

Corporate citizenship in developing countries: Conceptualisations of human-rights-based evaluative benchmarks

Rüdiger Hahn

Associate Professor, Faculty of Business and Economics, University of Kassel, 34111 Kassel, Germany

ABSTRACT

This article builds upon on Crane, Matten and Moon's "extended view of corporate citizenship" to discuss the actual and potential role of private business with regard to specific human rights in developing countries. A set of analytical benchmarks will be proposed to assess corporate behaviour with regard to these rights. A number of empirical cases illustrate the applicability and constraints of these benchmarks and help to enhance corporate citizenship thinking and theory.

Key words: Benchmarks, Corporate behaviour, Corporate citizenship, Developing countries, Human rights

INTRODUCTION

For a few decades now the role of corporations in assuming social responsibility has been discussed widely in business and academia. Even so, there is still a lack of consensus regarding the appropriate content, range and scope of possible corporate responsibilities. To facilitate an academic understanding and analysis of corporate roles in society, Crane, Matten and Moon (2008) introduced an "extended view of corporate citizenship" into the academic debate on corporate citizenship (CC).¹ This view is based on the liberal tradition of "citizenship", which encompasses an extensive set of human rights² in society (Marshall, 1950). On this basis, the "extended view" of CC allows for analytical reflection upon corporate influence on these rights. It is a descriptive-explicative concept which concentrates strictly on the *actual* roles of corporations in contemporary society (i.e., asking exactly how companies influence certain rights) without reverting to a normative understanding of what corporations are perhaps *supposed to do* (cf. Carroll, 2008, for a historical overview).

However, such reflection is limited to assessing the actual *outcome* of corporate activities, rather than asking *why* and *how* that outcome is accomplished from a company perspective, since there may be no reference to managerial *intentions*.

This means that any corporate influence on human rights could also be purely accidental, which would inhibit conclusions as to a corporation's normative responsibilities towards societies.

This article proposes to help fill this gap by introducing a conceptual extension to the extended view of CC, taking deliberate management decisions into account. In particular, the following will be distinguished: An intentional fulfilment (or even strengthening) of various human rights, an 'ignoring' behaviour towards these rights and an intentional exploitation of weak legislation or even the neglecting of rights in favour of corporate self-interest.

In this way, this article sets out to help complete the still-incomplete picture of corporate behaviour. Moreover, a first set of possible yardsticks and benchmarks to judge corporate behaviour will be proposed. For illustrative purposes, these benchmarks refer to a limited set of specific human rights. Finally, various patterns of behaviour will be discussed on the basis of a number of empirical examples. Along this line of thought, the aim of this article is to enhance CC thinking and theory by providing a comprehensive overview of various types of corporate behaviour with regard to human rights and by proposing a first set of benchmarks to help categorise such behaviour according to local standards and

Access this article online

Website:

<http://ajobe.journals.ac.za/>

DOI:

<http://dx.doi.org/10.15249/6-1-5>

Quick Response Code:



Address for correspondence:
Prof. Rüdiger Hahn,
Faculty of Business and
Economics, University of Kassel,
34111 Kassel, Germany.
E-mail: ruediger.hahn@uni-kassel.de

human rights. Accordingly, the article provides a draft set of instruments to study corporate behaviours in developing countries and contributes to the theory of CC by further extending the extended view of CC.

To achieve this, the article is structured as follows. The next section begins by setting the specific background. First, the reasons why corporations are relevant actors in the sphere of human rights, especially in developing countries, will be examined. This is to highlight the general relevance of the present topic before briefly introducing the specific research focus. Afterwards, the extended view of CC will be further developed by offering an enhanced categorisation of corporate behaviour that includes aspects of corporate intentions. Building upon this categorisation, an initial classification of corporate conduct on grounds of prevailing legal standards and human rights shall be proposed. Finally, before closing with a brief conclusion, a set of empirical examples will be provided with the aim of illustrating and bringing to life the various classes of corporate behaviour.

THEORETICAL BACKGROUND

Corporate citizenship in developing countries

The specific relevance of corporations to human rights, especially in developing countries, can be argued as follows: in the course of an ongoing “deterritorialisation” (Scholte, 2005), corporations as well as civil society as a whole face increasing freedom to act beyond boundaries. This freedom results from developments such as advancements in information and communication technologies, decreasing regulations, densely linked transportation networks, the free flow of capital, transboundary production opportunities, and more. At the same time, the ever-increasing complexity of these and other issues, such as climate change and pandemics, as well as the transnational scope of action of various actors, has led to a diminished ability for single nation-states to steer and control these issues (Scherer and Palazzo, 2008; Crane *et al.*, 2008). Developing countries in particular often find it difficult to enforce binding social or ecological rules, especially upon transnational corporations, which are often exceptionally well suited to turn the advantages of globalisation to their favour. These corporations are often able to at least partially defy governmental control so that they are not fully subordinate to the legal framework of any one nation-state (Hahn, 2009).

Frequent reports of private businesses exploiting weak regulations can be regarded as evidence of the negative aspects that come with such lack of accountability. On the other hand, private enterprise often also actively contributes to the development of societies by providing resources, knowledge, employment opportunities and so on. As a consequence, such negative and positive developments have called increasing attention to the roles of corporate versus governmental actors in modern society.

The role of corporations can be especially pronounced in developing countries, where national budgets often do not suffice to supply even basic public goods or social security. Thus even basic needs and human rights are not guaranteed on a national scale. Corporations regularly step in to fill some of these ‘welfare gaps’ by assuming the role of provider of certain basic rights, as well as through a plethora of philanthropic measures. Empirical examples would include corporate volunteering, support for the poor in certain countries or regions and donations for social or other purposes. Beyond philanthropy, management instruments such as corporate codes of conduct might promote human rights, especially where legal standards prove to be insufficient (Beschoner and Müller, 2007; Bondy, Matten and Moon, 2008).

In contrast to such a supportive corporate role, however, there might also be a negative corporate attitude towards such rights. Sometimes corporations systematically try to avoid having to observe even the most basic human rights, for example, by deliberately moving to those countries with the lowest standards of social guarantees (Scherer and Smid, 2008). Against that background, the significant scope of corporate action in those countries and their consequences for human rights are at the centre of this article.³

Research focus

In their extended view of CC, Crane *et al.* (2008) refer primarily to the actual outcome of corporate activities in fostering or inhibiting various human rights: Corporations either actively adhere to or even set standards which help to fulfil a minimum measure of human rights (e.g., by paying adequate wages in developing countries) or actively evade stricter standards by moving production into less regulated countries.

The extended view of CC as outlined above thus concentrates on describing factual corporate behaviour and its outcome, rather than asking how that outcome was achieved. However, apart from the outcome, this pair of questions deserves consideration: Do corporations indeed actively and intentionally adhere to or disregard specific rights? Or do they, rather, assume a merely passive role, not considering the potential effects of their actions on human rights, so that any influence they might have on these rights would be merely accidental?

These questions examine corporate intentions and thus attempt to build a bridge to the behavioural aspects of normative concepts such as corporate social responsibility (CSR; see, e.g., Hahn, 2011).⁴ Such a connection seems viable, since it is not only the mere outcome but also expectations, intentions and conduct which paint the overall picture of corporate conduct in society. Within the limits of this article, a specific focus will be placed on a limited set of human rights which are distilled directly

from the United Nations Universal Declaration of Human Rights (UDHR; see UN, 1948).

As stated earlier, the extended view of CC refers to a system of rights according to the liberal tradition of Marshall (1950). Within this system of rights, so-called social rights guarantee the basic individual needs which are necessary to participate in society. These include, for example, the right to a minimum of economic welfare and security, as well as a right to physical well-being. In following this categorisation, Articles 2, 3, 23, 24 and 25 of the UDHR are referred to in particular. These focus on economic welfare, security, working conditions, and health. They can thus be regarded as concrete examples of Marshall's system of social rights (1950) to which the extended view of CC refers.⁵ Therefore, this limited set of (social) human rights will be used as a reference point to categorise various forms of corporate conduct. Furthermore, they can be posited as an initial benchmark for the different roles of CC which will be discussed in the following section.

"Article 2:

- Everyone is entitled to all the rights and freedoms set forth in this Declaration, without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status....

Article 3:

- Everyone has the right to life, liberty and security of person....

Article 23:

- Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment.
- Everyone, without any discrimination, has the right to equal pay for equal work.
- Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.
- Everyone has the right to form and to join trade unions for the protection of his interests.

Article 24:

- Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay.

Article 25:

- Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.
- Motherhood and childhood are entitled to special care

and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection" (UN, 1948).

The UDHR is itself not a treaty. Nevertheless, the rights codified in the UDHR are often guaranteed by national law, treaties, and general principles. The UDHR has served as the basis of the core human-rights treaties drafted under the auspices of the United Nations. All member states "have ratified at least one, and 80% of States have ratified four or more of the core human rights treaties, reflecting consent of States which creates legal obligations for them and giving concrete expression to universality. Some fundamental human rights norms enjoy universal protection by customary international law across all boundaries and civilizations" (UN, 2012).

Beyond governmental bodies, the UDHR states in its preamble that "every individual and every organ of society ... shall ... promote respect for these rights and freedoms and secure their universal and effective recognition and observance".

The relevance of the UDHR to private business actors has not been fully acknowledged. Nevertheless, because the Declaration offers such a broadly accepted and universal understanding of minimum human rights, it is ideally suited to serve as benchmark for corporate behaviour. Consequently, the responsibility for corporate actors to adhere to (and possibly even promote) various human rights has gained increasing attention in scholarly literature (e.g., Ruggie, 2008; Hsieh, 2009; Wettstein, 2009; 2010; Cragg, 2012; Hahn, 2012; Wood, 2012). In developing countries, these rights are often not guaranteed on a national level. Therefore, the role of business in these countries is often under close scrutiny. But how can corporate activities be categorised with regard to these human rights?

EXTENDING THE "EXTENDED VIEW OF CORPORATE CITIZENSHIP"

Categorising corporate conduct with regard to human rights

In the case of a passive corporate stance towards human rights, the company in question ignores any responsibility which might be imputed to it. The sole basis of its relationship to society is the given legal foundation to which it adheres. This is in line with the legal responsibilities in Archie B. Carroll's often-cited pyramid of CSR (Carroll, 1991). In this case, any impact on human rights which deviates from existing laws and which results from such passive (and thus ignoring) behaviour would be unplanned, undefined, and arbitrary. As a consequence, such a purely law-abiding position can be characterised as an essentially passive stance. By including such an ignoring stance, this

article proposes a conceptual enhancement of the extended view of CC as summarised in Table 1 with a focus on human rights.

The role of the company as provider or denier of human rights in this extended characterisation now goes beyond a mere *descriptive* meaning and further includes aspects of corporate *intentions* and their evaluation (as outlined in the following). In this view, the active and intentional inclusion of human rights can be regarded as a result of deliberate decisions by corporate management, stemming from a voluntary integration of social and environmental concerns into business operations (or quasi-voluntary, e.g., as a result of pressure by certain stakeholders). In the same way, an active denial of rights is also an outcome of (normative) corporate management decisions which are based on a single-minded focus on a corporation's economic responsibilities (again, similar to those in Archie B. Carroll's pyramid of CSR) without acknowledging the existence of any further responsibilities. A corporation that perceives its responsibilities in the latter way might actively exploit any legal loophole or weak legislation in order to enhance its short-term business success. In this view, sole responsibility for ensuring human rights lies with the relevant legislative body. It denies any corporate responsibilities. Such a position might even include the evasion and disobedience of existing standards, if this does not result in negative business consequences.

Unlike the passive basic stance, these two latter courses of action explicitly include some sort of active corporate decisions and action. However, it might prove difficult to assess such intentionality and distinguish deliberate action from undefined and passive activities. This requires some sort of benchmark or measurement to characterise a corporation as provider, ignorer or denier of human rights, as depicted in Table 1.

Classification according to legal standards and human rights

A first categorisation of a corporation as a "denier", "ignorer" or "provider" of human rights in developing countries can be conducted with reference to existing legal standards in the given country (upper part of Figure 1) in connection with the aforementioned human rights according to the UDHR (lower part of Figure 1), as will be discussed in the following section.

Table 1: Extended categorization of social corporate citizenship			
Corporate behaviour	Active	Passive	Active
Corporate role	Provider	Ignorer	Denier
Assumed corporate intention	Purposeful inclusion	Undesigned / Undefined	Purposeful exploitation

The key criterion for determining an *active* denial of human rights in developing countries is the clear disregard of the UDHR rights as outlined previously, while their observation marks a providing role. The yardstick of human rights alone, however, is not sufficient to fully characterise a corporation as an *active* denier or provider. Rather, it helps rule out certain kinds of corporate behaviour: If basic rights are met, a corporation cannot be categorised as an active denier (cases 3 and 4 in Figure 1), since the minimum expectations of human development according to the UDHR are acknowledged (or met). If, however, these very basic rights are *not* acknowledged (or met) by corporate policies, the corporation cannot be categorised as an active provider (cases 1 and 2 in Figure 1), since the minimum expectations are indeed not fulfilled.

Even so, this does not yet definitely qualify any corporation as *active* provider (or denier) of rights, since the fulfilment (or non-fulfilment) of the UDHR could also stem from a purely law-abiding, passive corporate position. A grey zone exists in cases where corporations do adhere to local legal standards which are not, however, congruent with the minimum human rights as framed in the UDHR (case 2 in Figure 1), as well as in cases where the relevant human rights are merely 'accidentally' fulfilled due to the fact that they are already secured by legal standards to which a company might be forced to adhere (case 3 in Figure 1).

While this neat categorisation of four cases might appear straightforward at first glance, it is often difficult to apply to actual corporate conduct in practice. In some cases, a single corporation could even be framed as both a provider *and* a denier of human rights at the same time. This is due to the complex nature of human rights themselves. A company paying wages that guarantee an adequate standard of living (in accordance with Article 23 (3) of the UDHR) might still conduct medical or pregnancy tests which are prone to discriminatory use (thus conflicting with Article 2 and 23 (2)). Even the limited set of (social) human rights as identified above already evokes a quite extensive set of corporate activities, as will be discussed in the remainder of this article. The discussion that follows provides a number of examples and explanations of all four possible categories of corporate behaviour and sheds light not only on the meaning of each case, but also on the difficulties in identifying them.

DISCUSSING EMPIRICAL EXAMPLES OF CORPORATE INFLUENCE ON HUMAN RIGHTS

Following the criteria depicted in Table 1 and Figure 1, a number of empirical examples will now be analysed to offer a preliminary framework of possible classifications of providers, ignorers or deniers in terms of the extended view of CC.

Corporations as deniers of human rights

In those cases where corporations do not comply with local regulations (case 1 in Figure 1) – for example, with

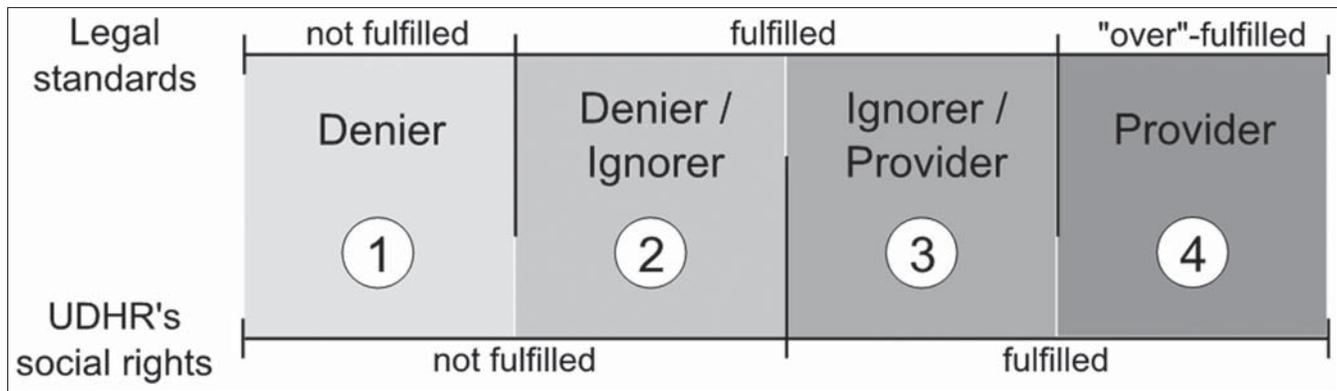


Figure 1: Classification of corporate behaviour with regard to human rights

regard to remuneration, retirement provisions, healthcare for employees or otherwise – they can be categorised as “deniers”, since obeying the law can be regarded as a fundamental prerequisite of appropriate CC behaviour (if those laws do not interfere with basic human rights). Disregarding legal standards can thus be characterised as an active and deliberate behaviour according to Table 1.

A common example can be illustrated on the basis of Article 2 of the UDHR, which forbids discrimination on the grounds of race, colour, sex, language or other status. Many countries follow this guideline and have incorporated these principles into their local regulation. However, examples of the discriminatory use of medical or pregnancy tests have been reported (Swedish, 2005) and point to a corporate role in denying this human right. The fact that local laws are often ignored or not enforced (and thus sometimes prove to be ineffective) indicates why companies are able to exploit weak legislation. It does not, however, absolve such companies from their responsibility to adhere to those laws and regulations.

An empirical example of activity which supposedly violated legal standards as well as specific human rights was demonstrated by Pfizer in Nigeria in 1996. The company was accused of conducting a clinical trial of the antibiotic Trovan on children during a meningitis epidemic without authorisation from the Nigerian government and without consent from the children’s parents (cf. Stephens, 2006; Stephens 2007; Ahmad 2001). There were reports of medical complications and even fatalities in connection with the treatment (McNeil, 2011). Moreover, when the United States Food and Drug Administration approved Trovan approximately one year after that study was conducted, the agency restricted the drug’s use to adults. Two years later, Trovan’s use was further limited after several cases of liver damage and even fatalities occurred. In the European Union, Trovan never gained approval at all. After Pfizer was accused of having conducted an unapproved trial, it claimed that it had in fact been a humanitarian relief action. Nevertheless, rather suspiciously, administration of

the drug ceased immediately after 200 children (apparently the number required to complete the clinical trial) had been treated. Pfizer was found to have violated internationally agreed ethical principles of medical ethics as well as several national and international standards for clinical trials (Ahmad, 2001; Stephens, 2006).

The company was also accused of exploiting the medical emergency and the financial situation of the families, as well as covering up possible malpractice (Stephens, 2006). The case can clearly be characterised as an example of active and deliberate behaviour of intentionally ignoring or violating certain legal and also human rights. Specifically, Article 2 of the UDHR was violated, since the dire situation of the poor families was exploited, a discriminatory practice. Furthermore, Article 3 (concerning the right to life, liberty and security of person) was violated, since the test subjects did not willingly agree to be part of the trials and thus did not have the liberty to choose whether or not to participate. Moreover, their security of person was endangered when an unapproved drug was administered to unknowing children. In sum, this corporate conduct is a distinct example of case 1 in Figure 1.

The grey zone between deniers, ignorers and providers of human rights

Case 2 in Figure 1 depicts an even more complex class of corporate behaviour: The situation here is that local legal standards do not guarantee a minimum of rights according to the UDHR. This is the case, for example, in those countries where no minimum legal wage and no sufficient social-security systems are in place. There, companies can choose to pay wages that do not guarantee “an existence worthy of human dignity” as envisioned in Article 23 (3) of the UDHR. However, in those countries where local laws do not define, for example, a specific threshold for minimum wages, the identification of a denying position is much more difficult. When simply taking local laws as yardsticks, corporations complying with such laws do not actively seek to improve or undercut human rights. They could be characterised as ignorers, and thus as passive corporate

citizens as shown in Table 1. If, however, the UDHR is indeed accepted as a universal norm which is also valid for private actors (e.g., Wettstein, 2009), these law-abiding corporations could also be categorised as deniers of such rights, for example, when paying wages below the standard set forth in Article 23 (3) of the UDHR. Unfortunately, the wording of the UDHR offers only a vague idea of the exact content and scope of these rights, making them difficult to assess. Turning again to the specific example of Article 23 (3), it is, of course, debatable what constitutes human dignity (e.g., Hahn, 2012) and exactly what wage would be adequate. The UDHR itself offers a first interpretation, in Article 25 (1), by listing food, clothing, housing and medical care as elemental parts of an adequate standard of living, so this can be used as a benchmark to measure whether companies' wages are sufficient to provide these enablers of a dignified livelihood.

Moreover, in certain cases, a more precise identification of ignorers and deniers (as in case 2 in Figure 1) might be possible even without discussing the question of corporate responsibility for human rights or the specific content of those rights. For multinational corporations from industrialised countries, different legal regulations in the host country and the country of origin can serve as a substitute benchmark: Those companies that, for the purpose of actively undercutting tighter domestic regulations, invest in countries with weak local standards that do not guarantee a minimum of human rights can be characterised as deniers of human rights, since they actively foster a race to the bottom (Scherer and Smid, 2008) of social standards. Such behaviour is exemplified in case 2 in Figure 1.

The determining fact which turns passive into active corporate behaviour is the *systematic* and *deliberate* avoidance of stricter standards. Examples of such activities could (and sometimes still can) be found in the textile industry, which has been accused repeatedly of operating so-called 'sweatshops'. These production facilities have been reported to provide unacceptable working conditions in terms of remuneration, employment protection, safety at work and so on (e.g., China Labor Watch, 2008; Connor, 2001). It is difficult, however, to prove the intentional nature of such exploitations of weak standards in each individual case.

Another particular difficulty in classifying corporate behaviour arises in those developing countries where legal standards accord with the minimum of human rights as expressed in the UDHR. There, corporate adherence to established human rights is already required by law. Hence, a mere law-abiding position cannot be used as an indicator for active corporate behaviour as shown in Table 1. Again, the essential question is whether compliance with these legal rules is an *intentional* decision made by the corporation to acknowledge and uphold established,

basic human rights or merely a result of the corporation's legal obligations in that country. In the former case, the corporation would also adhere to the UDHR without strict laws and legal standards (or in cases where they are not enforced by local authorities). In the latter case, however, the corporation has to be characterised instead as an ignorer, since one must assume that the company would also ignore and thus willingly undercut human rights when encountering lower (or unenforceable) legal standards.

The distinguishing feature between passive ignorers and active providers in case 3 in Figure 1 thus lies in a corporation's intentional and *systematic* acknowledgement of human rights. In such a positive case, the intentional inclusion of human rights in corporate decisions seems to be less difficult to determine than an intentional exploitation in case 2. The reason for this is that a deliberate and positive reflection is often documented in corporate reports, guidelines, and codes of conduct. Accompanying measures are usually traceable and recognisable, at least to internal stakeholders.

Corporations as providers of human rights

If corporations acknowledge and uphold human rights beyond what is required by law or legal standards, they can be characterised as active providers (case 4 in Figure 1). In this case, companies willingly adhere to and promote the UDHR even though local regulations would permit lower standards, such as in terms of payment or social benefits, for example. Such over-fulfilment can have a vital influence on the standard of living for large parts of the poor population in developing countries where legal standards and the UDHR often guarantee only a minimum of rights. In the case of the direct relationship between employer and employee, the potential corporate influence on human rights is quite obvious. Although a single company cannot guarantee, for example, "the right to work" (UN, 1948, Art. 23 (1)) on an overall macroeconomic scale, each company nevertheless upholds this right to work on a microeconomic level by offering employment which directly caters to its fulfilment. In a second step, the immediate employer-employee relationship then implies further rights, since, for example, any individual has the right "to just and favourable conditions of work and ... to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity" (UN, 1948, Art. 23 (1) and 23 (3)).

However, companies do not even have to have a direct relation to the workers in developing countries to be vested with responsibility for well-being in the upstream supply chain (Phillips and Caldwell, 2005). In the 1990s, for example, Nike was accused of tolerating sweatshops with inhuman working conditions and poor wages in its supply chain. This can be regarded as a showcase of the specific attention corporations often receive from an increasingly critical society when being connected with

inhuman working conditions, inadequate safety standards, low wages, child labour or the like (Beschoner and Müller, 2007; Bondy *et al.* 2008). Following consumer boycotts and public protests, Nike slowly accepted responsibility for the working conditions in its supply chain and finally undertook significant efforts to improve the situation (Zadek, 2004).

Today, Nike (along with other companies in the textile industry) has implemented a strict code of conduct that includes aspects of worker safety and remuneration. The company conducts frequent audits to ensure that that code is followed. Those measures are neither mandatory under local laws nor subject to the UDHR, so they serve to define the company as a provider of human rights if they indeed lead to a strengthening of those rights beyond the minimum legal requirements. In sum, some companies in the textile industry offer interesting examples of a providing behaviour, despite occasional publicised incidents of poor working conditions or paltry wages.

Beyond the specific conditions of the textile industry, industrial or corporate codes of conduct in general can serve as an example to actively steer a company's course of action. If designed and monitored adequately, codes of conduct can form a system of rules which limit and govern corporate behaviour and inhibit the exploitation of weak social or environmental standards. Due to their (at least formally) non-binding character, such stringent codes can be categorised as active involvement for human rights (according to Table 1) in a direct employer-employee relationship, because they can indeed help to actively include human-rights-related aspects such as workplace design, remuneration, social benefits or the formation of unions in these relationships. Additionally, they can have an impact on further aspects of corporate responsibility, since they also often include environmental standards, guidelines on how to interact with different stakeholder groups or bans on corruption and bribery.

Yet the need to set up such human-rights-related codes of conduct is only apparent when companies act in countries which do not already guarantee these rights by law or when the code-setting company strives to exceed the minimum UDHR standards. Moreover, the population can benefit from such corporate activities only if they include the entire corporate value chain, since it would otherwise be only partially affected by the codes.

Two noteworthy and often-discussed approaches towards such an inclusion are the so-called 'Base of the Pyramid (BoP)' and 'Social Business' initiatives. The BoP refers to the large segment of the world's poor. BoP initiatives include options for companies to position themselves in currently still undeveloped or underdeveloped sales and resource markets while at the same time offering opportunities to bring about enduring poverty alleviation

(for recent literature reviews, see Nghia, 2010 and Munir, Ansari and Gregg, 2010). To achieve this, BoP strategies aim at embedding the neglected poor parts of the world's population into efficient value chains and market structures both as consumers and as producers or distributors (Hahn, 2009). The idea of social businesses is quite similar. While the BoP approach concentrates on the profitability of possible business with the poor, social-business ideas mainly focus on the social objectives of such endeavours, such as providing employment or supplying specific goods (Seelos and Mair, 2005; Yunus, 2007; Yunus, Moingeon and Lehmann-Ortega, 2010). Both approaches aim at supplying the poorer segments of the world's population with affordable (and possibly vital) goods, as well as offering employment opportunities and sources of income. Thus, they can have a direct influence on specific human rights (Hahn, 2012) as discussed above.

Often, however, measures which typify corporations that are providers of human rights are only loosely connected with a corporation's core business. Many firms outside the pharmaceutical industry, for example, offer free HIV/AIDS drugs and annual AIDS tests to their employees (Rambharos, 2005; Barrett and Ballou, 2003; Bendell 2003). Such measures conform to Article 3 (right to life) and Article 25 (health and well-being) of the UDHR. Admittedly, the companies involved often recognise the very real risks and costs which could stem from a worsening of the AIDS epidemic and might also expect potential positive effects for their corporate image from such measures. However, such activities also offer the opportunity for these companies to acknowledge the responsibility they bear when they operate in countries where the state is unable to provide suitable healthcare (Bendell, 2003). Consequently, the boundary between business considerations and charitable impetus when fighting HIV/AIDS is indeed not always clear-cut. The risks and costs of the AIDS epidemic have a direct and increasing effect on the companies. Providing employees with drugs can, for example, help reduce absenteeism and employee turnover due to illness, thus also reducing costs (Bendell, 2003). The provision of drugs for family members of current and perhaps even former employees, however, cannot be justified by such direct costs of operation. Moreover, AIDS-prevention programmes for the broader public can have, at best, only an indirect effect on corporate profits. Nevertheless, and apart from their underlying motivations, companies conducting such programmes can be labelled providers of human rights as in case 4 in Figure 1, since these initiatives always stem from active and intentional corporate decisions. However, purely philanthropic activities might be at risk of being short-term engagements, since they might be stopped at any time if the company in question faces economic difficulties (Frynas, 2005).

In summary, the very heterogeneous character of corporations as providers of human rights is readily

apparent. Nevertheless, all of the examples in this section can clearly be seen as positive CC in the sense conveyed in Figure 1, since a strengthening of rights could be achieved on grounds of intentionally designed corporate activities.

CONCLUSION

The assessment has shown that the variety of corporate activities with respect to human rights is vast and a classification can be difficult. It is even possible that a single corporation is both a provider *and* denier of human rights at the same time: building hospitals for a local community, for example, can turn a company into an active provider of certain rights for the community. If, however, the company in question also exploits its employees' weak bargaining positions and pays only minimum wages which do not guarantee a decent standard of living in accordance with the UDHR, this company can at the same time be classified as a denier of certain other rights.

Moreover, a company's actions can more easily be steered and controlled in those cases where the impact on its core business is easier to measure. (Giving HIV/AIDS drugs to employees, thus reducing turnover and illness-related absences was one example). As their rights-related activities diverge from core business activities, companies must factor an increasing number of external considerations and players into their considerations. This does not mean, however, that such indirect effects are petty or less important. For example, strengthening relationships with local communities might improve a company's social capital and thus help it acquire or renew its licence to operate (Scherer, Palazzo and Baumann, 2006) by acting as a provider of human rights, as in Figure 1.

When combining the descriptive-explicative aspects of the extended view of CC with normative aspects of a corporation's responsibilities and intended management decisions, the picture proves even more complex. Corporations which willingly and deliberately evade human rights or even legal standards cannot simply be labelled "ignorers"; they must be labelled "deniers". However, a mere accidental fulfilment of human-rights standards does not turn a company into an active provider of those rights. A deliberate and conscious self-examination of a company's own role with regard to such rights can help private businesses deal with the expectations stakeholders have for them. It is also difficult to assess if activities which influence certain rights are to be characterised as providing, ignoring or denying corporate behaviour, since thus far no unilateral benchmark for such a classification exists. This article has put forward a first proposition for such a classification with regard to a specifically defined set of human rights in developing countries. Future research could continue on this course and perhaps establish specific metrics applicable in different environments, such as developing versus developed countries, for example. Moreover, such advancements might be conceived not only with regard to

socially related human rights but also with regard to civil and political rights as further pillars in the extended view of CC.

END NOTES

¹See also Matten, Crane and Chappel, 2003; Matten and Crane, 2005. For a critique see, e.g., Nerón and Norman, 2008.

²Marshall (1950) and Crane *et al.* (2008) use the term 'citizenship right'. However, for the sake of clarity, I will use the term 'human rights', since both terms refer, in large part, to a similar set of rights.

³This focus explicitly excludes the question of human-rights related issues in *developed* countries, since this question deals with a substantially different set of behaviours and fundamentally different general conditions.

⁴They do not, however, address the question of *why* corporations actually engage in these activities, and thus do not consider corporate *motivations*, which lie beyond the scope of this article.

⁵Thus further human rights covering, for example, political issues such as a right to vote shall be excluded from the following analysis, since they relate to an altogether different set of responsibilities and corporate activities. Their analysis falls beyond the scope of this article.

REFERENCES

- Ahmad, K. (2001). Drug company sued over research trial in Nigeria. *The Lancet*, 358, 815.
- Barrett, D. and Ballou, D. (2003). Heineken N.V.: Workplace HIV/AIDS programs in Africa (A). Harvard Business School Case 9-303-063, Boston: Harvard Business School.
- Bendell, J. (2003). Waking up to risks - Corporate responses to HIV/AIDS in the workplace. UNRISD Programme on Technology, Business and Society, Paper No. 12, Geneva: UNRISD.
- Beschorner, T. and Müller, M. (2007). 'Social standards: Toward an active ethical involvement of business in developing countries', *Journal of Business Ethics*, 73 (1), 11-20.
- Bondy, K., Matten, D. and Moon, J. (2008). Codes of conduct as a tool for sustainable governance in MNCs (pp. 432-455). In Crane, A., Matten, D. and Spence, L. (Eds.), *Corporate social responsibility - Readings and cases in a global context*, New York: Routledge.
- Carroll, A.B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders, *Business Horizons*, 34 (4), 39-48.
- Carroll, A.B. (2008). A history of corporate social responsibility - Concepts and practices (pp. 20-46). In Crane, A., McWilliams, A., Matten, D., Moon, J. and Siegel, D. (Eds.), *The Oxford Handbook of Corporate Social Responsibility*. New York: Oxford University Press.
- China Labor Watch. (2008). PUMA's failure in CSR; suppliers' critical conditions - China Labor Watch Report. n.p.: China Labor Watch.
- Connor, T. (2001). Still waiting for Nike to do it. San Francisco: Global Exchange.
- Cragg, W. (2012). Ethics, Enlightened Self-Interest, and the Corporate Responsibility to Respect Human Rights: A Critical Look at the Justificatory Foundations of the UN Framework, *Business Ethics Quarterly*, 22 (1), 9-36.
- Crane, A., Matten, D. and Moon, J. (2008). Corporations and citizenship:

- Business, responsibility and society. New York: Cambridge University Press.
- Egels-Zandén, N. (2007). Suppliers' compliance with MNCs' codes of conduct: Behind the scenes at Chinese toy suppliers, *Journal of Business Ethics*, 75, 45-62.
- Frynas, J. (2005). The false developmental promise of corporate social responsibility: Evidence from multinational oil companies, *International Affairs*, 81, 581-598.
- Hahn, R. (2009). The ethical rationale of business for the poor - Integrating the concepts Bottom of the Pyramid, Sustainable Development, and Corporate Citizenship, *Journal of Business Ethics*, 84, 313-324.
- Hahn, R. (2011). Integrating Corporate Responsibility and Sustainable Development - A Normative-Conceptual Approach to Holistic Management Thinking, *Journal of Global Responsibility*, 2, 8-22.
- Hahn, R. (2012). Inclusive Business, Human Rights and the Dignity of the Poor: A Glance beyond Economic Impacts of Adapted Business Models, *Business Ethics - A European Review*, 21, 47-63.
- Hsieh, N.H. (2004). The Obligations of Transnational Corporations: Rawlsian Justice and the Duty of Assistance, *Business Ethics Quarterly*, 14 (4), 643-661.
- Hsieh, N.H. (2009). Does Global Business Have a Responsibility to Promote Just Institutions?, *Business Ethics Quarterly*, 19 251-273.
- Marshall, T. (1950). *Citizenship and social class - And other essays*. Cambridge: University Press.
- Matten, D. and Crane, A. (2005). Corporate citizenship: Towards an extended theoretical conceptualization, *Academy of Management Review*, 30, 166-179.
- Matten, D., Crane, A. and Chapple, W. (2003). Behind the mask - Revealing the true face of corporate citizenship, *Journal of Business Ethics*, 45 (1 / 2), 109-120.
- McNeil Jr., D.G. (2011). Nigerians Receive First Payments for Children Who Died in 1996 Meningitis Drug Trial, *New York Times*, 2011(August 12), A4. Available: <http://www.nytimes.com/2011/08/12/world/africa/12nigeria.html> [Accessed on 17 May 2012].
- Munir, K., Ansari, S. and Gregg, T. (2010). Beyond the hype - Taking business strategy to the "bottom of the pyramid" (pp. 247-276). In Baum, J.A. and Lampel, J. (Eds.), *The Globalization of Strategy Research (Advances in Strategic Management, 27)*. Bingley: Emerald.
- Néron, P.Y. and Norman, W. (2008). Citizenship, Inc. - Do we really want businesses to be good corporate citizens?, *Business Ethics Quarterly*, 18, 1-26.
- Nghia, N.N. (2010). Management research about solutions for the eradication of global poverty: A literature review, *Journal of Sustainable Development*, 3, 17-28.
- Phillips, R. and Caldwell, C.B. (2005). Value Chain Responsibility: A Farewell to Arm's Length, *Business and Society Review*, 110, 345-370.
- Rambharos, M. (2005). Managing HIV/AIDS at Eskom, *Journal of Corporate Citizenship*, 18, 25-28.
- Ruggie, J. (2008). *Protect, Respect and Remedy: A Framework for Business and Human Rights*, Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations, April 7, 2008, New York: UN.
- Scherer, A.G. and Palazzo, G. (2008). Globalization and corporate social responsibility (pp. 413-431). In Crane, A., McWilliams, A., Matten, D., Moon, J. and Siegel, D. (Eds.), *The Oxford Handbook of Corporate Social Responsibility*. New York: Oxford University Press.
- Scherer, A.G., Palazzo, G. and Baumann, D. (2006). Global Rules and Private Actors: Toward a New Role of the Transnational Corporation in Global Governance, *Business Ethics Quarterly*, 16, 505-532.
- Scherer, A.G. and Smid, M. (2008). The downward spiral and the US model business principles - Why MNEs should take responsibility for the improvement of world-wide social and environmental conditions (pp. 474-495). In Crane, A., Matten, D. and Spence, L. (Eds.), *Corporate social responsibility: In a global context*. New York: Routledge.
- Scholte, J.A. (2005). *Globalization - A critical introduction*. Basingstoke: MacMillan Press.
- Seelos, C. and Mair, J. (2005). Social entrepreneurship: Creating new business models to serve the poor, *Business Horizons*, 48, 241-246.
- Stephens, J. (2006). Panel Faults Pfizer in '96 Clinical Trial In Nigeria, *Washington Post*, 2006(May 7), A01, Available: http://www.washingtonpost.com/wp-dyn/content/article/2006/05/06/AR2006050601338_pf.html [Accessed on 17 May 2012].
- Stephens, J. (2007). Pfizer faces criminal charges in Nigeria, *Washington Post*, 2007(May 30), A10. Available: http://www.washingtonpost.com/wp-dyn/content/article/2007/05/29/AR2007052902107_pf.html [Accessed on 17 May 2012].
- Swedish, J.M. (2005). The SETISA Factory: Mandatory Pregnancy Testing Violates the Human Rights of Honduran Maquila Workers, *Northwestern Journal of International Human Rights*, 4, 363-387.
- UN. (1948). *Universal declaration of human rights - Resolution 217 A (III)*, New York: UN.
- UN. (2012). [Online]. Available: <http://www.ohchr.org/en/issues/Pages/WhatAreHumanRights.aspx> [Accessed on 17 May 2012].
- Wettstein, F. (2009). *Multinational Corporations and Global Justice - Human Rights Obligations of a Quasi-Governmental Institution*. Stanford: Stanford University Press.
- Wettstein, F. (2010). For Better or For Worse: Corporate Responsibility Beyond "Do No Harm", *Business Ethics Quarterly*, 20, 275-283.
- Wettstein, F. and Waddock, S. (2005). Voluntary or Mandatory: That is (Not) the Question - Linking Corporate Citizenship to Human Rights Obligations for Business, *Zeitschrift für Wirtschafts- und Unternehmensethik (Journal for Business, Economics and Ethics)*, 6, 304-320.
- Wood, S. (2012). The Case for Leverage-Based Corporate Human Rights Responsibility, *Business Ethics Quarterly*, 22, 63-98.
- Yunus, M. (2007). *Creating a world without poverty - Social business and the future of capitalism*. New York: PublicAffairs.
- Yunus, M., Moingeon, B. and Lehmann-Ortega, L. (2010). 'Building Social Business Models: Lessons from the Grameen Experience', *Long Range Planning*, 43, 308-325.
- Zadek, S. (2004). The path to corporate responsibility, *Harvard Business Review*, 82(December), 125-133.

How to cite this article: Hahn R. Corporate citizenship in developing countries: Conceptualisations of human-rights-based evaluative benchmarks. *Afr J Bus Ethics* 2012;6:30-8.

Source of Support: Nil, **Conflict of Interest:** None declared

AUTHOR

Rüdiger Hahn is an associate professor at the University of Kassel, Germany. His main research areas are business strategy and sustainability at the Base of the Pyramid as well as norms and standards for corporate responsibility. His work is regularly published in high-quality, peer-reviewed journals.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.