Sustaining Livelihoods in Southern Africa

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Theme: Corporate Citizenship

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Introduction to Corporate Citizenship

This edition of the Sustaining Livelihoods newsletter tackles corporate citizenship, which is attracting a lot of interest at present. It is produced jointly with the African Institute for Corporate Citizenship, of which some details are given at the end of the newsletter.

Fifty-one of the top one hundred economies are businesses. In such a situation business cannot be seen as a neutral actor in society, with no obligations, but the impact it has on society is critical. Corporate citizenship relates to the interplay between the private sector and society not only in relation to the immediate internal stakeholders (employees) and key external stakeholders including shareholders but also in terms of wider society stakeholders through products, supply chains, advertising, social and environmental impact etc. It implies a two-way ongoing relationship between the private sector and society recognising that corporate needs will only be met in the long-term through the ongoing development of communal needs.

The practices that advance good corporate citizenship are increasingly being recognized as stimulating general business excellence, whether for large or small companies, industries or government. Adopting good corporate citizenship practices can deliver a range of benefits that directly improve the financial bottom line while at the same time promoting societal value and sustainable development. Corporate citizenship involves a more holistic and integrated approach to sustainable development than has previously been the case. Companies and industries need to be able to identify not only what their core business is but how they carry out that business in terms of both core and non-core activities. Traditionally, development or community investment programmes were seen as outside of the key function of the company or industry and often only measured in terms of financial inputs and undertaken in a traditionally philanthropic manner. Corporate citizenship for a company or industry would look at the whole range of impacts that a given company has on a wide range of stakeholders both internal and external to the company or industry. Not only are both social and environmental impact assessed but also the impact that this has on the business will also be taken into consideration.

Both internationally and in Southern Africa there is an increasing pressure for all companies and organisations (including government), to incorporate transparent accountability into their operating principles. This would involve coming up with management frameworks that not only take account of financial accountability but also social and environmental accountability, leading ultimately to full triple bottom line reporting.

Critical issues posing severe threats to sustainable development such as HIV/AIDS, land redistribution, government capacity to manage development processes, housing, access to credit and education underlies the reality that undertaking business in Southern Africa demands a new approach to social responsibility. The traditional idea that a philanthropic business foundation, or even joint business approaches to development through large collective donations, will suffice as a development strategy is rapidly becoming displaced by the understanding that Corporate Social Responsibility is about the integration of strategies into the core business. Figure 1 shows this as a relationship between delivering value to shareholders and other stakeholders.

Figure 1 Aligning societal and shareholder benefit (See *Building competitiveness and communities,* IBLF 1998)
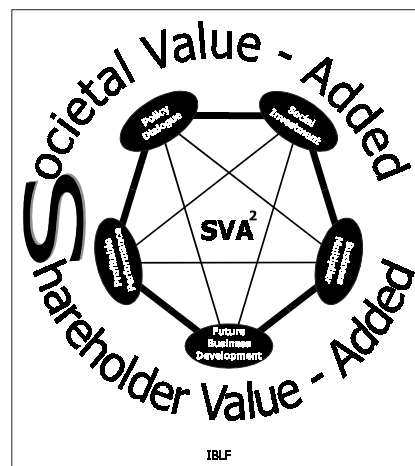
A particular problem has arisen for specific industries such as mining, sugar or tea estates, which have often led to islands of development amidst a sea of poverty. These industries require levels of technology, which often cannot be supported by the normal environment of the country. This results in imported staff, and supplies, with enclaves of quality education, health care, social services and infrastructure to support them. However the pressure from the surrounding areas means that these enclaves are under threat from malaria, HIV/AIDS, theft etc. The maintenance of the enclave in the first place was promoted by the fact that local authorities had little presence in rural areas and that there was a lack of integrated rural development. Under these conditions industries, such as the mining industry, sugar industry, forestry industry and others effectively became the development agent responsible for provision of social infrastructure and services.

A useful business model is that of the International Business Leaders Forum (see figure one), which stresses that for a company to create both shareholder value as well as society value, 5 performance pillars are required. These include:

1. **Maximising profitable performance**, focusing on:
- Efficient use and leverage of current resources including personnel
- responsiveness to both current and future customer needs
- stakeholder management
- reputation assurance (including brand management)
- risk management

2. Energising future business development, focusing on:

- people
- products and services
- processes
- places
- partners

3. **Optimising business multipliers**, focusing on:
- Generating inward investment
- job creation
- developing skills
- providing training
- providing goods and services
- developing the capacity of local business
- bridging the digital divide
- developing local infrastructure

4. **Professionalising social investment and philanthropy**, focusing on:
- financial support and gifts in kind
- management support
- pro-bono consultancy and secondments
- partnering
- skills allocation and development
- business to business corporate social responsibility linkages
- pro-active stakeholder management

5. **Legitimising policy dialogue at local, national and international levels**, focusing on:
- adherence to recognised to internationally recognised corporate governance guidelines
- promotion of ethical business practices
- contributing to responsible international, national or local social and environmental policies

How does Corporate Citizenship relate to Sustainable Livelihoods?

To show how these can link, we apply elements of the corporate citizenship approach to the sustainable livelihood principles, aiming to maximise the impacts on both societal and company value:

- **People centred.** Here company strategy should focus on both the people within the company or industry and those directly and indirectly affected by its activities. The livelihoods of those affected by the industry can be analysed and specific strategies adopted for those affected;
- **Holistic.** A holistic understanding of the company within its environment can assist in understanding the impacts the company makes, and how those can maximise societal and company benefits;
- **Strengths based**. Companies can build on the strengths they have and align these to the strengths of local people and the activities they are currently engaged in;
- **Partnerships.** Corporate citizenship implies recognition of the importance of business' role as a partner in local development, and one of the pillars explicitly addresses "legitimising policy dialogue;
- **Micro-macro linkages.** Companies impact on the immediate local environment (e.g. through employment or the services they provide) but also on regional or national economies. It is important that business also recognises the linkages between these levels, and that these need to be properly aligned if effective development is to result;
- **Sustainability.** Business has always had to look at financial and economic sustainability. Increasingly it is having to look at environmental impacts (e.g. through environmental impact assessments), social impacts (e.g. in social management plans). Another important issue is institutional sustainability and once again it is important that business recognises the positive and negative influences it has on the institutional environment;

- **Dynamic and flexible.** Business operates in a continually moving world, with the pace increasing all the time. Similarly a businesses environment changes, as do the impacts of a business, and so the business must review its strategies to maximise its positive impacts on the world outside.

An example of KCM in Zambia: A balancing act between social responsibility and creating dependency

Konkola Copper Mines (KCM) in Zambia (main shareholder Anglo American Corporation) purchased some of the newly privatised mines in Zambia. With privatisation has come the reduction in the range of social obligations the new company has taken on compared to Zambia Consolidated Copper Mines (ZCCM), the previous parastatal, which ran the water utility, electricity company, mended roads, provided health care, mielie-meal amongst others. Khanya assisted KCM to produce a Social Management Plan to see how it should deal with its non-mining activities, and how to balance both shareholder and stakeholder value. The challenge was to promote socially responsible principles and ensure that KCM achieve its own principle of corporate citizenship but at the same time minimise the dependency on KCM as a service provider. Promoting government legitimacy as a development authority even though their capacity to implement was weak was a tremendous paradigm shift for all stakeholders on the Copperbelt. Some ways this was done that can be related to both the corporate citizenship model and the SLA include:

- Analysing the environment within which KCM operates (holistic), analysing the livelihoods of the different groups affected by the mine such as those living on the mine licence area (holistic, people-focused, strengths-based), and suggesting strategies to apply for them

- Looking at the roles KCM is currently playing, and seeing how these could maximise shareholder and stakeholder value (**partnership**), and the impact on the range of institutions, notably government (**linking micro-with macro**), but also suppliers (**building on strengths)**

- Assisting to create local stakeholder forums at the different mine sites (**partnership**)

- Looking to develop ways that the mine could ensure **sustainability** in provision of services in the area, for example in areas where the new owners had withdrawn from services, and the sustainability was in question:

- Consideration of **planning strategies and development outcomes** with local and regional authorities and civil society organisations to promote KCM social responsibility but minimise dependency

- Promoting the **integration of social management** into KCM overall management systems (for example linking the management of HIV/AIDS with the supply chain and procurement department);

- Planning, through **consultation and participation**, from construction through to post-closure, promoting the transformation of benefits from mining into other forms of social, human, physical and financial capital;

- Development of a land use and settlement management plan for people accessing resources on KCM land which **sustains livelihoods** and protects KCM land rights;

Key Publications

Building Competitiveness and Communities: How World Class Companies are Creating Shareholder Value and Societal Value. By Jane Nelson. Published by The Prince of Wales Business Leaders Forum, 1998

The concept of shareholder value-added and societal value-added is central to the debate on Corporate Social Responsibility. This book intended for business leaders, define and discuss this concept in a clear manner. It illustrates points by drawing from over 30 case studies of multinational companies. The Five Pillars of Performance in companies that are creating shareholder value-added and societal value-added, are also discussed in details. Key to this book is the argument that there are three ways in which a business can contribute to development and progress, namely: core business activities; social investment and philanthropy programmes, and engagement in policy dialogue.

Perspectives on Corporate Citizenship edited by Jorg Andriof and Malcolm McIntosh Greenleaf publishing 2001

Brings together in one concise volume an impressive number of contributions from leading thinkers on issues relating to corporate citizenship. It covers themes and challenges such as corporate citizenship in a dot com world, responding to demands of greater stakeholder engagement and accountability and the role of the private sector in shaping global governance.

Corporate Citizenship by Malcolm McIntosh, Deborah Leipziger, Keith Jones, Gill Coleman Financial Times Publishing 1998

The customer today cares about more than just price, having the confidence to question internal corporate practices behind the brand name products he or she buys. How are today's companies repaying that confidence? There is a growing need to be a good corporate citizen, not only to increase value and reputation but also to protect against the lasting damage that can result from harm to an organisations reputation.

Terms for Endearment edited by Jem Bendell Greenleaf publishing 2000

Business and NGOs are seen by many to be locked in a perpetual war of values and ideologies. What this book demonstrates is that the war has moved on. Many companies are now engaging with their stakeholders – even those with which they have had traditionally had antagonistic relationships – as part of their strategies for improved social and environmental performance. This book brings together a range of publications looking at how these new collaborations have worked.

The CSI Handbook -Trialogue

A yearly publication that embraces the topic of corporate philanthropy in a way that is relevant to Southern Africa. Both the 2000 and forthcoming 2001 edition include a chapter on corporate citizenship.

The State of Corporate Citizenship in South Africa (forthcoming) – African Institute of Corporate Citizenship and Trialogue

This will be the first publication in South Africa to provide companies and organisations with sophisticated and detailed analysis of corporate citizenship issues as they relate to this part of the world. At the heart of this publication is a **Corporate Citizenship Efficiency Index** that provides a means of measuring and comparing activities in the area of corporate citizenship, across an integrated framework.

Key Websites

www.corporatecitizenship-africa.com
http://www.new-academy.ac.uk
http://www.bsr.org/
http://www.bitc.org.uk
http://www.bpd-naturalresources.org
http://www.accountability.org.uk

Upcoming Events

Measuring Impact: Accountability Methodologies for Service and Organisational Excellence - 26-28 August 2001. Capetown, South Africa Organised by the Accountability Institute – South Africa (Contact details: bonolo@accountability-institute.co.za)

Learning for the Future - BSR Annual Conference 2001 7-9 November 2001, Seattle, Washington, USA (Contact details: www.bsr.org)

Corporate Social Responsibility on the European social policy agenda Organised CSR Europe. Brussels Belgium 27-28 November 2001. (Contact details: www.csreurope.org)

Africa's First Corporate Citizenship Convention 2002. Organised by the African Institute of Corporate Citizenship Johannesburg 24-26 April 2002 (Contact details: www.corporatecitizenship-africa.com)

Feedback

"I received by chance your 2 July 2001 issue of the SLA Newsletter... and want to know if there is a way to receive it on a regular basis. I have introduced SLA in to our curriculum at the university (first year) and it is proving very useful as a teaching tool". Steve Worth - Senior University Lecturer.

"I just read your issue 2, and forwarded to Oxfam programmes around the region, and to our global livelihoods advisor in the UK. It's a helpful bunch of information and contacts". Dan (Oxfam).

"Within the Urban Management Programme Regional office for Africa we have supported a number of participatory planning activities - bridging the dialogue gap between municipalities and communities. We are now trying to bring a more structured sustainable livelihood approach to our work in the region and I hope your newsletter will guide us in this." Fiona Ramsamy. (Urban Management Programmes).

Topics

We welcome feedback, ideas and contributions for upcoming topics. The topic for October is Local Economic Development (LED) and for November on SL and rights.

About AICC

The African Institute for Corporate Citizenship.
The African Institute of Corporate Citizenship (AICC) is a centre of excellence in corporate citizenship practice. Established as a section 21, not for profit, company, it is committed to leading Africa's practice in this field through the development of tailored solution orientated consultancy, working with companies and organisations looking at the integration of corporate citizenship values into their core business strategy. AICC strongly supports learning networks that promote advocacy and research into more effective multi-sector corporate social engagement.
Contact details: info@aiccafrica.com www.corporatecitizenship-africa.com

Other News

1. Khanya, Green Zebra Development Initiatives and Spatial solutions have finished a paper on "experiences in Development Planing Using the Sustainable Livelihoods Approach" for the British Department for International Development (DFID). The paper is available on Khanya's website.
2. Khanya and the African Institute for Corporate Citizenship have finished a paper on "Business and Poverty: Integrating Sustainable Livelihoods Approaches and Corporate Citizenship" for the British Department for International Development (DFID).

3.   Khanya has produced a detailed draft Manual for Community Based Planning. The Manual is available on www.khanya-mrc.co.za.

4.   The draft community-based planning manual developed in the project described in Issue 2 is now available on the website and will be piloted in Mangaung in September/October. Comments welcome!

Sustaining Livelihoods in Southern Africa is an initiative of Khanya-managing rural change, PLAAS of the University of the Western CAPE, and CARE. The editor is Tsiliso Tamasane and he can be contacted at tsiliso@khanya-mrc.co.za, Tel 082 499 5497. Previous newsletters are available at the Khanya website, www.khanya-mrc.co.za. We welcome contributions, of events, relevant documents, comments etc.