Corporate Responsibility in a Developing Country Context

By Wayne Visser

In this article, I want to explode a few myths about corporate responsibility in developing countries. Most of these myths exist as a result of the feeding frenzy that inevitably occurs every time the media has hunted down and sunk its teeth into one or other juicy story of corporate exploitation. The myths are also sustained, however, by whole legions of largely well-intentioned people in developed countries who have vested interests in promoting their particular brand of the truth about corporate responsibility.

Myth 1: Economic growth is not good

Over the past decade or more, there has been a growing backlash against the economic expansionist agenda of many developed countries and multinational corporations. And rightly so: Blind pursuit of GDP growth or market growth often fails to take into account many of its negative social and environmental impacts, as alternative indicators of progress, like the United Nations Human Development Index, the Index for Sustainable Economic Welfare (ISEW) and the Environmental Sustainability Index, have all amply demonstrated.

But it is a mistake to transpose this “growth is not good” argument into a developing country context. What the ISEW showed, in fact, was that GDP growth and quality of life in developed countries like the USA and UK moved in parallel until around 1970, when they began to diverge, with quality of life declining despite continued economic growth. Most developing countries have yet to reach that point of divergence. Economic growth and the expansion of business activities is still one of the most effective ways to achieve improved social development and environmental sustainability.

Myth 2: Multinationals are the biggest sinners

In today’s fishbowl world, when multinationals step out of line, they get slammed in the worldwide media. Typically, their reputations suffer collateral damage and they find themselves being targeted by consumer boycotts and liability suits. This is both appropriate and necessary as a counterbalancing force in today’s supra-territorial society, given the overwhelming size and power of global corporations and the still relatively poor institutional frameworks of regulation and governance to ensure proper accountability.

But on balance, these sensational cases are the exception, rather than the rule. On the ground in developing countries, multinationals are generally powerful forces for good, through their investment in local economies, creation of jobs, upgrading of infrastructure, provision of basic services and involvement in community development and environmental conservation. The cumulative social and environmental impacts of smaller companies, which operate below the radar of the media and out of reach of the arm of the law, are typically far larger than that of the high profile multinationals.

Myth 3: Multinationals are the biggest saviours

While multinationals are typically not the worst offenders in developing countries, neither do they have as much influence over national development as many critics seem to assume. Development is a complex phenomenon, which fifty years of multilateral frustration has proved beyond question. Adequate systems of governance and economic stability are probably two of the most critical enablers, a fact that countries in Africa have finally realised with the launch of the African Union and its economic strategy, NEPAD, the New Partnership for Africa’s Development.

Not only do large companies have limited influence over government policy, but most multinationals, despite large capital investments, provide only a minuscule proportion of the total employment in developing countries. The real potential saviours are small, medium and micro enterprises (SMMEs), which are labour intensive and better placed to effect local economic development. If the social and environmental impacts of these SMMEs can be improved, the knock on benefits will be proportionally much greater than anything that multinationals could achieve on their own; yet they receive negligible attention in the corporate responsibility field.

Myth 4: Developing countries are anti-multinational

It is convenient for activists, mostly from developed countries, to whip up anti-multinational sentiments, in support of their causes. But it is wrong to assume that developing countries do not want the products and services of these multinationals. In fact, it borders on immoral for First World activists, supposedly concerned about the corruption of indigenous cultures but nevertheless enjoying all the benefits of multinational products and services themselves, to try to deny access by the Third World to the big global brands. One of the irrefutable reasons that multinationals are successful is that they are providing products and services that the majority of people want, enjoy and trust. Democracy is about giving developing countries that same choice.

This debate is tied up with a movement that entertains a romanticised notion that the world can or should go back to some kind of subsistence, self-sufficient living. This is the very past that most developing countries are desperately trying to escape from, because it is neither idyllic nor utopian. Rather, developing countries are caught in a no-man's land of under-development in a competitive, monetized, global economy, and the sooner they can modernise and integrate, the better for them. This is not the same as saying that the developing world should repeat the past mistakes of the developed countries, such as highly polluting industrialisation, nor that multinationals should not be required to be responsible and held accountable.

Myth 5: Corporate responsibility is the same the world over

One of the biggest fallacies is that, in a globalised world, corporate responsibility can somehow conform to a unitary model. Of course, we need universal principles, like the Global Compact, and perhaps even process frameworks, like ISO 14001. But standardised performance metrics, like those of the Global Reporting Initiative and the numerous sustainability funds and indexes, start to tread on shaky ground. The tendency with the latter is for developed country priorities to receive emphasis and for Northern NGO agendas to dominate, as was the case in the World Summit on Sustainable Development in Johannesburg in 2002.

Let me give an example to illustrate the point. Many reporting guidelines and sustainability indexes emphasise environmental indicators (over economic and social performance), of which energy consumption and energy efficiency are typical favourites. This makes sense in the North, where economies are highly energy intensive and contributing the lion's share of greenhouse gases to the climate change problem. But in a developing country such as South Africa, which produces and exports the world's cheapest electricity, is energy efficiency a real priority, compared with, say, HIV/Aids and Malaria infection, or assisting in the provision of access to clean water and sanitation?

Myth 6: Developed countries lead on corporate responsibility

This is such an embedded assumption, even in developing countries, that it invites surprised reactions when it is questioned. And yet there are countless examples of how developing countries are proving themselves highly adept at delivering the so-called triple bottom line of sustainability, namely balanced and integrated social, economic and environmental benefits. It is actually not surprising, since in developing countries, these three spheres are seldom separable – economic development almost inevitably results in social upliftment and environmental improvement, and vice versa.

South Africa's National Constitution and it's King Report on Corporate Governance, both of which have among the world's most progressive clauses on social and environmental sustainability, as well as the socio-economic success of Grameen Bank and Grameen Telecom in Bangladesh, are just a few among thousands of examples of how developing countries are leading the corporate responsibility agenda in some areas. One inherent strength in many developing countries is the level of public participation and stakeholder engagement that takes place, particularly at a community level. Yet, ironically, this is seldom recognised and the emerging global models for stakeholder engagement are being driven by the developed world.

Myth 7: Codes can ensure corporate responsibility

The past few years have seen a mushrooming of corporate responsibility codes, standards and guidelines, each racing and bullying to become the new global benchmark for good practice. This standardisation trend is both inevitable and necessary in a globalising world which is desperately searching for an alternative to command-and-control style business regulation in order to satisfy the governance and accountability void which still exists. But it would be a big mistake for either companies, or civil society, or regulators to assume that this codification bears much relation to relevant and appropriate corporate responsibility practices at a grassroots level in developing countries.

Most of the companies in developing countries that have signed up to these various codes have done so because it is the "expected thing to do" and they face reputation risks and perhaps even restricted market access if they fail to demonstrate compliance. But these same companies know that you can have all the certificates and codes you like and simultaneously have poor social and environmental performance, or stakeholder dissatisfaction. And likewise, some of the most pressing corporate responsibility needs will never even register on these global codes. What use is a glossy sustainability report, available online, if most of the local communities around your operations (i.e. your most immediate stakeholders) are illiterate and do not have electricity, let alone internet access?

Concluding remarks

This article, therefore, is a plea for everyone involved in corporate responsibility in the developed world – activists, corporates, funding agencies, standards bodies, the media and others – to be a little more cautious as they attempt to spread their gospel to developing countries. In the final analysis, corporate responsibility is a grassroots activity, and no more so than in the Third World. Let developing countries and the companies that operate on the ground set their own sustainable development priorities and shape their own responsibility agendas – listening and learning from First World experience, of course, but not dictated to or cajoled by or pressured into inappropriate action.

Article reference

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