The *Noblesse Oblige* of Global Business; An Agenda for Research

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Presentation of a PhD-project

This article charts the evolution and content of the current debate around the legitimate role of global business, in which business is charged with a broader responsibility for social, economic and environmental conditions in the developing world. Drawing from the human rights framework, the paper suggests there is a distinction between the 'depths' of responsibility presented in this debate, and identifies Sustainable Enterprise as a more active engagement of global business in addressing the challenges of globalization. Within the approach business attempts to create both financial and social value for the world's economically-excluded human majority. Undertaken by a number of global corporations under a discursive frame that echos ideas of noblesse oblige, this approach presents a number of practical and conceptual challenges which are the focus of my doctoral research.

Keywords: corporate responsibility, sustainable enterprise, development, human rights

1.   Introduction

The evolving nature of the legitimate role of business, particularly global business, is of central concern to the editors of this journal. In this article I present a rough sketch of the elements of this debate which form the background for my doctoral research at Waikato Management School (New Zealand) and which shape the research questions and approach that drive my enquiry. In the following section I chart the evolution of the debate, and draw on the human-rights framework to argue that the range of responses of global business to calls for greater responsibility for social, environmental and economic conditions can be understood as reflecting different 'depths' of responsibility. In the third section I discuss Sustainable Enterprise in greater detail. I conclude by suggesting a number of conceptual and practical limitations to this approach, and describing the research I will undertake to explore these potential challenges.

2.   The evolving responsibilities of global companies

The last decade has seen the rapid evolution of the debate around the role of business in society, with a particular focus on the responsibilities corporate actors bear for their

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impact on social conditions. This is attributed to a number of factors including a marked unease at the apparently unaccountable operations of private capital in an increasingly integrated global economy, a perception that the ability of nation-states to act in the public interest has been weakened by the effects of this integration, and a greater awareness of abuses when they occur through the media and the vigilance of NGOs (Muchlinski 2003: 33). The perceived ability of transnational corporations (TNCs) to by-pass traditional state-centered systems of governance and publicized instances of direct or complicit involvement of corporations in human rights abuses and environmental degradation have, through sustained public protest and pressure around the world, forced a reconsideration of the boundaries between the private and public spheres in turn calling into question the traditional notion of the corporation as a private entity with no social or public obligations. The consequence of this has been to generate and expose the obligations of TNCs for environmental integrity and the preservation and promotion of human rights (Clapham 1993: 137-138), even in situations where State actors are unable, or unwilling, to enforce recognized international standards.

The entire debate around the role of business in society, particularly an increasingly globalized society, swings on the notion of legitimate corporate action and the often murky waters of corporate motivation. The issue became global in November 1995 when the oil behemoth Shell was accused of complicity in the arbitrary execution of Ken Saro-wewa and eight other Ogoni tribes-men by the Nigerian Government. In response to unprecedented global public outrage, the company drew on the United Nations Declaration of Human Rights (1948) to revise its General Business Principles to include 'support for fundamental human rights in line with the legitimate role of business' (Dutch/Shell 1997). Broadening the legitimate role of business beyond wealth creation alone, the traditional and dominant Friedman-esque conception of business, has therefore been the central focus of the burgeoning Corporate Responsibility movement.

Responses to this challenge on the part of corporations, governments, and the sometimes discordant CR movement has led to a disjunction between terminology and practice, academia and operations (Waddock 2004). However, three broad 'business and society' models seem to characterize the field. The dominant frame of international business recognizes that whilst there are some business activities that have social and economic value for the company's stakeholders the aim and focus of the enterprise is to return value to the share-holder. The approach is rather conversely termed the Trade-off model, as it does not perceive a trade-off between social and financial performance as argued by the CR movement. Beyond this position, corporate philanthropists (such as Porter/Kramer 2002) argue that whilst there are activities that can produce both economic and social outcomes, a company should only engage in them to increase its revenue through associated advantages in reputation, social capital and business development. This position does not go far enough for corporate social responsibility advocates who, whilst sharing the assumption that there are activities that can deliver both social and economic returns, see the central role of the company as the enhancement of social welfare, with economic performance a necessary condition of that role (Donaldson/Preston 1995). Whilst the range of corporate initia-

tives and positions labelled as CSR can be confusing, given that projects undertaken within a philanthropic stance are sometimes labelled CSR, the overall aim of 'strong' CSR is to achieve full integration of social and environmental concerns into a corporation's operations, seen for example in the adoption of triple-bottom line reporting. Maurizio Zollo, an Associate Professor of Strategy and Management at Insead, helpfully captures these competing theoretical views on the legitimate role of business in society:

	Trade-off Model	Corporate Philanthropy	Social Responsibility
Ultimate purpose of firm	Wealth creation	Wealth creation	Social and economic development
Financial v Social performance	Trade-off Correlation <0	Jointly achievable Social => Financial	Jointly achievable Social => Financial
Governance mode	Shareholders' rule	Shareholders' rule	Shareholders' mode
Resource allocation criterion	Shareholders' value max. (SVM)	SVM long-term + ST social impact	LT social impact ST financial impact
Type of social impact activities	None, unless necessary	Add-on to normal (special projects)	Embedded in all normal activities
Economic logic of social actions	Risk protection	Revenue growth opportunities	Fully integrated

Table 1: Comparing Three 'Business & Society' Models (Zollo 2004)

In practice however, the language of Corporate Responsibility is widely used by companies from across the business in society spectrum (Waddock 2004), who may sit far from the socially responsible model. The term corporate social responsibility is generally used to indentify the 'subset of corporate responsibilities that deals with a company's voluntary/discretionary relationships with its societal and community stakeholders (…) typically undertaken with some intent to improve an important aspect of society or relationship with communities or NGOs, CSR is frequently operationalized as community relations, philanthropic, multi-sector collaboration or volunteer activities' (ibid: 10). Pursuing social improvement and the improvement of corporate relations with stakeholders may be endeavours of a very different order, undertaken with different intentions. Whilst difficult to identify, it is unravelling these motivations for coporate engagement with CSR that makes this a fascinating area, and suggest how this field is evoling, pointing to the prospects for business to play a central role in meeting the challenges of Sustainable Development.

A company pursues a social responsibility model of business as in Zollo's table when it sees the relationships it has with its societal and community stakeholders as the central to value added and strategic initiative. This approach also draws on stakeholder theory, an approach popularized by Ed Freeman (Freeman 1984), in its understanding of a corporate governance which balances the interests of shareholders against a recognition of the rights of stakeholders. A 'corporate citizen' - an increasingly favored term by global companies as coined by the Office of the UN Global Compact – is understood to support the Corporate Social Responsibility model of business and society.

Whilst the distinction may seem somewhat moot – of two companies holding community consultations one may be a responsible corporate citizen, the other only *acting* as one – the difference may be found in the understanding the corporations have of the nature of their responsibility. Is it just to listen to those their actions impact beyond their share-holders, or do they have to act to balance competing demands, and to be clear about their process and position in developing a response? The nature of this responsibility - not just whom it is to but what it entails - is being developed through practice, for example in the Global Compact. This initiative brings together global corporations, aid and development organizations, UN agencies and trade unions around ten principles for corporate behavior that supports Development, drawn from the UN Declaration of Human Rights, the International Labour Organization's Fundamental Principles on Rights at Work, and the Rio Declaration on Environment and Development. Since its inception in 2000 as part of the UN's Millenium Development Goals initiative, the Compact has broadened to focus on the role of the global private sector in combating corruption. In a learning-network-approach, corporations signed on to the Compact undertake projects to mainstream the principles of corporate citizenship contained in the charter – the so-called ten commandments – into their business operations, and share this experience with others. The Compact is specifically focused on the role of TNCs in sustainable Social and Economic Development, and in signing up corporations implicitly acknowledge that they have a responsibility in this regard.

I have argued elsewhere (Black 2005) that some clarity to the nature of the responsibility of TNCs in Development, and Corporate Responsibility more broadly, can be found in the human-rights framework itself with its well-developed understanding of rights and responsibilities. One of the principle ways in which the framework can inform this debate is through the distinction it draws between negative and positive responsibilities; to not deprive individuals of their rights, and to protect, promote and ensure the enjoyment of those rights respectively. Whilst traditionally the rights framework describes the relationship between the State and its Citizens, the preamble of the UNDHR calls on 'every individual and every organ of society' to 'promote respect for these rights and freedoms and by progressive measures, national and international, to secure their universal and effective recognition and observance' (UNDHR 1948). It was this sentence that allowed Shell, as an 'organ of society' to integrate support for human rights within its General Business Principles. Business action on human rights emerged within this spectre of complicity in human rights abuses, and so much of the work within this field promotes the negative responsibility of corporations to 'do no harm'. This was the general approach promoted by the OECD Guidelines for Multinational Enterprises in 1976, and remains their central message within an updated emphasis on Sustainable Development. The Global Compact, in the nature of its organizational structure and the projects it encourages to actively foster Development-focused initiatives within and in addition to normal business operations, encourages a more positive, active engagement with the promotion of human rights, within a company's sphere of influence (UNGC/Compact/Rights 2004). This initiative, along with verification standards such as Social Accountability 8000, or arguably the provision of Anti-retroviral drugs for workers by corporations operating in countries suffering from the HIV/AIDS pandemic where governments are unable to pro-

vide health-care, illustrates the role TNCs can play in actively 'pushing' human rights and social issues down the supply chain or in raising awareness of human rights within their workforce. These activities can be understood as reflecting a positive responsibility for human rights by TNCs. The following conceptual model illustrates this argument more fully:
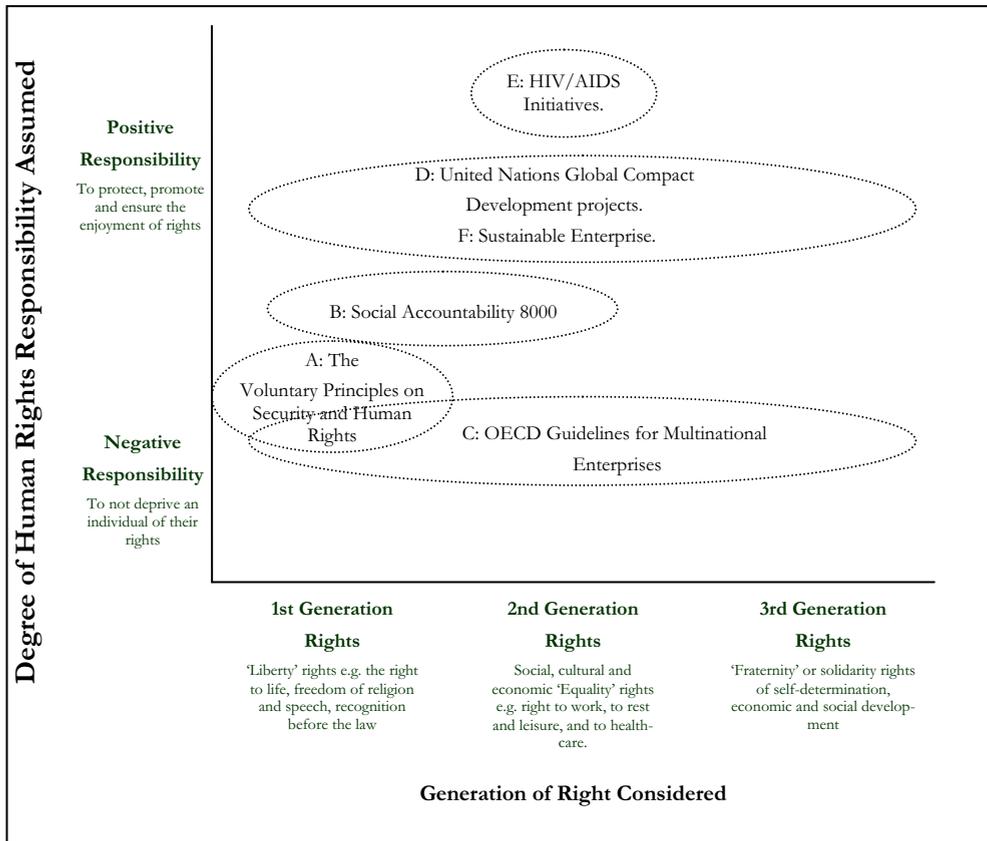

Figure 1: A Conceptual Map of Business Action on Human Rights

I would therefore suggest that a further distinction can be made within Zollo's Corporate Social Responsibility model of Business and Society, based around the depth of responsibility assumed and the form of action this generates; from a negative responsibility to do no harm within the operations of the enterprise, to a positive responsibility to promote human rights within the organization's sphere of influence. The actions generated on this no-doubt sliding (context- and topic-dependent) scale may range from developing guidelines to govern interactions with state or private security forces in the extractive industries, to engaging in projects around specific Millennium Development Goal targets with international agencies and NGOs, respectively.

Beyond this project- or issue-specific focus however, there are another set of initiatives which may represent the comprehensive adoption of the Corporate Social Responsibility model. This is an approach to the role of business in society termed Sustainable Enterprise (Hart 2005), in which addressing the challenges of social development and environmental sustainability are the starting proposition for business initiatives. It is to this approach that I next turn.

3. The *Noblesse Oblige* of Sustainable Enterprise?

Sustainable Enterprise is the private sector component of Sustainable Development, defined by the Centre for Sustainable Enterprise at UNC's Kenan-Flagler Business School as the employment of 'profitable strategies that approach social and environmental challenges as business opportunities and minimize harmful social and environmental impacts' and by The Sustainable Enterprise Project of the World Resources Institute as attempts to 'harness the power of business to create profitable solutions to environment and development challenges'[1]. For proponents of sustainable enterprise, the term gathers together initiatives from across a broad spectrum of business activity – global business to community initiatives – that focus on sustainability, understood as the infusion of social engagement and environmental thinking throughout the processes and systems of the business. Taken together, these initiatives represent an approach that sees business activity as 'a vehicle for growth creation, social development and environmental enhancement ...[which] becomes a competitive advantage' (Mike Pratt, Sustainable Enterprise Forum, WMS, Nov 2003).

One approach within Sustainable Enterprise that is generating great interest in private and public circles is that of Bottom-of-the-Pyramid initiatives (BoP). Management thinkers C K Prahalad and Allen Hammond thrust BoP into the international spotlight in their 2002 Harvard Business Review article 'Serving the World's Poor, Profitably' (Prahalad/Hammond 2002). In this article they argued that global companies can build their profits and secure their future through serving the neglected 4 billion poor who live on less than US$ 2 a day, generating new markets in the process. Through developing services or products to meet the needs of the poor, often through new business models, and by overcoming the challenges associated with marketing and distributing to the urban and rural poor of the developing world, business can 'enable dignity and choice through markets' through 'converting poverty into an opportunity for all concerned' (Prahalad 2004: pxiii). Through stimulating commerce and development at the bottom of the economic pyramid, multi-national companies can 'help bring into being a more stable, less dangerous world' (Prahalad 2002: 48).

As a philosophy to encourage a partnership between business, governments and inter-governmental agencies, BoP has the potential to get strong corporate buy-in, through its happy marriage of profit and poverty-eradication and the approach is generating a warm reception. The face of BoP – Professor C. K. Prahalad – was the plenary speaker at the second academic conference of the Global Compact's Learning Forum last year (Lifeworth 2004) whilst the theme and title of a recent report from the

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[1]   Accessed at http://programs.wri.org/programs_text.cfm?pid=8 and http://www.kenan-flagler. unc.edu/KI/cse/newabout.cfm on October 27th, 2005.

Commission on the Private Sector & Development to the Secretary-General of the UN – *Unleashing Entrepreneurship; Making Business Work for the Poor* (CPSD 2004) re-articulated and promoted his core ideas. Beyond the UN framework the leaders of the G-8 embraced BoP in an action plan entitled *Applying the Power of Entrepreneurship to the Eradication of Poverty* at their 2004 summit in Georgia, and BoP strategies were a theme at the World Economic Forum's latest meeting in Davos, Switzerland.

Some of the most celebrated examples of this approach focus on micro-finance and innovative business models. Organizations such as Grameen Bank Ltd lend small amounts to groups of women in rural Bangaldeshi villages, whilst instructing them about savings, borrowing and investing. The groups then loan this money to their members, whose proposals to start up small enterprises are evaluated and supported by five non-family members of the group. This process drastically undercuts local money-lenders and through this system the bank reaches over 200,000 women with a repayment rate of 95% (Prahalad 2004). Micro-finance approaches are also combined with specific enterprises, such as local health-care supply (Unilever through Hindustan Lever Ltd) or mobile phone rental (Telenor through Grameen Phone Ltd), which generate employment and new markets at the bottom of the pyramid. Beyond micro-finance, some organizations have emerged in the BoP which have found ways to scale procedures and structure their business to provide services at an affordable cost in some cases for free. The Aravind Eye Hospital is one such example, which now performs 220,000 surgeries per year, with 47% of patients paying nothing, 18% paying two-thirds of the cost of manufacture of their sight-restoring inter-ocular lenses, and 35% paying well above cost (Seelos/Mair 2005b). These business models, among others, are being transferred to other products, such as the manufacture and installation of hearing aids, and being exported to other BoP markets in-waiting (Seelos/Mair 2005a).

The framing of BoP and Sustainable Enterprise reflects a sense of *noblesse oblige* on the part of Global Companies, the notion that those in positions of power or influence, traditionally the aristocracy, have an obligation to behave in an honorable and generous way towards those less privileged. This obligation is encouraged through initiatives such as the Global Compact, in establishing which Kofi Annan, Secretary-General of the United Nations called upon the global private sector to join with the international diplomatic community to help bring 'a human face to globalization' (Annan 1999). This year Annan re-issued the challenge of development, stating that 'in an era of global abundance, our world has the resources to reduce dramatically the massive divides that persist between rich and poor, if only those resources can be unleashed in the service of all peoples' (Annan 2005), specifically referring to the partnerships for development which include business, through which managerial and technological resources can be harnessed for development. In this respect, the role for business is perhaps over-stated by Prahalad and Hammond who argue that 'prosperity can come to the poorest regions only through the direct and sustained involvement of multinational corporations' with an accompanying moral imperative to act (Prahalad/Hammond 2002). However, this moral imperative is happily accompanied by a strategic financial imperative with the BoP market recently estimated to be worth US$ 13 trillion a year (Economist 2004: 62), resulting in titles such as Prahalad's 'The

Fortune at the Bottom of the Pyramid; Eradicating Poverty Through Profits' (2004). With its promise of the collaborative co-creation of social and financial value, BoP is heralded as a winning combination for companies, the cash-strapped development industry and the world's poor, and perhaps represents the ultimate integration of corporate social responsibility within the DNA of the firm.

4. Sustainable Enterprise: An Agenda for Research.

Whilst BoP is enticing, that it can be made to work for companies more broadly is still unclear (Gateway 2005). What is clear is that the issue is of great interest to a number of different parties and represents a new development in the debate around the role of business in society. Within attempts to engage in Sustainable Enterprise at the BoP, there is a focus on the provision of safe drinking water, with the ad-hoc, temporary business initiative 'Business Action for Water' launched by the International Chamber of Commerce and the World Business Council for Sustainable Development in December last year. This initiative aims to bring together a network of businesses with the ultimate goal of 'unleashing the full potential of the business community in the search for solutions that deliver results' to help achieve the Millenium Development Goal 7, of halving the number of people without access to safe water.[2] This engagement of the global private sector in access to water, within the frame of Sustainable Enterprise, is the focus of my doctoral inquiry.

There are a number of rich research avenues of both a practical and conceptual nature within this area, which may identify limitations to the BoP approach and Sustainable Enterprise more broadly. For example, the practical challenges of access and distribution in often remote regions must be overcome through innovative distribution systems; suitable design and cost considerations may be a barrier to entry; to be successful, the product and business model must be scalabile and transferable. A crucial issue is how to operate in the BoP in an environmentally sound way, particularly given the focus on affordable smaller or single servings for consumer products and their accompanying waste.

Another crucial issue is the relationship between the corporation and those in the BoP. A key component of the approach is the emphasis on collaboration with entrepreneurs, who are encouraged or generated by the company. It is this element that moves the approach from being primarily transaction- to Development-focused, an approach that has yet to be critically analysed. For example, there are differing opinions of the role of the global company in innovation for this arena, from a frame in which the corporation develops and launches its own product or service in this market (in line with Hart and Prahalad's writing) or through collaborative partnerships with entrepreneurs who emerge from the BoP in "intrapreneurship" (Seelos/Mair 2003: 1). The doctoral thesis may lay the groundwork for a comparative study of these differing approaches.

Of greater personal interest are the conceptual issues in this arena around the legitimacy of this form of corporate action given the critiques of the role of TNCs to date

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[2]   www.wbcsd.org, accessed 16/3/05.

found in the academic literature and which fuel the CSR movement itself (for example (Escobar 1995; Shiva 2000). The inquiry will therefore primarily consider the conceptual relationship between the notions of legitimacy, obligation, and responsibility as they relate to the private sector, and explore the meaning of these concepts within sustainable development. Such an analysis holds the potential to contribute to our understanding of the dynamics of global governance (Cooper et al. 2002; Gordenker/Weiss 1996), and the potential to generate a 'more humane form of global capitalism' as envisaged within the Global Compact.

To grapple with such a large conceptual field, I have chosen to focus on how BoP approaches are understood by those managers at the coal face of 'development-focused enterprise', to identify the extent to which the conceptual framework of Sustainable Enterprise informs their work, and what tensions they may experience in their attempts to pursue both social and financial goals. Through the qualitative research method of dialogical appreciative inquiry (Reason/Bradbury 2001) I will conduct case-studies of global corporations attempting to facilitate access to safe drinking water for those at the BoP. Through discourse and critical analysis I will explore questions around whether the insitutional frame-work of a large TNC is suited to the role of 'Sustainable Development agent'; the extent to which these actions reflect corporate responsibility or corporate philanthropy according to Zollo's table; and the extent to which the approach is transformative for those at the BoP whom it targets. The inquiry will consider what exactly is being sustained. Given the interest in this field, and the challenge of meeting the Millenium Development Goals by 2015, such research is pertinent. It is my hope that the philosophical and theoretical insights yielded will stand the test of time, and contribute in some small way to greater global economic and social equality, and environmental integrity.

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