

# Governance & Corporate Social Responsibility

- virksomheders ansvar for udvikling

## 1. Summary

Through Corporate Social Responsibility (CSR) and especially within an initiative like the United Nations Global Compact, business has been given co-responsibility for development issues. By invitation from Kofi Annan, then UN Secretary-General, the Global Compact seeks to involve the private sector in the support of the Millennium Development Goals. In order to do so the Compact advocates 10 principles on human rights, workers rights, environmental issues and anti-corruption that business should seek to embed in their day-to-day business practices. Further, the Global Compact encourage businesses to participate in multistakeholder partnerships. In the words of Kofi Annan, "What we have to do is find a way of embedding the global market in a network of shared values" (World Economic Forum, Davos, 1999).

This thesis argues that in order to grasp the dynamics between CSR and Third World development issues, it is necessary to analyse the interaction between CSR and governance of those development issues. Governance is a widely used terms, and for the purpose of this thesis it is, with reference to Hydén (1992, 2004) defined as 'the processes surrounding the rules and norms for steering'. Thus our focus on governance is not concerned with the results of steering, but rather with the processes behind it. With this governance approach focusing on both an actor dimension and a structural dimension we are able to analyse both norms and rules, understood as structures, and the different actors involved. Hydén emphasises the concepts of 'legitimate power' and 'accountability' as central aspects of governance. In order to acquire a deeper understanding of these dimensions, we have chosen to use the works of Beetham to elaborate on the legitimation of power, and the works of Keohane to elaborate on accountability-relations. Since the challenges of development are especially grave in Sub-Saharan Africa, we have chosen to focus our analysis on this continent. By utilising Hydéns studies, we emphasise the importance of considering the special circumstances surrounding governance in Africa, namely the combination of 'neo-patrimonialisme' and 'economy of affection', which we show are crucial to the discussion on CSR in an African context.

Our point of departure for this thesis is theoretical but in order to illustrate the relevance of problems discussed, we have included the case story on a Swedish-Danish company and their CSR-activities throughout the thesis as an example. The company AarhusKarlshamn AB is a signatory to the Global Compact. AarhusKarlshamn is involved in a poverty reduction project in Burkina Faso and an initiative called "Roundtable on Sustainable Palm Oil".

The thesis examines how economic globalisation has led to a change in the global structure of production, and thus changed the relationship between the transnational corporations (TNCs) and the territory-bound states. An occurring 'governance gap' means that it is increasingly difficult to regulate TNCs. Thus, initiatives like the Global Compact and the growing emphasis on CSR can be viewed as attempts to close this gap by evoking more responsibility on the part of the companies.

Looking into accountability-relations between the TNS and its stakeholders, we try to assess how CSR influence this dimension of governance. By combining the concept of stakeholders with the notion of accountability, the thesis discusses how stakeholders can be viewed as principals trying to demand accountability from the TNS as an agent. In the African context this is discussed with reference to the concept of patron-client relations prevalent in the African state according to Hydén. By following this analysis we reach an understanding of both the African state and the local communities as nominal principals in their relations with the TNCs.

Thus, issues of accountability cannot be fully understood disassociated from power. In our analysis of the actor dimension of governance, we deal with issues of power and how it is legitimised. By looking at three bases of power – position of resources, division of labour and positions of authority – we gain a deeper understanding of how the power of TNCs is legitimised in an African context. In our understanding, the TNC holds power through its possession of valuable resources. Furthermore, we discuss whether the TNC acquires a position of authority through partnerships such as those encouraged by the Global Compact. In the neo-patrimonial state, however, it is argued that the partnership is more likely to function as an sphere of exchange between two patrons, i.e. the TNC on one side and government officials on the other side – each serving their own vested interests and network of clients.

In the final part of the thesis, special attention is given to Global Compact as an overarching initiative. The mission of embedding the market in a set of shared global values is discussed from two angles. First we apply the concept of accountability to an analysis of the Compact as a first step on the way to binding regulation. Subsequently, Beethams theory of legitimation of power is applied to assess the Compact as an initiative that seeks to conditionally justify the rules of power by advocating specific values as what can be interpreted as a precondition for the existence of general interest between those holding power and their subordinates.

The analysis of this thesis leads to the conclusion that the Global Compact and CSR-activities carried out within this framework does not signify a radical change of the processes surrounding the rules and norms of steering. Even though TNCs are involved in dealing with development issues,

this does not affect their relative power and lack of authority, nor does it give stakeholders such as the local community any means of holding TNCs accountable.