PROGRAMME: MASTER OF BUSINESS ADMINISTRATION

MODULE: Strategic and Change Management

Seven challenges facing responsible African business

I AM thankful to the organisers of the First International Conference on Corporate Social Responsibility in Africa for giving me the opportunity to share my perspective on seven challenges faced by African business on the path to a responsible development that respects people and the planet.

The challenges are summarised by the “7C” – that is capitalism 3.0, clean development, human capital, contextualisation, corruption, co-operation and communication.

The Capitalism 3.0 challenge

The welcome enthusiasm for CSR policies and practices in Africa must not shadow the fact that the primary purpose of a business is to create wealth – make a profit. There simply can be no responsible company without a viable economic model.

To address the huge needs of African populations, companies must seek wealth creation and, along the way, create jobs, generate tax revenue and distribute purchasing power. If profit is essential to effective contribution of the common good, we need to agree on what kind of profit we are talking about.

Summarising the history of capitalism with a broad brush, we can say that 1.0 version is characterised by the pursuit of wild profit, with no care for law nor morality. Capitalism 2.0 pursues legal profit and the 3.0 version emphasises legitimate profit.

While many African enterprises in the formal sector have, I think, or at least I hope, made the transition to legal capitalism, they still have a long way to go to meet the challenges of socially legitimate capitalism.

In capitalism 3.0, the legitimacy of profit depends, upstream, on how it is made and, downstream, on how it is used. Profit is legitimate if it is achieved without harming people and nature. Downstream, profit is legitimate if a significant share of it is reinvested in the development of the ecosystem that made it possible. To illustrate the difference between legal and legitimate profit, the distribution of 100 percent of profits to shareholders is legal, but less and less socially legitimate.

The establishment of policies and CSR practices in African companies must facilitate the transition to a virtuous capitalism 3.0 which contributes to the common good, in addition to enriching its shareholders.

The clean development challenge

African business leaders and CSR directors should rejoice to operate in a continent that has contributed little to CO_2 emissions and global warming.

Some readers will point out that the very low African contribution to CO_2 emissions is the consequence of the industrial underdevelopment of the continent. That is a fair point. We must, however, look at the positive side and challenge African entrepreneurs to ignite African economies but make a technological leap, bypassing the “pollution” phase of industrial development. The good news today is that clean technologies are beginning to be technically efficient and economically viable.

Here, I would like to commend the Moroccan energy strategy that aims to generate 42 percent of electricity consumption in the country by 2020 from renewable energy sources. The goal is a mobilising one and has already delivered significant investments by private and public actors in hydro, photovoltaic and wind power. I have to hope the ongoing drilling in the country will not find large deposits of oil and gas. Morocco would not necessarily gain from large fossil resources, in the long term.

The challenge of clean development should encourage the leaders of African companies to be cautious in their dealings with Chinese partners who are active on the continent, and who are not yet fully aware of the negative externalities in industry, agriculture, construction or mining activities.

Africans must consider the low level of industrialisation of the continent as an opportunity and a treasure to protect. Governments and civil society must play a leading role in setting up the regulatory environment needed to guide investment choices of economic actors and to control their environmental footprint.

The human capital challenge

In countries where the educational system and vocational training supply the labour market with adequate skills in number and quality, development of human capital is not a major social responsibility of a corporation.

On the African continent, where the educational system is weak, training and development of human capital falls largely on to businesses. For many young Africans, the workplace is the first “real” school where they can fill the gaps of poor initial training, learn work discipline and acquire professional skills.

CSR policies in African companies must therefore include a significant component of human capital development. Investments in this area should benefit the company and society. In a global economy where capital and technology are more readily available, the competitive advantage of a company depends, in the long run, on the quality of its human capital. Society also benefits from business investment in the development of human capital. Citizens trained by companies can transfer skills to other companies with fewer resources and to other spheres of society. Some may feel sufficiently equipped to create their business, train other employees in their turn and thus contribute to the wealth creation.

The corruption challenge

If Africans should rejoice in the low pollution of their continent, they have to worry about endemic corruption. South Africa, for example, ranks 72 out of 177 countries in the 2014 ranking published by Transparency International. The rankings of other large African countries are so bad it is better not to dwell on it.

Economists estimate that corruption costs 25 percent of Africa's GDP. This is intolerable.

The fight against corruption should certainly not be put on the shoulders of African companies alone but they must bear their share of responsibility and be exemplary in their dealings with governments and people in investment, answers to tendering, recruitment, procurement, and so on. Intermediate bodies representing businesses should be at the forefront in the fight against corruption and exert pressure on governments and private actors to change their behaviour.

Until real progress is made on this front, it would be difficult to speak of responsible companies in a continent plagued by the cancer of corruption.

<u>The contextualisation challenge</u>

My thinking on this point derives from the observation of an epistemological disconnect between CSR practitioners in African companies and the cultural and religious substratum of the countries where they operate. The consequence of the epistemological break is that the concept of corporate social responsibility takes the appearance of a foreign topic to Africa and does not speak to the bulk of a company's employees. It is as if African cultures had, before importing the CSR concept on the continent, no sensitivity to people and nature. We know that this is not true. Islam, for example, contains normative prescriptions about caring for others, what is now called the “care” paradigm. We also know that respect for nature and life is part of the African cultural heritage. Employees of African business and society would certainly be more impacted by CSR policies if they were expressed in cultural and local moral codes.

The development of an African ideological framework of social responsibility also requires a cultural archaeology whose purpose is to rediscover practices, in farming for example, and African values forgotten in the rush to modernity and that could guide the search for solutions to current problems.

The co-operation challenge

African companies operate in societies where large segments of the population have difficult access, if any, to basic necessities such as food, work, housing, health or education. Because one cannot be healthy in a sick environment, African companies, more than elsewhere, have a duty to contribute to the treatment of these problems. To do this, they must learn to work with actors who are not like them and do not work the same way, which can be a source of frustration and friction.

Since I am writing from Morocco, I want to point to the INJAZ association which contributes to the improvement of education and the promotion of entrepreneurship in Morocco. The association, whose achievements are recognised internationally, is assisted by a number of large companies that provide financial assistance and, above all, volunteers who deliver its programmes in secondary and higher education institutions.

Efforts by the first Moroccan company OCP in promoting entrepreneurship are also a good illustration of how a large company can contribute to the development of an entrepreneurial ecosystem through financial resources, expertise and international networks. One might ask why a big company should be involved in entrepreneurship and they would be right to ask the question in developed countries. In Morocco, where youth unemployment is a major social risk, the first company in the country, especially when it is public, must take its share of responsibility in this area.

The communication challenge

In a world where showing is as important as doing, African firms have a long way to go to promote their civic engagement and attenuate an image, well established in local and international public opinions, of egocentric companies only concerned about profit and indifferent to their natural and social environment, when they are not simply seen as predatory.

The reader will allow me to refer to my personal experience to show that African companies that take their social responsibility seriously have a lot of work to do to claim their citizenship. I had to get closer to some large Moroccan companies to find innovative achievements in the management of social and environmental problems. Yet the Moroccan public is not very aware of these achievements and the image of big business in the country does not reflect the reality of their social commitment.

OCP, that I mentioned earlier, is an exception and seems to have succeeded in the positive transformation of an institution as a public monopoly insensitive to its natural and social environment. The development of a publishing activity, like the book *Les Leaders de la RSE au Maroc* and the eponymous website, is a useful contribution. It is important to share with a large audience the practices of Moroccan companies with regard to social and environmental issues.

The organisation of symposia like “Les Rencontres Internationales de la RSO”, held on November 25-26 in Casablanca, is another way to shed light on the topic and share information about efforts, in different African countries, for a responsible African development model.

December 2014

By: **Hamid Bouchikhi**

Hamid Bouchikhi is a professor of Management and Entrepreneurship at ESSEC Business School in France.