CORPORATE SOCIAL RESPONSIBILITY AND ITS IMPLICATIONS FOR THE SECURITY MANAGER IN A GLOBAL CONTEXT

Introduction

No single definition for Corporate Social Responsibility (CSR) has been arrived at; rather, there exists a variety of principles and practices ranging from the principles outlined in the United Nations Global Compact[1] to the many CSR global business models in operation in the global economy.

The World Business Council for Sustainable Development in its publication "Making Good Business Sense" by Lord Holme and Richard Watts, used the following definition. ***"Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large"***.[2]

For the global security practitioner the use of this definition presents both professional challenges and working tools which, if used imaginatively and ethically, can actually enhance the organisation's inherent security by removing some causes of threat and concomitant risk. If the security practitioner can take on board the principles embraced in this quote from Holme and Watts and apply them imaginatively, there is every reason for CSR becoming an effective management tool to reduce risk and ameliorate threat.

In the context of security CSR addresses what is referred to as SOCIAL RISK, following the STEP model, offered by Kytle and Ruggie of Harvard Kennedy Business School[3] which divides risk into:

- Social
- Technological
- Economic
- Political

The security practitioner needs to see all four components as part of a continuum, with each having a potential effect on the other three. This point will be enlarged upon in the case study that follows. The STEP model needs to be central to the company's strategic risk management paradigm which must also be an integral part of the company's global operational strategy and central ethos, from executive level to operational management to supervisory levels, for reasons that will become clear below.

To complement the STEP model, Stender-Aurbach, writing for the Huffington Post offers a list of what he sees as the top ten social risks international businesses might face:

- Human Rights
- Rule of Law
- Corruption

[1] www.unglobalcompact.org
[2] www.wbcsd.org/DocRoot/IunSPdIKvmYH5HjbN4XC/csr2000.pdf
[3] www.hks.harvard.edu/m-rcbg/CSRI/publications/workingpaper_10_kytle_ruggie.pdf

- Security
- Land
- Environment
- Public Health
- Indigenous Rights
- Working conditions
- Supply/Value Chain[4]

CSR must be viewed in the context of the business' total global profile, networked operations and the value chain within the context of the global economy. We need to be careful to note that the "Global Economy" is composed of its many parts, from the developed economies of the Northwest hemisphere and Japan, through the developing economies (such as Brazil, Russia, India and China- commonly referred to as BRIC) through to less developed economies, notably in sub-Saharan Africa. Obviously multinational organisations are the thread that binds these divergent economies, the core of the whole phenomenon of globalisation and this is precisely the reason for the emerging unique net of challenges for the security and risk practitioner.

Much of this paper will focus on less developed economies, where the investing company's conduct will dictate whether it will be perceived by the local population as a beneficial new neighbour or as an intruder.

Kytle and Ruggie point out that CSR is an extension of going global, that it cannot be seen as discretionary expenditure and that it must be strategically linked to core business functions. Coupled to this is the need to recognise that in a global context a transnational business develops an increasing number of stakeholders, both internal and external as its dynamics change from an often linear model to what is better described as a network.

With this growing complexity comes a growing number of internal and external stakeholders. Traditionally a business entity would have four distinct sets of stakeholders; its customers, its suppliers, its work force and its shareholders. Balancing their interests, even in this relatively simple model could pose problems, not least the attendant risk.

Globalisation has brought with it an entirely new set of stakeholders, placing new demands on the disciplines of security and risk. The challenge for the security practitioner is to find the balance between the interests of these new sets of shareholders and respond so that the business can carry on in a manner which does not compromise security in its various forms.

The diagram below offers a model for analysing the dynamic tension between the various stakeholders and a structure for management of the relationships that arise.

[4] www.huffingtonpost.com/michael-shtenderauerbach/2009-top-ten-business-soc_b_155354.html

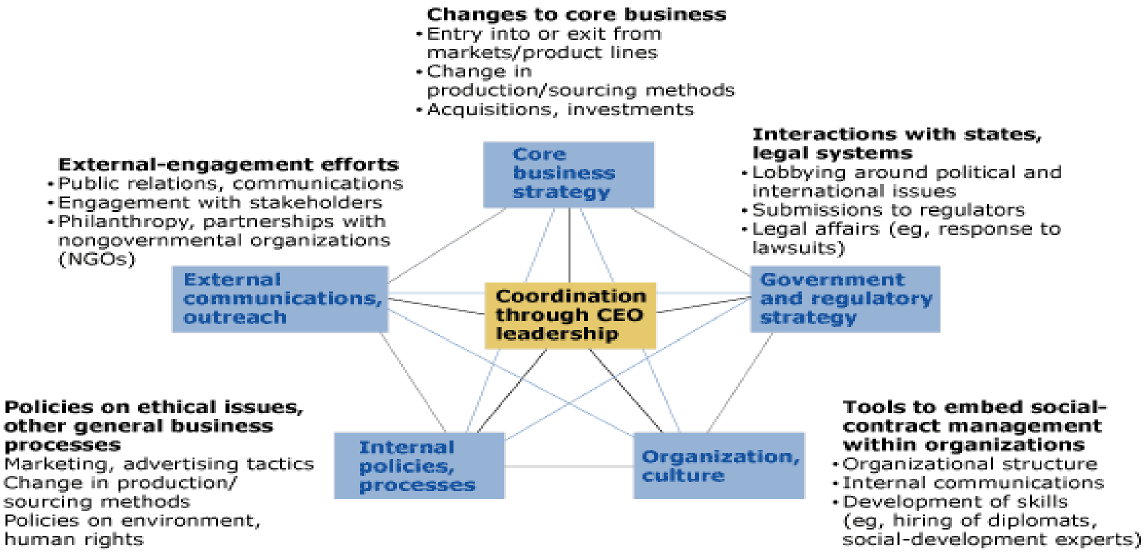


Fig. 1. Networked CSR Approach[5]

One thing that comes immediately into focus is the inter-connectedness of the model, with leadership playing a central part in the decision-making process and thus in the dynamics of the relationships between the disparate stakeholders. The other dimension that should be apparent is that the relationships are much more complex and include actors who would not have entered into traditional management equations. One very important thing for the security practitioner is that for a variety of reasons, the relationship between the corporate entity and some of its stakeholders might not always be cordial and might equally be openly hostile.

Hostilities might arise from a variety of sources, environmental, economic, ethical and cultural to name a few. And as Kytle and Ruggie point out *"…many of these challenges can arise in political jurisdictions with weak regulatory frameworks and means of enforcement, higher levels of corruption and inadequate provision of social services"*.

In the case study below we will look at a security challenge that stems from a combination of economic, environmental and cultural dynamics, coupled in part to the context of a state, which has long been plagued by internal dissension and the clash of diverse vested interests, fairly typical of a developing country. The dynamic is further informed by the two discrete companies coming from different cultural backgrounds and having inherently different business models, despite both publicly subscribing to almost identical models of CSR.

A final observation must be that a single lecture cannot equip the security practitioner to deploy into a unique and challenging environment. This short piece is designed to create an awareness of the challenges to security in the context of globalisation and hopefully to make the security practitioner aware that CSR does not represent an additional burden. CSR should be seen as a tool in the practitioner's toolkit to assist in the reduction of risk and the amelioration of threat and thus to facilitate the efficiency of the organisation at all levels.

[5] From McKinsey Quarterly 2006: www.research-sites.com/stakeholder-relations/stakeholder-engagement

The Implications for Security

It goes without saying that as any organisation expands the demands on its security department expands correspondingly. Within an entity that is committed to a programme of CSR, the functioning of the security department should logically come closer than before to the core functions of the business entity. The risk management task remains the same, to respond, proactively and if necessary reactively, to the threats and vulnerabilities that emerge as the business is exposed to an increasingly complex environment.

In a CSR informed framework, security management and staff must be informed of and sensitive to the company's CSR strategy as a core component of the company's entire operational strategy and ethos. In varying degrees, often depending upon the degree of environmental hostility (ranging from relatively non-hostile in the developed Northern hemisphere for example, to potentially intensely hostile in the Niger Delta) a company's security staff may find themselves central to the interaction between the company and the local population, a crucial stakeholder in many operations. The character of security operations will be one of the social markers by which a company will be measured when a local population decides whether the company is a benign neighbour or an unwelcome intruder.

Additionally, and particularly in hostile and semi-hostile environments, security management should logically be the first point of contact with local law-enforcement and security agencies. These two points of intersection mean that security staff at all levels must be well versed in the company's CSR values and policies and adhere to them stringently. Equally security personnel must be able to recognise, record and where necessary react positively to indicators of the mood of both the local public and the government agencies with which they come into contact. A logical follow-on should be a reporting protocol on each significant encounter, including the reason for the encounter, the nature of the encounter (hostile/cordial) and the outcome. This does not usurp the reporting dimension of more formal CSR procedure, it complements it.

Central to any entity's CSR programme is social and economic development in the countries and regions in which it operates.[6] Social development obviously includes creating employment locally, a key determinant of local perceptions of neighbour v intruder. For this reason it makes sense that locally recruited security staff should be used as much as it practicable. Security should not be compromised for the sake of empty political correctness and for this reason the word practicable is stressed.

The appropriate selection, screening and induction processes should be used and security staff should be trained to the level appropriate to their operational environment and the company's objective needs.

This process obviously demands flexible and imaginative country security management able to respond to local conditions but still committed to the company's core values and policies. At this point it is probably appropriate to refer back to the diagram on page 2 which stresses the centrality of CEO leadership. This is not to suggest that the CEO

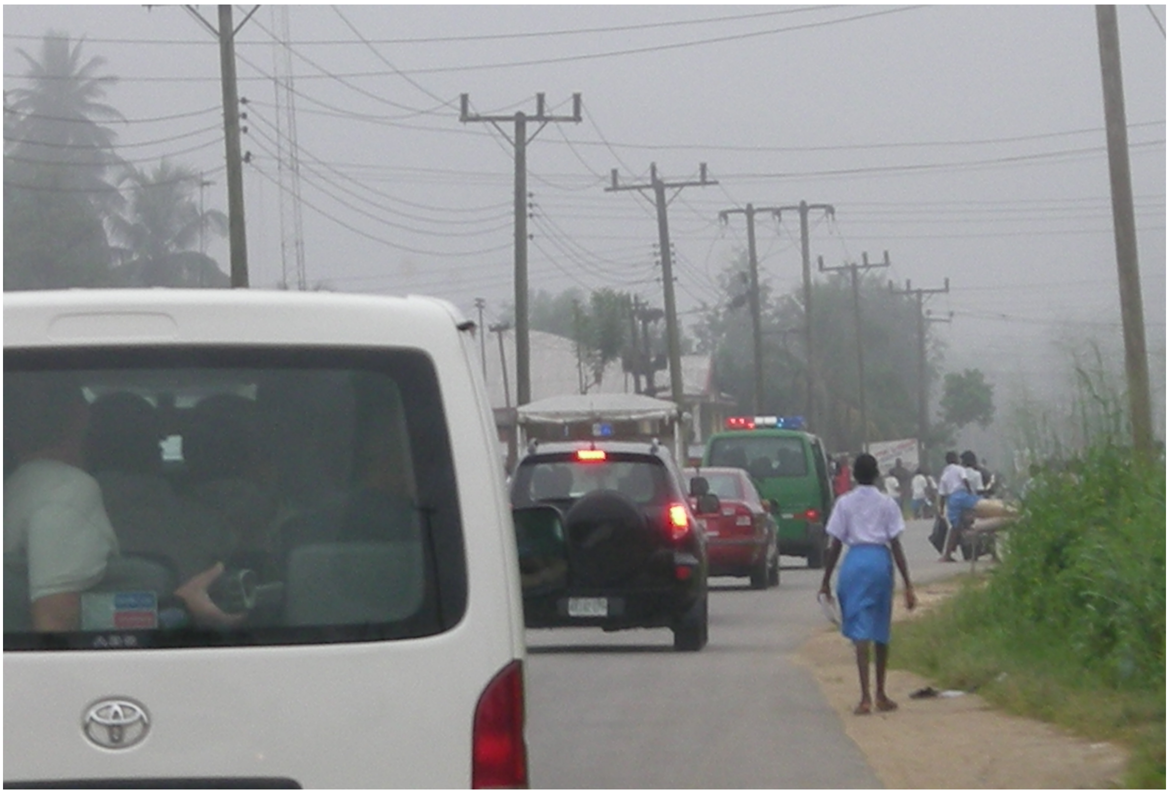
[6] See for example Exxon Mobil's 2008 CSR Report at www.exxonmobil.com/Corporate/Imports/ccr2008/community_ccr.aspx

must take responsibility for every decision made in the field, but that field management, including security management must clearly understand the executive policy concerning the issue in question as part of the global CSR strategy.

The reason for stressing the need for local security staff is twofold. We have already noted that central to any CSR programme is the need to create local employment. The second consideration is cultural. Frontline security staff, in common with other local staff provide a valuable relationship building tool. They provide a familiar point of first (or ongoing) contact with the company, are familiar with cultural norms, thus minimising the chance of inadvertent offence, and can report back accurately on the subjective outcome of an encounter.

In the case study below we will look at two quite distinct outcomes which result from the different degrees of recognition of this important dimension of CSR.

Case Study – Different approaches – Different results



"Just think what they could do if they put some of the money for all those escorts into the community" (comment from an African chief).

For the purpose of this exercise it is not necessary to name the entities in question or the country in which they operate, beyond observing that it is in West African country

It is appropriate to observe however that the companies in question represent 2 quite diverse philosophical traditions; one being western European (which we will call Company A) and the other from a former Soviet Bloc country (which we will call

Company B). The distinction is important in terms of the effects of diverse cultural and ethical values. In spite of similar public statements concerning CSR, it is sufficient to note that Company A manifestly practiced CSR through community projects, job creation and supporting education, Company B merely paid lip-service and succeeded in isolating itself from the local community. While the Company A sought actively to redress local grievances, Company B did not. Arguably, some Eastern European companies are still in the process of moving away from a command economy ethos to a liberal capitalist culture and are still learning the isomorphic[7] lessons that Western companies have been learning for over half a century. Additionally, former Eastern Bloc companies are often not subject to the level of human rights lobbying that informs the operating environment of western companies.

The distinction is important for several reasons; not least because the case study will reveal that CSR cannot be a purely PR exercise. It must deliver tangible results that stakeholders can measure and respond to. The case study will also reveal that a measurable CSR programme can affect the risk profile of a company in a problematic environment in ways that can be measured and learned from.

Company A operated in a province with a history of local disturbances ranging from strikes and popular insurrection to levels of kidnapping and extortion that made it impossible for expatriates to travel without armed escort. Company B operated in the adjacent province where, despite chronic government neglect and socio-economic deprivation the level of threat was low. It must be noted that Company A had operated in the region for over a decade and had had plenty of time to learn the isomorphic lessons whereas Company B as a relative newcomer had not.

However Company B created problems for itself from the outset, not least by hiring a security company from a different region, to replace security personnel at the local manufacturing plant they had acquired. In addition, they brought in an unprecedentedly high number of expatriate personnel, making little effort to hire locally unless absolutely necessary. To exacerbate the problem, Company B promised compensation to locals made redundant when the plant changed hands, but subsequently reneged on the instructions of the national government, greatly exacerbating local tensions. There is a lesson here about the roles of external stakeholders in different cultures. Had Company A followed this route they would have come under pressure from external stakeholders in Western Europe. It is fair to speculate that Company A would have found some way to channel compensation to the redundant workers.

It should also be noted that Company A employs upwards of 95% local staff and has established its own training and career development schemes as well as subsidising local schools. It manifestly seeks to make itself a good neighbour.

Since moving into the formerly relatively safe area, Company B has been subject to repeated attacks on its facilities and personnel, resulting in loss, injury and death. Company A's risk profile conforms to the average for its region. It has not been specifically targeted and continues to operate as before, accepting that the region is one that should be considered semi-hostile for expatriates but finding that level of risk does

[7] For an interesting article on the limitations of isomorphic learning see: www.palgrave-journals.com/rm/journal/v1/n4/pdf/8240030a.pdf

not restrict their operations unacceptably or place undue operational pressure on its security apparatus.

Company B's risk profile in the area is continuing to deteriorate and recent research suggests that, rather than implement a measurable CSR strategy it is measurably hardening up its security measures, with mixed results. I suggest Company B has got itself into a causal cycle that will take huge investment in physical and human capital to reverse, if it can muster the imagination to do so.

Conclusion

There is a measurable interplay between CSR and an entity's security. Like any problem it will inevitably have hidden variables that will manifest themselves and need to be addressed. But CSR is both a relationship building and, where it needs to be done, a mending process. It makes the difference between a foreign-owned entity being a neighbour or an intruder. Local populations will be wary of, probably resent and, if pushed, resist an intruder. If newcomers make it obvious that they are valuable neighbours, chances are that the locals will learn to live with them and, ideally come to value their presence.

The implications for security are obvious. There will be security considerations in any environment; access control, asset protection, protection of life and property and all of the nitty-gritty aspects of day to day operations. Effective CSR can help to bring about a state of affairs where this is the appropriate level of security. Paying lip service to CSR, or having no CSR programme at all could lead to the entity trying to conduct its operations in a state of siege, entailing disproportionate expense and exposing personnel to unacceptable levels of risk while they simply try to get on with the job.

I know whose security I would rather be responsible for.