Corporate Citizenship in Africa

LESSONS FROM THE PAST; PATHS TO THE FUTURE

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There is an emergent wave of multinational corporations (MNCs) entering low-income markets in developing countries (London and Hart 2004; Hart 2005; Prahalad 2005). Notable examples of MNCs entering low-income African markets are Ericsson, Asea Brown Boveri (ABB), Tetra Pak and The Dow Chemical Company. MNCs often enter these markets with the dual goal of gaining legitimacy and achieving growth (cf. Hart and Christensen 2002). In terms of legitimacy, MNCs strive to act as good ‘corporate citizens’ and to improve their legitimacy in the eyes of their most influential stakeholders in mainly the US and Europe.¹ Thus, MNCs’ operations in low-income African markets become part of the trend of increased corporate emphasis on corporate social responsibility (CSR) (Waddock et al. 2002). In addition to legitimacy, MNCs enter low-income markets in an effort to overcome the slow growth characterising the middle- and high-

¹ In this chapter, ‘corporate citizenship’ is defined from an empirical perspective (cf. Rowley and Berman 2000; Egels 2005). Hence, the values that MNCs further both rhetorically and in practice comprising ‘corporate citizenship’, and ‘good corporate citizens’ should be understood as a striving to improve legitimacy by furthering certain sets of values.
income markets in which they have traditionally operated (Hart and Christensen 2002).

In this chapter, we argue that this goal duality of legitimacy and growth is likely to affect MNCs’ corporate social performance. Despite the potential societal impacts of the trend among MNCs to enter low-income African markets, there is little research on the CSR aspects of this trend (Egels 2005). Hence, there seems to be an unsustainable discrepancy between practice and academic research. By analysing how the drivers for MNCs to target low-income African markets affect MNCs’ organisations and in turn MNCs’ social performance, the chapter attempts to bridge this gap and increase our understanding of MNCs’ expected societal effects in Africa.

We begin by showing, based mainly on institutional theory, that it is reasonable to expect the managerial capabilities necessary for achieving the dual goal of legitimacy and growth to be situated in different geographic and hierarchical locations in MNCs’ organisational structures. We then illustrate this reasoning, and analyse its effects on MNCs’ corporate social performance, in a qualitative case study of the Swedish–Swiss multinational ABB, and its rural electrification project, Access to Electricity, in Tanzania. Based on the case findings, we argue that MNCs face the corporate social performance dilemma of needing to achieve irreconcilable social performances for realising the dual goal of legitimacy and growth. The chapter concludes by discussing implications for MNCs entering low-income African markets.

Goal duality and organisational structure

There are two separate logics that MNCs need to abide by to achieve the dual goal of legitimacy and growth. In terms of legitimacy, MNCs seem to strive to respond to augmented stakeholder pressure related to CSR and to improve their somewhat tarnished reputation (Waddock et al. 2002). To effectively realise this intent, the stakeholders capable of conferring organisational legitimacy need to perceive MNCs’ actions in low-income African markets as congruent with their values (Meyer and Rowan 1977; Pfeffer and Salancik 1978). Since only certain actors are capable of conferring legitimacy (Meyer and Scott 1983; Deephouse 1996), a key step is to identify those actors capable of conferring legitimacy in relation to CSR. Similarly to previous research on organisational legitimacy (e.g. Meyer and Scott 1983), we believe that internationally influential governmental organisations constitute the first such key stakeholder group. Additionally, and more specifically related to CSR issues, we believe that large, international non-governmental organisations (NGOs) constitute the second key stakeholder group capable of conferring legitimacy owing to their influence on public opinion (cf. Meyer and Rowan 1977; Meyer and Scott 1983; Boli and Thomas 1999). To achieve a social performance that is in line with these governmental and non-governmental organisations’ demands, and hence achieve increased legitimacy, the MNC needs a manager in its African low-income market projects who is capable of presenting the firm’s projects as consistent with these stakeholders’ demands. It seems reasonable to expect that such managerial capabilities are most likely to be found in MNCs’ international staff functions closely related to CSR.
In terms of growth, MNCs strive to realise their growth potential in low-income African markets. London and Hart (2004) argue, based on an exploratory empirical study of MNCs in low-income markets, that in order to achieve growth MNCs must leverage the strengths of the local context rather than ‘Westernise’ the local context to fit their existing business models. Hence, MNCs need to cast off their ‘imperialistic mindset’ (Prahalad and Lieberthal 1998), and develop a capability of ‘social embeddedness’ to successfully overcome the liability of foreignness and profitably explore low-income African markets (London and Hart 2004). This social embeddedness is achieved by leveraging the strengths of the local context, collaborating with local stakeholders and responding to local stakeholders’ demands (London and Hart 2004). To achieve this, a manager is needed who is capable of understanding and leveraging the local context. Low-income markets differ from middle- and high-income markets in, for example, being characterised by an informal economy based on social rather than legal contracts, and by having poor protection of patents and brands (Delios and Henisz 2000; de Soto 2000). Furthermore, rather than, as is often assumed, necessarily being at an earlier stage of the evolutionary path to a Western-style business environment, the business environment in low-income African markets may potentially evolve along different paths (cf. Arnold and Quelch 1998; London and Hart 2004). Given these differences between low-income and middle- and high-income markets, it seems reasonable to expect that the managerial capabilities needed to leverage the local context are to be found in MNCs’ local African subsidiaries closely related to the latter’s operational core.

Since the managerial capabilities for achieving MNCs’ dual goal of legitimacy and growth seem to be located in different hierarchical and geographic positions in the organisational structure, we propose that MNCs’ projects in low-income African markets are likely to have dual project managers responsible for the projects: first, an international project manager closely related to the CSR function and in practice responsible for ensuring a social performance coherent with influential governmental and non-governmental stakeholders’ demands; and, second, a local project manager closely related to the operational core of the firm’s African subsidiary and in practice responsible for the operational aspects of the project.

Method

To capture how this organising for goal duality is handled in practice and how it affects MNCs’ corporate social performance in low-income African markets, we make use of materials from an explorative case study of an ABB project in Ngarambe, Tanzania. The reliance on qualitative research methods is in line with the suggested methods for studying MNCs in low-income markets (London and Hart 2004), and for providing detailed descriptions of firms’ corporate social performance (Winn and Angell 2000). Materials for the ABB study were collected through written documentation (e.g. webpages, email communication among the involved actors, policies, budgets, time schedules and contracts), direct observation and interviews. Thirty-four representatives from ABB and its different types of business stakeholder (e.g. Ericsson and Tetra Pak), non-governmental stakeholders (e.g. United Nations Development Programme
ABB and electricity in Ngarambe

ABB’s rural electrification project ‘Access to Electricity’ was launched at the World Summit in Johannesburg in 2002 as an ABB response to the UN Global Compact. While acting as a good corporate citizen by improving the conditions for individuals in low-income African markets and improving ABB’s legitimacy in the eyes of its influential European and US stakeholders through a social initiative was part of ABB’s motive for initiating ‘Access to Electricity’, ABB also acknowledged the currently unexplored growth potential in small-scale rural electrification around the globe. The studied sub-project in the Tanzanian village of Ngarambe was the first project under the ‘Access to Electricity’ umbrella. The project was launched as a not-for-profit R&D project that would provide the learning experiences essential for scaling up the ‘Access to Electricity’ project in a for-profit manner in other sub-Saharan African markets. ABB’s chosen focus on sub-Saharan Africa was related to this region’s low level of rural electrification. Of the 1.6 billion people lacking access to electricity around the globe, 500 million live in sub-Saharan Africa, making it perhaps the region most in need of electricity (IEA 2002). Additionally, 80% of those without electricity in the region live in rural areas, and 92% of the rural population lack electricity (IEA 2002).

The project’s organisational structure

On an overall level, an international manager located in Sweden and hierarchically positioned directly below the ABB Senior Vice President for Sustainability Affairs was responsible for the ‘Access to Electricity’ project. This manager was responsible for initiating the project as a response to the UN Global Compact and selecting the village of Ngarambe in Tanzania as the site for the first sub-project (the Ngarambe project was conducted in partnership with WWF). The manager was also responsible for deciding on the use of diesel as the power source in the project, for documenting the project’s aims and progress, and for communicating with international governmental and non-governmental stakeholders.
The international manager’s long-term vision was to launch ‘Access to Electricity’ projects in several sub-Saharan countries. This was to be done through applications for subsidies to the recently created Rural Electrification Funds in, for example, Tanzania, Uganda and Senegal. Due to the selection criteria of these funds and the expected fierce competition for these subsidies, ABB would have to develop a highly cost-effective business model for rural electrification to be eligible for subsidies and, hence, to be able to achieve the project goal of growth.

To develop this business model, the international manager appointed a local Tanzanian project manager for the first sub-project in Ngarambe. The local manager, an engineer in trade, had worked for ABB’s subsidiary in Tanzania for several years. Within the framework developed by the international project manager (e.g. the choice of power source, partnership with WWF and the setting of the Ngarambe village), the local manager had extensive room for manoeuvring. In practice, he assumed responsibility for developing and implementing the project in Ngarambe.

The case findings illustrate the expected project structure with both an international and a local manager assigned to the project in order to achieve the dual goal of legitimacy and growth. An analysis of the communication patterns between these managers shows that the managers had a fairly sparse level of communication and that the international manager had little involvement in the practical decisions of the Ngarambe project. In essence, the project seemed to proceed on two fairly disconnected geographic and hierarchical levels.

The corporate social performance dilemma

There are two main ways of classifying the ‘Access to Electricity’ project’s social performance. First, a classification based on previously proposed definitions of corporate social performance could be made (e.g. Wood 1991). Second, an empirically derived classification could be made based on the firm’s stakeholders’ demands. In this chapter, we adopt the latter approach in order to be sensitive to the potential uniqueness of low-income African markets (Rowley and Berman 2000; Egels 2005).

If we analyse the demands of ABB’s international governmental and non-governmental stakeholders that can be expected to be able to confer legitimacy, a fairly homogeneous stakeholder-demand pattern emerges. The demands were closely related to the ten principles of the United Nations Global Compact, the International Labour Organisation’s Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the OECD Guidelines for Multinational Enterprises, and the World Bank’s criteria. The principles expressed in these documents are closely related in terms of both content and cross-references (cf. Lozano and Boni 2002). Although somewhat sketchily defined, these principles seem to constitute a fairly homogeneous

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2 These Rural Electrification Funds were created by the World Bank and other international donor organisations as a way to achieve greater rural electrification in sub-Saharan Africa.
3 This conclusion is based on both an analysis of interviews with the managers and an analysis of all email communication between the managers.
4 This conclusion is based on an analysis of the interviews with ABB’s influential governmental and non-governmental stakeholders as well as an analysis of the discussions at several international conferences attended by one of the authors and the international ABB project manager.
demand pallet with the ten principles of the UN Global Compact serving as a good summary of the demands. To realise the goal of increased legitimacy, we can therefore conclude that the ABB project needed to achieve a social performance well in line with the principles of the UN Global Compact.

An analysis of the Ngarambe village stakeholders’ demands regarding ‘Access to Electricity’ shows that the villagers’ demands can also be captured in the categories outlined in the UN Global Compact. However, the villagers’ evaluation of these categories differed and was often in conflict with the values expressed in the UN Global Compact. Examples of differences between ABB’s village and international stakeholders’ demands are provided in Table 7.1. The identified conflict between international and local stakeholders’ demands is probably not unique to the ABB case, since the UN Global Compact, and similar principles, were developed to overcome the ‘negative’ aspects that characterise, for example, Tanzanian and other low-income African markets.

<table>
<thead>
<tr>
<th>Dimensions of corporate social responsibility</th>
<th>Demands from international stakeholders</th>
<th>Demands from village stakeholders</th>
</tr>
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<tbody>
<tr>
<td>Environmental protection</td>
<td>Highly important</td>
<td>Low/medium level of importance</td>
</tr>
<tr>
<td>Women’s rights</td>
<td>Equal to men’s rights</td>
<td>Different type of rights</td>
</tr>
<tr>
<td>Importance of tribal and religious background</td>
<td>Low level of importance</td>
<td>High level of importance</td>
</tr>
<tr>
<td>Child labour</td>
<td>Low level of tolerance</td>
<td>Medium level of tolerance</td>
</tr>
<tr>
<td>Corruption</td>
<td>Low level of tolerance</td>
<td>Different conception of the practices involved</td>
</tr>
</tbody>
</table>

**Table 7.1  Stakeholder demands related to various dimensions of corporate social responsibility**

To achieve the ‘social embeddedness’ essential for realising the goal of enhanced growth by encompassing local stakeholders’ demands, we can thus conclude that ABB needed to achieve a social performance in line with the village stakeholders’ demands, which were partly in conflict with the UN Global Compact principles. Hence, to achieve the dual goal of legitimacy and growth by satisfying international and local stakeholders, ABB needed to be perceived as acting in accordance with irreconcilable stakeholder demands (cf. Meyer and Rowan 1977). Thus, ABB faced the corporate social performance dilemma of needing to adhere to social performances which in fact were irreconcilable.

**Categorising corporate social performance: presentation and practice**

To analyse how ABB handled this corporate social performance dilemma, we distinguish between the project’s *structural* and *output* social performances (cf. Meyer and Rowan 1977; Mitnick 2000). Structural social performance is linked to the project’s presentation (e.g. policies, reports and public statements), while output social performance is linked to the practice of the project (e.g. installation of an electricity system...
and recruitment of technicians). The ABB project had a structural performance highly correlated to ABB's influential international governmental and non-governmental stakeholders. For example, the project was launched as a response to the UN Global Compact, a commitment was made to follow the World Bank's social guidelines when applying for subsidies from the Rural Electrification Funds, numerous reports were published highlighting ABB's commitment to follow the Global Compact principles in its 'Access to Electricity' projects, and a human rights checklist is to be introduced in the next stage of the project.

The international project manager seemed to assume sole responsibility for the project's structural social performance. This is, for example, illustrated by the fact that neither the Tanzanian project manager nor the Tanzanian project team participated in creating the documentation for the project or in communicating with international stakeholders. Hence, the international manager acted as a gatekeeper to ABB's international stakeholders with all information being channelled through him. Based on our analysis of ABB's structural social performance and the interviews with ABB's internationally influential stakeholders, a tentative inference is that the international project manager succeeded in both achieving a structural social performance congruent with these stakeholders' demands and enhancing ABB's legitimacy in relation to corporate social responsibility.

The output social performance of the project, on the other hand, was mainly directed by the local Tanzanian project manager. This project manager was relatively successful in 'socially embedding' the project in the village context by both encompassing local stakeholders' demands and building on the strengths of the local context to develop a cost-effective business model. For example, the local manager dug down distribution cables between the engine and the houses to protect the local wildlife, distributed unofficial payments to the village head-technician and the villagers digging trenches for the distribution cables, and utilised a cheaper type of distribution cable that was safe and adequate for the purpose of the project but below national Tanzanian standards. However, the local manager also contested some of the local stakeholders' demands by, for example, installing an electricity system despite protests from the village's traditional medicine man, providing electricity based on proximity to the engine and financial capability rather than based on villagers' hierarchical position, and recruiting a Christian head-technician without permanent village citizenship rather than the village elders' relatives. All in all, the result of this encompassing and contesting of village stakeholders' demands was that the project's output social performance ended up as a trade-off between the international and local stakeholders' demands.

A comparison between the project's structural and output social performances highlights a partial decoupling of different types of social performance (cf. Meyer and Rowan 1977). While the structural performance was consistently aligned with the international stakeholders' demands, the output performance was more aligned with the local stakeholders' demands.

### Explaining the partially decoupled corporate social performance

The main explanation for the decoupling of the project's structural and output social performances is to be found in ABB's goal duality of legitimacy and growth leading to a hierarchical and geographic separation of the loci of control for the project's social performance. While the international manager explicitly focused on the project's legiti-
macy and structural social performance, the local project manager seemed to have paid limited attention to corporate responsibility aspects and instead focused on successfully installing an operational electricity system in order to achieve growth. The local manager’s activities can be described by the principle of ‘expedient action’ aimed at finding practical solutions to the problems occurring, rather than acting in a consistent way in terms of any fixed (moral, political or religious) definition of, for example, ‘corporate social responsibility’; that is, typically managerial action (e.g. Jackall 1988; Watson 1994). Based on this plebeian rationale for action, it is not surprising that the output social performance was less consistent than the structural social performance and more in line with local stakeholders’ demands.

Although the project’s structural and output social performances were partially decoupled, there was still strong alignment between them. Hence, despite the separation of loci of control due to goal duality, the limited communication between the international and local managers, and the local manager’s focus on the technical aspects of the project, several aspects of the project’s structural social performance were met in output practice. The most obvious aspect of this is, of course, that there now is an electrical system up and running in Ngarambe. We see three explanations for the strong alignment. First, the local manager had been employed by ABB for several years and thus been socialised (e.g. Schein 1985) in the ABB culture of global standards and codes which, at least implicitly, encompass the principles of the UN Global Compact. Second, the installation of an electricity system is not in itself a neutral quest. The technologies used were developed in a Western setting and entail the values of their developers (Latour 1991). Hence, the technologies themselves can be seen as inclined to yield an output social performance in line with the project’s desired structural social performance (Egels 2005). Third, although the international manager had limited influence over the installation of the electricity system, there were instances where he affected the output social performance. For example, the international manager decided on the use of an environmentally friendly diesel engine and stressed the ‘inclusion of women’ in the project.

Importantly, several of the project’s strong alignments between the structural and output social performances were problematic for achieving the dual goal of legitimacy and growth. For example, the use of diesel was advantageous for reducing cost and aiding growth, but criticised by influential international stakeholders. The use of environmentally friendly engine equipment, on the other hand, was advantageous for enhancing legitimacy, but increased costs and possibly reduced the project’s growth potential.

**Concluding discussion**

We have so far argued that MNCs seem to enter low-income African markets with the dual goal of gaining legitimacy in relation to CSR and achieving increased growth. Based on theoretical reasoning and support from the case study, it appears that this goal duality is likely to lead to a separation of the loci of control for the project’s social performance in the form of an international manager explicitly focused on aligning the
social performance with the internationally influential stakeholders’ demands, and a local manager focused on ‘socially embedding’ the project to achieve growth. With MNCs’ internationally influential stakeholders and stakeholders in African low-income markets predisposed to pose partially irreconcilable demands, MNCs seem to face the corporate social performance dilemma of needing to adhere to irreconcilable social performances when entering low-income African markets. Hence, there is little hope for MNCs to establish definitions of ‘good corporate citizenship’ acceptable to all their local and international stakeholders. We have argued that one way for MNCs to handle this dilemma, as was done in practice in the studied ABB case, is to partially decouple the firm’s structural and output social performances: that is, to decouple different definitions of corporate citizenship.

In addition to contributing to our understanding of MNCs’ social performance in low-income African markets, this analysis also has implications for MNCs. On the one hand, MNCs striving to tightly couple their structural and output social performances, while retaining an international and a local project manager, would need tighter coupling between the activities of the international and the local manager. A suitable measure would be to merge the international and local project managers’ roles into one person (or two or more sharing the responsibilities). On the other hand, tight couplings are not necessarily desirable from any perspective. In this era of ‘high managerialism’ (Scott 1998), the gap between policy and practice seems to widen. Few students of corporate management realities, complex organisations, development and global relations—to name a few areas of investigation—believe in tight coupling of talk and action, or policy/presentation and practice, in an institutionalised and globalised world (e.g. Jackall 1988; Brunsson 1989; Boli and Thomas 1999; Quarles van Ufford and Giri 2003). Taking the issue of social development in a ‘low-income market’ head-on, anthropologist David Mosse (2005: 232) concluded:

For policy to succeed it is necessary, it seems, that it is not implemented, but that enough people, and people with enough power, are willing to believe that it is. Failures arise from inadequacy of translation and interpretation: from the inability to recruit local interests, or to connect actions/events to policy or to sustain politically viable models and representations.

ABB activities in and about Ngarambe seem to have been organised in that spirit, enabling the project thus far to be considered a ‘success’ enjoying support from ABB headquarters, international NGOs, the Tanzanian government and the majority of the people in Ngarambe. With international and local stakeholders posing irreconcilable demands, increasingly tight couplings of social performances risk jeopardising either the project’s legitimacy or growth—both of which are essential for the ‘success’ of MNCs’ projects in low-income African markets. Hence, the complementary managerial capabilities found at the international and local African levels both seem essential for a ‘successful’ project.

Finally, the implication of both our theoretical argument and the empirical case investigated is that projects such as that in Ngarambe become what they become on a substantial, local, practical output level as a result of the interaction between the local stakeholders and the outsiders who actually arrive on location. Perhaps it matters to the outcome why they went there in the first place. More than perhaps, it matters who is sent to manage a particular project in low-income markets. Missionaries (‘good’) can
become tyrants. Corporations (‘bad’) can become benefactors. The opposite is also quite possible. In the words of French historian of ideas Michel Foucault: ‘Everything is dangerous’ (e.g. Burchell et al. 1991). When it comes to ABB in Tanzania, the jury is still out and the verdict depends on which international and local stakeholders are allowed to define ‘good’ and ‘bad’.

References

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