The role of business in development is today’s hot topic. The United Nations has formally acknowledged the importance of the private sector in meeting the Millennium Development Goals, and public/private partnerships abound, many under the rubric of Corporate Social Responsibility (CSR). Often catalyzed by CSR initiatives, multi-stakeholder partnerships gained ground, but collaborations between civil society and the private sector have much greater potential. Business must become engaged in the development challenge, bringing with it the full weight of its core competencies. This paper asserts that the incentives for deeper strategic partnerships have never been more compelling; there has never been a better time for dialogue between business and civil society groups that goes well beyond traditional partnership efforts.

The impacts of globalization have produced strategic shifts in the landscapes facing both business and civil society. Both have come to play an increasing role in development and continue to adjust to changing roles and responsibilities. Yet corporate social responsibility initiatives are often limited in impact and many NGOs continue to be suspicious of business intentions. There is now a need and opportunity to bring strategic partnerships between the two sectors to a more substantive level for mutual benefit and improved results.

CSR and beyond: Business and the development challenge

The role of business in development is today’s hot topic. The United Nations has formally acknowledged the importance of the private sector in meeting the Millennium Development Goals, and public/private partnerships abound, many under the rubric of Corporate Social Responsibility (CSR). Often catalyzed by CSR initiatives, multi-stakeholder partnerships gained ground, but collaborations between civil society and the private sector have much greater potential. Business must become engaged in the development challenge, bringing with it the full weight of its core competencies. This paper asserts that the incentives for deeper strategic partnerships have never been more compelling; there has never been a better time for dialogue between business and civil society groups that goes well beyond traditional partnership efforts.

Corporate social responsibility and beyond

After the fall of the Berlin Wall, Western multinationals began a more serious expansion into emerging markets, struggling with environmental degradation, deep poverty, conflict, and human rights issues. The subsequent corporate impact on local communities was frequently dramatic. A powerful argument was made that multinational corporations could not simply ignore the ripple effects of their overseas activities. Business, it was suggested, had a responsibility to ensure that certain standards of behavior and practice were upheld, even when operating outside home markets, even when indigenous regulatory requirements were weak or absent.

CSR initiatives were one way to manage these forays into uncharted terrains. A proliferation in CSR-related activity followed: codes of conduct, certification processes, voluntary initiatives – by one count some 142 today – as well as on-the-ground community projects addressing social and/or environmental problems, often constructed in collaboration with NGOs. Good work has been done, and many lives have been improved as a result, but what CSR cannot accomplish is a long-term collaborative agenda for development.
As a result, corporations and NGOs too often still regard themselves in opposition – divided on both values and interests, as well as desired outcomes. However, this view perpetuates a false dichotomy between social and economic interests. Business and civil society have in fact never had more scope and greater opportunity for productive engagement around international development. Their interests are converging due to changing strategic environments for both parties.

The changing strategic environment for non-governmental organizations

For many international NGOs, equitable, sustainable development remains their primary objective. Civil society groups are now vital to effective on-the-ground program delivery. Although concrete numbers are surprisingly difficult to ascertain, NGOs deliver a great deal of humanitarian relief – estimated at some US$6 billion annually. At the same time, civil society organizations have become more and more convinced that crises are often man-made, suggesting that long term impact requires policy change. As a result, civil society is increasingly inserted into policy dialogues with donors, business, and governments.

But calls to increase the level of official development assistance are not likely to resolve the long term development challenge. Certainly aid does much good work when well spent, work that the private sector is often unwilling, unable, or unsuited to tackle. But regardless of the amount, aid cannot remedy underdevelopment. Economic growth is not sufficient for development, to be sure, but it is absolutely necessary. A statistic recently cited by Jeffrey Sachs tells the tale. In 1820, U.S. per capita income was only about three times that of per capita income in Africa; it is now 24 fold higher – a huge disparity in living conditions due to a tiny one percent difference in annual growth rates over time.

Even if donors deliver on recent commitments to increase aid budgets, such official aid flows – some US$70 billion annually – will continue to be dwarfed by the annual flow of foreign direct investment, now some US$250 billion per annum to developing states. The problem is not, as some would argue, too much foreign investment, but rather too little, especially to those poorest states that would benefit the most.

This suggests an imperative to shift the dialogue – civil society objectives moving to harness the potential of corporate strengths, not simply as a source of revenue for a particular project, but as a true partner in the development challenge.

The changing strategic environment for multinational corporations

Multinationals are facing similar seismic changes. We may have come far from Milton Friedman’s famous adage that “the social responsibility...
of business is to increase its profits,” but the case for social engagement too often remains cast as business going beyond its core mandate. This is shortsighted.

Business is embedded in society; it cannot thrive without social order and social acceptance. For a long time, the “society” that mattered was largely domestic and concerned with domestic issues; today it is increasingly global. Global social values are in flux. According to a 2005 Gallup/GlobeScan poll, surveying 50,000 individuals across 60 countries, the war on terror remains a priority for 10% of respondents, but 12% want priority accorded to eliminating poverty, 14% to protecting the environment, and 16% to closing the gap between the rich and the poor.

Globalization and transparency are magnifying these societal shifts, going to the heart of long term profitability, the license to operate, and the social contract.

Multinationals have been major beneficiaries of globalization and have made the case that free trade and economic growth are good for all, including the poor. But business has largely failed to recognize that growth is but one component of human development, and that it can in fact exacerbate poverty, inequality, and conflict. Consumers, voters, contractors, employees, and shareholders, in both developed and developing economies, have rising expectations of business in the modern world – even as our judgments of corporate performance are in freefall. This is stretching business well beyond its usual areas of expertise.

Consider these recent bracing statistics. A multi-state 2005 Gallup/GlobeScan survey suggests that nearly half of respondents think that business has “too much power;” other international surveys by GlobeScan reveal that corporations have the lowest positive ratings and highest negative ratings of any “global economic actor” from a list that includes NGOs and international organizations. And the news from the United States is no better – only 6% of Americans have “confidence” in big business, with 72% believing corporate wrongdoing is “widespread.” Private sector activities have long generated negative externalities but the profitability consequences were muted by poor information and weak advocacy. Don Tapscott and David Ticoll, in The Naked Corporation, argue that a sheltered corporate environment is a relic of the past; transparency is transforming the strategic landscape for business. All this suggests that business is increasingly vulnerable to regulation, legislation, and social backlash. Business must demonstrate both at home and abroad that it can be a meaningful part of a comprehensive solution.

Thus, business would similarly benefit from a new strategic dialogue with civil society. Rather than seeing NGO partnerships as simply a tactical way to deflect activism, or as a quick way to earn a public relations boost, corporations
should proactively engage NGOs as powerful learning partners that provide insights into the risks and opportunities of the shifting societal environments.

**Moving “beyond CSR”**

So, what next? This paper suggests that fundamental changes in the operating landscapes of both business and civil society open new space for strategic engagement. We need to move “beyond CSR” – to a dialogue that engages core competencies and fundamental interests on both sides. A first step might be the encouragement of a more nuanced understanding of each other’s respective core competencies and motivations, with the goal of pushing corporates and NGOs to eventually see themselves as equal, but different, partners in the development challenge. Currently, there is insufficient opportunity to engage in those sorts of exchanges. The view that development is a job for governments, and that aid does it best, is just as out-moded and counterproductive as the view that human development needs can all be met by the private sector or that business can remain afloat from its social environment.

There have been some encouraging steps taken by leaders on both sides. The Kimberley Process on conflict diamonds began with a dialogue between Global Witness and DeBeers; the Oxfam/Unilever project on Unilever’s economic footprint in Indonesia, and SABMiller’s ground-breaking multistakeholder dialogues on its sustainable development strategy are just a few examples. Key learning experiences are found in all these examples, as are clear lessons about the difficulties that can result from such deeper partnerships.

Policymakers could promote the idea of a development toolkit – one in which aid, private capital flows, debt relief, economic growth and other tools – are all accorded standing. Both sides would benefit from the creation of space to explore mutual problems, develop a collaborative agenda for action, share knowledge and learning, and scope out long term practical avenues for moving forward together. Better outcomes, it seems plausible to suggest, would surely result.

**Sources**


