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Corporate Social Responsibility as a Tool for Sustainable National Development

An address delivered by

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Introduction

It is, indeed, a great honour and privilege for me to be chosen to deliver the Third Convocation Lecture of this unique and outstanding citadel of academic excellence. I wish to thank the highly respected Chancellor, Dr. David Oyedepo; Madam Vice-Chancellor, Professor Aize Obayan; other Principal Officers and members of the Convocation Committee for availing me this rare opportunity to rub minds with members of this intellectual community on a topic that I am very passionate about: Corporate Social Responsibility.

I must say I am thrilled for this opportunity to identify with a great institution which is run on the visionary platform of “Raising a New Generation of Leaders for the African Continent.” This vision is also anchored on the “Total Man” Concept which makes it most reassuring and inspiring. No wonder that within a short period of your existence (barely six years), Covenant University has recorded monumental achievements that resonate in academic communities in Nigeria.

The splendour of the University's locale, the architectural masterpieces that constitute the physical structures and the general ambience enhanced by its floral beauty really put this citadel of academic excellence in a class of its own. The full accreditation of all your programmes by the National Universities Commission (NUC)—the apex regulatory body for university education in Nigeria—is another eloquent testimony to the sterling stature of this institution. The numerous accolades and awards you have won these past few years equally validate your top-notch place in the lengthening list of universities.

May I seize this opportunity to pay homage to the Chancellor, Dr. Oyedepo, who is well respected and greatly admired. Your visionary leadership has brought this University to the zenith among Nigerian universities. Beyond your spiritual anointing which has impacted millions of people across the globe, you have become an epitome of philanthropy and social responsibility.

The graduating students who are privileged to have passed through the crucible of this great institution, I congratulate you for successfully completing your programmes here; and I can say with a good measure of confidence that you have been prepared for success in all your endeavours, not just in Nigeria but anywhere in the world. Under the “Total Man” Concept, you are better equipped than most of your contemporaries elsewhere to confront the challenges of life in the real world. You are also adequately prepared to compete in the new world economic order as truly new generation of would be African leaders. I say congratulations!

What is Corporate Social Responsibility?

When I received the invitation to speak on this topic; the first thing I did was to update myself with new ideas on corporate social responsibility (CSR). I went straight to my broadband internet connection and did a google-search for corporate social responsibility and expectedly the search returned over 40 million hits. This is a clear demonstration of overwhelming global interest in CSR. I also learnt very quickly that in defining CSR, it is no longer

philanthropy of the past whereby companies would merely donate monies to worthy causes largely as a Public Relations effort. Today's companies need to engage directly with institutions and communities around them towards building a better and brighter future for all. As Gordon Brown, UK Prime Minister, stated "Now we need to move towards a challenging measure of corporate responsibility, where we judge results not just by the input but by its outcomes." Another definition that captured my attention is that from the Harvard University's Kennedy School of Government which defines CSR to include 'not only what companies do with their profits, but also how they make them.' Corporate social responsibility is not merely about cutting a large cheque; it is about a holistic approach to improving the world around us. The Economist has termed the phrase 'Billanthropy' after the immense generosity demonstrated by the likes of Bill Gates (founder, Microsoft) and Warren Buffet (founder, Berkshire Hathaway), two of the world's most successful businessmen. Combined both men have donated over \$70billion to philanthropy. The socially responsible avenue they tread is a very hands-on approach with specific projects and clearly defined targets for tackling world health problems such as malaria and HIV and also addressing educational needs.

CSR: Its origin

CSR has its origin in the advanced economies and has spread across borders through multinationals, trade and investment. CSR can take a variety of guises: from direct engagement via core business practices to traditional philanthropy through multi-stakeholder alliances. Creating or expanding economic opportunity has traditionally been the role of government. Today's globally competitive landscape presents a new set of opportunities for the private sector to engage in. Many of today's social, economic and environmental challenges are too complex for one sector to tackle alone.

A 2006 survey by McKinsey (a global consulting outfit) found that 84% of business leaders internationally thought that companies should not only 'generate high returns to investors but balance such proceeds with broader contributions to the public good.' This means that there are a lot of interested

parties in CSR. The role of business in society goes beyond the boardroom agenda; business leaders have begun to recognize that their role not only encompasses profitability management, there is also a larger responsibility towards people and the societies in which the company operates and over the natural resources upon which it relies. Recent corporate scandals, from Enron to Worldcom have catalyzed business leaders into action to attempt to restore public trust and credibility in the entities that they manage. Cadbury represents an interesting case study as they were a pioneer in CSR as far back as the 1880s when the Cadbury family developed a new factory and suburb of Bournville. As well as pioneering pension schemes, joint working committees and a staff medical service, the Cadburys developed and built a model village of good-quality houses with large gardens, designed to alleviate the traditionally cramped living conditions of Victorian England.

Approaches to CSR

I do understand that there are differences in the practice of corporate social responsibility and that there are no universal standards. What this means is that CSR projects can be said to be host-community-specific and even time-specific. What therefore constitutes a good CSR venture/idea in one jurisdiction or time might not be considered as such in another. What remains clear as I sifted through the literature is that CSR is socio-culturally embedded in its original construct and it has remained so till date, more especially in this part of the globe. This translates to the concept of good neighbourliness as practised by our traditional societies and institutions from time immemorial. Modern as businesses will claim to be, they must still be situated in their socio-cultural locale.

CSR in Advanced Economies

CSR principles and practices have assumed a more advanced form in these jurisdictions. Apart from being part of most organisations' business strategies, some elements of compulsion have since crept into CSR issues. In fact, the emergence of the concept in the United States of America during the twentieth century was a fall out from attacks on corporations for being too big, too

powerful and 'guilty' of anti-social and anti-competitive practices. Faced with such social protests, some far-sighted business executives advised corporations to voluntarily use their power and influence for broad social purposes instead of profit alone. Thus, Mathison, D.L. (1993) in a study of European and American Executive Values, insists that business in any society needs to take responsibility for "...every decision that is made, every action that is taken must be viewed in the light of that kind of responsibility". Over time, businesses—big or small—have imbibed the CSR tenets, with many building them into their competitive strategies. Writing in the Harvard Business Review (October 2004), renowned strategists, Michael E. Porter and Mark R. Kramer observe that "governments, activists, and the media have become adept at holding companies to account for the social consequences of their activities. Myriad organizations now rank companies on the performance of their corporate social responsibility (CSR), and, despite sometimes questionable methodologies, these rankings attract considerable publicity. As a result, CSR has emerged as an inescapable priority for business leaders in every country." In relating CSR to organisations' business strategies, one could find its elements in their marketing strategies, investor relations, labour/employee issues, production and distribution management and even public relations generally. And, in some instances, CSR activities have become implanted in green issues. In the more advanced economies, CSR has become ingrained into their overall strategy by corporations in Europe and America to outdo one another in the quest for survival and later, profit. The original concept of CSR as a tool for philanthropy has since given way to its use for competition and societal development.

CSR in Developing Economies: The Nigerian Case

Here in Nigeria, CSR is still chiefly philanthropic, and in many circles, viewed as mere altruism or charity. It is framed to mirror local realities in every society. In an environment where basic human needs and infrastructure, seen from European perspective, are still a luxury, CSR tends to be taken as part of humanitarian exercise – a way of 'giving back' to the society.

The history of 'organised' CSR in Nigeria can easily be traced to the activities of multinational companies (MNCs) especially in the oil and gas sector of the economy. These oil companies have over time described their CSR activities in various terms to suit their strategies, using such phrases as 'sustainable development', 'community investment' etc as anchors. Indigenous business organizations have since imbibed the CSR tenets. The banking industry seems to be leading the way in this regard. According to a study by the Chartered Institute of Bankers of Nigeria (2004)—'Nigerian Banks and Corporate Social Responsibility'—“aggregate spending by banks on social responsibility projects from 2000 to 2002 amounted to N1.44 billion. The amount grew from N231.14 million in 2000 to N 716.30 million in 2002, representing about 210 per cent growth”. This trend has since been sustained.

Drivers of CSR in Nigeria

Some of the many phenomena that contribute to the growth of Corporate Social Responsibility activities in present-day Nigeria will include local needs (rising expectations from the Nigerian public or host communities), the influences of globalization (through multinationals and other corporate bodies in their bid to imitate some of the best practices), competition (businesses sometimes carry out CSR activities because competition is doing the same) and public relations (as some organisations might like to brand themselves along charitable/philanthropic causes). Other drivers of CSR will include firms' success (that is, a firm might want to give back to its host community after a very profitable run), and regulation (required by law in some instances) etc.

Contrasting Views on CSR

Every business, big or small, has the potential to contribute positively to the social and economic progress of its host-community insofar as its CSR activities are directed at predetermined goals or set objectives in line with the common good of the host community. In the course of preparing this lecture, I came across a quote from a Non-Governmental Organization (NGO), precisely, the Worldwide Fund for Nature (WFN) which considers

corporations as potentially the “greatest allies in sustainable development”. Organizations or corporate bodies can launch innovative CSR initiatives, such as setting up skills acquisition centres and vocational training school in places where they do not exist. By so doing, firms can contribute significantly to improving the lives of people in these areas.

Business organizations can also contribute to socio-economic development in a number of other ways. These will include curtailing certain activities which could be hazardous not only to the environment but also to the people directly or indirectly (e.g. oil spillages, gas flaring, bush burning, sewage/effluent dumping etc). When organizations set environmentally-acceptable standards as part of their CSR activities, they are most likely to bring about substantial socio-economic improvements to their host-communities.

There is a flip side to the arguments above, that is, the case being put forward by those who believe that CSR activities do not significantly contribute to socio-economic development. But rather, CSR activities are nothing but a distraction on corporations' goals and purpose for their set-up. Their major argument being that corporations are set-up essentially to make profit; and that CSR activities can and should come only after it has been proved that they are capable of bringing in tangible gains to the firms - probably in the form of more profits. They also hold that social provision should be solely the job of the state; arguing that the government is the elected representative of the people entrusted with the task of improving their social conditions. The state should therefore have the required expertise and resources to be able to gauge, understand and address the needs of the people. In other words, corporations do not have the necessary expertise to judge the needs and the opinions of the citizenry.

We all know and appreciate that governments no longer govern alone. Corporations and a wide range of NGOs and civil society organizations (CSOs) complement the work of governments on virtually all international

and domestic issues. Their emerging roles have generated both public attention and applause.

Some CSR Initiatives/Projects around the World

Shell, KPMG, Nestle, Heinz, Motorola and other multinational companies usually publish their approaches to CSR – in fact 85% of the FTSE 100 companies and many Fortune 500 corporations now produce a stand alone CSR report. It is a growing fad among some of the best and biggest companies in the world. They now realise that CSR has since become a valuable, intangible asset to their corporate strategies that even the most heartless capitalists cannot afford to overlook. CSR enables a company to implement its values, principles and policies in a very clear and meaningful way thereby protecting its corporate reputation and maintaining brand value.

The fundamental question therefore remains – how should a corporation implement its CSR agenda? There are five key ways to undertake CSR:

1. build strategic relationship with educational institutions
2. building framework conditions for good governance
3. expanding economic opportunities
4. invest in physical infrastructure assets e.g. water, energy, transport.
5. improve provision of healthcare

The virtuous circle of development by engaging in any of these is clear-

- improved access to water and sanitation will have positive spin offs for health but also affords greater time spent in education.
- Improved education can lead to better long term healthcare and improved economic performance
- Improved access to energy will lead to better healthcare facilities and will enable longer time to be spent in education using better technology.

This route to CSR can be far-reaching, from engaging with policymakers to directly building infrastructure. It is helpful to understand the major thrusts that organizations can undertake to become a socially responsible corporate citizen, both locally and internationally.

Other Approaches to CSR

Engaging Public Institutions: The Bangalore Agenda Task Force was established as partnership between the government and seven of the top IT companies in Bangalore that were tasked with turning the once deprived town into a world-class technology player – now megacity.

Supporting SMEs: Training, business advice, technology agreements, equipment donations, credit etc. The list is endless in terms of how a large corporate body can engage with Small and Medium Scale Enterprises (SMEs).

Access to water: Diageo, owner of Guinness, has undertaken the 'Water of Life' programme – the name was derived from the Irish word for whisky 'isca bata', meaning water of life. The one million challenge provided clean, safe and potable water to one million people across Africa by end of 2007.

Access to healthcare: Bill & Melinda Gates Foundation (Microsoft Corporation) has committed over \$860million to eradicate malaria which kills more than one million people, mainly children, every year in the developing world. Malaria is both a disease of poverty and a cause of poverty. Malaria accounts for up to half of all hospital admissions in some parts of Africa, and families can spend a quarter of their incomes on the disease.

Partnership with Educational Institutions

Many Nigerian businesses (big and small) have been extending their CSR endeavours to the universities—especially the publicly owned ones. Such interventions include endowment of professorial chairs; building/donation of physical infrastructure like hostels, lecture halls and administrative blocks; building/equipping and donation of Information and Communication Technology (ICT) centres; building/stocking and donation of libraries. Some business organizations support youths/sports development by donating sports equipment and sponsoring inter-collegiate sports competitions and programmes; others promote scholarship by sponsoring conferences, annual

essay competitions, and awarding of grants and funding to outstanding and deserving students. I also do know that there have been some cash and in-kind donations towards various causes in several of our universities over the years: some scholars have been to some offshore conferences/trainings on the tickets of corporate sponsors.

Access to Education: Goldman Sachs donated \$100m to educate 10,000 women worldwide – Africa has only 2,600 female business students for a population of 900 million! Every year African students and scholars migrate to various parts of the world in search of better quality education.

Mobilization of technology for education: Microsoft's 5-year \$250m Partners in Learning program has trained 2.5 million teachers in 101 countries in the use of modern technology. Competitiveness in the 21st Century is increasingly governed by technology and innovation. Around the world, government and private sector work in partnership, building core expertise and creating synergies. Building and maintaining the infrastructure for the growth of a knowledge economy and supporting ICT in education create a powerful engine for growth, increasing economic output and development.

International Effort to Promote CSR

The UN framework - the Global Compact Initiative (GCI) - was developed by Kofi Annan (former UN Secretary-General) to create a universal model to promote corporate responsibility. Over 40 Nigerian firms have signed up to this initiative which is one of the largest global voluntary codes for corporate citizenship. In May 2006, 50 institutional investors representing nearly \$4 trillion in assets, in conjunction with the UN, launched the Principles for Responsible Investment (PRI) which provides a framework for institutional investors to exercise their fiduciary duties and fairly assess companies on their environment, social and corporate governance (ESG) performance. The FTSE4Good index and its American counterpart, the Dow Jones Sustainability Index comprise companies that are judged to have met predefined social responsibility criteria. Estimates vary, but it is believed that almost 15% of funds under management in the US and UK are driven by CSR concerns. Firms who meet these criteria are adjudged to have better risk

management processes as they can measure, monitor and manage the risks and opportunities associated with complex environmental issues which can have a material impact on their bottom line.

The increasing influence of CSR considerations by consumers in more advanced economies are ignored at a peril. Coffee, once governed by the quotas of large producers has seen its governance standards shift to those of the importing countries. Fair-trade coffee, which meets agreed environmental, labour and developmental standards, is now served in Starbucks, the largest international coffee chain. Fairtrade certified products have now grown to over \$3billion annually. The Kimberley Process has redefined the sale of conflict diamonds. The Better Cotton Initiative was established to promote measurable improvements in the Key environmental and social impacts of cotton cultivation worldwide to make it more sustainable, economically, environmentally, and socially and includes Nike, Adidas and Gap amongst its supporter. Consumers in Europe and America are prepared to pay a premium across a host of products that subscribe to CSR policies. It is a win-win situation for both producer and consumer: the producer is paid a fair price for the fruits of his labour whilst the consumer is secure in the knowledge that the coffee they are drinking, the shoes they are wearing or the latest t-shirt they are sporting did not come about through the exploitation of others. Nigeria stands to gain a sizeable chunk of market share of consumers that place high premium on fair-trade and CSR.

Quantum Leap

Nigeria's economy is expected to experience a quantum leap by 2025 when it would hopefully become one of the 20 largest economies. This target which was predicted by Goldman Sachs in their report of 2005 focussing on the BRIC countries (Brazil, Russia, India and China) being those that would become some of the strongest economies. Nigeria amongst other countries, were identified as the Next Eleven (N-11) being those economies that would feature very strongly among the top economies. This has led to the articulation of the Nigerian Vision 20-20. It is also expected that at that time, CSR combined with strong Corporate Governance framework will enable

Nigerian economy to compete at par with other advanced economies.

The 'Invisible Hand' of CSR

One thing that stands out in every discourse of corporate social responsibility is the 'individualism' approach to it by all business organizations that engage in it. That is, every organisation takes on a CSR course and cause that is suitable to it. And so, in my concluding this speech, I deem it most fitting to draw copiously from the wisdom and postulations of the eminent classical economist—Adam Smith. In his *Wealth of Nations* and other writings, Smith demonstrated that, in a free market, an individual pursuing his own self-interest tends to also promote the good of his community as a whole through a principle he called “the Invisible Hand”. He argued that each individual (corporation) maximizing revenue for himself, maximizes the total revenue of society as a whole, as this is identical with the sum total of individual revenues. Further positing that free competition was the essential ingredient of the efficient economy, Smith insists that the economic system was harmonious and required minimum government interference.

Without taking in all the laissez-faire implications of Smith's postulations, CSR, if it is to remain what it ought to be (voluntary endeavour), deserves no government interference—either by legislation or fiat. If government must have a hand in it in any manner, it should be by moral suasion as well as giving substantial tax incentives to encourage business organizations to do more through CSR. As proved by my experience, as each organization plays its part as a responsible corporate citizen, it contributes, through CSR channel, to the development of its community. On the aggregate, these discrete contributions sum up to meaningful input to national development. What is key in all this, however, is the harmonious and strategic partnering between the corporate citizen and the intended beneficiaries of the CSR efforts. This way, the corporate citizen achieves the dual motives of CSR namely, a peaceful enabling operating environment and some contribution to community/national development. This is a reciprocal and somewhat, symbiotic relationship!

As I had earlier said in my introduction, I have only shared some of my thoughts on the subject of corporate social responsibility; and I believe I have equally provoked some fresh debates on the concept.

My dear graduands and future leaders, I challenge you to be in the vanguard of corporate social responsibility in order to reinforce sustainable national development.

I thank you all for your attention!

Thank you...