

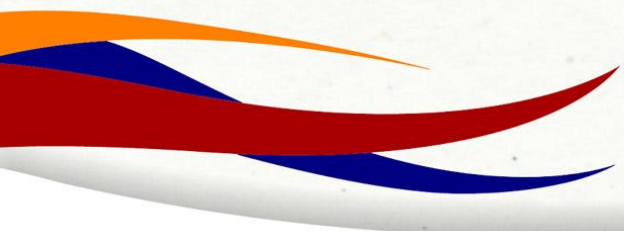


CORPORATE CITIZENSHIP

MNW301G

FACILITATOR:

Ms Tracey Cohen



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Agenda:

- Introduction and ground rules
- SU 1 – “Imagine”
- SU 2 – Course Overview
- SU 3 – Sustainable Development
- SU 4 – Corporate Citizenship Defined
- SU 5 – Milton Friedman and the Business of Business
- SU 6 – The “Why?” of Corporate Citizenship
- SU 7 – The “How?” of Corporate Citizenship
- SU 8 – Corporate Citizenship and Leadership
- Some extra stuff

Important Details

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Ground Rules

- Question time
- Quiet please
- Cell phones – Switched off or put on silent.

Objectives of this Lecture

- Run through the Study Units
- Think about CC
- Ask questions about CC
- Have some fun with this subject

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*“Never doubt that a small group of thoughtful
citizens can change the world.*

Indeed, it is the only thing that ever has.”

~ Margaret Mead

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What are the course outcomes?

1. Analyse the historical, philosophical, sociological and environmental trends underlying the need for globally responsible business leadership

I.E UNDERSTAND THE CONTEXT

What are the course outcomes?

2. Develop a business case for corporate citizenship

I.E UNDERSTAND THE “WHY?”

What are the course outcomes?

3. Evaluate the implementation of corporate citizenship in companies

I.E UNDERSTAND THE “HOW?”

What are the course outcomes?

4. Analyze the profile of responsible leadership in corporate citizenship

I.E UNDERSTAND LEADERSHIP

What are the course outcomes?

- UNDERSTAND THE **CONTEXT**
- UNDERSTAND THE **“WHY?”**
- UNDERSTAND THE **“HOW?”**
- UNDERSTAND **LEADERSHIP**

Outcome Map to Study Units

Study Unit	Learning Outcome
Study Unit 1: “Imagine”	ALL
Study Unit 2: Course Overview	ALL
Study Unit 3: Sustainable Development	OUTCOME 1
Study Unit 4: Corporate Citizenship Defined	OUTCOME 1
Study Unit 5: Milton Friedman and the Business of Business	OUTCOME 1
Study Unit 6: The “Why?” of Corporate Citizenship	OUTCOME 2
Study Unit 7: The “How?” of Corporate Citizenship	OUTCOME 3
Study Unit 8: Leadership in Corporate Citizenship	OUTCOME 4
Study Unit 9: A Quick Recap	ALL

Prescribed Reading Material

Paper	Learning Outcome
Hopwood, B., Mellor, M. & O'Brien, G. 2005. 'Sustainable Development: Mapping Different Approaches.' <i>Sustainable Development</i> , 13 , 38-52	Outcome 1
Matten, D., Crane, A., & Chapple, W. 2003. 'Behind the Mask: Revealing the True Face of Corporate Citizenship' <i>Journal of Business Ethics</i> , 45 , 109-120.	Outcome 1
Friedman, M. 1970. 'The Social Responsibility of Business is to Increase its Profits' <i>The New York Times Magazine</i> , September 13, 1970.	Outcome 1
Frooman, J. 1997. 'Socially Irresponsible and Illegal Behaviour and Shareholder Wealth' <i>Business & Society</i> , 36 (3), 221-249	Outcome 2
Giampetro-Meyer, A. Brown, T.S.J., Browne, M.N. & Kubasek, N. 1998. 'Do We Really Want More Leaders In Business?' <i>Journal of Business Ethics</i> , 17 , 1727-1736.	Outcome 4

Self Assessment

Criteria	Non existent	Bad	Ok	Good	Great
Can I read my handwriting? (this is not a joke!)	0	1	2	3	4
Have I identified the learning outcome(s) that the question is targeting?	0	1	2	3	4
Have I answered the question that is being asked?	0	1	2	3	4
Have I presented my own opinion?	0	1	2	3	4
Have I considered other opinions that might exist	0	1	2	3	4
Have I defended my own opinion – quality of logical argument?	0	1	2	3	4
Have I defended my own opinion – quality of evidence presented?	0	1	2	3	4

Questions?

- Any questions?

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What is Sustainable Development?

Definition:

“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

Brundtland Report, 1987

**THE SOCIAL CASE FOR CORPORATE
CITIZENSHIP**

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Four Conditions

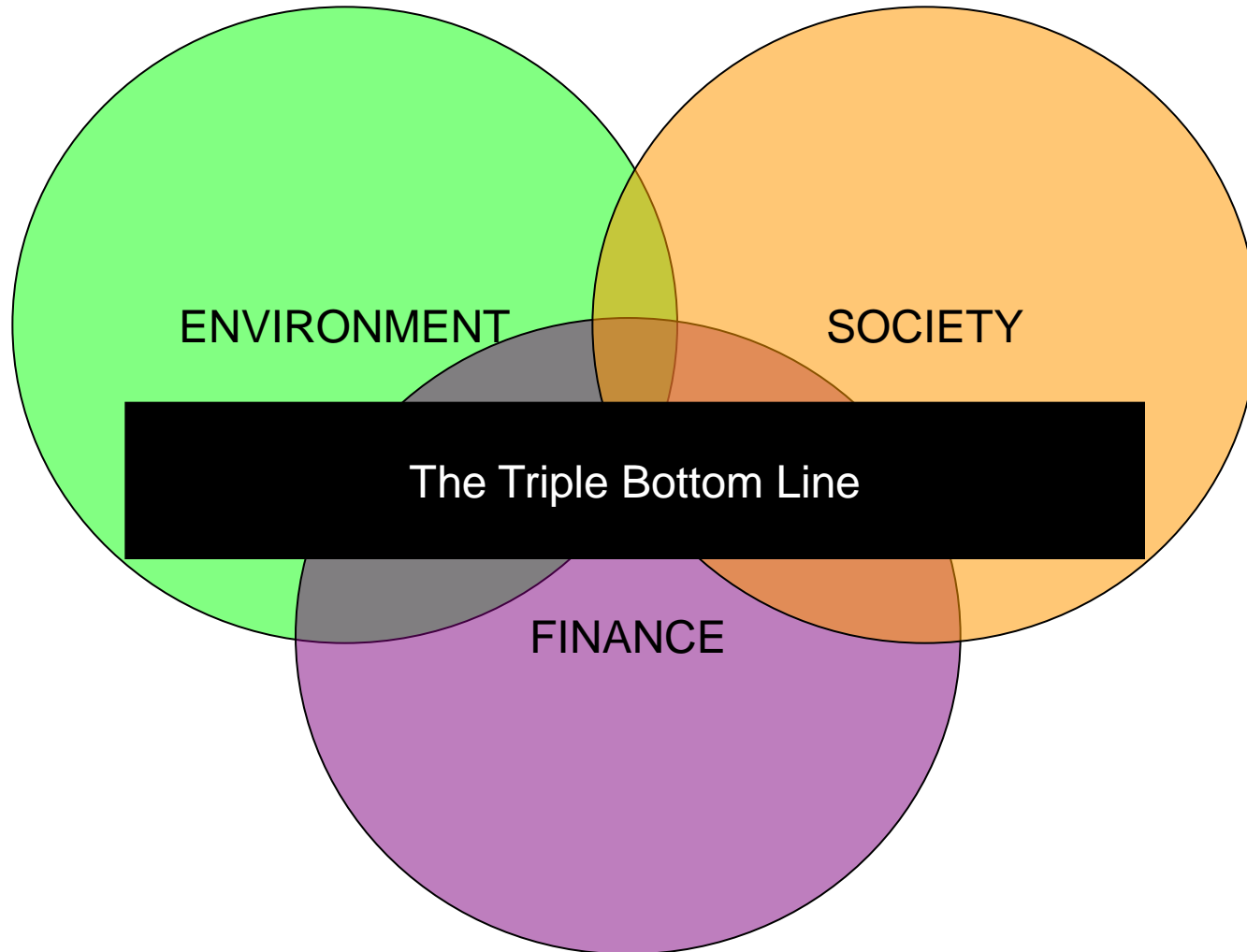
DEVELOPMENT MUST.....

- Fulfil “needs” (material and other) for better quality of life for this generation;
- As equitably as possible;

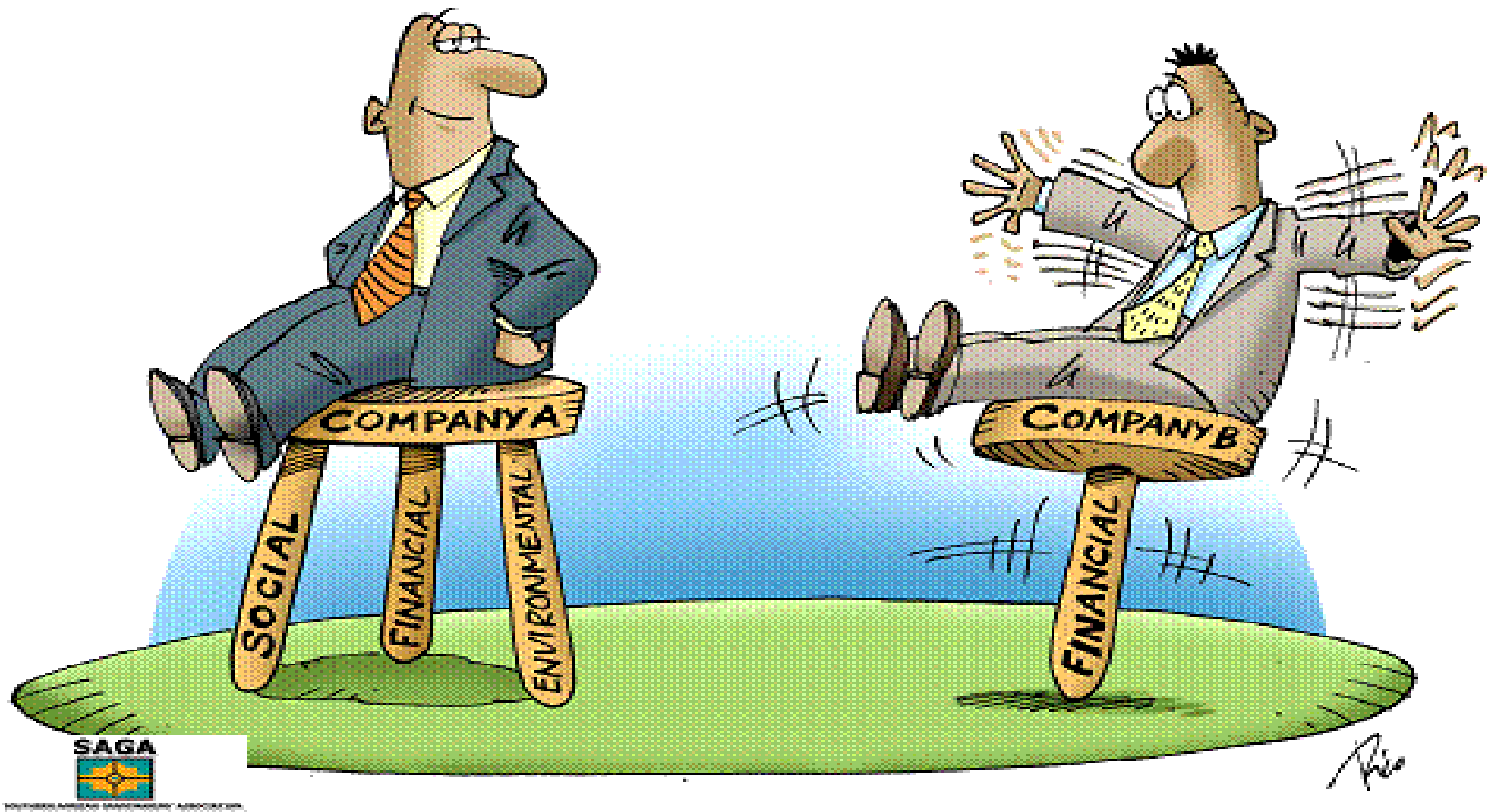
While

- Respecting ecosystem limits; and
- Building the basis on which future generations can meet their own needs.

The Balancing Act



Does the balancing act make sense? ²²



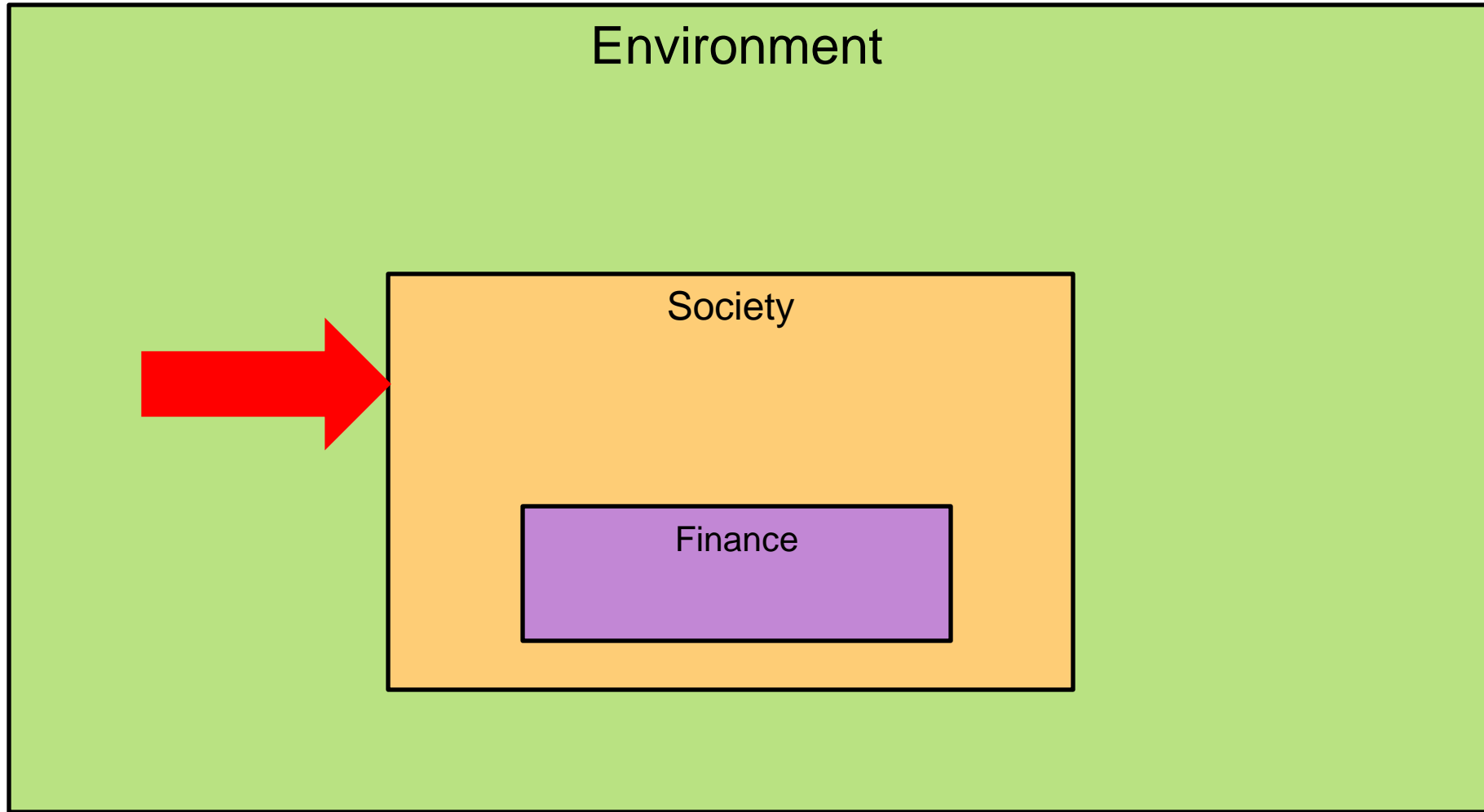
Source: King (2010)

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Does the balancing act make sense?

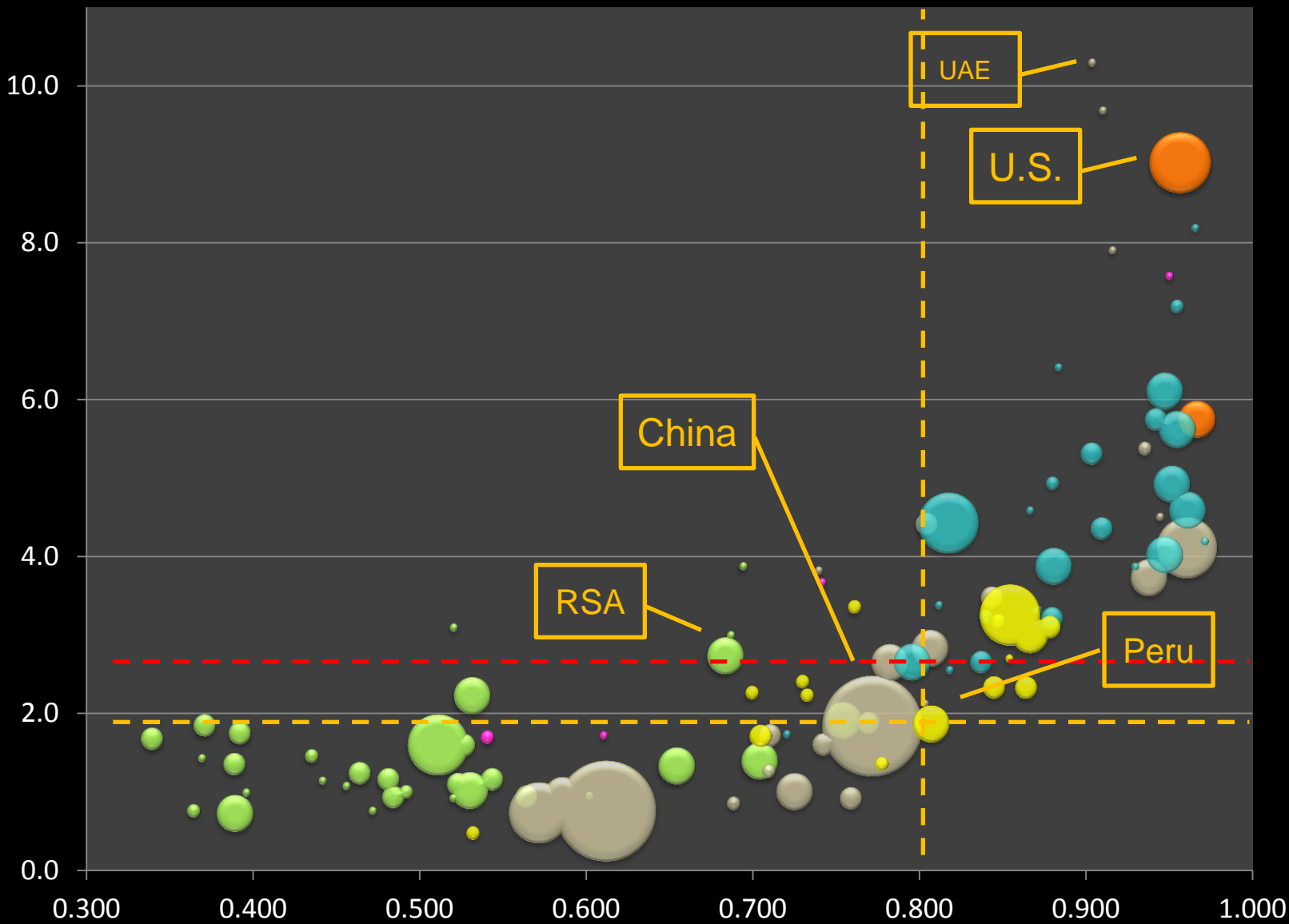
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● Africa ● Asia ● US & Canada ● Europe ● Latin America and Caribbean ● Oceania

Ecological Footprint

(ha per capita)

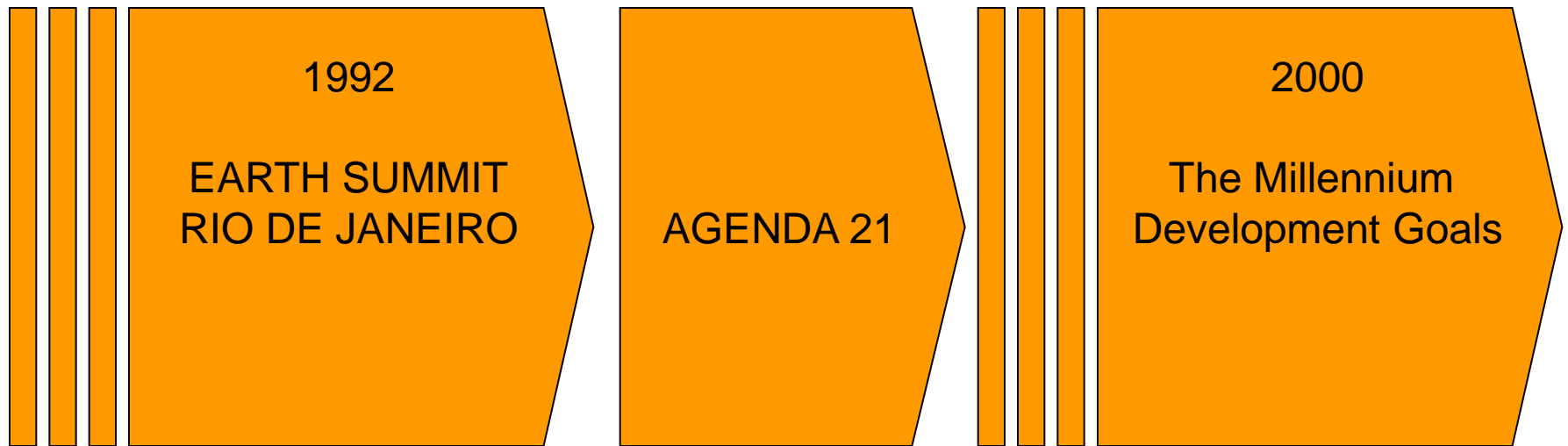


UNDP Human Development Index

providing a comfortable quality of life for all the Earth's citizens without increasing beyond the capacity of the environment to supply these resources indefinitely.

- What understanding does this require from us?
 - Inaction has consequences.
 - We need to find innovative ways to change institutional structures and influence.
 - We need to take action in changing policy and practice at all levels, from the individual, societal levels, and on the local, regional and global scales.

The Global Response



The Millennium Development Goals

1. Eradicate extreme hunger and poverty
2. Achieve universal primary education
3. Promote gender equality and empowerment
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/Aids, Malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

MDG Progress?

- **Do you think that we have actually made any progress?**
- “It is clear that improvements in the lives of the poor have been unacceptably slow, and some hard-won gains are being eroded by the climate, food and economic crises.” (Ban Ki-Moon)

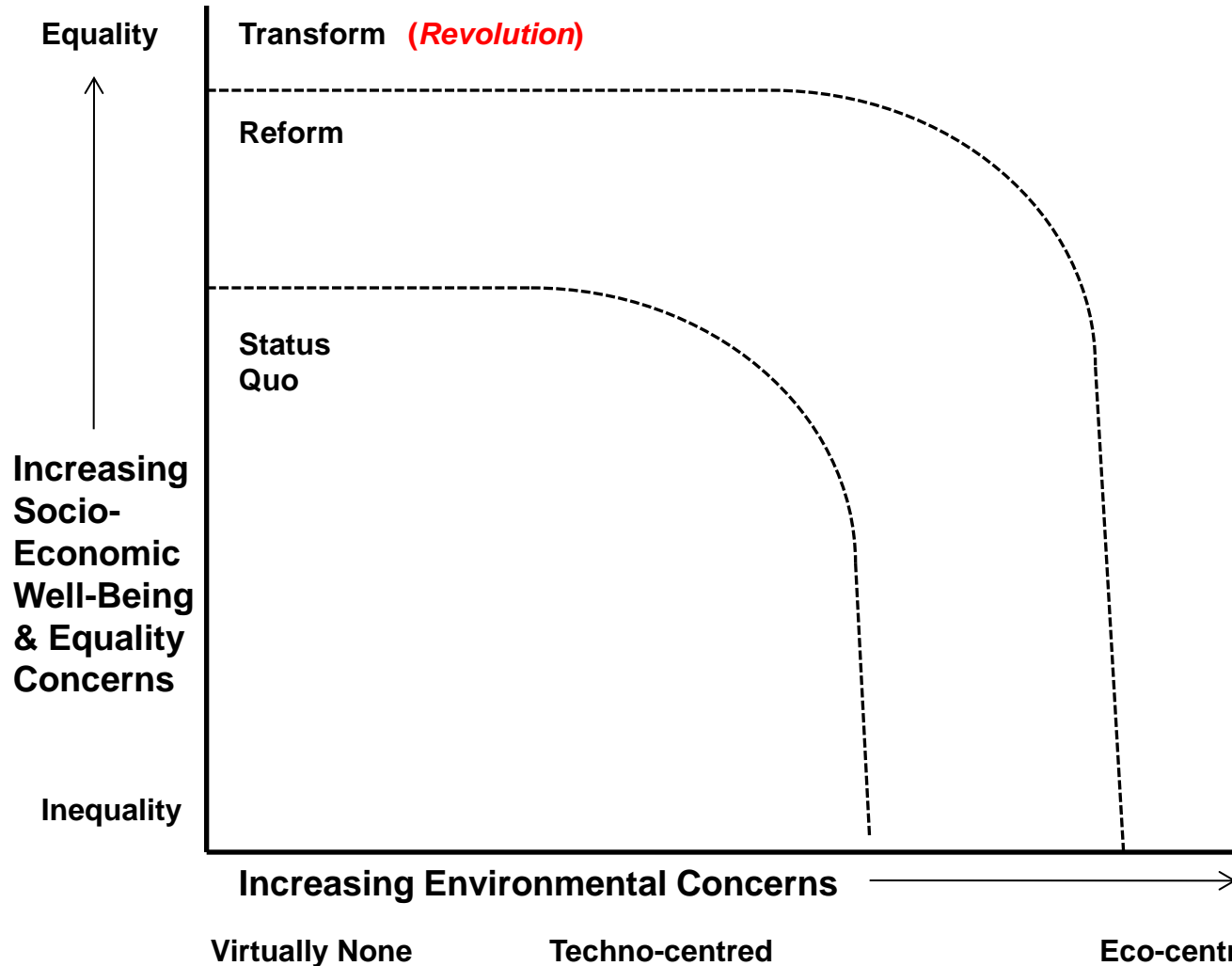
MDG Progress, as of 2012

The world has met some important targets—ahead of the deadline.

- Extreme poverty is falling in every region
- The poverty reduction target was met
- The world has met the target of halving the proportion of people without access to improved sources of water
- Improvements in the lives of 200 million slum dwellers exceeded the slum target
- The world has achieved parity in primary education between girls and boys
- Many countries facing the greatest challenges have made significant progress towards universal primary education
- Child survival progress is gaining momentum
- Access to treatment for people living with HIV increased in all regions
- The world is on track to achieve the target of halting and beginning to reverse the spread of tuberculosis
- Global malaria deaths have declined

<http://mdgs.un.org/unsd/mdg/Resources/Static/Products/Progress2012/English2012.pdf>

Homework: Do your own research - progress to Date?



Adapted from
Hopwood et al 2005



Questions?

- Any questions?

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Where is business in all of this?

Nowhere yet !!!!

Response?

- **CORPORATE CITIZENSHIP**

What is corporate citizenship?

CORPORATE:

- A collection of people or other legal entities that has a separate legal identity in its own right
- Technically a juristic person
- Rights
- Responsibilities
- Generally involved in business –
PROFIT for owners

What is corporate citizenship?

CITIZENSHIP:

- Membership of a community
- Rights
- Responsibilities
- Spirit
 - Working towards the betterment of one's community through participation in efforts to improve the life of all fellow citizens

What is corporate citizenship?

CORPORATE CITIZENSHIP:

- “Corporate citizenship is about the contribution a company makes to society through:
 - its **core business** activities,
 - its **social investment** and philanthropy programmes, and
 - its engagement in public **policy**”

World Economic Forum 2006

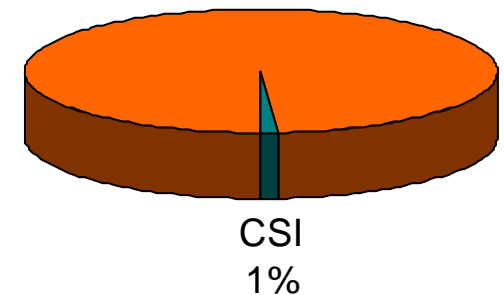
Other Terms:

- Globalization
- Corporate Social Responsibility (CSR)
- Corporate Social Investment (CSI)

CSR = CC

CSI ≠ CC

- Corporate Governance



The UN Global Compact

Human Rights

The Universal Declaration of Human Rights

Labour Standards

The International Labour Organization's Declaration on Fundamental Principles and Rights at Work

Environment

The Rio Declaration on Environment and Development

Anti-corruption

The United Nations Convention Against Corruption

“Through the power of collective action, the GC seeks to advance responsible CC so that business can be part of the solution to the challenges of globalisation. In this way, the private sector – in partnership with other social actors – can help realise the Secretary General's vision: a more sustainable and inclusive global economy.” UNGC

The UN Global Compact

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights

Principle 2: Ensure they are not complicit in human rights abuses

Labour Standards

Principle 3: Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining

Principle 4: The elimination of all forms of forced or compulsory labour

Principle 5: The effective abolition of child labour

Principle 6: The elimination of discrimination in respect of employment and occupation

Environment

Principle 7: Businesses should support the **precautionary approach** to environmental challenges

Principle 8: Undertake initiatives to promote greater environmental responsibility

Principle 9: Encourage the development and diffusion of environmentally friendly technologies

Anti-corruption

Principle 10: Businesses should work against all forms of corruption, including extortion and bribery

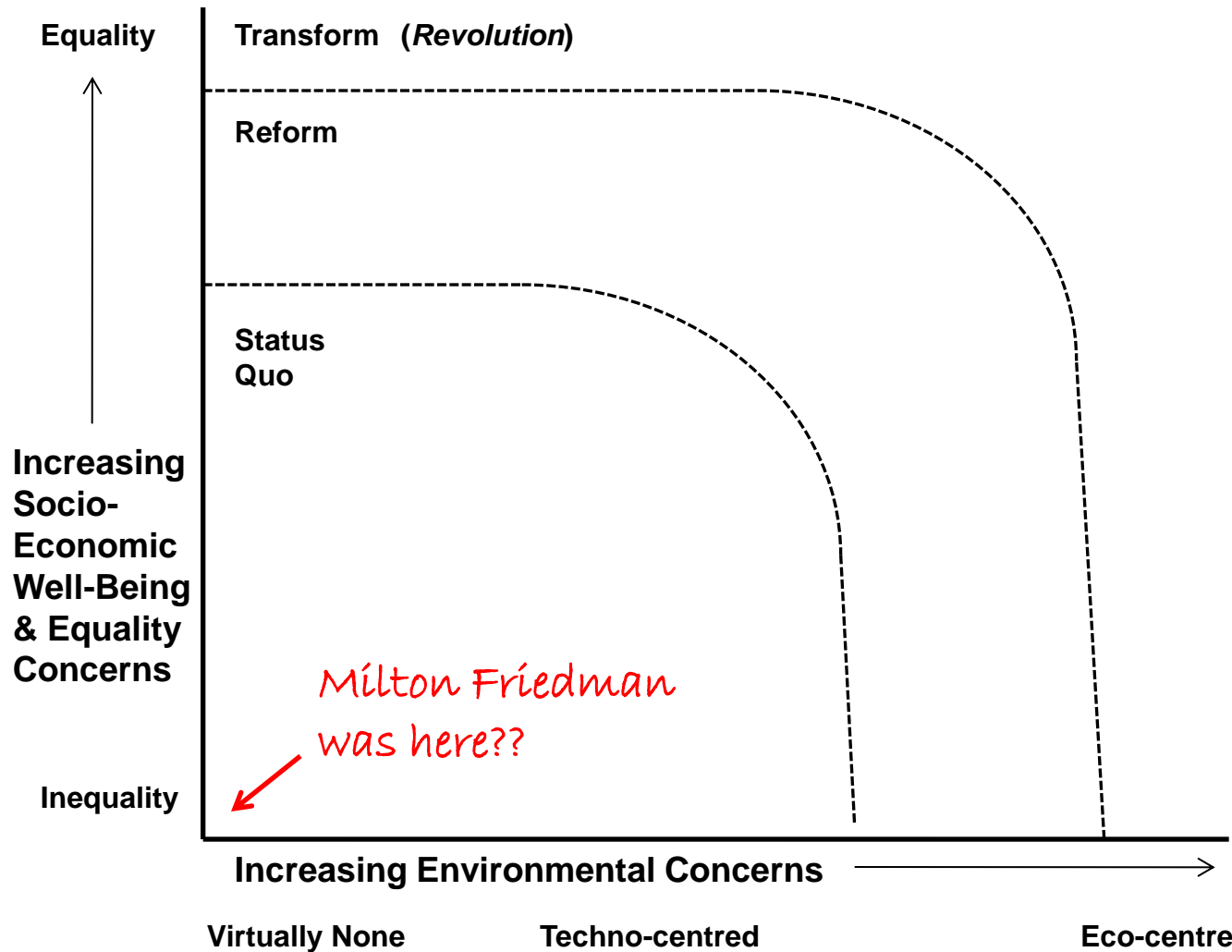
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Hopwood et al, 2005



Adapted from Hopwood et al 2005



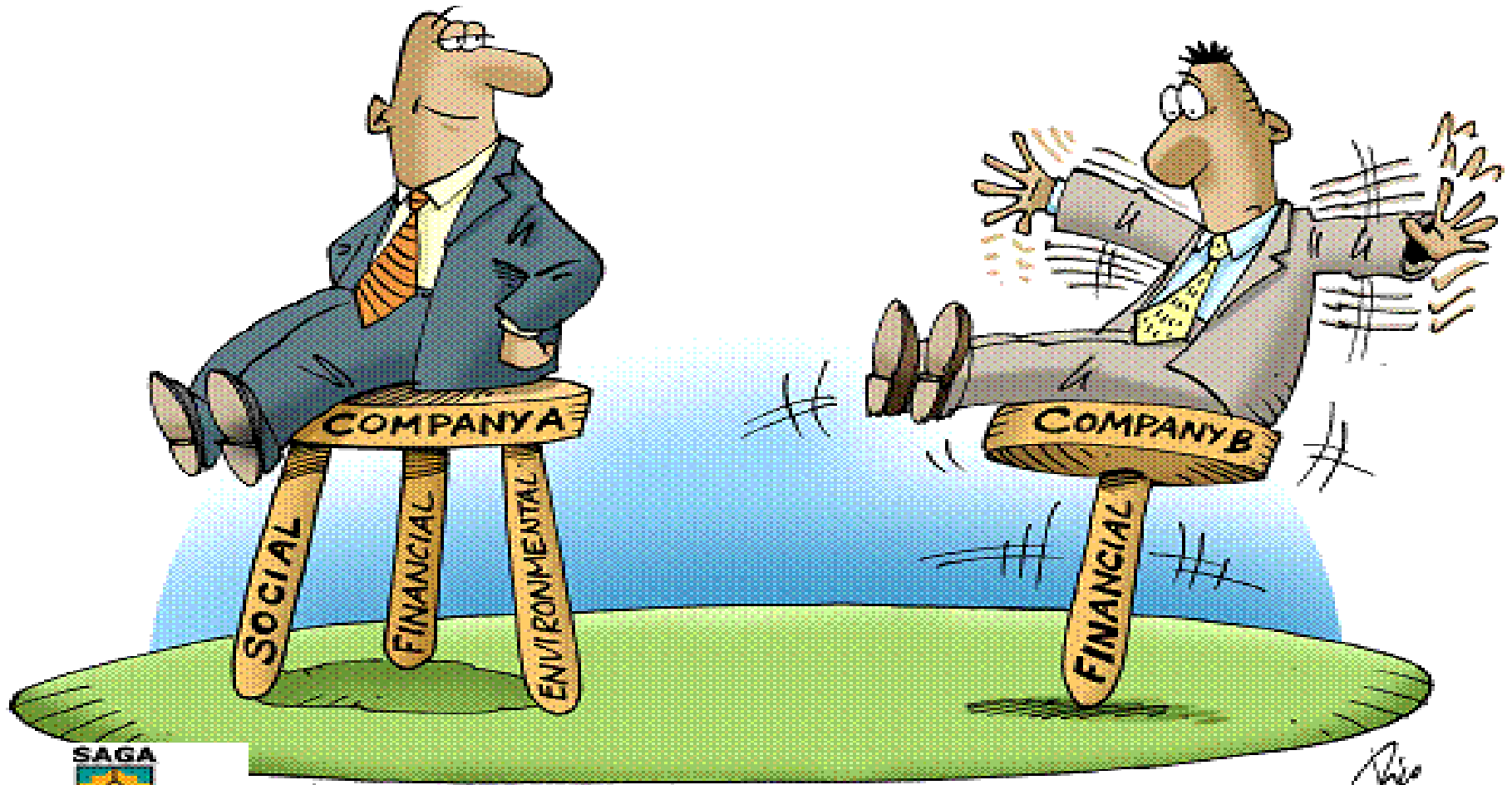
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Why indeed?



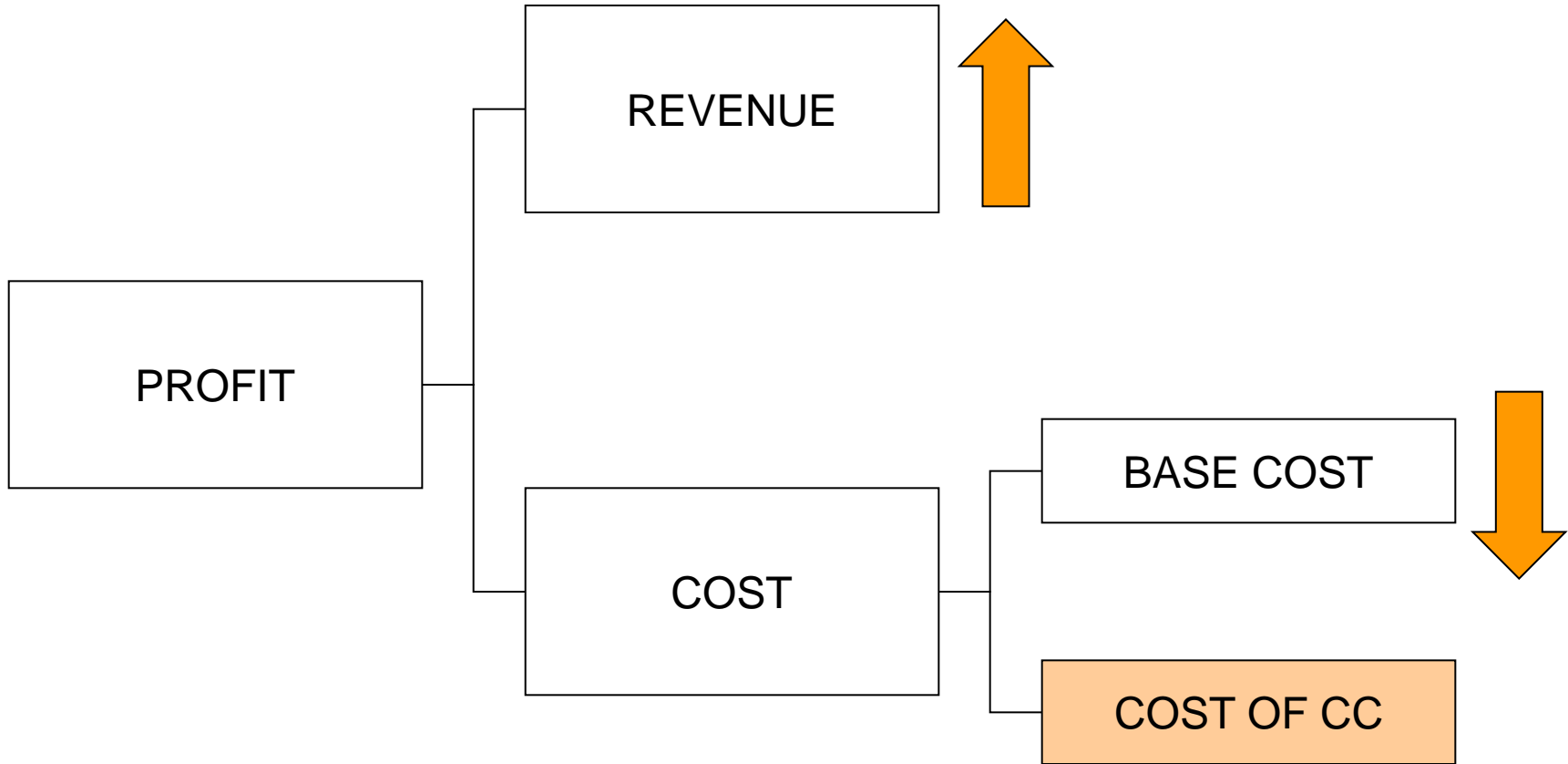
Source: King (2010)

Why “do” corporate citizenship?

- **The right thing to do**
- **They have to**
- **They can make money by doing so**
(The real “business case”)

The profit equation

“Value-based management”



Increase revenue by....

- New products or services
- Growing market for services
- Avoidance of boycotts; and
- Corporate citizenship premium.

Reduce costs by...

- Avoidance of fines;
- Avoidance of legal costs;
- Resource use efficiency e.g. reduced energy bill;
- Alternative raw material sources e.g. recycled materials;
- Increased staff retention; and
- Reduced cost of capital - “responsible investment”.

- **SOCIAL CASE** – Sustainable development (learning outcome 1)
- **BUSINESS CASE** – Profit equation (learning outcome 2)

Frooman 1997

- Looks at “bad” companies
- Event studies
- Meta-analysis
- Statistically speaking bad behaviour => share price drop
- Does good behaviour lead to share price increase?

Quick recap

Why “do” corporate citizenship?

- The right thing to do
- They have to
- They can make money by doing so

Questions?

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Capability – Issue Matrix

	ESG ISSUES						
	OH&S (S)	Pollution (E)	Employment Equity (S)	Executive Remuneratio	.n.(G)
CAPABILITIES							
Leadership							
Governance							
Stakeholder Engagement							
Establishment							
Management							
Reporting							
Assurance							



Essential Capabilities

Leadership & Governance

Stakeholder Engagement

Establishment

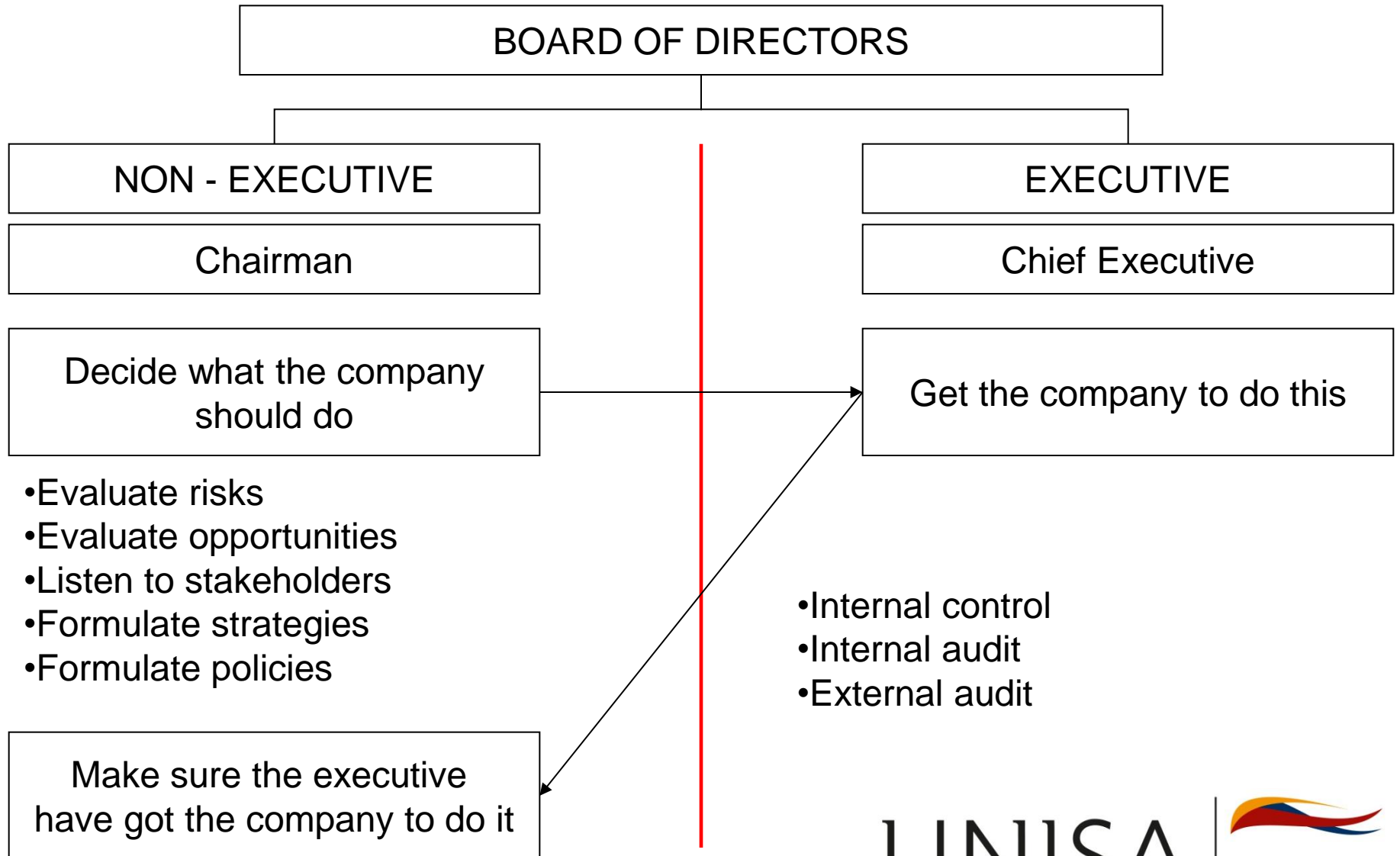
Managing

Reporting

Assurance

CORPORATE GOVERNANCE

Corporate Governance



What has this got to do with corporate citizenship?

Very simple really –

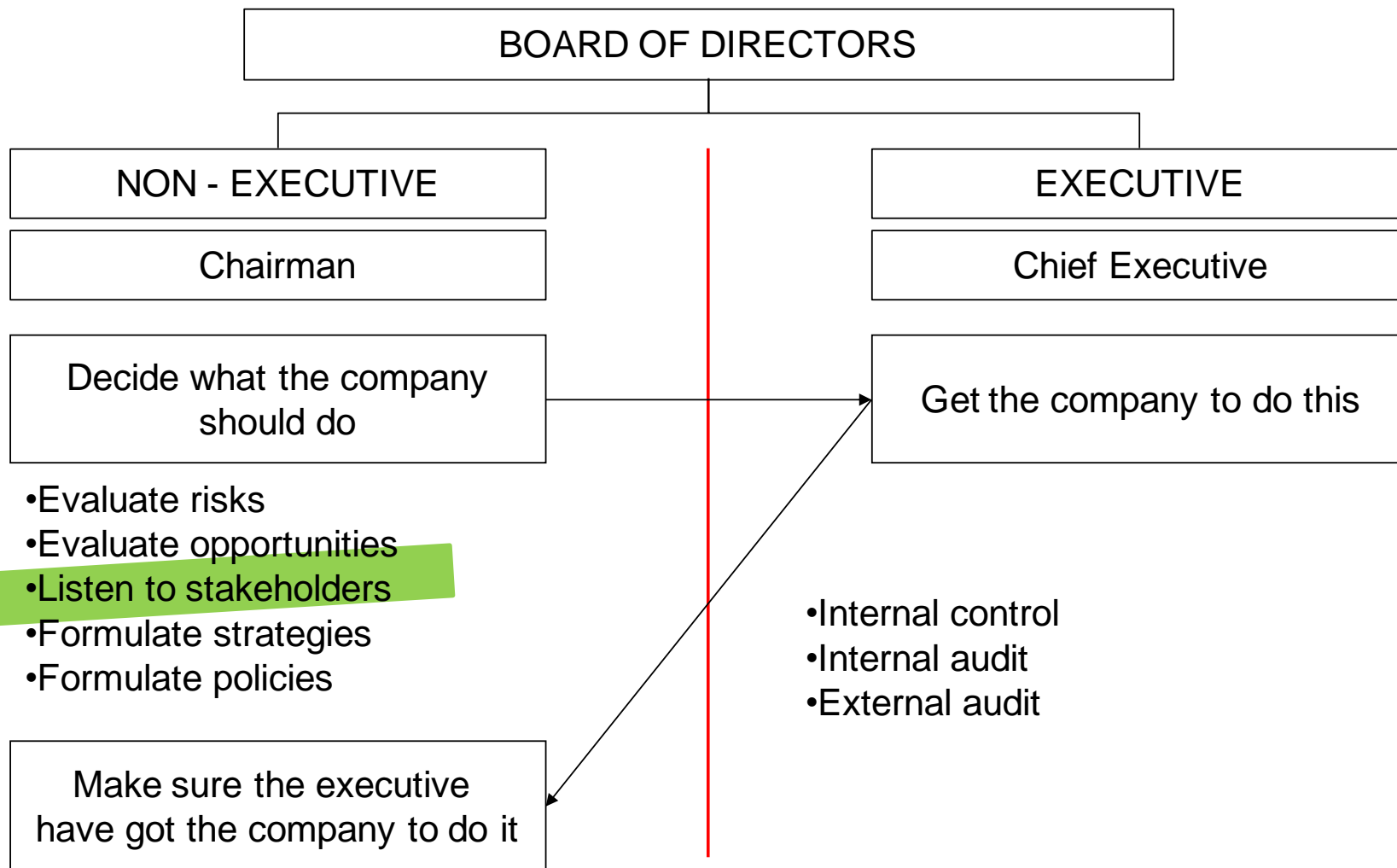
In order for CC to happen:

- The non-executives need to decide that it is important – the business case;
- They need to convert it into the strategies / policies;
- The executive needs to implement these strategies / policies;
- The non-executive needs to make sure that the executive is actually successful in implementing.

In other words, the process must be GOVERNED

STAKEHOLDER ENGAGEMENT

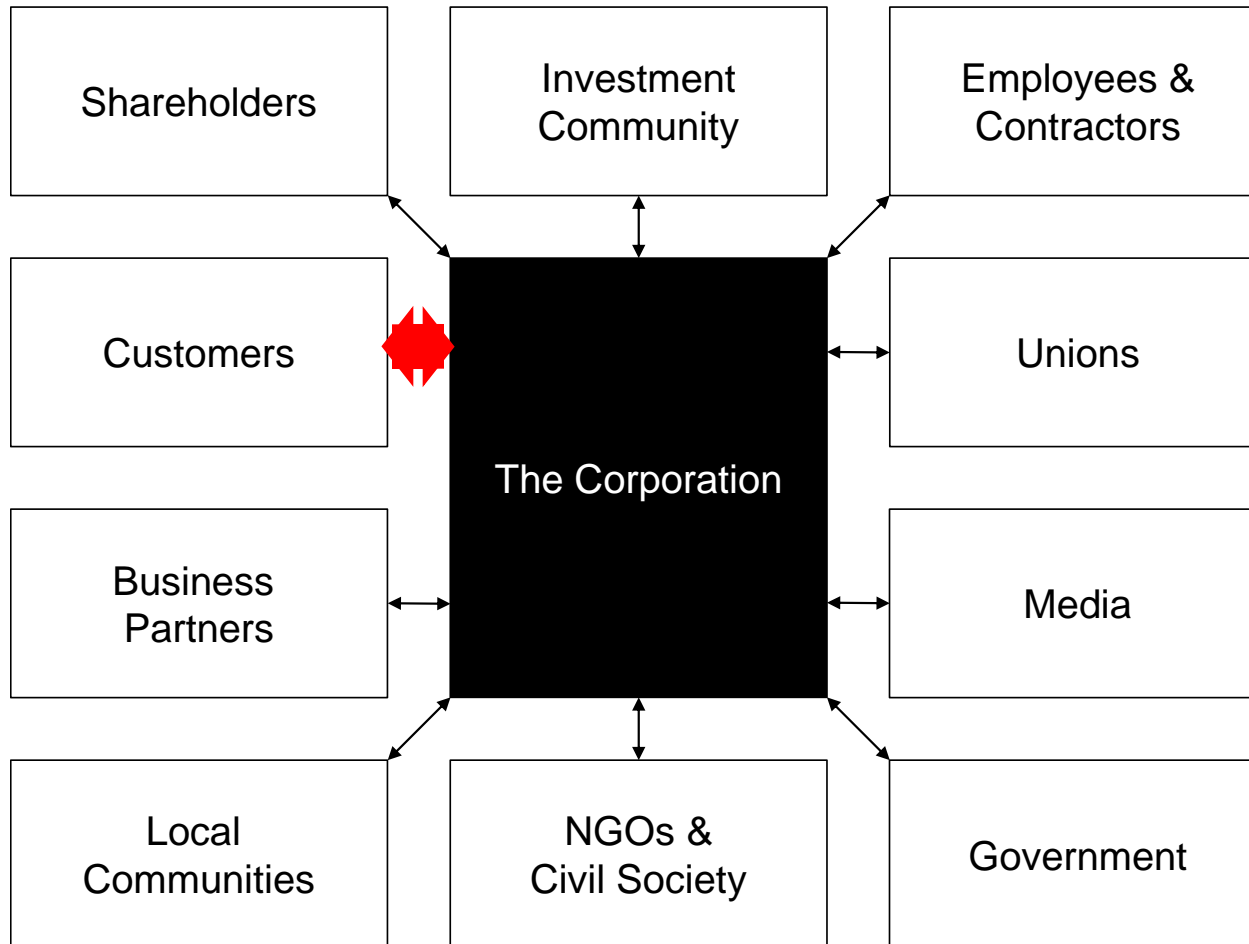
Stakeholder Engagement



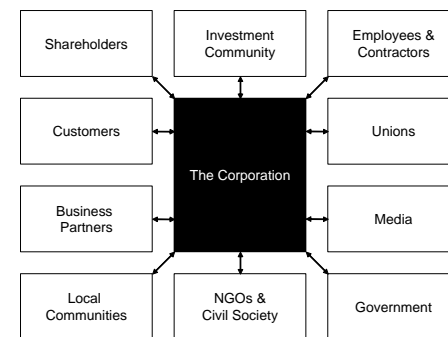
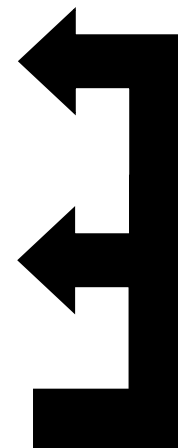
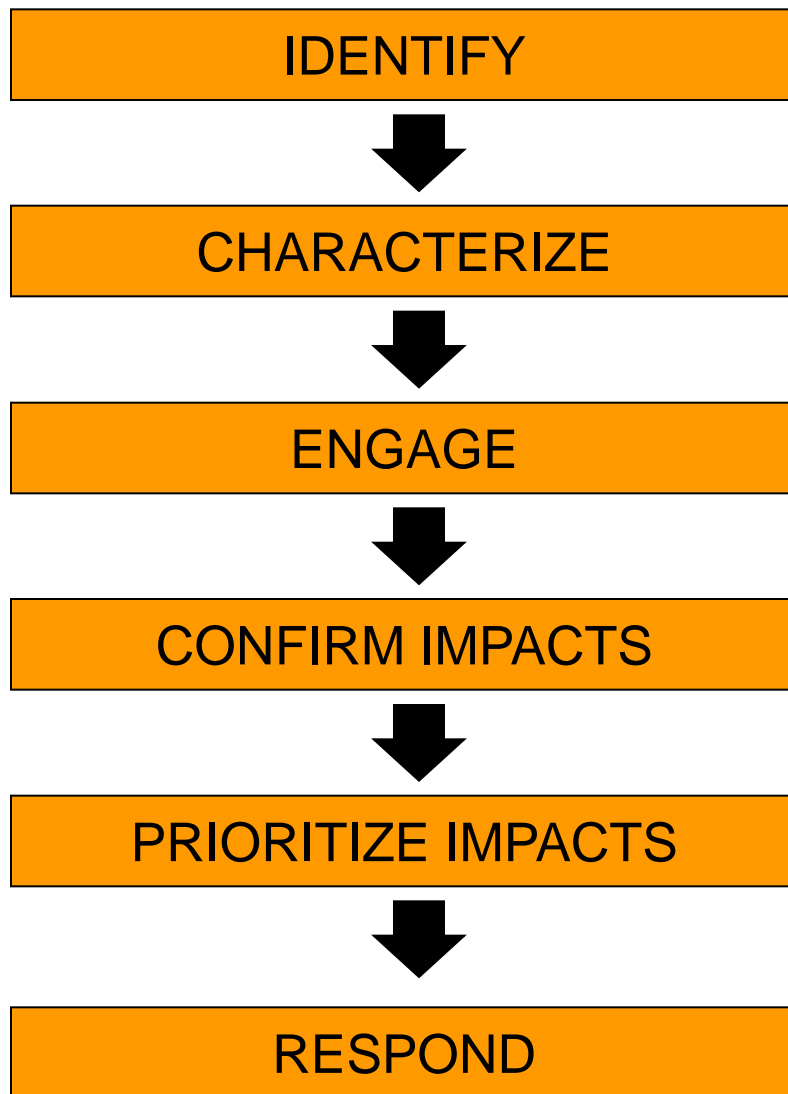
What are stakeholders?

Any group or individual who can affect, or is affected by a company or its activities.

Generic stakeholders.....



Stakeholder Engagement Process



Any group or individual who can **affect**, or is **affected** by a company or its activities.

MATERIALITY

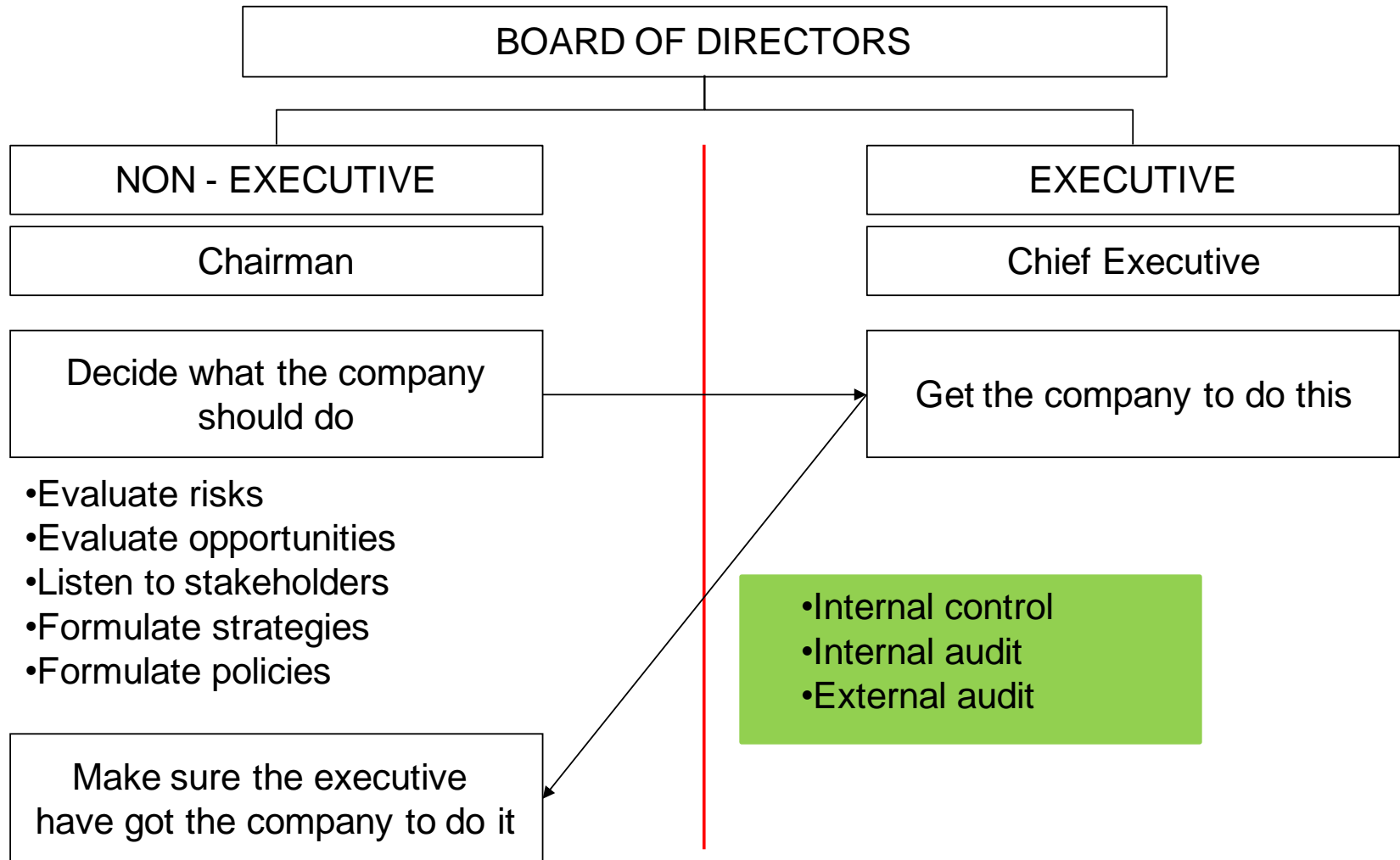
5 Part Materiality Test (p66)

SUSTAINABILITY REPORTING

Sustainability reporting....

- Performance **targets**
- Global Reporting Initiative – GRI (G3)

ASSURANCE



- Assurance:
 - ISAE 3000
 - AA 1000

- Any questions?

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Leadership

The challenges of SU8:

- *Analyse the profile of personal responsible leadership in corporate citizenship*
- Leadership profiles/models
- Implications of these leadership models in corporate citizenship

Leadership theories

- Leaders are born vs Leaders are made by their context
- Transformational vs Transactional
- Leadership vs Management
- Bridging leadership
- Servant leadership

RESPONSIBLE LEADERSHIP

The '7 Habits'* of Responsible Leaders

- Strive to understand the context
- Listen to stakeholders
- Think beyond the obvious
- Think beyond the next quarter
- Think beyond the walls of the secure golf estate where they live
- Strive to be good citizens
 - Working towards the betterment of ones community through participation in efforts to improve the life of all fellow citizens
- Get others to be good citizens

* Steven Covey

The tension.....

“Do we really want more leaders in business?”

(Giampetro-Meyer et al 1998)

Questions?

- Any questions?

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The Exam

- There are 3 essay questions – each worth 50 Marks
- You must choose any 2
- i.e. 1 hour per essay

Wishing you well in the exam!!

Chat time