

CORPORATE CITIZENSHIP IN A GLOBAL CONTEXT

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Abstract

Corporate Citizenship (CC) highlight the new political role of corporations in society by arguing that corporations increasingly act as quasi-governmental actors and take on what hitherto had originally been governmental tasks. By examining political and sociological citizenship theories, the authors show that a corporate engagement can be explained by a changing (self-) conception of corporate citizens from corporate bourgeois to corporate citizen. The corporate citizen assumes co-responsibilities for social and civic affairs and actively collaborates with fellow citizens beyond governmental regulation. This change raises the question of how such corporate civic engagement can be aligned with public policy regulations and how corporate activities can be integrated into the democratic regime. By referring to the renewed European Union strategy for Corporate Social Responsibility, the authors show how such a subsidiary corporate-governmental task-sharing can be organized. the apparent demise of the concept of corporate social responsibility and its usurpation within academic literature, managerial practice and policy debate, by the concept of corporate citizenship. Having failed in its attempt to compel companies to behave responsibly, corporate social responsibility has been superseded by a more consensual approach that seeks to encourage companies to behave good corporate citizens. The role envisaged for corporate citizenship by this article is illustrated by an account of the United Nations Global Compact and concerns the

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establishment, through consensual means, of the norms necessary for an effective regime of corporate social responsibility.

Keywords : Corporate citizenship, Responsibility Infrastructure, Corporate Social Responsibility and Sustainability.

Corporate executives need to re-frame their responsibilities to include the interests of all the stakeholders in society at large not just shareholders, but also employees, the citizens of our communities and those who care about the environment.

Simon Mainwaring²



² Simon Mainwaring(1967), American Author, Speaker, Blogger and Specialist Media, *available at* : brainyquotes.com (Visited on Dec 29, 2016)

Introduction

Corporate citizenship³ means understanding and managing a company's influence on society and all its stakeholders. Good corporate citizenship integrates social, ethical, environmental, economic and philanthropic values in the core decision making processes of a business. Corporate citizenship has supporters and detractors from across the political and ideological spectrum, business, non-government organisations (NGOs) and the general public.⁴ The focus of the corporate citizenship debate over the last few years has been on why and how the Nikes, Westpacs, McDonald's, and Fords of the global economy have been engaging with the wider community and whether it is good for business. Today, however the focus is on the relationship between public policy and corporate citizenship, and the increasing pressure on governments to regulate corporate social behaviour. The present paper is an attempt to have an overview of concept of Corporate Citizenship in the globalised world the need for understanding the public policy by different governments in order to understand the business case for corporate citizenship.⁵

Corporate citizenship can be simply defined as being about business taking greater account of its social, environmental and financial footprints.⁶ While the terms Corporate Social Responsibility, hereinafter referred as (CSR) and Corporate Citizenship are often used interchangeably the latter term is indicative of a more holistic approach by companies where the increased awareness of their role and impact in society is integrated into all

³ Dr.Gianni Zappala, Corporate Citizenship and the Role of Government, the Public policy case, *available at* : www.aph.gov.au (Visited on Dec 30, 2016).

⁴ Ibid

⁵ Ibid

⁶ Caitlin Cronin, *Corporate Social Responsibility in Australia, Smith Family* (Sydney, 2001 Paper No.3).

business decisions and is accompanied by stakeholder engagement.⁷ As Marsden noted:⁸

Corporate Citizenship involves corporations becoming more informed and enlightened members of society and understanding that they are both public and private entities.⁹ Whether they like it or not they are created by society and derive their legitimacy from the societies in which they operate. They need to be able to articulate their role, scope and purpose as well as understand their full social and environmental impacts and responsibilities. Corporate citizenship as a progression from Corporate Social Responsibility (CSR) is therefore seen as a fuller understanding of the role of business in society.¹⁰

Role of Public Policy In The Area Of Corporate Citizenship

Corporations have always had an influential both good and bad role in the development of society especially over the last two hundred years.¹¹ What has changed however is that the increased scope and extent of their ripple effect has meant a commensurate increased focus on their responsibility to society. There is a role for public policy in the area of corporate citizenship but that role is not necessarily a regulatory one.¹² Similar to the need for companies to understand the business case for corporate citizenship, governments should understand the public policy case for corporate citizenship in the following manner :¹³

- National competitiveness : At the micro-level studies clearly show that corporate citizenship practices have a positive effect

⁷ Ibid

⁸ Chris Marsden and Jorg Andriof, *Towards an Understanding of Corporate Citizenship and How to influence it* 329-352.

⁹ Id,page 3

¹⁰ Id,page 3

¹¹ David M.McIntosh, R.Thomas, D.Leipzig and G. Coleman, *Living Corporate Citizenship: Strategic routes to socially responsible business* 16 (FT Prentice Hall, London, 2003).

¹² Ibid

¹³ Ibid

on firms' financial performance. At the macro level research is now focusing on the positive potential that Corporate Social Responsibility (CSR) clusters can have on regional and national economies¹⁴.

- Civil governance : The contemporary trend in which the shifting balance of power between the state market and civil society has led to new ways of providing societal direction.¹⁵ Corporate citizenship is central to models of governance where government is part of a wider network rather than controlling through centralisation and hierarchy. Policy-makers who want to encourage governing without government should therefore be interested in creating policies that encourage corporate citizenship.¹⁶
- Popularity with the electorate : While governments should not be constrained to supporting only those policies that have widespread political appeal, good public policy needs broad appeal to be successful.¹⁷ Popular opinion against socially irresponsible business practices has been growing and is a key reason that companies are taking the corporate citizenship route. Policies that promote corporate citizenship are popular with the electorate because they touch multiple spheres of peoples lives. They will also assist in restoring peoples confidence in key societal institutions.¹⁸
- Good social policy: Corporate Citizenship complements governments role of providing good social policy.¹⁹ The social

¹⁴ Ibid

¹⁵ Richard Teather, Corporate Citizenship : A Tax in disguise, *available at* : www.mises.org (Visited on Jan 5, 2017).

¹⁶ Ibid

¹⁷ Ibid

¹⁸ Ibid

¹⁹ Ibid

and environmental challenges facing society are too vast to be effectively dealt with by governments alone. Corporate citizenship is an important way that governments can increase economic competitiveness while also ensuring good social and environmental outcomes.²⁰

Options for Public Policies in Corporate Citizenship:

- No government intervention in the area of corporate citizenship.²¹ This view is associated with critics of corporate citizenship who argue that companies should not concern themselves with issues other than maximising returns for shareholders and that government should not intervene to divert the attention of companies to other issues.²²
- The traditional public policy approach of legislation and regulation. This path is already being followed by several governments around the world and is the preferred approach of Non Governmental Organizations (NGOs).²³ Much of the proposed and existing legislation in this area relates to having mandatory social and environmental reporting for publicly listed companies.²⁴
- Adopting a non-regulatory activist approach. This option takes the view that while corporate citizenship should remain a primarily voluntary activity government has an important role in providing for its support and development.²⁵ The best example of

²⁰ Ibid

²¹ D.Miller, *Bounded Citizenship* (K.Hutchings and K. Dannreuther (eds.), Cosmopolitan Citizenship, London: Macmillan, 1999).

²² Ibid

²³ Ibid

²⁴ Ibid

²⁵ Ibid

this approach is that of the British government which has a range of policies and systems in place to encourage responsible business practice. The British government's strong non-regulatory support for corporate citizenship has meant that proposals for harder regulation have been unsuccessful. In other words, non-regulatory activism can be a safeguard against forms of regulation that may lead to a compliance process rather than business genuinely engaging with its surrounding community.²⁶

- Governments acting as demonstrators of best practice in corporate citizenship²⁷ : Measures include government agencies adopting triple bottom line reporting using government procurement and tender policies as well as public-private partnerships so that companies that wish to do business with government will need to have a demonstrable corporate citizenship strategy.²⁸

Types of Corporate Citizenship its Challenges and Steps taken for the evolving of Corporate Citizenship.

From Asia to the America business leaders are under intense pressure to rebuild public trust manage new and unfamiliar risks respond to rising societal expectations and remain profitable and competitive in a global economy.²⁹ As a result, the subject of corporate citizenship is in the spotlight as never before. In leading companies, it is moving beyond the boundaries of legal compliance, public relations and philanthropy to become a more integral part of corporate governance, strategy, risk management and reputation. Values-driven performance aimed at protecting existing corporate value and creating new corporate value and backed by rigorously evaluated and publicly

²⁶ Id.page 6

²⁷ Id.page 6

²⁸ Id. page 6

²⁹ Gianni Zappala, *Good Citizens : Strong Community are still good for business* 10-11 (Eureka Street, Vol.13, June, 2003).

reported targets and metrics is becoming a defining feature of the world's best-led companies.³⁰

Over the past two decades the forces of economic globalization political transformation and technological innovation have increased the global reach and influence of the private sector.³¹ The United Nation (UN) estimates for example, that the number of transnational corporations almost doubled from 37,000 in 1990 to over 60,000 today with some 8,00,000 foreign affiliates and millions of suppliers and distributors operating along their global value chains.³² This process has conferred new rights and created new business opportunities for global corporations and large national companies while also exposing weaknesses in national and global governance structures.³³ It has also resulted in new competitive pressures and risks and led to increased demands for greater corporate responsibility, transparency and accountability.³⁴

While this leadership challenge is especially apparent for executives in Europe and North America, it is also becoming a reality for many countries like Asia,³⁵ Africa, the Middle East and Latin America especially those who aim to be global players by either doing business with or competing against the world's top multinationals. Business leaders in each region are obviously influenced by different economic, social, cultural and political traditions and different industry sectors face different types of corporate citizenship challenges which can be understood in the wake of following trends³⁶ :

1. From the corporate margins to the mainstream³⁷
2. From assertion to accountability³⁸

³⁰ Ibid

³¹ Ibid

³² Id.page 7

³³ Id.page 7

³⁴ Id.page 7

³⁵ A.Crane *Corporate Social Responsibility : Readings and Cases in Global Context* 3-26 (Routledge).

³⁶ Ibid

³⁷ Ibid

3. From paternalistic approaches to partnership³⁹

1. From the Corporate margins to the mainstream

In leading companies, Corporate Citizenship is moving beyond the boundaries of legal compliance and traditional philanthropy to become a more central factor in determining corporate success and legitimacy with implications for corporate strategy, governance and risk management.⁴⁰ There is now growing recognition that global corporate citizenship is essentially about how the company makes its profits everywhere it operates not simply what it does with these profits afterwards. It is about how the company operates in three key spheres of corporate influence⁴¹ :

- First, in its core business operations in the boardroom, in the workplace in the market place and along the supply chain.⁴²
- Second, in its community investment and philanthropic activities.⁴³
- Third, in its engagement in public policy dialogue, advocacy and institution building.⁴⁴

In all three spheres of corporate influence, the challenge for leadership companies has twofold :⁴⁵

First, aim to do minimal harm in terms of minimizing negative economic impacts bad labour conditions, corruption, human rights abuses and environmental degradation that may result from a company's

³⁸ Ibid

³⁹ Ibid

⁴⁰ Jane Nelson, Corporate Citizenship in a Global Context, *available at* : www.hks.harvard.edu (Visited on Jan 6, 2017).

⁴¹ Ibid

⁴² Ibid

⁴³ Ibid

⁴⁴ Ibid

⁴⁵ Amy Faelnar, Corporate Citizenship in a Global Context, *available at* : www.prezi.com (Visited on Jan 6, 2017).

operations.⁴⁶ This is a goal that calls for management strategies such as compliance with internationally accepted norms, guidelines and standards such as the Guidelines for Multinational Corporations and the United Nation (UN) Global Compact as well as with national laws and regulation and control of social and environmental risks, liabilities and negative impacts.⁴⁷

Second, aim to do positive good in terms of creating new value for both the business and its stakeholders in the countries and communities in which it operates.⁴⁸ This can be achieved through strategic philanthropy and community investment which harnesses the company's core competencies, products and services not only its philanthropic cheques. Examples include Information and Communication Technology (ICT) companies supporting community projects to tackle the digital divide, financial companies supporting microcredit initiatives and professional services firms sharing management expertise with local community organizations.

2. From Assertion to Accountability

A second key trend at the heart of the emerging corporate citizenship agenda is the growth in demands by stakeholders, including shareholders for corporations to demonstrate greater accountability and transparency and to do so not only in terms of their financial accounts and statements but also in terms of their wider social, economic and environmental impacts.⁴⁹

In response to these trends, leading companies are being called on to be more accountable and more transparent to more stakeholders on more issues

⁴⁶ Ibid
⁴⁷ Ibid
⁴⁸ Id,page 9
⁴⁹ Id,page 9

and in more places than ever before.⁵⁰ In the wake of corporate governance and ethics scandals, there have been demands for greater financial accountability and transparency resulting in increased shareholder advocacy and new regulations. At the same time, certain governments and stock exchanges are also calling for greater public disclosure on environmental and social performance in areas such as carbon emissions, product safety, occupational health and safety training and diversity.⁵¹ There are also growing calls for greater transparency on private sector engagement with governments on issues such as lobbying, financial political campaigns, payment of taxes and receipts of public procurement contracts and incentives.⁵²

In all of these areas the business leaders are facing new and challenging questions in terms of⁵³ :

- (a) What to be accountable for?
- (b) Who to be accountable to?
- (c) How to actually measure and report non-financial performance in practice?⁵⁴

A number of global voluntary efforts are underway to develop standards guidelines and procedures for measuring and reporting on corporate social and environmental performance.⁵⁵ These range from multi-sector alliances such as the Global Reporting Initiative which is developing guidelines and indicators for public reporting on sustainability performance to sector-focused efforts such as the Extractive Industries Transparency Initiative which focuses on public disclosure of payments to governments by oil and mining companies,

⁵⁰ Robert Greenhill and Li Zhang, The Corporate Global Citizenship Challenges, *available at* : www.weforum.org, (Visited on Jan 6, 2017).

⁵¹ Ibid

⁵² Id.page 10

⁵³ Id.page 10

⁵⁴ Id.page 10

⁵⁵ Id.page 10

the Fair Labour Association in the apparel sector, the Equator Principles for project finance in the banking sector and global framework agreements being negotiated between certain trade unions and global corporations. Growing numbers of Asian companies are engaging in these and other accountability initiatives⁵⁶.

3. From Paternalistic Approaches to Partnership.

The third key trend in global corporate citizenship is a move away from more⁵⁷ traditional paternalistic attitudes that the company and its senior executives knows best to more genuine engagement, consultation and cooperation with key groups of stakeholders. There is growing recognition that the challenges we face both as individual companies and nations and as a global community are too great and too interdependent and the resources for addressing these challenges too varied and too dispersed for any one actor or sector to have all the solutions. New types of alliances between companies and other sectors built on mutual respect and benefit are becoming essential to both corporate success and societal progress.⁵⁸

One example is the United Nations Global Compact with over 2,000 corporate participants and some 30 national business networks, many of them from developing countries working with United Nation (UN) agencies, trade unions and non-governmental organizations.⁵⁹ Through the power of collective action, the Global compact seeks to advance responsible corporate citizenship so that business can be part of the solution to the challenges of globalization. It is a voluntary initiative with two objectives namely⁶⁰ :

- Mainstream ten principles in the areas of environment, human rights, labour and anti-corruption, all of which are based on

⁵⁶ Id. page10

⁵⁷ C.Cronin, *Journal of Corporate Citizenship*, available at : www.greenleafpublishing.com (Visited on Jan 7, 2017).

⁵⁸ Id.page 11

⁵⁹ Id.page 11

⁶⁰ Id.page 11

international, inter-governmental agreements into business activities and supply chains around the world.⁶¹

- Catalyse business actions and partnerships in support of UN goals, especially the Millennium Development Goals.⁶²

Asian companies have been among the pioneers in supporting the Global compact.⁶³ In countries such as China, India, Indonesia, the Philippines, Thailand, South Korea and Australia etc. individual companies, stock exchanges, business associations and governments are starting to explore ways to implement the compact's ten principles as core elements of sound business practice. In November 2005, the Chinese government will host a major Global Compact Summit taking a vital leadership role at a time when global industrial capacity continues to shift to China and Chinese companies continue to increase their international investment and influence.⁶⁴

Conclusion

In nutshell, regardless of industry sector or country global corporate citizenship rests on four pillars i.e. values, protection, creation and evaluation. These four pillars are not only underpin the long-term success and sustainability of individual companies but are also a major factor in contributing to broader social and economic progress in the countries and communities in which these companies operate along with good governance on the part of governments they offer one of our greatest hopes for a more prosperous, just and sustainable world.

⁶¹ Id.page 11

⁶² Id.page 11

⁶³ David Miller, The Idea of Global Citizenship, *available at* : www.nuffield.ox.ac.uk (Visited on Jan 7, 2016).

⁶⁴ Id.page 12