some societal expectations will always remain un-codified. Social incentives can encourage companies to pay attention to issues of corporate citizenship that are not codified and omitted in regulatory frameworks.
**General challenge - attitude behaviour gap:** It is easy for companies to demonstrate a positive attitude towards the expectations of society. But the practice of African companies tends to fail to analyse and address the needs of society. For example, in Kenya, companies claimed to care about the interests of their stakeholders but only 37 per cent of the examined companies engaged stakeholders in a dialogue process (Muthuri and Gilbert, 2011).

**Stakeholder activism**

Stakeholder activism is concerned with providing stakeholders with a way to influence the decision-making process of companies. Stakeholder activism seeks to mobilise people for a particular cause. The more people echo the stakeholders’ concern, the greater the pressure on companies and policymakers to bring about change. The reputation of companies or their relationships with the stakeholders can be severely harmed if companies fail to adequately respond to stakeholder activism.

The strategies of stakeholder activism include:

- Protests
- Press conferences
- Demonstrations
- Petitions

Stakeholder activism has in some cases been very influential in terms of bringing about behavioural change. It has taken on a de-facto regulatory function and is thus sometimes also described as civil regulation. In accordance with a statement of the former chief director of the SADC Secretariat, Themba Mhlongo, corporate citizenship "is mostly driven by non-governmental organisations [in Southern Africa] even in South Africa, government comes in at a later stage" (Fox et al, 2002).

**Advantage - a bottom-up approach:** Stakeholder groups represent those people that are affected by business operations. They have a good understanding of deficiencies of business behaviour. This proves a bottom-up approach that can complement government regulation, industry self-regulation and other approaches that are more top-down.

**Specific challenge - achieving and sustaining salience:** Effective stakeholder activism usually relies on the mobilisation of enough people who support the cause. Activists will simply not put enough pressure on companies unless they mobilise enough people. This holds true for activism directly targeted at companies as much as that targeted at policymakers. Policymakers also care about public opinion because, at least in a democracy, they seek re-election and need to address issues that concern the electorate. There are three aspects that often complicate the achievement of salience:

First, stakeholder activism tends to focus on high profile cases and large companies because they enjoy more visibility. By contrast, low profile issues and small companies are often neglected because they are less likely to result in salience. Second, confrontation has often proven more spectacular and is thus more conducive for achieving salience than constructive dialogues with the business sector. This may encourage stakeholder activists to focus on confrontation rather than problem-solving. Third, some stakeholder groups are not well-organised and lack the institutional structures to identify, articulate and represent their concerns. For example, unionisation rates remain very low across Africa.

**Example 1 - Paladin Energy in Malawi:** Paladin Energy is an Australian mining company that invested in Malawi to operate the Kayelekera uranium mine in Karonga. The operation of the mine has been challenged by stakeholder activism. Paladin has been exposed to stakeholder activism by youth groups, non-governmental organisations, church groups, global consortiums of activists and other organisations. To provide just a few examples: Two small local organisations, Karonga Youth for Justice
and Karonga Business Community, planned peaceful demonstrations in November 2012. They were motivated by concerns that Paladin would import rice to feed its workers rather than buying locally, although Paladin denied such claims and eventually the demonstration was called off after Paladin met with the stakeholders (Mining Weekly, 2012). Paladin was exposed to more high profile stakeholder activism in 2013, when the Malawi Economic Justice Network and AFRODAD published a study on the Kayelekera uranium mine, outlining that uranium exports worth USD 18 million were not declared. The report also argued that Paladin could avoid and evade tax and export capital through transfer mispricing using a large number of associated holding companies (Mining in Malawi, 2013). In the same year, the Catholic Commission for Justice and Peace of the Karonga Diocese asked government to carry out an assessment of the impact of the uranium mining on the quality of water: The Church group responded to fishers who linked dying fish to uranium mining. In February 2015, a global consortium of activists published a report, highlighting that million tonnes of radioactive and chemically polluting wastes were disposed Paladin in Malawi (Chareyron, 2015). More recently, in June 2015, the civil society organisation Action Aid published a report, claiming that the Malawi government lost out on more than USD 43 billion in tax to Paladin. In light of these activities, stakeholder activism was identified as a key driving force for the company’s corporate citizenship activities (Mzembe, 2012). Notably, the operations of the mine have been suspended more recently. The company referred to low uranium prices as the primary reason for their decision but stakeholder activism was likely to have influenced the decision as well.

Example 2 – Shell in Nigeria: Shell is one of the most high profile multinational enterprises of the world. It has operations in over 90 countries, including Nigeria, where it has played a central role in the local economy for over 50 years. Shell’s track record in corporate citizenship in Nigeria has been mixed. On a positive note, the company has generated billions of dollars in export earnings, while providing the government with half or more of its revenues. It has created thousands of jobs and has educated its workforce in the field of energy. On a negative note, Shell has been involved in various corporate scandals in Nigeria, including implications in government military actions that have oppressed ethnic minorities and environmental pollution on one of the world’s biodiversity hotspots – the Niger delta. These scandals have led to stakeholder activism targeting Shell for its business practises. For example, in the 1990s, one of the ethnic groups in Nigeria – the Ogoni – formed the Movement for the Survival of the Ogoni People and organised protests against Shell and the government. In response, Shell pulled out of the area of the Ogoni people and the government raided villages and arrested activists. The government even executed some activists, of whom Ken Saro-Wiwa was the most prominent case, against international opposition from civil society organisations and the Commonwealth of Nations. The high profile of the case and the prominence of Shell ensured that stakeholder activism sustained salience. In 2003, Shell acknowledged that it contributed to conflict by the way it awarded contracts and dealt with community representatives. It also promised to improve its practices. In 2009, Shell sought to settle the Ken Saro-Wiwa case with a payment of USD 15.5 million, portraying it as a humanitarian gesture, while denying any wrongdoing. In terms of the oil pollution, the Ogoniland has been subject to widespread oil pollution even after Shell pulled out of the region. In 2011, the United Nations Environment programme published a scientific study on the region, which exposed extensive oil pollution and fundamental failures in Shell’s processes for cleaning up oil spills. Shell’s actual responsibility for the pollution had been contested for a long time, partly because an inadequate pipeline infrastructure set up by the government also contributed to the pollution. But in 2013 a Dutch court ruled that Shell is liable for the pollution in the Niger Delta. In 2014, Friends of the Earth, Amnesty International and other civil society organisations published a report on the progress of Shell and the government to tackle the oil pollution. The report came to the conclusion that Shell and the government have not taken meaningful action and that both organisations are getting away with environmental and human rights abuses in the Niger Delta. The lesson learnt of the Shell Nigeria example is that stakeholder activism can remain salient over decades and can put pressure on companies. This pressure also leads to responses, such as the settling of the Ken Saro-Wiwa case, but it does not necessarily translate into meaningful responses to all problems.
Peer pressure and stakeholder reputation management

Peer pressure can be a powerful social phenomenon to induce behavioural change. It implies that the more individuals or organisations act in a particular manner, the greater the pressure on other individuals or organisations to follow suit.

*Stakeholders have the power to influence each other*

There are several mechanisms that can be used to create peer pressure:

- **Corporate citizenship reporting:** Companies no longer only publish annual reports on their financial performance. They also disclose information on their social and environmental performance. Most companies primarily engage in corporate citizenship reporting with the objective of strengthening their brand’s reputation rather than presenting high quality information on their business practices. But standardised reporting frameworks, such as the Global Reporting Initiative, can help provide balanced, comparable and precise information on a company's ethical behaviour (Michelon et al, forthcoming). In South Africa, the introduction of the code of the King III report also resulted in more corporate reporting on social and environmental information and more stakeholder-oriented rather than shareholder-oriented reporting (Association of Chartered Certified Accountants, 2012).

- **Forum for discussion and information sharing:** A multitude of platforms have been established for enabling companies to discuss and share information on corporate citizenship. On a global level, the United Nations Global Compact and the World Business Council for Sustainable Development are the most popular examples of such a platform. On a regional level, the African Roundtable on Corporate Social Responsibility is worth mentioning. On a national level, Malawi introduced the African Corporate Sustainability Forum, which is no longer operational.

- **Best Company Award:** Companies can be provided with awards for good corporate citizenship. For example, the best company to work for award endorses companies for creating good working conditions. The endorsement strengthens the company's reputation and specifically helps attract and retain talented employees. For instance, Deloitte has run an annual Best Company to Work for Survey for the Southern African region since 2000.
- **Honourable mentions:** Endorsing companies for good corporate citizenship does not always need to be highly institutionalised. In some cases it may suffice to make honourable mentions to endorse companies for good practices. For examples, the government can make honourable mentions of good corporate citizens in ministerial speeches. Similarly, civil society organisations often publish work on their projects which provides them with a platform to endorse good corporate conduct.

**Advantage - best practice multiplication:** Some companies are in more advanced stages of corporate citizenship than other companies. Peer pressure can help motivate other companies to follow their lead. This can enable best practice multiplication.

**Specific challenge - leading by example:** Peer pressure as a driving force for corporate citizenship implies that at least one company sets a good example. But on the African continent corporate citizenship is still in its infancy with the exemption of South Africa. Equally, many government agencies in Africa do not provide a role model but are characterised by an unethical conduct, as the rampant corruption on the continent exemplifies. Hence, there are few organisations that lead by example and put pressure on their peers.

**Example 1 - Global Compact:** The Global Compact of the United Nations has already been discussed above in terms of categorising issues of corporate citizenship. It is a platform for discussion and information sharing rather than a regulatory instrument. It distinguishes between four dialogue channels: Policy dialogues, learning, local networks and projects.

**Example 2 - Global Reporting Initiative (GRI):** The Global Reporting Initiative is an international independent standards organisation and was founded in 1997. It produces one of the world’s most widely used standards for reporting on an organisation’s social, environmental and governance performance. The reporting standard is built on the ISO 14000 family, ISO 26000, the International Labour Organisation’s eight core conventions and other standards. The Global Reporting Initiative has its Secretariat in the Netherlands and operates a regional hub in South Africa. As of 2015, 7,500 organisations have employed the guidelines of the Global Reporting Initiative, including large multinational enterprises, smaller and medium enterprises, non-governmental organisations, industry groups, public agencies and others. In Africa, the reporting initiative concentrates on South Africa, Nigeria, Ghana, Kenya and Mauritius. A common criticism against the Global Reporting Initiative is that it has focused on encouraging more organisations to report on their ethical behaviour rather than encouraging more actionable reporting.

**Incorporating cultural values into management practices**

Indigenous cultural values may be compatible with corporate citizenship. When companies incorporate such values into their management practices, they may act more socially and environmentally responsible.

Africa’s indigenous cultural values are compatible with corporate citizenship and have been identified as a major driving force for corporate citizenship on the African continent (Dandala, 1996; English; 2002; Mangaliso, 2001; Mbigi and Maree, 2005). The African philosophies and ideologies expressing these cultural values include the following:

- **Ubuntuism** 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’. Ubuntuism 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).

• **Nkumaism** 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.

The **advantages and specific challenge** of incorporating cultural values into management practices are closely related to those of organisational governance. On the one hand, companies that incorporate cultural values can demonstrate good corporate citizenship and lead by examples. Yet, on the other hand, companies may claim to act in accordance with African philosophies and may implement relevant policies but this does not necessarily mean that they walk the talk.

**Example - Eskom South Africa:** Eskom is a South African electricity public utility and the largest producer of electricity in Africa. The company is also renowned for its adoption of ubuntuism. Eskom is said to have registered an after-tax profit of R5.2 billion (USD 800,000) over a period of 15 months after adopting ubuntuism (Broodryk, 2005).
Corporate citizenship clustering

The interactions between and relationships among the business sector, civil society and public sector are crucial for corporate citizenship mainstreaming. Efforts by a single sector are unlikely to mainstream corporate citizenship. Rather, collective action is required.

Corporate citizenship practices and outcomes by the business sector need to be linked and scaled up with the support of civil society and the public sector. This has been described as corporate citizenship clustering (Zadek et al., 2003). Clustering makes it possible to create a broader impact of corporate citizenship on socioeconomic development and competitiveness.

Corporate citizenship clusters build on the original conception of competitive clusters by Michael Porter. The original competitive clustering suggests that companies would gain a competitive advantage where their physical location provided them with better staff, suppliers, infrastructure, information and irritants than their competitors. Such clusters have emerged because of strong local competition, sophisticated local demands and local capacity supporting the clusters’ needs. A prime example for a successful and competitive cluster on the African continent is South Africa’s wine cluster.

Corporate citizenship clusters move beyond the simple notion of competitive clusters. They can take the form of challenge, market-making, partnership, and statutory clusters. Practitioners who mainstream corporate citizenship benefit from a strong understanding of corporate citizenship clusters, since it nicely illustrates the potential interactions and relationships among the business sector, civil society and public sector.

Corporate citizenship clusters have key differences to the traditional competitive clusters:

- **Focus on corporate citizenship:** Corporate citizenship clusters form around corporate citizenship and seek to encourage more socially- and environmentally-friendly business practices rather than being exclusively concerned with competitiveness.

- **Not only made up of businesses:** Corporate citizenship clusters are not only made up of businesses but also include the public sector and civil society.

- **Geographically-dispersed clustering is possible:** The original clustering concentrates on geographic proximity but corporate citizenship clustering can also be geographically-dispersed. For example, South African wine-producers improved their business practices through communication with consumers in the United Kingdom and other foreign markets.

Challenge, market-making, partnership and statutory clusters combine several of all of their forms at different stages in their development rather than taking one form for prolonged periods of time. A typical sequencing in the development of clusters has still been observed in various countries across the world. They usually start with confrontation, then take the form of market-making, later evolve to partnership and finally to statutory forms.

The key characteristics and challenges of each cluster are summarised in the table below (Table 7).
Table 7: Corporate citizenship clusters

<table>
<thead>
<tr>
<th>Defining features</th>
<th>Challenge cluster</th>
<th>Market-making cluster</th>
<th>Partnership cluster</th>
<th>Statutory cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Antagonistic relationship between the business sector and civil society.</td>
<td>Single company or an entire industry takes leadership to address corporate citizenship issues through their core operations.</td>
<td>Government, civil society and the business sector take collective action and engage in partnerships to provide public goods.</td>
<td>Government implements, monitors and enforces regulatory standards related to corporate citizenship.</td>
</tr>
<tr>
<td>Challenge</td>
<td>Antagonistic relationships complicate partnerships.</td>
<td>Provision of public goods in a market setting is not always possible.</td>
<td>Achievements of partnerships are not always legally-binding and do not necessarily apply to all companies.</td>
<td>Monitoring and enforcing regulatory standards is difficult</td>
</tr>
</tbody>
</table>

Source: Adopted from Zadek et al, 2003

Each cluster is discussed in more detail in the remainder of this section.

**Challenge clusters**

Challenge clusters are characterised by antagonistic relationships among the different sectors. They are usually initiated by civil society criticising unethical business behaviour. Challenge clusters are usually confrontational in their early stages and seek to let businesses feel the pain of public debate, outrage, de-motivated employees, difficulties in recruitment and, sometimes, reduction in sale and profitability.

The confrontational activities of civil society actors become the means of bringing business to the table and encouraging active engagement in emerging issues. Stakeholder activism driven by civil society organisations is indeed a key driving force of corporate citizenship (for more information see next section). It can catalyse the development of institutional competencies and relationships that enable more effective clustering. For instance, civil society organisations may initially criticise existing standards and practices but may later sit down with the business sector to negotiate new standards.

On the African continent, the energy and mining sectors have shown the most prominent examples of challenge clusters. For example, the energy company Paladin has sought to mine uranium in Malawi but has been heavily criticised by local civil society organisations with regards to its business practises. Similarly, Shell has been exposed to pressure from internationally organised civil society organisations to improve its business practises in the Niger delta in Nigeria.

**Market-making clusters**

Confrontational experiences or self-enlightenment can motivate companies to re-mould aspects of their business practices. They respond to issues with new policies, strategies, personnel, and models of learning and change. This leadership by companies or entire sectors contributes to the emergence of market-making clusters. Market-making clusters are characterised by companies or sectors that seek to lead the business community with regards to corporate citizenship issues, such as human rights, employment conditions, community development, anti-corruption, environmental impact and others.
The leadership role of the business sector in this cluster does not render the role of government and civil society obsolete. By contrast, civil society plays a critical role in supporting the emergence of markets characterised by more socially- and environmentally-friendly business practices. For example, civil society organisations, such as the New Economics Foundation, have introduced social audits to support the business sector’s reporting on more ethical business practices. A critical role of civil society is to legitimise new business practices and advocate them across the entire industry and elsewhere.

Shell’s business practices in the Niger delta are still subject to criticism but it is difficult to deny that the company has at least taken some form of a response, such as investing in more environmentally-friendly energy. Some have described this as re-moulding the energy sector, although many remain sceptical. Paladin has suspended its uranium mining in Malawi and refers to low international uranium prices to justify this. An alternative interpretation is that the challenge clustering encouraged Paladin to re-consider its business practices, while a change of its market behaviour in Malawi appeared infeasible.

Partnership clusters
Challenge and market-making clusters play a crucial role in corporate citizenship mainstreaming but their potential is limited. The very nature of challenge clusters - the antagonistic relationships - makes it difficult for civil society and government to engage in effective partnerships with the business sector. Similarly, market-making clusters are more conducive for partnerships but some corporate citizenship issues, such as improved health and education, relate to public goods. The provision of these public goods as a core part of a business’ strategy is unlikely to be rewarded by the market.

The limited potential of challenge and market-making clusters can encourage the business sector, government and civil society to form partnership clusters. These clusters are characterised by formal, multi-sector partnerships. The partnership clusters that have emerged over the last decades are incredibly diverse. Popular examples are the United Nation’s Global Compact and the Cotton Initiative. Both of them and many others provide frameworks for the business sector, the public sector and civil society to take collective action. However, in the context of Africa, most partnership clusters have had a global scope, while the development of local partnership clusters remains in its infancy.

Statutory clusters
Governments usually play a critical role in supporting, facilitating and sometimes mediating the development of corporate citizenship. The role of the public sector can change in the evolution of corporate citizenship clusters. It often moves from the facilitation of dialogue to the negotiation of new market rules and, then, to statutory measures. This has given rise to the term statutory clusters.

In some countries, such as South Africa and Ghana, governments have already taken statutory measures. For example, South Africa’s Broad-Based Black Empowerment Act that provides companies with guidance on corporate citizenship or Ghana’s mandatory legislation that requires companies to involve their stakeholders in organisational governance activities. However, relationships between government and the business sector are tense in most Africa countries. Moreover, monitoring and enforcement legal frameworks remain a huge challenge for African governments.
AICC and Government on a AICC stand during the 12th Agriculture Fair
Key success factors for successful corporate citizenship

Research activities and practical experience have shown that there are various factors that influence the successful management of corporate citizenship projects. All drivers of corporate citizenship play a role but five particularly important factors can be outlined - stakeholder involvement, organisational governance, human resources, availability and management of funding, and intervention with the right drivers at the right place.

The most detailed and comprehensive study on the promoting and hindering factors of corporate citizenship in sub-Saharan Africa was commissioned by Gesellschaft fuer Technische Zusammenarbeit (2009). The study identified various factors that are responsible for promoting or hindering corporate citizenship. Most of these factors can act both as a promoter and hindrance. For example, good stakeholder involvement was identified as the third most important promoting factor, while poor stakeholder involvement was identified as the second most important hindering factor. The detailed results of the study are illustrated in the two figures below (Figure 6 and Figure 7).

Figure 6: Key corporate citizenship promoting factors

![Graph showing key corporate citizenship promoting factors](image)

Source: Gesellschaft fuer Technische Zusammenarbeit, 2009

Figure 7: Key corporate citizenship hindering factors

![Graph showing key corporate citizenship hindering factors](image)

Source: Gesellschaft fuer Technische Zusammenarbeit, 2009
As discussed in the previous section, the figures highlight that the driving and hindering forces of corporate citizenship differ across countries. For example, management commitment is a key promoting factor for corporate citizenship in Ghana, whereas it plays a less influential role in Mozambique.

The factors mentioned by Gesellschaft fuer Technische Zusammenarbeit study can be related to five central factors: stakeholder involvement, organisational governance, human resources, availability and management of funding, and intervention with the right drivers at the right place. Each of these factors is discussed in more detail in the remainder of this section.

**Stakeholder engagement**

Stakeholder engagement refers to the process by which an organisation involves its stakeholders in the decision it makes. It implies that stakeholders who are affected by the decisions of an organisation have the opportunity to influence the decision-making process in a meaningful way. Stakeholder dialogue is crucial for identifying focus areas of corporate citizenship initiatives that are most relevant to the needs of stakeholders. Stakeholders also need to provide feedback on existing corporate citizenship initiatives to identify deficiencies and optimise them. Ideally, stakeholder dialogue should feed into monitoring and evaluation activities.

Various measures can strengthen a company’s stakeholder engagement. Companies can improve their organisational governance structure to introduce institutionalised platforms for social dialogue, such as staff welfare committees or frequent exchanges with trade unions. In terms of external stakeholders, companies can also introduce institutionalised dialogue platforms or closely cooperate with existing platforms, such as farming groups or civil society organisations. Moreover, governments can introduce legislation to make stakeholder engagement mandatory, as the previously discussed example from Ghana highlighted. Similarly, voluntary certification schemes can involve stakeholders in the setting and monitoring of standards.

**Organisational governance and ownership at executive level**

Organisational governance refers to the system by which an organisation makes and implements decisions in pursuit of its objectives. Amongst other aspects, it is concerned with policies, the alignment of corporate citizenship with the company’s objectives, and monitoring and evaluation. The ISO 26000 standard presents organisational governance as the single most important factor for successful corporate citizenship.

Policy development workshops, policy suggestions by industry associations, guidelines by government, and corporate citizenship auditing initiatives can provide companies with feedback and guidance in terms of aligning organisational governance with corporate citizenship. Independent monitoring and evaluation activities, for example by voluntary certification schemes or stakeholder activism, can provide feedback on the actual effectiveness of organisational governance.

The implementation of various instruments of organisational governance is not sufficient. It is of pivotal importance that the executive managers of a company take ownership of a company’s corporate citizenship vision and strategy and proactively ensure that this vision becomes reality.
Human resources

Human resources refer to the set of individuals who make up the workforce of an organisation. They are a key asset of any organisation and make decisions that result in the company’s business practices. Managers, specialist functions related to corporate citizenship and others are required to support the idea of corporate citizenship and to remain committed to it. They also need to have the necessary skills and expertise to implement corporate citizenship initiatives. Management in particular is required to have a vision of corporate citizenship and a plan for how the company should pursue it.

Practitioners need to ensure that managers, specialist functions related to corporate citizenship and others are sensitised on corporate citizenship in order to increase their awareness about the concept. Providing economic incentives and developing a business case for corporate citizenship are promising strategies for convincing those that remain sceptical. Training workshops, participation in information sharing forums and dissemination of educational material can equip managers and others with the required skills and knowledge for successfully implementing corporate citizenship projects. Many African universities and some organisations that have specialised on corporate citizenship offer training courses. A multitude of educational material is also available on the internet and most of it is summarised in this series of manuals on corporate citizenship by AlCC.

Availability and management of funding

Funding refers to the extent financial resources are available and in what manner they are managed. It seems to bear specific contextual relevance in Africa, since it is a less significant factor in other regions of the world (Gesellschaft fuer Technische Zusammenarbeit, 2009). The importance of funding is obvious. If companies cannot afford to invest in more socially- and environmentally-friendly business practices, they are less likely to act as corporate citizens. The management of funding also matters. Unless human resources have the required skills for budgeting, accounting and auditing, they are less likely to put scarce financial resources to effective use in terms of corporate citizenship.

Providing economic incentives and developing a business case for corporate citizenship can help overcome financial constraints. Multi-stakeholder partnerships also make it possible to shoulder costs collectively. Moreover, encouraging disclosure of financial information makes it possible to better distinguish between the alleged and actual availability of funding.
Summary

This manual has discussed various factors related to corporate citizenship mainstreaming, including issues related to corporate citizenship, social competitiveness, various drivers of corporate citizenship and key success factors. The essence of this manual can still be briefly summarised with reference to four recommendations:

- **Identify and address focus areas that are relevant to stakeholders and can be addressed in a sustainable manner:** A multitude of issues fall under the umbrella of corporate citizenship, ranging from ‘a’ for anti-corruption to ‘w’ for working conditions. Those issues that are most relevant to the needs of stakeholders need to be identified with the help of stakeholder engagement rather than making simple assumptions about potential stakeholder needs. Potential responses to urgent issues also need to take feasibility and sustainability concerns into account.

- **Ensure that competitiveness strategies do not come at the expense of corporate citizenship:** The relation between competitiveness and corporate citizenship is complex and highly contested. Practitioners need to ensure that the pursuit of competitiveness is in line with corporate citizenship. If possible, a business case for corporate citizenship should be developed to establish a mutually supportive relationship between competitiveness and corporate citizenship.

- **Support collective action among the business sector, civil society and government and take advantage of emerging corporate citizenship clusters:** A single sector is unlikely to successfully mainstream corporate citizenship. Businesses, government and civil society need to work together to develop the determinants of systemic competitiveness and the drivers of corporate citizenship. Corporate citizenship clusters can challenge business practices, improve market conditions, build partnerships and implement statutory measures. They can function as a supportive force for corporate citizenship and should be supported by practitioners.

- **Do not only rely on the business case but analyse and strengthen various drivers of corporate citizenship:** Government regulation, voluntary certification schemes, procurement practices, stakeholder activism and other drivers of corporate citizenship can induce more ethical business behaviour. These driving forces differ in their presence and influence across regions, countries, value chains, industries and companies. Practitioners need to identify factors that are influential and relevant to their objectives. They also need to seek to strengthen those factors that are not well developed but have potential to support mainstreaming activities. The key driving and hindering factors, as discussed in the previous section, merit particular attention.
## Reading list

Readers may be interested in deepening their knowledge on corporate citizenship mainstreaming. The table below lists various articles and studies that discuss some of the content of this manual in more detail (Table 8). The readings are all freely available online.

### Table 8: Recommended reading list on corporate citizenship mainstreaming

<table>
<thead>
<tr>
<th>Topic</th>
<th>Author</th>
<th>Description</th>
<th>Link</th>
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<tbody>
<tr>
<td></td>
<td>Gesellschaft fuer Technische Zusammenarbeit</td>
<td>The most comprehensive study on what issues are addressed by African companies in terms of corporate citizenship</td>
<td><a href="http://commdev.org/files/2489_file_CSR_GTZ_Publication_Report_low_res_12_06_09k.pdf">http://commdev.org/files/2489_file_CSR_GTZ_Publication_Report_low_res_12_06_09k.pdf</a></td>
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<tr>
<td></td>
<td>Zadek et al</td>
<td>The authors build on Michael Porter’s seminal work on industrial clusters for competitiveness to make an argument in favour of corporate social responsibility clustering. Their report provides much insight into the relationship between competitiveness and corporate citizenship.</td>
<td><a href="http://www.accountability.org/images/content/1/0/107/CR%20Clusters%20-%20Full%20Report.pdf">http://www.accountability.org/images/content/1/0/107/CR%20Clusters%20-%20Full%20Report.pdf</a></td>
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<tr>
<td>Role of different sectors in mainstreaming corporate citizenship</td>
<td>Fox et al</td>
<td>About how the public sector can support corporate citizenship.</td>
<td><a href="http://pubs.jied.org/pdfs/16017JIED.pdf">http://pubs.jied.org/pdfs/16017JIED.pdf</a></td>
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<td>Authors</td>
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<td>Vogel</td>
<td>About how the self-regulation by the business sector. The article has a global focus but still provides highly interesting insights into self-regulation</td>
<td><a href="http://faculty.haas.berkeley.edu/vogel/private_global_bus_reg.pdf">http://faculty.haas.berkeley.edu/vogel/private_global_bus_reg.pdf</a></td>
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<td>Fox and Prescott</td>
<td>Explores the role of development cooperation agencies in corporate citizenship</td>
<td><a href="http://pubs.iied.org/pdfs/G02264.pdf">http://pubs.iied.org/pdfs/G02264.pdf</a></td>
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**Drivers of corporate citizenship**

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<td>Ioannou and Serafeim</td>
<td>On what drives corporate citizenship. The authors pose various hypotheses and use a data set to verify their hypotheses.</td>
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