

# Creation or crisis?

*the role of business  
in society – challenges  
in southern Africa*

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*“Where your talents and the needs of the world cross... there you will find your vocation.”*

**Aristotle**

In April and May 2007 I visited six southern African countries. My trip covered South Africa, Lesotho, Botswana, Mozambique, Swaziland and Namibia and the purpose was to promote The African Pulse ([www.theafricanpulse.com](http://www.theafricanpulse.com)), a charity of which I am a trustee. The African Pulse is based in Cape Town and develops innovative HIV/Aids and life skills education material for 8-14 year olds, comprising a CD-ROM, comic book, learner activity book, and facilitator’s guide.

One of the many highlights of my journey was visiting Swaziland, which I expected to be the Switzerland of Africa. The people of this small, very beautiful country were friendly and welcoming. Yet there were some aspects which made me feel sad about it:

- Of the 1,1 million population, only 90 000 have formal employment and, of these, 60 000 are in the civil service.
- The unemployment rate is 40%.
- The adult HIV prevalence rate was estimated in 2003 to be 39% – one of the highest in the world – and it will be much higher now.
- The population is shrinking by 0,34% each year.
- Life expectancy, at birth, is 32 years.
- It is the only country in Africa with just one tribe, which has resulted in the king choosing the prime minister and senators.
- Women do not have equal rights to those of men, eg they do not have an automatic right to property inheritance.

ABSTRACT: This article summarises reflections on the convergence of business and society – a chance to “future-gaze” on how the two interact, and what the relationship might look and feel like.

- Swaziland is currently a monarchy, but democracy is to be introduced in 2008; however, the process of selection and election of candidates for representation is still unclear.

**VARIED ROLES IN SOCIETY.** During my travels, two questions occupied my mind:

- What is the role of business in society? What parts should business, government and civil society organisations play in relation to improving the lives of the world's population, and safeguarding the future sustainability of the planet?
- Can business take on any of the roles of government, such as the distribution of aid monies where governments have not managed to distribute the relief to the people who so badly need it?

Current trends in corporate social responsibility (CSR) seem to be moving towards an answer to the first of these questions. CSR is defined as “the obligation that organisations have to consider the interests of customers, employees, shareholders and communities, as well as the ecological considerations of their operations. This is seen to extend beyond their statutory obligation to comply with legislation<sup>1</sup>.”

But we need to go further than this. One of the key roles of businesses in society is to “use their core skills to solve world problems such as poverty, illness, inadequate education and natural disasters”.

Examples of the success of this approach have been seen over many years:

- **People movements:** In 1999, two Microsoft engineers saw the impending problems with the refugee crisis in Kosovo. They used their skills and Microsoft's software, as well as recruiting several dozen employees from their European offices, to create a computer-based method that helped refugees regain some of their dignity. The Refugee Field Kit provided the displaced people, most of whom had been stripped of their identity papers while fleeing Kosovo, with new, official identity cards and an easier method for finding missing family members.
- **Micro-finance:** An increasing number of wealthy business people are now investing some of their wealth in developing countries, by lending small amounts of money to people who would like to start up their own

businesses. One of the leading proponents of this approach is Percy Barnevik, a Swedish businessman who has headed ABB and AstraZeneca, and is now looking to establish millions of micro-businesses in the developing world and create 50 million jobs globally in 10 years by investing \$5m each year of his own money in micro-finance projects, thereby helping to break the cycle of poverty.

- **HIV/AIDS:** Growth International was awarded a “Big Tick” Impact on Society Award for Small Companies by Business in the Community of London, for showing the business and society benefits of their corporate strategy in respect of workplace, marketplace, environment and community. One of the reasons for winning the “Big Tick” was for its support of The African Pulse, in which it invested initially as a company project and then assisted in the launch of a UK-registered charity. It was a young woman, Katherine Lee, who first approached Growth International with her idea of using edutainment to assist in HIV prevention education. The company felt that it could input its learning and experience from running personal development and behavioural change programmes in the UK with adults, into a different age group in a different country/culture.

What are the implications of this line of thinking for business? Mervyn King, chairman of Brait and the Global Reporting Initiative (GRI), suggests that we are in an era of “beyond compliance” – ie what governments can do to enforce good corporate governance is quite limited. King is a firm believer in a “light-touch” approach, with less- rather than more regulation, and getting the marketplace to decide which companies should succeed, based on their responsible behaviour and ensuing reputations. Self-regulation and frameworks such as the GRI now allow companies to demonstrate publicly their stakeholder accountability, through reporting and verification.

Yet when governments intervene with over-regulation in the marketplace they set minimum conditions for business to meet. Self-regulation generally raises the bar. The driver for this behaviour is that consumers and social activists expect companies to play an even bigger role in addressing global problems. At the same time, companies face serious challenges to

their operations from competitors in the emerging economies of India, China and Russia. Progressive businesses are now becoming more vocal as they realise that these competitors, who have not invested resources in addressing social and environmental issues, have a lower cost base and can win contracts on economic grounds. As a result, somewhat paradoxically, business in the developed world is seeking increased regulation on social and environmental matters to ensure a level global playing field.

**THE ROLE OF BUSINESS.** Questions about the role of business have been asked for many decades. In 1990 in London, Charles Handy was asked: “What is a company for?” Handy noted that in his US business school in the 1960s, the answer was clear: “It was inscribed above the blackboard in every class: ‘to maximise the medium-term earnings per share’. Not short-term earnings, mark you, and not optimise, but maximise.” Later in the London talk, he stated: “My business school in America was wrong, I am now convinced. The principal purpose of a company is not to make a profit – full stop. It is to make a profit in order to continue to do things or make things, and to do so even better and more abundantly.”

Handy’s talk resulted in the Tomorrow’s Company inquiry which in 1995, concluded that a more inclusive approach to business would enhance British industry’s long-term global competitiveness. This approach suggested that every well-led organisation starts by being clear about its purpose and values, identifying all the relationships that are key to its success, and then creating the greatest possible energy for its wealth creation activities by

mobilising the loyalty, commitment and trust of people in those relationships.

This “enlightened stakeholder approach” was championed by a handful of British organisations and, as a result, became enshrined in the UK Companies Act 2006. The Act clarifies that directors are responsible for promoting the long-term success of the company for the benefit of its members as a whole. In fulfilling this duty, they must have regard to fostering business relationships with supplier, customers and others, as well as to the impact of the company’s activities on the community and the environment.

In 2006, Growth International facilitated two South African consultations for the Tomorrow’s Global Company Inquiry ([www.tomorrowcompany.com](http://www.tomorrowcompany.com)). The results were collated with the outcome of similar events around the world and in June 2007, the inquiry report was published. The report states at the outset: “The survival and success of tomorrow’s global company is bound up with the health of a complex global system made up of three interdependent sub-systems: the natural environment, the social and political system, and the global economy... It is becoming clear that the current frameworks in which the market operates are leading to unsustainable outcomes. There are major issues which the market and the political systems have not resolved – particularly climate change, areas of persistent poverty and abuses of human rights. Global companies can be a force for good and are uniquely placed to deliver the practical solutions that are urgently required to address these issues... We believe that the purpose of tomorrow’s global company is: ‘To provide ever better goods and services in a way that is profitable, ethical and respects the environment, individuals and the communities in which it operates.’”

The report goes on to identify three specific ways in which global companies can fulfil this role:

- **Redefining success.**
  - Success should include lasting positive impacts for business, society and the environment.
  - Business leaders should stand behind their convictions by using them as the basis for their business strategy.



– Communicating and reporting to all stakeholders need to be consistent with this view of success.

- **Embedding values.**

– Shared values are essential to provide cohesion in a company that is global and diverse.

– Values must be rigorously followed in practice, and people held accountable for observing them.

– Values provide the bedrock upon which a company's behaviour should be based.

- **Creating frameworks.**

– Major issues can be addressed through international agreements. These need to be translated into national regulation and uniformly enforced.

– Effective self-regulation is often the first step.

– Companies need to take the time and commitment required to be proactive and work jointly with other companies, NGOs and governments to ensure that better frameworks are created.

**BUSINESS STRENGTHENING THE STATE.** But what of my second question: “Can corporations carry out a function which is perceived to be the responsibility of governments?” – eg distribution of UN development aid to poor countries? Perhaps... but primarily in situations where a global company will be more trustworthy and accountable than a national government. At the same time, business should focus on its fundamental purpose of goods and service provision, and at prices that can be afforded by people in developing countries on low income. Now, more than ever before, it matters how a company earns its profits, as much as the nature of the goods and services that it sells to generate that profit.

Perhaps the answer is that companies can act in the government's role where it has a clear business interest, eg in their employees' health. This is why some African businesses are paying for HIV voluntary counselling and testing, and providing anti-retrovirals where they are required. They do this for the benefit of the business, as well as their staff. There is a strong strategic case for this approach: if you do not have a healthy and productive workforce, you do not have a business. The same logic can work in the supply chain: if your suppliers do not have a healthy and productive workforce, your business cannot be sure of continuity of supply of goods and services. So,

in the case of combating HIV/AIDS, what is good for society is also good for business.

Anglo-American saw this many years ago. Its chairman, Sir Mark Moody-Stuart, says: “The deciding factor in CSR should be whether there is a continuing interest for your company. If society is in trouble, it's our problem too — business is involved whether it likes it or not.” As a result, in Southern Africa, Anglo-American provides anti-retrovirals for its staff in its own hospitals.

Moody-Stuart adds: “Sometimes we end up running things forever because governments see our expenditure as a reason to divert their resources elsewhere.”

**THE FUTURE OF CSR.** What conclusions can be reached from all this future-gazing in Africa?

- Companies will continue to give money to charities, and staff will continue to volunteer their time to help community projects; however, businesses as a whole will start to apply their core skills to benefit society and solve world problems – as a strategy to develop their marketplace by doing good business through the business of doing good.

- CSR is more than a lunch, a launch and a logo – it is a “way of being” for companies which want to create wealth for society, as well as their shareholders.

- Learning is a two-way street – the experiences and skills of countries in the south can be invaluable to people in the north. “We know best in the west” does not wash anymore, but sharing the learning both ways will.

- In 10 years' time, CSR will be integrated into the marketplace: companies will only be able to secure business because they allocate a proportion of their time and resources to the resolution of world problems, such as water shortage, HIV/AIDS and the alleviation of the impact of global disasters resulting from climate change. The inevitable has happened: unless the planet is sustained, there will not be any consumers for business to sell to.

So what does all this mean for Swaziland? Maybe it is as much an opportunity as a crisis: a chance for business to use its creativity and resources to make a significant and lasting difference. ■

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1. Wikipedia definition of CSR.