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Corporate social responsibility in different political cultures

4.1 Country-specific characteristics

Practice has taught us that companies developing their policy with regard to corporate social responsibility must not only take the socio-cultural context into consideration, as discussed in Chapter 3. They also need to pay attention to the social needs and problems that exist in a certain country. For example, black empowerment and contributing to the fight against AIDS are central themes in South Africa. In the United States, corporate social responsibility is often associated with charity and, in the Netherlands, it is seen as activities that transcend legislation. The political–social situation in a country plays a large role in what is expected from companies—and certainly from foreign, Western companies—with regard to corporate social responsibility. Something that is obvious in one country can be a very important topic of discussion in another. This is the result of differences in:

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- The social problems that are given priority in a certain country
 - The relationship between (multinational) companies and the local government
 - The relationship between (multinational) companies and their stakeholders (including social organisations) and the role of the citizens

How these differences can affect the approach to corporate social responsibility will be illustrated below by some examples.

First, two examples will show how each country gives its own meaning to corporate social responsibility, depending on the urgency of certain social problems and the specific political and sociocultural context. The two countries are China and Brazil.¹ Both countries are rapidly developing economies, but the priorities companies have with regard to matters of corporate social responsibility are very different. It is important for companies to know this before they invest or enter into any business relationships in that particular country.

Next, the experiences of three companies, operating in different countries, will be discussed, namely:

- ABN AMRO, whose home markets are the Netherlands, Brazil and the United States
- Pentascope, which was involved in the privatisation of a telecommunications company in Nigeria
- Koninklijke Houthandel Wijma (Royal Wijma timber trading company), which has been logging in Cameroon for decades

1 The information about corporate social responsibility in China and Brazil is based on a literature study and two brainstorming meetings with experts, which were organised within the framework of the 'Corporate Social Responsibility in an International Context' programme.

4.2 Country-specific interpretation of corporate social responsibility: China and Brazil as examples

The meaning of corporate social responsibility in a specific country is determined by the social priorities and the political and sociocultural context. The following two examples will illustrate this.

4.2.1 China

China had a tradition where, from a social point of view, corporate social responsibility was strived for before it was even known what it meant. The Communist state provided all the necessary facilities, from the cradle to the grave. Since the emergence of state capitalism, these social facilities have mostly been dismantled. In those days, the environment hardly played any role.

If people in China now talk of corporate social responsibility, then they are usually referring to partial aspects of it. With regard to the environment, for example, it is associated with following legislation. The gap between strict national legislation and the observance of it at a local level is very large. Therefore, merely observing legislation is considered quite something in itself. Fast economic growth and the absence of middle management to keep growth on the right track are high on the political agenda in China. There is a high level of unemployment among the unskilled workforce (approximately 300–400 million). Many of these unemployed have moved from the countryside to search for work in the cities and do not have an official place of residence. This group of employees is treated very poorly. They are paid very little and live in terrible conditions. Since they are often employed for short periods of time, they lead a nomadic existence. Therefore, good food supplies and a place to sleep are basic needs for Chinese employees. The next issue is the basic minimum pay. Philanthropy plays no role in China.

Chinese companies who operate internationally are more susceptible to corporate social responsibility than other local companies. They are more often confronted with pressure from purchasers from, in particular, Europe and the United States to meet international codes of conduct and they are regularly audited by third parties for this purpose.

Western companies that have invested in China are usually front-runners with regard to the environment and social issues. In China, it is not unusual for workers to work in Chinese factories for a pittance and sometimes not to be paid at all or far too late. Chinese factories often also have very environmentally unfriendly production processes. For international companies, the fact that China is still a low-wage country is very attractive from an economic point of view, but to take advantage of this is bad for their reputation and, therefore, not in their interest. When international companies start co-operating with Chinese partners (for example, in the form of a joint venture), there are often conflicts over the strict environmental and social demands that the international companies want to place on their Chinese partner. The Chinese partner considers this to be a hindrance to rapid growth. Experience has shown that scepticism from the Chinese partner can often be removed by implementing concrete environmental and social projects together and, if these projects are aimed at cost savings, the partner will often quickly see that corporate social responsibility can be useful. Also in the event of a takeover of a Chinese company, there are often problems concerning the environmental and social legacy that the company leaves behind. International companies must, therefore, be aware of the expectations of the local institutions and governments concerning a company's performance with regard to environmental and social issues.

When a multinational company makes a large investment in China, the government expects this company to use as many Chinese suppliers as possible. Since the Chinese government assumes that this company uses modern technology, the company can place demands on the quality of the suppliers and it can ask Chinese companies to meet certain standards. This selection of good-quality companies has a

stimulating effect within the Chinese business sector to take corporate social responsibility seriously.

The most important stakeholder for the international business sector is the local government. If an international company wishes to run a successful operation, it is a good idea to find a person or organisation in the region who knows all the ins and outs of the local government, otherwise it will be very difficult for the company to find its way. Employees and, in particular, middle management are also important stakeholders. Although there are NGOs in China, they are usually an extension of the government because, without sponsorship from the government, an NGO can do little or nothing in China. There has been a rapid increase in the number of environmental NGOs. Their most important task is information and education, but the number of legal actions against companies that pollute heavily is also growing. An overview of the social organisations present in China can be found in the report 'Corporate Social Responsibility in China: Mapping the Environment' (see www.theglobalalliance.org).

In January 2005, the Chinese Business Council for Sustainable Development was established as a sub-organisation of the World Business Council for Sustainable Development. Chinese and foreign companies wishing to get involved in the field of corporate social responsibility sit together in this Chinese Council.

4.2.2 Brazil

In Brazil, corporate social responsibility is particularly associated with social commitment. The large contrast between rich and poor and the discrimination against minorities in the labour market lead to a number of specific priorities. Companies are expected to give a high priority to, for example, an acceptable relationship between the highest and lowest salaries, the number of black employees and their average income, the average income for women versus that of men and the question of rightful ownership of ground, but the subject of health and safety in the workplace also deserves a great deal of attention. Being a good employer is perceived as being the basis of corporate

social responsibility. If you, as a company, contribute to society on top of that, then you are really good. Philanthropy is, therefore, also an important spearhead. This could, for example, be making a financial or personal contribution to education and the healthcare service or participation in government commissions and other government bodies involved with social issues. For example, a contribution is expected from business to President Luiz Inácio Lula da Silva's 'No more hunger' campaign. Such national initiatives often enjoy wide support. Corruption, the payment of taxation to the government and crime are also points of attention.

The environment plays a much less important role and it is usually perceived as being a problem caused by Western countries. This has now led to measures being taken which also concern countries such as Brazil. That is, at least, the general feeling in Brazil. People have the feeling that the West has limited Brazil's possibilities for using its own resources for economic growth.

Brazilian culture is rather nationalistic and proud and this leads to double standards. If a Western company does something wrong in Brazil, then it is front-page news. If, on the other hand, a Brazilian company does something wrong, it may not even be mentioned in the newspapers. Western companies that are less well known by Brazilian citizens or which have local management have less to fear from such damage to their image. It is noticeable that a group of companies joined together at the end of the 1990s to form Ethos. This organisation is linked to Business for Social Responsibility and its ambition is to promote corporate social responsibility within the Brazilian business sector. One of the things it has done to achieve this aim is create its own benchmark in order to compare the social performance of companies.

The most important stakeholder for a business wishing to invest in Brazil is the government. Social and environmental legislation is well developed and the enforcement system also works reasonably well, particularly in the south of the country. Furthermore, the many independent trade unions (such as Observatorio Social) have a great deal of influence. Less important, but still influential, are the NGOs, which

know how to increase their power via alliances with NGOs from Western countries. There is not much pressure from individual consumers and customers for companies to accept their corporate social responsibility. Brazilian NGOs tend to have a broader interpretation of the corporate social responsibility theme than their colleagues in Western countries. They associate it with a culture of responsibility that is broader than the company. They connect it with fundamental symptoms from local society, such as discrimination, inequality, corruption and a lack of democracy.

4.3 Corporate social responsibility in different countries: ABN AMRO, Pentascope and Koninklijke Houthandel Wijma as examples

Companies that operate in an international context all have to deal with differences in the way in which countries interpret corporate social responsibility. Three examples are given below: ABN AMRO, Pentascope and Koninklijke Houthandel Wijma.

4.3.1 Example: ABN AMRO in the Netherlands, Brazil and the United States

ABN AMRO is a bank with approximately 98,000 employees. The history of the bank goes back to 1824 and it now has branches in 58 countries. Its home markets are the Netherlands, Brazil and the United States. The local cultures of these three markets are very different and those differences can be seen in the interpretation of corporate social responsibility by the local bank.

It is important to know that the bank has developed a generally applicable policy with regard to corporate social responsibility which can be specified by each market. This general policy contains uniform company values and principles which every employee must take into consideration. These basic principles are subscribed to and propagated by the top of the organisation and they are a part of the company's core processes such as granting credit, how to approach customers and employees and the bank's social commitment. That this last point can stretch further than the immediate local environment may be obvious from the fact that the Millennium Development Goals of the United Nations serve as a guideline for the contents of core activities. Examples are microfinancing in Brazil and India and paying attention to reducing the use of fossil fuels and CO₂ emissions (for example, by reducing the company's energy consumption and by including criteria in the granting of credit).

The Netherlands

The Netherlands is a prosperous country, which was confronted in the early 2000s with an economic recession that has affected employment opportunities. The number of jobs at ABN AMRO was reduced by approximately 7,000 in 2000/2001. Political developments at this time also led to an escalation of the political debate concerning, for example, the multicultural society, and a number of scandals in the business sector have also damaged public trust.

It goes without saying that ABN AMRO has been affected by these developments. It is increasingly being called to account by consumers (who vote with their feet) and by NGOs. Openness and transparency are considered necessary, while the bank is also expected to be prepared to listen to criticism from society.

ABN AMRO recognises this concern and considers it very important to react to this as openly and as constructively as possible. The bank does this by attempting to engage in dialogue with interest groups, which range from the Friends of the Earth Netherlands to Amnesty International. Questions of a social, ethical and environmental

nature are also increasingly becoming part of customer acceptance, risk assessment and financing. ABN AMRO attempts to be as transparent as possible with regard to who and what the bank finances and what the consequences of this are. Examples are the financing of defence equipment and environmental activities, such as felling trees and the extraction of oil and gas. A sustainable purchasing policy is also being developed (see Chapter 5).

The bank also actively contributes to combating social problems that have a logical connection to its business activities. An example of this is that it contributes to making the financial sector more accessible to migrant entrepreneurs while, at the same time, offering long-term coaching. The bank also spends time on being a good employer, which means that, besides a good salary, other important issues are education, growth opportunities and diversity, regardless of the employee's age. The bank is considering including in its leadership criteria the stipulation that visibly giving meaning to corporate social responsibility is a condition for promotion.

Finally, the bank considers it important to make its own contribution to the environment, which is why the reduction in energy consumption and CO₂ emissions are two priorities.

Brazil

The social situation in Brazil is very different from that in the Netherlands. The country has large differences in wealth within its own population and has considerable cultural diversity. The problem of poverty is high on the political agenda, and certainly since Lula became president in 2002. Prior to becoming president, he was a metalworker and trade union leader and he clearly sees himself as a representative of the lower classes. Social commitment plays a key role in the decision-making process within Banco Real (the Brazilian bank of ABN AMRO). The bank's management and the director, in particular, think the bank should also make the social problems in the country its own responsibility, obviously within the bank's sphere of influence. This fundamental social attitude is actively communicated within the

bank's training and education programme (the Training Academy). Banco Real also provides insight into financial administration and the bank issues microfinancing to entrepreneurs in slum areas. Emphasis is also placed on a policy of diversity. Finally, priority is given to the environmental consequences of the activities to which the bank extends credit. This final point gained attention after a Brazilian NGO had criticised the bank regarding this point. The management took this criticism seriously and asked this organisation to give all of the bank's account managers a two-day training course on the environmental knowledge needed to grant credit. This was definitely an exception in a country where a culture of consultation is not the norm (the contrary is rather the case) as it is in the Netherlands. The training did indeed take place.

The United States

In the United States, large companies are expected to play an active role as leaders of society. For example, the representatives of companies often sit on committees in their free time. Social organisations try to attract good administrators from the business sector in order to get enough connections with politics and the business world. As a result, a network of parties with mutual interests is created. For example, in Greater Chicago, all those people with some kind of social role know each other. Many informal consultations take place within this structure and a good name in this community is essential for the company to function well.

LaSalle, the US bank of ABN AMRO, is also socially active in the way described above. Approximately 400 employees are on the committees of approximately 700 social organisations, varying from large museums to organisations involved in fighting poverty by redeveloping run-down neighbourhoods. At the same time, LaSalle fulfils a pioneering role in areas linked to the bank's activities. An example of this is the conscious choice to be the largest business sponsor of the Tax Assistance Program. More than 800 tax return forms have been completed by 138 volunteers from the bank for citizens with a below-aver-

age income, taking advantage of every possibility for financial relief which would have otherwise remained unused as a result of ignorance.

The government finances socially relevant developments or institutions to a smaller extent than in the Netherlands. That is an important task for the private sector, which has a number of consequences for LaSalle:

- In view of the country's political structure, LaSalle must make donations to both political parties—in reality, there is no opt-out
- Charity is considered to be a moral obligation and is, therefore, no longer voluntary. Donations from companies are essential for society to operate. This applies to, for example, public radio, museums and social work. LaSalle provides financial support to 700 NGOs
- Items that are not on the political agenda are, therefore, less important from a company's perspective. A vision on climate change and on the Kyoto agreement that differs from Europe's is an example of this

The government attempts to compel private financing in various fields through legislation. An example of this is the Community Reinvestment Act, which states that banks must also make a contribution to the redevelopment of deprived neighbourhoods. LaSalle is actively involved in this.

ABN AMRO, therefore, places different emphasis on the development of a policy with regard to corporate social responsibility in its three home markets, which is also expected of them by these markets.

4.3.2 Example: Pentascope's involvement in the privatisation of a telecommunications company in Nigeria

Pentascope is a consultancy that implements changes in organisations. As a continuation of this core activity, the company sets ambitious goals concerning corporate social responsibility, particularly with regard to its internal social policy. Pentascope was established in 1990 and has approximately 300 employees. In the early 2000s a project was initiated in Nigeria to aid the privatisation of the state telecommunications company Nitel. This project was a tremendous challenge for Pentascope. The privatisation of Nitel required a large, internal cultural change. Previously, customer relations were mainly determined by family ties. For example, if you were a cousin of one of the employees and you had problems with your telephone, then Nitel sorted out the problem, often free of charge. The question was whether and how Pentascope, as a Western company, could bring about changes in this local culture.

A contract was signed with Nigeria at the start of 2003. Pentascope first took a couple of months to investigate the situation in Nigeria and then drew up a business plan which included a number of components:

- Bring the telecommunications network up to standard
- Implement improvements in the organisation
- After achieving this, expand the network and offer more services

The financial administration also had to be improved. The objective was to have 90% of the invoices paid.

Initially, everything looked good. The head of the privatisation committee and the responsible minister both supported the privatisation and positively supported Pentascope's role in it. However, the situation changed when elections were held in April 2003. The president was re-elected, but the head of the privatisation committee became a minister and his original position was taken over by somebody else

who had a more negative attitude towards the project. The new telecommunications minister also had a different view from that of the previous minister. Pentascope's most important allies were replaced by opponents.

It was in the interest of the new minister and also the new head of the privatisation committee to stop the privatisation. In Nigeria, ministers are chosen with the support of chieftains. In order to maintain their positions, they are obliged to do favours for these chieftains after the election and they are expected to act in accordance with the wishes of these chieftains. They cannot pay their debts from their regular salary and this must, therefore, be arranged in another way. By privatising Nitel, the new minister would lose an important source of income. Therefore, the new minister quickly let it be known that he wished to revise the contract with Pentascope. Other parties then also started to criticise the privatisation of Nitel, either directly or via the media and the negative mood this created did not make Pentascope's work any easier.

Investments had to be made in order to be able to implement the privatisation plans for Nitel and money had to be borrowed for that. However, the banks wanted a guarantee from the government that the loans would be recognised, but the government was not prepared to provide this initially. This created a huge delay and the original investment plan of approximately US\$1 billion could not be implemented. Initially, everybody wanted to be able to have influence over this plan in the hope of getting a piece of the pie themselves. As soon as they were granted a contract, their criticism subsided, but Pentascope did not want to work this way.

Pentascope had previously agreed a fixed fee and a bonus with the Nigerian government. There was hardly any room for manoeuvre in the fixed fee (approximately US\$10 million) and any earnings would have to be made from the bonus. When things became difficult, even the fixed fee was not enough for the project to continue. The fixed fee–bonus ratio was non-negotiable. Another problem was that the value of the companies to be sold was kept as low as possible by the investors, because they had an interest in using the press to do so.

Finally, Pentascope took the plunge and withdrew from the project. Pentascope wanted to request an independent assessment from an arbitration committee, but the Nigerian government foiled that idea as well. It called on an obscure law which stated that Pentascope was not registered as a company in Nigeria and, as a result, the contract was declared to be unlawful. The result of this was that arbitration was not possible. Pentascope then ensured that its personnel and financial damage was kept as small as possible.

Josbert Kester of Pentascope, who was closely involved in the project, learned a number of lessons from the experiences gained in Nigeria:

You need a joint venture with a party close to the people in power. It is risky to invest there as a company on your own. You must have a sponsor at the highest level. This is essential for the success of the undertaking. A different approach is to pay bribes or grant contracts. Nitel's competitor, Globacom, has, for example, given 20% of its shares to the vice president for free. This is a common method, but is not Pentascope's way of doing business. In Nigeria, people talk very openly and without embarrassment about this type of corruption. The irony of it is that if you do not participate in such activities, you are accused of corruption yourself! This way of doing business could no longer be reconciled with our own company philosophy.

4.3.3 Example: timber extraction by Koninklijke Houthandel Wijma in Cameroon

Royal Timber Trader G. Wijma & Zonen BV (Koninklijke Houthandel Wijma) is a timber company established in 1897. The company has a long tradition in managing the entire chain from timber harvest in the forest, via timber processing and trade to the final user.

Approximately 70% (volume) of the wood traded by Wijma comes from its own production facilities (sawmills). The other 30% is purchased from third parties, particularly from West Africa. Wijma has

been active in this region for many years. As a result of redevelopment after the Second World War, there was a large demand for hardwood in Europe. Azobé timber was introduced by the Dutch Ministry of Transport, Public Works and Water Management as a good alternative to oak. As early as 1968, the supply of round timber from West Africa was guaranteed by establishing a purchase office in Cameroon. Today, this company has grown to become Wijma Douala S.A.R.L.

Since the 1990s, Wijma has been involved in a conflict between the timber sector and various environmental organisations. At the time, these organisations called for a boycott on the use of tropical timber. Some time later, they slightly changed their position and the emphasis was placed on promoting certified sustainable forest management based on the principles and criteria of the FSC (Forest Stewardship Council). It was difficult for Wijma to obtain this certification immediately. Mark Diepstraten, the company's environmental co-ordinator, explains why:

Wijma has the misfortune of having been active for many years in the trade of timber from a region where there are no or hardly any certified forests. For various reasons, certification, or demonstrable sustainable forestry, often only comes off the ground very slowly. Firstly, many countries in the Southern hemisphere lack the experience, knowledge and financial resources found in Western countries. Secondly, developing countries find it difficult to form an image of the demands which Western countries wish to place on them. This is caused by the diversity of opinions the various stakeholders have, such as the consumers (and/or the environmental movement), science, the politics of international donors and the policy of the various countries. The requirements to be met from the very beginning are also often too high.

In order to find a solution to the problems given above, Wijma has chosen to expand its volume of certified wood in phases. To do this, the company had to deal with many different problems. Large-scale, long-term forest concessions were necessary in order to make certifi-

cation possible. The company initially obtained these in 1996 from the government in Cameroon, but they had to hand them back in again as a result of a reform in the forestry legislation and the linked land-use planning. This meant that Wijma was, once again, dependent on small-scale (non-sustainable) forestry exploitation for its raw materials. During this difficult period, environmental organisations raised the problems of illegal timber and started promoting the use of FSC-certified wood. Since Wijma's defence was not transparent enough in the eyes of the critics, the company appeared to be a willing victim.

Since 2001, Wijma once again has an area of long-term concessions in Cameroon (currently a total of 190,000 hectares for the next 30 years). These forest areas have been designated as production forests by the government and are, as such, allocated in the land-use planning. A forest manager is obliged to obtain a management plan for the forest area which has been approved by the Cameroon Ministry of the Environment and Forestry within three years after being granted a concession. This management plan must state how the forest manager will manage and harvest the forest in a sustainable way, taking into consideration the sociocultural, economic and ecological aspects of the forest. The forest is divided into 30 sections in the management plan. One section of the forest is harvested each year where only two to three trees per hectare may be felled. It is not until 30 years later that a particular section will be harvested again and the forest will have naturally recovered during that time. By the end of 2005 Wijma had completed the certification process for its first concession.

The process of trying to obtain FSC certification in Africa has literally been pioneering work. Mark Diepstraten explains the lesson learned by Wijma from the above experiences as follows:

We should not turn down social discussions, but participate in them. We must communicate our chosen path clearly and transparently. You must, as a company, communicate what you do, why you do it and how you are going to achieve it. The internal co-ordination and communication within Wijma was not optimal at first. Lately,

however, things have changed. The new director in Cameroon is more open, because he understands how important it is to make a link between the market requirements in Europe and timber extraction in Cameroon.

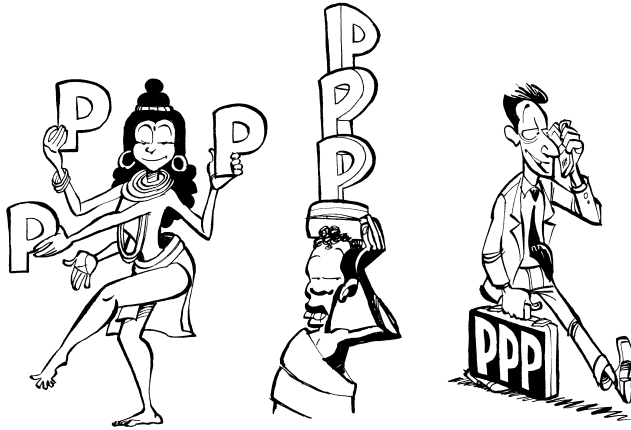
The visions within Wijma are starting to come together. Wijma's mission is to be a reliable supplier of a reliable product. Besides issues such as quality and delivery time, legality and sustainability are also consistent with this mission. Wijma is committed to achieving a level of best practice for all its activities; in some countries this can turn out to be a great challenge.

4.4 Conclusions

The examples given above show that a company must adapt its policy with regard to corporate social responsibility to the national social needs and the local customs that exist in a country.

The examples from China and Brazil are good illustrations of how different the expectations of those countries are with regard to the social responsibility Western companies should accept. A good food supply, decent housing and a basic minimum wage have priority in China, while philanthropy is not considered to be an issue. In Brazil, on the other hand, the main themes are reducing social inequality and companies are also expected to contribute—financially or through their own personal effort—to reducing the social needs. The gap between legislation on paper and how it is applied in practice is smaller in Brazil than it is in China and, in Brazil, independent trade unions and NGOs have much more influence than in China.

In view of the large differences in social context between countries, it is very important for international companies to take into consideration the social problems and the political context of a country when developing their policy with regard to corporate social responsibility for that particular country. This is also shown by the experiences of



ABN AMRO, Pentascope and Koninklijke Houthandel Wijma. All three companies have had to adapt their company strategy to the local circumstances of the country in which they have invested but, despite this, they have all managed to respect their policy with regard to corporate social responsibility.

Companies that wish to do business in and with foreign countries and wish to accept their corporate social responsibility will benefit if they obtain information beforehand on the attitudes and customs with regard to corporate social responsibility in a certain country. The questionnaire in Box 4.1 is a useful guide for obtaining such information.

1. What is corporate social responsibility mostly associated with in the country concerned?
2. Which social problems have the highest priority in the country? Is the business sector expected to contribute to solving these problems?
3. Which social themes deserve the most attention in relation to the country's exports to other (in particular Western) countries?
4. Does the country's government place higher demands on foreign companies than on local companies? To what extent does the local government invest in responsible environmental and social policies and how well is observance of these policies monitored?
5. Which are the most important groups of stakeholders (for example, the government, customers, the company's own personnel or social organisations) that companies must consider when interpreting corporate social responsibility?
6. Which expectations do these different groups have of the role of the international business sector and that of the local business sector with regard to corporate social responsibility?
7. Is there a well-developed infrastructure of all kinds of social organisation (NGOs and trade unions) attempting to exercise their influence and receiving the opportunity to do so politically? Which organisations are the most influential? What are the usual ways for an international company to communicate with these organisations?
8. Which sociocultural aspects must be taken into consideration when interpreting corporate social responsibility in the country concerned?

Box 4.1 Questionnaire for obtaining country-specific information with regard to corporate social responsibility