

FROM CHARITY TO MUTUAL BENEFIT: A NEW LOOK AT CSR IN AFRICA

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Mr. Garrelt Duin, Minister of Economic Affairs, Energy and Industry of the State of North Rhine-Westphalia, Prof. Dr. Thomas Heupel, Prof. Dr. Stefan Heinemann, Vice-Rectors FOM, Germany; Prof. Dr. Linda O’Riordan, organizer of FOM, Germany and her team, the sponsors of this conference and all who worked hard behind the scenes to make this conference possible. My fellow guest speakers, participants, distinguished guest, ladies and gentlemen. I will first like to express my sincere gratitude to the conference organisers for inviting me to this unique and prestigious conference. I must admit that this is the first time that I have attended a conference specifically focusing on Corporate Social Responsibility—a rather very important issue in our today’s Globalized Village.

The topic of my keynote speech is: **“FROM CHARITY TO MUTUAL BENEFIT: A NEW LOOK AT CSR IN AFRICA.”**

Chairperson:

I will like to begin my speech by saying that: Africa is potentially the wealthiest continent on earth. It is truly blessed with numerous natural and human resources. Ironically, it is also the poorest in terms of development. Thus, for far too long based on this characterisation, Africa has been regarded and treated as a “Charity Case” by numerous businesses, multilateral and bilateral organizations. Businesses who operated in Africa for far too long have always felt they were doing Africans and African countries a favour. Consequently, their CSR activities in African countries, where they made a “fist-full of dollars,” consisted of drilling a bore-hole here, a pit-latrine there, and sometimes building a school block here and there. In most cases, they do not consult these communities where they are operating as to whether they even want a bore-hole or a pit-latrine. When these companies felt really good about things, out of pity, they sponsored an African student here and there to study in their home countries. On the CSR/sustainability section of their glossy Annual Reports, they have pictures of African kids with

bloated stomachs and stretched-out hands with calabashes fetching water from the bore-hole these “philanthropist” dug. They may also have pictures of smiling African village women returning from the bore-hole with pots on their heads with clean water from this bore-hole; juxtaposed next to this picture may be the stream that they use to fetch water from. Ladies and gentlemen, for these companies their “CSR Mission is Accomplished” in that African country. They can then gloat to the world on how they have helped the poor “Natives” in Africa. CSR therefore to these companies is a voluntary “nice to have” charitable activity, a side-show, different from their main activity of making money.

Chairperson:

This picture I have just painted thus prompts me to ask: What is Corporate Social Responsibility (CSR)? Ladies and gentlemen, I agree that the definition of CSR is nebulous hence for this keynote I will define CSR this way:

“CSR in my opinion is the case where companies regard as their home, countries in which they operate. Consequently, they act responsibly in the manner in which they address social, environmental and economic impact of their operations; as well as how they deal with their employees and stakeholders. These companies are thus responsible for their actions and inactions. At the end of the day, whatever they do must contribute to the sustainable development efforts of the countries they operate in. Their efforts must go beyond minimum legal requirements and compliance; realising that it is in their competitive and sustainable interest and that of society at large.

Chairperson:

From the just given definition of CSR, some people may ask: Whether CSR then is an ethical obligation or a business driver for companies? I will say both. If a company’s CSR actions are driven by ethical considerations and if it leads to benefits to society and at the same time saving cost for the company concerned, that is great. But here is what should be driving CSR in our today’s highly globalized world beyond ethical considerations in my opinion. In our highly globalized world of today, business cases or their sustainability can be made for companies practicing CSR.

The first is brand enhancement and reputational risk. Numerous studies have shown how negative publicity impacts the bottom-line. Indeed, more and more consumers choose a product either consciously or unconsciously based on the brand and image of the company. For example the image of Ben and Jerry’s Ice Cream as a social responsible company has enhanced the brand and made the company profitable. Furthermore, according to the World Economic Forum survey of 2004 of CEOs and leaders, corporate brand reputation outranks financial performance as the most important measure of success. Several studies have also shown that

companies practicing CSR do better financially and have a better image than companies that do not. On average, CSR-oriented companies have 18 percent higher profits.

The second business case that can be made for CSR is that of being a good corporate citizen. This means that the company abides by the legislation in the respective countries in which they operate in and in some cases are a step ahead of the legislation. They are therefore usually prepared when legislation is passed and enforced and do not have to wait for civil society and pressure groups to force them to do so. This reduces the risk that the company will be exposed to by been ahead of the curve. It also increases the long-term stability of the company and indeed the survival of the company in cases of unforeseen circumstances. Risk apart, no company can truly realize maximum economic value in doing business in Africa today and tomorrow if the environment they are operating in is not socio-economically, politically, culturally and legally conducive.

Thirdly, most employees will work for companies based on their strong and genuine CSR practices. Hands up all those who will work for a company with a dubious and poor image and indeed a poor CSR record? Ehrrrr! How many of you will work for Enron? Enron was well-known for its CSR activities, and published social and environmental reports on all the good work it was doing. The trouble is, at the same time it was lying about its profits. When the truth emerged, it led to the company's collapse in 2001 and its top executives were jailed for conspiracy and fraud. Enron became a by-word for corporate irresponsibility, all of its community and environmental work undermined by the fact that it was carried out by a company with dishonest business practices.

You get the point of what I mean. Thus increasingly, more employees will work harder for companies that are ethical and moral in their business dealings than those which are not or those who engage in dishonest business practices. Thus, being a social responsible company have numerous benefits.

The final business case I will like to make for CSR is that being an environmentally responsible company by extracting and replenishing natural resources results in an almost proportional reduction in operating costs. According to a study by the World Wildlife Foundation; an environmental charity, the usage of natural resources in our world today have exceeded 20 percent. It further reports that 20 percent of the Western world already uses 80 percent of the global resources. Thus, if the global population increases by say 50 percent, it means that for all the world population to use resources as it is done in the Western world, we will need 7.2 planets. This is not possible. It therefore makes business sense for companies to be

environmentally responsible as it is equally about their long-term survival. But I will also contend that a good CSR policy for any company which operates in Africa or elsewhere is one that effectively addresses the sustainable aspirations and development needs of the countries they operate in without compromising the ability of future generations to meet their own needs.

Chairperson:

From this brief analysis of making the business case for CSR, why then do most companies who operate in Africa think that engaging in CSR activities on the continent is charity or philanthropy? The answers are not far-fetched. The first is arrogance and the paternalistic and patronizing attitude amongst some of the companies who operate in Africa. For some of these companies, they still see Africa as the “Dark Continent,” a backwater for which they are on a mission to save not a partnership that they should nurture to yield mutual benefits to the company and its host country. They still see Africa from most of the negative reportage of the continent in Western media; what I call the **CNN Africa**—an Africa of war, chaos and misery; or the **National Geographic Africa**—an Africa of wildlife or philanthropy, primitive tribes and harsh climates and terrain; or the **Holly Wood Africa**—an Africa of Tarzan and Jane, a white couple who are the king and queen of the African jungle. Amazing isn't it. Or if you are the *Economist Magazine*, you can label Africa as “The Hopeless Continent.” Definitely, Western companies and indeed some African ones' perception and believe will be shaped by such images. Consequently, the arrogance, paternalistic and patronising attitude is the result.

Secondly, African countries themselves are to blame for the poor and weak CSR environments in their respective countries. In some African countries, legislation dealing with environmental pollution, corruption and CSR activities are absent. Where they exist, I will characterise them as “paper tigers,” (good on paper only). The enforcement of these laws is poor or absent. In sum, the legal infrastructures in some African countries are poorly developed, poorly resourced, inefficient and highly politicized. So most of these companies who operate in these countries get away with murder. A good example is the operation of Shell in the Delta region of Nigeria. A story most of you know very well and need not be re-told here.

Furthermore, civil society organizations are either absent in some of these African countries or where they are available, they do not have enough resources and in most cases are not well organized and thus are ineffective. Some of these civil society organisations become voices of some of Africa's corrupt governments. There is therefore the lack of these alternative voices to expose the unethical and poor CSR records of these companies as is the case in the West. In addition, some of the public sector organisations and indeed politicians in these countries are so corrupt that some of them are in the pockets of these companies and they look the other

way while some of these unethical companies continue their nefarious activities with impunity.

Finally, CSR in Africa is weak because consumer activism that we are rather familiar with in the West which is responsible for most companies producing responsible products and services is rather absent or relatively very weak in Africa. Thus some of these unethical companies operate with little fear of consumer activists exposing their nefarious activities and pressurizing them to change their ways.

Chairperson:

So where do we go from here? How do we make sure that foreign and domestic companies operating in Africa see CSR not as “charity or philanthropy” but something that will bring about mutual benefit to the companies and the environments and indeed the countries they operate in?

First, there needs to be a complete mindset change amongst companies operating in Africa and indeed amongst African governments and policy makers. A mindset change that see CSR neither as charity nor as philanthropy. The view of CSR as charity does not go far. CSR should be seen as a mutually beneficial scheme that enables companies to be able to make profit by doing good and contributing to the long-term sustainable development of the countries they operate in. The two are not mutually exclusive nor are they a zero-sum game. African governments and policy makers must also see CSR as a partnership with companies operating in their respective countries as a way of enhancing their sustainable development agenda. This dovetails well with the “Ubuntu” ethos of Africa—African humanism, which states, “I am because you are, because you are, therefore I am.”

Secondly, companies must move away from the traditional notion of seeing their CSR operations in Africa as a marketing tool to enhance their brands or countering claims of pressure groups to being a strategic tool of integrating sustainable measures in their strategic visions, missions and plans of their companies. For example, CSR could be used to bring about a genuine change and improvement in the lives of the people in the numerous African countries they operate in. For example, CSR could be used to protect human rights, improve employment and environmental standards in these countries, and indeed minimizing corruption. When CSR is practiced as I have just outlined, it will be seen by Africans and indeed the international community as “authentic”—thus it will be seen as truly contributing to the long-term sustainability and development of the African continent and directly or indirectly to the sustainability of the company and its operations in the said African country. Ladies and gentlemen, that is not charity.

Finally, CSR in Africa should be seen as a group effort not a unilateral effort on the part of companies. We say in Africa that, “one head does not form a committee,” and that “one tree does not make a forest.” It is just like how our Latin American brothers and sisters say, “it takes two to tango.” CSR activities in Africa to contribute to this long-term sustainable development effort of the continent must begin to include the effective consultation and incorporation of the views and aspirations of the communities in which these companies operate, in their CSR decisions, aligned with the long term-strategic development policies of the country. To emphasise why this is important, there is a story common in the International Development community or those in the “Development Priesthood” that I will like to share here with you to drive home the point:

“A company or an organization that operated in one of the rural areas in Africa was concerned that the women in the village trudged long distance to fetch water from a river, carrying it back in huge pots and pans. From their Western logic, of the lost time involve that these women could be using to do other “productive” things; also the heavy huge pots of water they carried could have an impact on their necks and of course their health. They therefore decided to build a bore-hole in the middle of the village to save these women the agony of trudging long-distance to fetch water and indeed to save their necks. Of course, it would also be good for their CSR image. They never consulted these women in the process. When they built this bore-hole, the women ignored it and continued to trudge to the river to fetch their water. These “CSR experts” of this company were scratching their heads. I am sure some of them were saying that these AFRICANS ARE CRAZY! For sure these Africans were not crazy; perhaps, the “CSR experts” were the ones who were crazy. If they had consulted the women, they would have found out that unlike in the West, they do not have psychologists to consult on their mental health issues, they were no entertainment outlets or movies or malls to go to fraternize or shop. Thus trudging to the river to fetch water served a socialization function, it was a way of being able to discuss with their friends about problems they faced at home, share gossips about their husbands, exchange recipes and so on and so forth. It was thus a cathartic process for them as well. It also served as an avenue to recruit friends to join the different rotating-credit schemes they belong to. So why would they want to expose all these matters and indeed gossip about their husbands in the middle of the village, while fetching water? Why would they want to have other people they do not trust share in their private conversations? Ladies and gentlemen, NO WONDER THE WOMEN OF THE VILLAGE IGONORED THE BORE-HOLE BUILT IN THE MIDDLE OF THE VILLAGE BY THE SO CALLED “CSR EXPERTS.” This should be a good lesson for CSR projects in Africa. It must include the people of the community and they must be adequately consulted if they are to have an impact on the lives of the people they are meant to help.

Chairperson:

At the end of the day, CSR in Africa is not charity or philanthropy. CSR can play a very important role in contributing to the socio-economic and even political growth and development of Africa; and in so doing, the sustainable growth and profitability of the companies that operate there. Companies can contribute to this process by re-looking at their CSR policies as one that will bring “mutual benefits” to them and the country. They should begin to work with governments, civil society organisations, the numerous community groups in the communities they work in to formulate win-win propositions for their mutual benefit. They should start with drawing up workable rules and codes of conduct to encourage the implementation of mutual beneficial CSR programmes and projects in those countries; and they should implement these rules and codes by setting a good example.

Chairperson:

I will like to end this keynote first by stressing that, the intention here is not to encourage companies operating in Africa not to engage in charity or philanthropy. Far from that. What I am advocating here is that their CSR activities should move away from revolving around philanthropy to contributing to the long-term economic development of the communities and indeed the countries they operate in. When the CSR activities of companies who operate in Africa do not support the development efforts of governments of their host countries, the economy could stagnate, leading to unemployment and unrest. The violent public protests like those in the Niger Delta in Nigeria are cases in point.

Thank You.

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