Revisiting Carroll's CSR Pyramid: An African Perspective

By Wayne Visser

This article has two primary objectives: 1) To use Archie Carroll's Corporate Social Responsibility (CSR) Pyramid to illustrate the nature of CSR in Africa; and 2) To use the context of Africa to demonstrate the limitations of Carroll's CSR Pyramid as a framework for understanding CSR. Anglo American is used as a case study to illustrate the debate.

The African Context

The debate over Africa's future has taken centre stage recently, with the publication of Our Common Interest, the report of the UK's Commission for Africa. The report calls for improved governance and capacity building, the pursuit of peace and security, investment in people, economic growth and poverty reduction, and increased and fairer trade. It is not hard to see that business has a key role to play in this transformation process, with much of its contribution capable of being to be framed in terms of CSR.

Despite generally negative press, there has been significant progress on the continent over the past decade. Fifteen countries, including Uganda, Ethiopia and Burkina Faso, have been growing on average more than 5% per year since the mid-1990s. And foreign direct investment (FDI) rose to $8.5 billion in 2004, up from $7.8 billion the previous year. At the same time, Africa's new generation of leaders, through initiatives like the New Partnership for Africa's Development (NEPAD), the African Union and the East African Community, are taking responsibility for development.

Nevertheless, Africa remains a marginal region in global terms: With 12% of the world's population (around 750 million people) in 53 countries, Africa accounts for less than 2% of global gross domestic product (GDP) and FDI, and less than 10% of FDI to all developing countries. Of the 81 poorest countries prioritised by the International Development Association, almost half are in Africa. And even within Africa, there is highly skewed development, with the largest ten economies accounting for 75% of the continent's GDP.

The extent of the challenge for CSR in Africa becomes even clearer when we are reminded of the scale of social needs that still exist, despite decades of aid and development effort: Life expectancy in Africa is still only 50 years on average (and as low as 38 years in some countries), Gross National Income per capita averages $650 (and drops as low as $90 in some countries) and the adult literacy rate is less than 20% in some countries. At the current pace of development, Sub-Saharan Africa would not reach the Millennium Development Goals for poverty reduction until 2147 and for child mortality until 2165; and as for HIV/Aids and hunger, trends in the region are heading up, not down.

The Role of Business

The track record of big business in Africa is mixed at best. There is certainly no shortage of examples of corporate complicity in political corruption, environmental destruction, labour exploitation and social disruption, stretching back more than 100 years. Equally, however, there is voluminous evidence of the benefits of business bringing capital investment, job creation, skills transfer, infrastructure development, knowledge sharing and social responsibility programmes to countries throughout Africa.

Despite this polarization of the debate, there is general agreement that the private sector remains one of the best placed institutions to make a significant positive contribution towards improving social, economic and environmental conditions in Africa. Recognition of this role is especially evident in the recent spate of publications on business's potential to impact on development and poverty alleviation. These envisaged corporate contributions are most often discussed in terms of CSR.

Which begs the question, CSR according to what (or whose) definition? And is it a definition that is relevant to the African context?

Carroll's CSR Pyramid

According to CSR scholar Archie Carroll "corporate social responsibility involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible then means that profitability and obedience to the law are foremost conditions when discussing the firm's ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent". This four-part definition, which, despite the plethora of CSR definitions over the last 50 years, has been the most durable and widely cited in the literature, is illustrated in Carroll's CSR Pyramid, as shown in Figure 1.

Figure 1: The Pyramid of Corporate Social Responsibility

Source: Carroll (1991)

Africa's CSR Pyramid

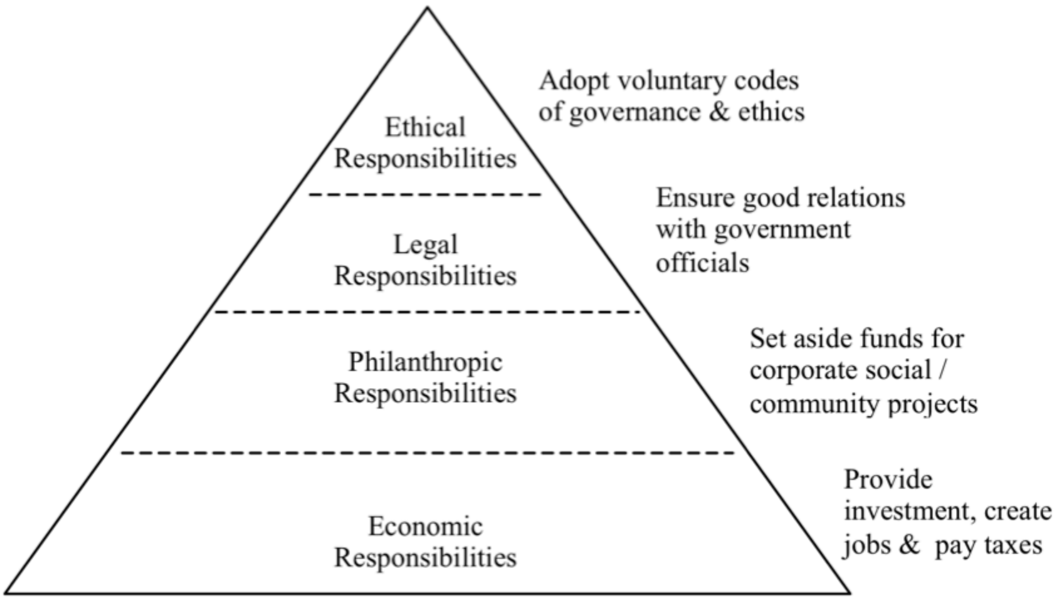
Most of the research on Carroll's CSR Pyramid has been in an American context. Nevertheless, several empirical studies suggest that culture may have an important influence on perceived CSR priorities. Crane & Matten (2004) address this point explicitly by discussing CSR in a European context using Carroll's CSR Pyramid. They conclude that "all levels of CSR play a role in Europe, but they have different significance, and furthermore are interlinked in a somewhat different manner".

In the same way that Crane and Matten have used Carroll's pyramid to describe CSR in Europe, this section will use the four-part construct to look at how CSR manifests in an African context. Although no comparative empirical study has been conducted, it is speculatively argued that the order of the layers in Africa – if they are taken as an indicator of relative emphasis assigned to various responsibilities – differs from Carroll's classic pyramid. In Africa, economic responsibilities still get the most emphasis. However, philanthropy is given second highest priority, followed by legal and then ethical responsibilities. This is illustrated in Figure 2.

Economic Responsibilities

As already pointed out in the introduction, Africa suffers from a shortage of foreign direct investment. Furthermore, many African countries suffer from high unemployment – the most recent consolidated statistics (1997) show that only 43% of Africa's labour force participates in the continental economy. Poverty is also widespread (the proportion of the population living on less than $1 a day is as high as 70% in some countries) and external debt is crippling (in some countries exceeding Gross National Income).

Figure 2: Africa's Corporate Social Responsibility Pyramid



It is no surprise, therefore, that the economic contribution of companies in Africa is highly prized, by governments and communities alike. Crane & Matten claim that economic responsibility in the US is strongly focused on profitability and returns to shareholders, while companies in continental Europe tend to define this contribution much more widely. The latter could also be said of African companies. To use Anglo American as an example, they emphasise in their Report to Society 2003 (a form of CSR reporting) that "our economic contribution extends far beyond the profits we generate and can be divided into: 1) Value added in the course of production and the wider effects of these activities (for example, through payments to suppliers and multiplier effects) and through investments in staff development, technology transfer and investment; and 2) The value to society of our products, which are used in the manufacture of goods that underpin our way of life and for which there are few ready substitutes".

In fact, Anglo American's economic contribution in Africa exceeds the GDP of many individual African countries. Their approach to economic responsibility, like that of many other companies in Africa, stresses the importance of what the International Business Leaders Forum calls the "economic multipliers", of which they identify eight: 1) Generate investment and income; 2) Produce safe products and services; 3) Create jobs; 4) Invest in human capital; 5) Establish local business linkages; 6) Spread international business standards; 7) Support technology transfer; and 8) Build physical and institutional infrastructure.

In a country like South Africa, where business is being actively encouraged (and in some cases required) to redress the inequities of the past, economic contribution takes on the added dimension of black economic empowerment and employment equity (affirmative action). For example, Anglo American is now subject to the South African Mining Charter, which is a legally binding commitment by the industry to increase the access of previously disadvantaged individuals to the mineral resources of the country, and their associated economic benefits. They do this through prioritised development and promotion of previously disadvantaged staff, entering into financial partnerships with empowerment companies and prioritised procurement from black-owned firms. In addition, Anglo American has established the $5.3 million Anglo Khula Mining Fund to promote the entry of black economic empowerment participants into junior mining companies.

It is worth noting as a caveat to conclude this section that, in Africa, economic responsibility has two faces – economic contribution on the one side and economic dependence on the other. To use a different example, as a result of BHP Billiton's construction of the Mozal aluminium smelter in Maputo, Mozambique's export earnings went from $220 million to $1 billion, and the net positive impact on the country's balance of payments was around $100 million. In 2002, Mozal accounted for 53% of Mozambique's exports, 28% of imports and added 2.1% real GDP growth to the economy. The economic contribution is clear, but so is the dependence. What would be the economic impact if they were to withdraw from the country, for whatever reason (as did Anglo American from Zambia in 2002)? And what are the implications for legal compliance and ethical conduct, when the government is so dependent on a single company?

Philanthropic Responsibilities

Crane & Matten note that philanthropic responsibility in Europe tends to be rather more compulsory via the legal framework than discretionary acts of successful companies or rich capitalists like in the US. In this respect, Africa has more in common with the American model, although philanthropy generally gets an even higher priority as a manifestation of CSR in Africa. This is the case for a number of reasons. In the first instance, the socio-economic needs of the African societies in which companies operate are so great that philanthropy is an expected norm – it is considered the right thing to do by business. Companies also realise that they cannot succeed in societies that fail, and philanthropy is seen as the most direct way to improve the prospects of the communities in which business operates.

Secondly, many African societies have become reliant on foreign aid. In 2002, Sub-Saharan Africa received around $19 billion of official development assistance (ODA), which equates to $28 per capita, compared with an average of $11 for the world. A study of philanthropy by U.S. Foundations showed that in 2002, Sub-Saharan Africa received around $150 million from American grant makers alone. Hence, there is an ingrained culture of philanthropy in Africa.

A third reason for Africa's philanthropy prioritisation is that it is generally still at an early stage of maturity in CSR, sometimes even equating CSR and philanthropy, rather than the more embedded approaches now common in developed countries. The Southern African Grantmakers' Association typifies this corporate emphasis on philanthropy, with its membership comprising corporates with social responsibility programmes, international donor organisations, local private foundations, grantmaking non-governmental organisations, community foundations and government funding agencies. A similar (but US based) organisation is the Africa Grantmakers' Affinity Group.

There are no consolidated figures for corporate philanthropy in Africa. However, Trialogue estimates that the total corporate expenditure on corporate social investment (CSI) in South Africa for the 2003 financial year was R2.35 billion (around $385 million), 6.8% higher than in 2002. Based on the total CSI budget of a sample of 100 leading corporate grantmakers, the average CSI budget per company in South African in 2003 was R13 million ($2.1 million). In terms of the priority issues, education funding made up 39% of CSI spend in 2003, up from 35% in 2000, while spending on health (including HIV/Aids) is up to around 10% in 2003, a similar proportion to support for job creation initiatives. Other areas, in order of declining budget proportion were training, social development, arts and culture, community and rural development, environment, sports development, safety and security and housing.

Anglo American is once again a good example, typifying the philanthropic approach taken by many companies in Africa. In their Report to Society 2003, Anglo American support the main contention of this section when they say that "in developing countries there is still a significant role for philanthropic programmes". Their primary vehicle for charitable engagement in Africa is the Anglo American Chairman's Fund, which was established in 1975 and aims "to enable people to take greater control over their daily lives". The largest proportion of the $10 million distributed in 2003 went to education (51%).

In Africa, however, philanthropy goes beyond simple charitable giving. HIV/Aids is a case in point, where the response by business is essentially philanthropic (it is not an occupational disease), but clearly in companies' own medium to long-term economic interest. A survey of 8,719 business executives in 104 countries on HIV/Aids notes that in areas where the prevalence of HIV/Aids is above 20%, such as in southern Africa and central Africa, 72% of companies now have formal and informal policies to tackle the disease. The survey cites Anglo American as a global benchmark for implementing extensive voluntary counseling and testing for HIV infection, coupled with antiretroviral therapy for employees. The result is that over 90% of the 2 200 Anglo American employees who have accessed and remained on treatment are well and have returned to normal work.

Legal Responsibilities

In Africa, legal responsibilities have a lower priority than in developed countries. This does not necessarily mean that companies flaunt the law, but it is far less of a pressure for good conduct. There are several reasons for this. Firstly, in much of Africa, the legal infrastructure is poorly developed, and often lacks independence, resources and administrative efficiency. Many African countries are also behind the developed world in terms of incorporating human rights and other issues relevant to CSR into their legislation.

For example, the Nigeria Law Reform Commission declined to recommend the adoption of a provision obliging directors to have regard to the interests of employees on the basis that it would adversely affect the developing economy of the country by deterring foreign investors and, in turn, lead to job losses. This approach seems more similar to the American view of legislation as interference with private liberty than the European approach of a strong state role in regulating corporate practice. In Africa, however, there is the further suggestion that Carroll's assumption that the law is a form of "codified ethics" where changing values are "the driving force behind the very creation of laws and regulations" may not always hold true.

Admittedly over the past ten years some countries in Africa have seen significant progress in strengthening the human rights and CSR aspects of their legislation – South Africa and Kenya being two cases in point. However, government capacity for enforcement remains a serious limitation, and reduces the effectiveness of legislation as a driver for CSR. This view is supported by a survey of South Africa's top companies, in which only 10% cited "abiding by laws and regulations" as their one principle motivation for pursuing corporate citizenship.

The weak influence of the law as a deterrent against unethical behaviour was also illustrated in a survey of 1 026 public and private sector organisations in South Africa. The study found that 67% of respondents believed fraud was a problem in their organisations, and 66% cited a lack of adequate penalties and law enforcement, as well as inefficiencies in the justice system, to be the reason for the increase in fraud.

Not surprisingly, Anglo American claim legal compliance as one of their fundamental business principles, saying "we respect the laws of host countries" and "we will comply with all laws and regulations applicable to our businesses and to our relationships with our stakeholders". Nevertheless, in 2003, legal actions against the company for breaches of safety legislation resulted in fines of $235 000 and environmental incidents resulted in fines of $40 000. The point is not so much the company's commitment to legal compliance, but rather that it is given relatively less importance as a driver in the pursuit of CSR, compared with economic and philanthropic pressures.

Ethical Responsibilities

Crane & Matten suggest that ethical responsibilities enjoy a much higher priority in Europe than in the US. In Africa, however, ethics seems to have the least influence on the CSR agenda. This is not to say that Africa has been untouched by the global trend towards improved governance. In fact, the 1992 and 2002 King Reports on Corporate Governance in South Africa have both led the world in their inclusion of CSR issues. For example, the 1992 King Report was the first global corporate governance code to talk about "stakeholders" and to stress the importance of business accountability beyond the interests of shareholders. Similarly, the 2002 King Report (King II) was the first to include a section on "integrated sustainability reporting", covering social, transformation, ethical, safety, health and environmental management policies and practices.

Although adoption of the code remains voluntary, the Johannesburg Securities Exchange (JSE) has subsequently made King II a listing requirement. In terms of compliance, South Africa's large companies seem to have responded well. For instance, a survey of the 154 companies listed on the JSE's All Share Index showed that 65% now report annually on sustainability-related issues and 77% reference some form of internal code of ethics. Similarly, research of the JSE top-200 companies revealed that nearly 60% claim to have already fully adopted the requirements of King II, while more than 90% claim they will fully comply in the future.

This progress is certainly encouraging, but on the broad scale of Africa, it is still the exception rather than the rule. Even among large South African companies where a basic ethics infrastructure is in place (such as codes of conduct and whistleblower mechanisms), ethics training and senior management responsibility for ethics still appears to be lacking. The critical question is whether corporate governance practices have since filtered down to the broad mass of companies in Africa. In this respect, global statistics on corruption in Africa suggest that, in practice, ethics remains the lowest CSR priority.

For instance, in Transparency International's Corruption Perception Index, out of 145 nations surveyed (where 1st is least corrupt and 145th is most corrupt), only two African countries are in the top 50 (Botswana 31st and South Africa 44th), while 31 are ranked lower than 50th, and 17 are ranked lower than 100th. Similarly, in Transparency International's Global Corruption Barometer, in the African countries surveyed more than half of all respondents indicated that corruption affects business to a large extent. The World Bank's Investment Climate Survey paints a similar picture of Africa.

One of the attempts to address corruption in Africa has been the UK-led Extractive Industries Transparency Initiative (EITI), which aims is to increase transparency over payments by companies to governments and government-linked entities, as well as transparency over revenues by those host country governments. Here there is perhaps more cause for optimism, with countries like Nigeria and Ghana having taken the lead on publishing extractive industry revenues.

Anglo American notes its support for the EITI "as a means of increasing stakeholder confidence, reducing opportunities for embezzlement and stimulating debate around how revenues are allocated most effectively in resource-dependent economies". In their statement of business principles Anglo American also insist that "we are implacably opposed to corruption. We will not offer, pay or accept bribes or condone anticompetitive practices in our dealings in the marketplace and will not tolerate any such activity by our employees". In 2003, they launched a whistle-blowing facility in order to allow employees to anonymously report any violations of Anglo American's business principles or any legal or ethical concerns.

Hence, in Africa, we see a gap between the generally high ethical stance taken by a minority of companies – typically large multinationals like Anglo American – and the widespread reality of corruption that remains entrenched in many countries on the continent. The recently launched African Union Convention on Preventing and Combating Corruption is a further attempt to change this malaise and instil a new culture of ethical responsibility, but with eight outstanding ratifications of the 15 needed for it to enter into force, there appears to still be a lack of political will.

Revisiting Carroll's CSR Pyramid

As this chapter has shown, Carroll's CSR Pyramid is both a durable and useful model for defining and exploring CSR. However, it has some serious limitations, including a lack of conceptual clarity and questions about its descriptive accuracy, especially in different cultural contexts. Carroll's Pyramid is very simplistic and static, failing to capture the complexity of CSR in practice. For example, Crane and Matten believe that the main limitation of the model is that it "does not adequately address the problem of what should happen when two or more responsibilities are in conflict". In fact, Carroll reports an "interesting finding" in his original empirical study, namely that "the more economically oriented a firm is, the less emphasis it places on ethical, legal, and discretionary issues", but he fails to suggest how to resolve such conflicts.

In an African context, such conflicts and contradictions tend to be the norm, rather than the exception – How to reconcile job creation and environmental protection? Short term profitability and Aids treatment costs? Oppressive regimes and transparent governance? Economic empowerment and social investment? And in reality, the interconnections between Carroll's four levels are so blurred as to seem artificial or even irrelevant. For example, is the issue of Aids treatment primarily an economic responsibility (given the medium to long term effects on the workforce and economy), or is it ethical (because Aids sufferers have basic human rights), or is it philanthropic (it is not an occupational disease, so surely treatment amounts to charity)?

De Jongh & Prinsloo (2005) concur, emphasising that the challenges facing CSR in Africa involve messy, "on the edge of chaos" scenarios. Hence, rather than tinkering with Carroll's Pyramid, perhaps we should be looking for alternatives that better describe the reality of CSR? Indeed, in attempting to understand the CSR practices of a multinational mining company in Africa, Hamann et al. (2005) find complexity theory to be a much more useful model than Carroll's CSR Pyramid. McIntosh (2004) agrees and has published an entire book – Raising a Ladder to the Moon – which uses complexity theory as the basis for exploring corporate responsibility. Other refreshing perspectives that hold promise for providing a better understanding of CSR, especially in an African context, include holism, chaos theory and spiral dynamics.

Conclusions

This chapter has sought to explore the nature of CSR in an African context, using Carroll's CSR pyramid as a framework for descriptive analysis. However, an exploration of CSR in an African context has also been used to challenge the accuracy and relevance Carroll's Pyramid. If Carroll's basic four-part model is accepted, it is suggested that the relative priorities of CSR in Africa are likely to be different from the classic, American ordering. This finding remains speculative and provocative and would therefore benefit from further empirical research. On the other hand, it is also proposed that Carroll's Pyramid may not be the best model for understanding CSR in general, and CSR in Africa in particular. Hence, research into alternative CSR theories and frameworks is equally encouraged.

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Article reference

Adapted from: Visser, W. (2005) Revisiting Carroll's CSR Pyramid: An African Perspective. In *Corporate Citizenship in a Development Perspective*, edited by Esben Rahbek Pedersen & Mahad Huniche, Copenhagen: Copenhagen Business School Press.

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Part of the WAYNE VISSER ARTICLES Series