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Title: Exploring Frameworks for CSR Development in Sub-Saharan Africa: The Case of Safaricom in Kenya

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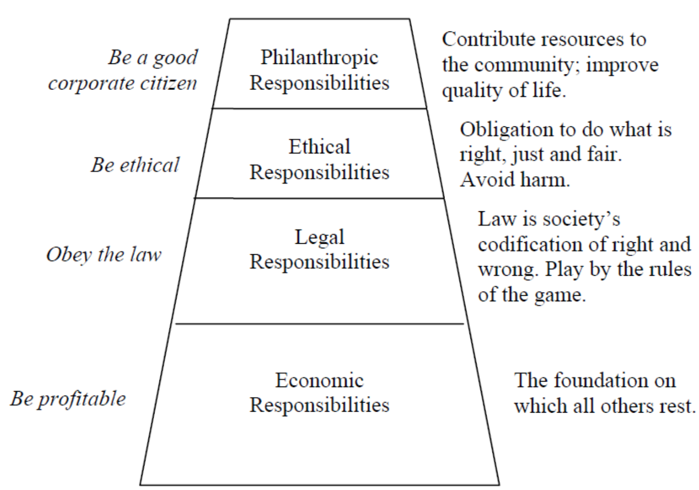
Introduction

Recent forms of economic globalization have led to a backlash as disparities in social and economic inequalities have risen while global environmental problems such as climate change have threatened to destroy already fragile economic and ecological developing states. The idea of unregulated, free market driven capitalism as we understand it is being called into question as corporations continue to externalize economic, social and environmental problems to other stakeholders. What then, is the role of business in development contexts? Can corporations effectively address issues of sustainable development voluntarily, or should formal regulations be put into place to ensure sustainable development occurs?

Calls for corporate responsibility are normally addressed through, and answered in terms of corporate social responsibility (CSR) (Muthuri, 2010). This paper presents various frameworks for understanding the role and impact of CSR in Sub-Saharan Africa (SSA) generally, and more specifically in Kenya through a case study of Safaricom and the mobile banking platform. Can, and should, CSR be understood differently in developing country contexts? The answer depends, in part, on how CSR is defined. It could be argued that CSR suffers from a definition deficiency as there is no one institutional meaning. Yet Wayne Visser argues that in developing country contexts CSR must remain both fluid and enduring as the challenges CSR face are complex and varied. How, Visser asks, does a corporation choose between job creation and environmental protection, or between oppressive regimes and transparent governance (Visser, 2005, 10)?

Archie Caroll's CSR Pyramid is a traditional way to conceptualize CSR (figure 1 below). Carroll defines CSR as "the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible then means that profitability and obedience to the law are foremost conditions when discussing the firm's ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent" (cited in Visser, 2005, 2). Caroll's CSR Pyramid has limitations in the SSA context which will be explored in the next section.

Figure 1: The Pyramid of Corporate Social Responsibility



Source: Carroll (1991)

A more adaptable approach to understanding CSR is through a definition suggested by Josep M. Lozano (2008) where he describes CSR as three interrelated parts: content, structure and process. First, CSR provides a frame of reference to "legitimize, orientate and formulate company action" based on the integration of economic, social and environmental aspects (the aptly named, triple bottom line). CSR also provides a model for corporate governance which includes the company's relationship with employees, shareholders, stakeholders as well as society in general. Finally, after the creation of a management model, CSR is driven by a process of clarifying company purpose, renewing the stakeholder relationship and setting up frameworks for accountability. This moves CSR from a static to a dynamic activity which allows for the creation of corporate identity and differentiation (Onyango, 2009, 7-9).

If Lozano captures the definition of CSR, the outcomes of CSR approaches must be as varied as the companies who have adopted them. What then, does the development of CSR mean for Sub-Saharan Africa?

Exploring CSR in Sub-Saharan Africa

One popular argument, cemented by Dambisa Moyo in her book, *Dead Aid* (2008), is that what SSA needs is trade, not aid. Most SSA governments clamor for large transnational corporations (TNCs) because of their ability to create what the International Business Leaders Forum calls "economic multipliers", that is, impacts which extend beyond economic profits and which include: creating jobs, spreading international business standards, building physical and institutional infrastructure, to name a few. Problems, however, such as environmental degradation, labor abuses and complicity in political corruption has followed TNCs wherever they have gone (Visser, 2005). The question remains, can CSR be adapted to developing country contexts to provide for sustainable development, and if so, how?

One can look at the extractive industries to find examples of beneficial CSR approaches. Two major approaches towards fighting corruption in extractive industries are through the US Extractive Industries Transparency Law and the UK led Extractive Industries Transparency Initiative. These initiatives might be thought of as CSR from ‘above’. Both provide for increased transparency through listing of payments by companies to governments as well as revenues by host country governments; however, the US requires legal participation for companies registered with the SEC, while the EITI is voluntary for all members (OpentheBooks.org, 2010 & Visser, 2005).

Another way of answering this question is to ask how institutions determine CSR. Judy Muthuri highlights Scott's (2001) three elements of institutions: regulatory (legal) systems, normative (social) elements and cognitive (cultural) elements as key drivers of CSR. Muthuri points out that normative elements--what is acceptable corporate behavior--are often set by civil society while cognitive elements represent cultural values and ideologies and can be driven by peer pressure (Muthuri, 2010). In this view, CSR will always vary depending on the legal, social and cultural elements of a society. An example of this interplay can be currently seen in India where the parliament has attempted to introduce a bill making CSR mandatory; all corporations would be required to set aside 2% of profits for CSR to fight poverty and aid in development. This bill is opposed by corporations and critics who claim that the government should help corporations shift towards a more holistic CSR model instead of mandatory CSR (Chukwuemeka, 2011). How CSR is adapted in India will in large part depend on the outcome of these conflicting elements.

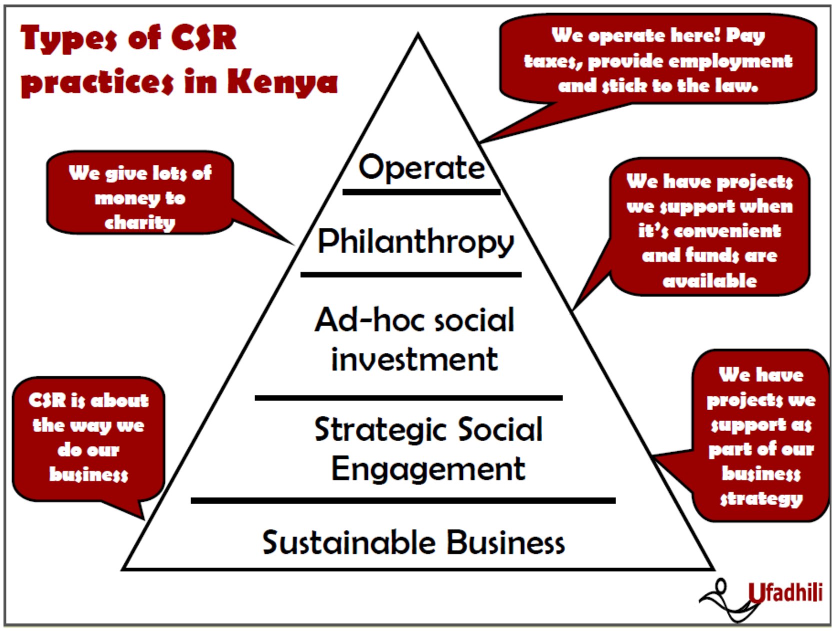
The importance of CSR in Sub-Saharan Africa is best understood by briefly highlighting the immense economic and social challenges of SSA. Across SSA, approximately 50% of the population lives on less than $1.25 a day, meaning nearly 420 million people remain in poverty. During the financial crises an approximate 7-10 million additional people were driven into poverty (World Bank Data, 2010). In 2010, six countries in SSA were embroiled in wars or severe crisis, destabilizing regions and driving additional people into poverty, while 78 other smaller conflicts were reported (Conflict Barometer, 2010). SSA accounts for less than 2% of global GDP, with half of the world's 81 poorest countries found in SSA (Visser, 2005). The number of people infected with HIV/AIDS continues to increase with an estimated 22.5 million people in SSA (UNAIDS Report, 2010).

It is within this socio-economic setting that CSR in SSA has grown. This begs the question, is there a difference in how local corporations approach CSR versus how TNCs approach CSR? Judy Muthuri argues that "a contextually relevant CSR agenda is important if we are to interrogate crucially the role and capacity of CSR to address sustainable development in Africa" (Muthuri, 2010). In this vein, Visser argues that Caroll's traditional CSR Pyramid provides some insight into CSR in SSA, although it does not adequately address questions about how companies deal with challenges which transcend levels (as noted in the introduction). Markus Demele points out that CSR is still dominated by TNCs, yet local CSR initiatives are rising across Africa.

These local initiatives might be thought of as CSR from ‘below’. They include: The Centre for Corporate Governance-Kenya, The African Leadership and Progress Network, Business Action for Africa, The Business Ethics Network of Africa, The African Institute of Corporate Citizenship, The Africa Corporate Sustainability Forum, The Private Enterprise Foundation Ghana, The Foundation for the Development of Africa and hundreds of regional initiatives all over the continent (Extending Service Delivery Project, 2006, pp. 6-9, cited in Demele, 2010).

The rise of local CSR initiatives is changing the face of CSR in SSA, with South Africa leading the way. Muthuri argues that “African values of community spirit and social responsibility define the type of behavior that is deemed appropriate for companies…and to remain legitimate, companies must respond to different stakeholders’ needs and expectations” (Muthuri, 2010, 478). The combination of African values and specific socio-economic environments plays an important role in driving CSR priorities, such as poverty alleviation, health-care provision, infrastructure development, and education. International CSR models meanwhile, often view SSA as a vast, untapped market. The creation of “bottom of the pyramid” strategies which focus on turning the world’s poor into consumers can be seen as incongruous with local CSR models (Visser, 2005). Indeed in Muthuri’s analysis of CSR activities in Kenya 87.5% of Kenyan international companies identified their CSR as being “value-driven” (part of their core values) while 89.5% of TNCs identified their CSR as being “performance-driven” (Muthuri, 2010, 475).

Traditional CSR involves philanthropic responsibilities and SSA is no different. Indeed SSA, because of its “value-driven “ approach, culture of dependence on foreign aid, strong socio-economic needs, and partly because of its newness to CSR, relies heavily on philanthropic giving, shifting it towards the base of Caroll's CSR Pyramid (Visser, 2005). Yet the Ufadhili Trust in Kenya turns Caroll's CSR Pyramid on its head, arguing that in the socio-economic environment of SSA, creating a sustainable business is the base of a company's actions (see figure 2) (Ufadhili Trust CSR Report, 2010).



Source: Ufadhili Trust, 2010

A further approach to addressing whether CSR can transform corporations into effective drivers of social and economic good is to ask how CSR is driven within industries. Utilizing the theory of institutional isomorphism (the tendency of other firms to replicate the strategy of leading organizations (DiMaggio and Powell, 1983), Frederick Onyango argues that not only are leading (pace-setting) organizations a guide for CSR within a country, but institutional isomorphism suggests how corporations can become more socially responsible through increasing cooperation amongst firms. Therefore, Onyango argues, it is the leading firms which move an industry from socially irresponsible to socially responsible. Of course not all firms move at the same pace, yet a catalyst is necessary for change to occur (Onyango, 2009).

This theory fits in well with Scott's cognitive elements approach and is an important distinction as SSA has become increasingly embroiled in the politics of neoliberal economic globalization. With the role of the state now limited, partially because of government corruption, the private sector is empowered to provide development. Therefore, institutional frameworks are often informal, relying on conventions and codes of behavior. These frameworks are often created by pace-setting organizations, both local and transnational, and facilitated by civil society who interacts with both the private and governmental sectors to push for accountability and transparency.

One of the first cases of CSR engagement in Africa, argues Lisbeth Segerlund, was with the anti-apartheid movement in South Africa. Corporations and civil society acted as “norm entrepreneurs”, catalyzing the emergence of CSR initiatives and organizations (Segerlund, 2005, 14). Post-apartheid, institutional CSR can be seen in South Africa where affirmative action is required to redress past social and economic inequalities (Visser, 2005).

Another approach to creating a pace-setting CSR initiative was launched last year by the Swedish government. Swedish companies working in Kenya, alongside the Swedish Trade Council and the Embassy of Sweden have signed onto a CSR framework that promotes economic, environmental, ethical and social issues in regards to doing business in Kenya, and for Kenya’s development (Swedish Embassy press release, 2010). An effective form of peer pressure is the use of benchmarks to create institutional norms. As such, the UN Global Compact utilizes benchmarks in “leveraging institutional pressures through mimicry” (Muthuri, 2010, 470). The International Standardizatioin Organization (ISO) has also put in place standards for all organizations, including corporations, for social responsibility with its ISO26000 (Segerlund, 2005).

Case Study: Safaricom

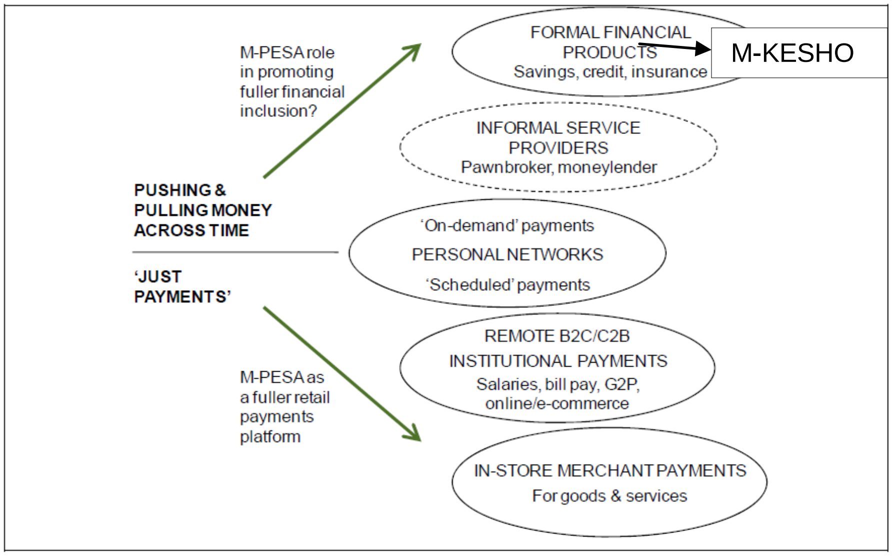
Access to financial services in developing countries, especially for the unbanked, remains a challenge due to a variety of infrastructure and institutional problems. Onyango argues that Kenyan firms can provide affordable and accessible financial services under the framework of CSR (Onyango, 2009). In the past, the shift to neoliberal policies of privatization and liberalization removed the role of the state in providing an institutional framework for Kenyan financial service providers, leaving a gap which banks, both local and international were reluctant to fill, choosing to work with larger businesses, often TNCs (Easterly, 2001). It took a leading, pace-setting firm—in this case not even a bank, but Safaricom's mobile platform—to lead the way in providing financial services to the unbanked.

In 1997 the Kenyan Posts and Telecommunications Corporation, a state run monopoly was split and Safaricom began its operations (historical, service provision and foundation information comes from the Safaricom website: www.safaricom.co.ke). In 2002 Safaricom was incorporated as a private, limited liability corporation, though it remained a state corporation as the Government of Kenya (GOK) held 60% of the shares with Vodafone UK holding the other 40%. In 2008 the government sold 25% of its shares in a public offering, allowing Vodafone UK to retain majority ownership.

Safaricom is a provider of mobile telecommunication services including voice, messaging, data and fixed broadband. It currently dominates the Kenyan mobile phone market, holding 76% of the market share with nearly 17 million customers (in a country of 39 million people). Mobile penetration in Kenya is at 50%, compared to nearly 100% in South Africa and the Congo, and Safaricom is posed to increase its customer base. Safaricom 's mission is "to become the best company in Africa". Safaricom does this through a mix of innovative value added services and products and CSR activities (though these divisions are not mutually exclusive, as M-PESA shows).

In 2007 Safaricom released M-PESA, a mobile money service which was marketed as a money transfer service with the slogan, "Send money home" (Mas & Radcliffe, 2010, 9). M-PESA gained success almost immediately, gathering nearly 6.5 million users in only two years, becoming the most famous and successful implementation of mobile-banking to date (Camner & Sjoblom, 2009). As of September, 2010 M-PESA had 13.5 million registered users, nearly 81% of Safaricom customers. From its original simple money transfer system, the M-PESA platform is now used for: Secure money transfer; Airtime purchase; Utility bill payments; Bulk cash payments; International money transfer (to and from the UK and Tanzania); ATM withdrawals (through PESA Point and Equity Bank ATMS); Dividend payment (for Safaricom shareholders); Social/Charitable collections; M-KESHO; and Purchase of goods. Through M-KESHO, users have the opportunity to receive interest on savings on their phones, receive micro-loans and purchase personal insurance. Figure 3 highlights the wide range of transactions which can be supported by the M-PESA platform, with the focus on promoting fuller financial inclusion and as a retail payments platform.

Figure 3. Potential Range of Transactions Supported by M-PESA



Source: Mas & Radcliffe, 2010

Mas and Radcliffe (2010) identified three broad factors which have accounted for M-PESAs success: environmental factors, service design features and Safaricom's execution strategy. The environmental factors included strong demand for domestic remittances, poor quality of existing alternatives (indeed previously the top two forms of money transfer were by hand and by informal bus networks), and a supportive banking regulator. The Central Bank of Kenya (CBK) allowed Safaricom to "operate M-Pesa as a payments system, outside the provisions of the banking law" while ensuring that all customer funds were deposited into a regulated financial institution and that the technology platform was completely secure (Mas & Radcliffe, 2010, 10-1).

M-PESA has revolutionized approaches to microfinance and micro-insurance allowing, as Onyango argues, for increased affordability and accessibility. Farmers can now insure their crops against drought, women can purchase health insurance to ensure access to medical care during pregnancies, and informal sector workers can access micro-loans to increase their businesses. Just as importantly, the M-PESA platform has opened the door for the unbanked to have access to savings and interest accounts (inflation in Kenya currently runs at around 13% per year), and access to payment options even in rural parts which otherwise would be off the financial grid (Mas & Radcliffe, 2010).

M-PESA, a core product of Safaricom, is providing huge benefits to the development of Kenya. With its relationships with many of Kenya's leading banks, Safaricom is encouraging both other mobile operators as well as financial service providers to explore how to reach the unbanked and marginalized communities who can benefit from mobile technology.

As part of its greater CSR mission, Safaricom has both a foundation dedicated to community development and is a signatory to the UN Global Compact. Safaricom's Global Compact report on progress from 2009 highlights many of its most important activities. These include: 1) Our Staff—The Pillar of our Business, whereby staff are allocated four paid days of leave to engage in CSR activities, as well as the possibility of participating in the World of Difference Program where twelve staff members are seconded to a partner organization for three months. Staff members continue to draw their salaries and benefits when working on CSR projects. 2) Promoting Greater Environmental Responsibility, where Safaricom is converting all base transceiver stations to be powered by wind and solar and is supporting a project on e-waste management in Kenya. It has also won a Total Eco Challenge award for planting one million trees. 3) Corporate Social Investment, where the Safaricom Foundation has provided funds to local civil society organizations to improve Kenyan communities through health, education, economic empowerment, environmental conservation, sports and music and arts initiatives. The Safaricom Foundation has also provided funds for disasters and humanitarian emergencies. Overall, Safaricom spends 4% of total revenue on CSR activities (Mbuvi, 2010)

Through these CSR initiatives, Safaricom has set itself as a leader in the CSR community not only in Kenya, but across Africa. In line with Muthuri and Onyango's arguments, Safaricom has shifted the level of CSR, where other corporations within the industry must now, to remain legitimate, meet the increased expectations of stakeholders.

Conclusion

CSR in Kenya has a promising future. The interplay between legal, social and cultural elements will evolve and may present challenges as corporations, civil society and government try and assert authority, yet as in the case of Safaricom, traversing these elements can lead to positive development outcomes for Kenya. Although CSR always has the possibility of becoming empty rhetoric, leading corporations can move entire industries in productive, positive ways. Companies that don't follow these leaders risk losing legitimacy. In light of increasing CSR activity, the East African CSR Awards were started in 2010 to highlight the most innovative CSR activities being undertaken in East Africa (Flatt, 2010). Using Kenya as a guide, the future of CSR across Sub-Saharan Africa looks set to have a bright future. Local CSR from 'below' and transnational CSR from 'above' can form a productive mix of possibilities to create sustainable development. However, the potential challenges of climate change and other transnational problems portend difficult times for corporations as they have to deal with ever increasing environmental and social challenges.

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