

THE GOOD COMPANY IN THE ZAMBIAN CONTEXT

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Abstract

This paper discusses the good company from the point of view of values and practices that should be characteristic to the good company within the Zambian context. It explores some internal as well as external company or organisational arrangements that are important constitutive elements of the good company. It traces the need for more practice of corporate social responsibility including, as a major thesis, the re-orientation of the practice of corporate social responsibility to more long term commitment as opposed to current approaches that are simply charitable. It concludes with suggestions for promoting corporate social responsibility.

, "Bill Clinton told the Labour conference to get into ubuntu. Eh? Ubuntu. That was what Bill Clinton told the Labour party conference it needed to remember this week. "Society is important because of Ubuntu." ... a word describing an African worldview, which translates as "I am because you are," and which means that individuals need other people to be fulfilled. (*British Broadcasting Corporation* report from the internet, 28 September 2006)

1. Introduction

The above quotation and its point of reference, *Ubuntu*, is central to institutional arrangements of any social organisation. The concept of *Ubuntu* sums up a framework to the discussion of the good company and also brings into *one* the important pillars of the Church's Catholic Social Teaching (CST) concerning social organisation: human dignity, solidarity, the common good and subsidiarity.

One of the ways in which the good company can be viewed in Zambia is through its practice of CSR. The subject of CSR is a relatively new entrant into discussions concerning development in Zambia, including some initiatives around it (e.g., the Partnership Forum, ACCA--Chartered Association of Certified Accountants in conjunction with ZARD--the Zambia Association for Research and Development, studies of the Catholic Commission for Justice Development and Peace).

The justification for more practice of corporate responsibility is huge in Zambia. In a poor country (166 out of 177 on the UNDP Human Development Index) with very rich assets of people at peace and great natural resources, CSR is being approached here in ways that are simply *charitable*, ranging from regular sponsorship of entertainment activities such as football, to irregular and one-off approaches such as giving out presents on Christmas day to hospital patients, donations to orphanages, widows, etc.

Donations to orphanages feature as the most common activity of CSR, followed by sponsorship of sporting events, cultural ceremonies, education and health provision and donations to religious and art organisations (Mumo Kivuitu, *et. al*: 2005)¹. Certainly “ploughing back into society” has been a very catchy phrase in Zambia among some corporate entities which have made the effort to respond to the needs of society, whatever form or manner that ploughing back into society takes. It might also be interesting to investigate whether or not CSR, as it is generally being practised in Zambia, is not just a matter of corporate public image building. But I believe that much more profound and challenging aspects of CSR need to be explored in the Zambian context than simply charitable responses – however helpful such might be. Therefore, I offer a thesis that corporate responsibility must be long-term in orientation in addition to being proactive.

In this discussion of the “good company” from the perspective of CSR my analysis is anchored on a tripod of:

1. *Internal Organisational or Company Aspects* such as mission statements, internal HIV/AIDS policies, wages and the building of internal trust.
2. *External Organisational or Company Aspects* such as a policies or laws, building of external trust, outreach efforts on HIV/AIDS including corruption.
3. *Some Practices of Multinational Corporations* such as taxation and corporate citizenship, disclosure of information --contracts, environmental impacts, etc.

The above three factors form the thrust of my discussion. I start the discussion by locating the need for the good company in Zambia. In addition to exploring challenges to the good company, I further suggest ways of promoting CSR in Zambia, with inclination to the role of the church.

2. The Need for the Good Company in Zambia

Located in Central Southern Africa, Zambia offers a very good “litmus test” to the notion of a good company. It is a country among those of the so-called “developing world” that faces various challenges of development. In it, 70 to 80 percent of its people live below a poverty line, unable to afford three meals per day. This situation of poverty has had wide-ranging effects or outcomes. It has brought about malnutrition resulting in stunted growth and wasting in children, including the stark reality on the streets of Lusaka of children without homes.

Employment, the basis for stable homes and decent human survival is at its lowest, with only about half a million people in formal employment, the rest eking out a living in the informal sector. Among those that are in formal employment, even the majority earn incomes that generally cannot match the cost of basic needs.

Diseases such as HIV/AIDS, malaria and tuberculosis continue to undermine the country’s development in an environment of inadequate health infrastructure, personnel and drug supply. And a very high rate of HIV/AIDS (16% nationally, and 25% to 30% in some urban areas) has led to job insecurities, loss of critical human resource, rising numbers of orphans and a general weakening of household economic situations. The education system continues

¹ Mumo Kivuitu, et.al., “How Can Corporate Social Responsibility Deliver in Africa? Insights from Kenya and Zambia,” *Perspectives on Corporate Responsibility for Environment and Development*, No. 3., July 2005.

to grapple with quality problems occasioned by failing infrastructure, inadequate materials, scarcity of teachers, etc.

Despite these problems, Zambia remains a country of great opportunity to develop. Comparatively within Africa, it has remained a peaceful country rich in land, water and other natural resources². To realise this potential for development, the nation has not sat idle. There is great focus and activity on new economic development programmes that are regularly being introduced³.

Coming back to the main thrust of the discussion, what does this context of challenging situations really mean for the good company really is? And as we are reminded, “business and economic activities must be evaluated in terms of their impact on the poor.”⁴

3. Internal Organisational or Company Aspects

The defining principles of any organisation are enunciated as either part of the mission statement or highlighted separately. It is the starting point in defining what the company is all about, how it sets out to do its work, etc. I mention the mission/vision statement of the organisation because it is the framework for the conscience of any organisation. And because it is not usually sanctioned by law, but by societal norms, it becomes very important at a theoretical level in defining the good company or what social responsibility entails.

For example, the Jesuit Centre for Theological Reflection (JCTR) has come up with a list of guiding principles to inform the organisation position and guide its conduct in its work. Staff are encouraged to “internalise” these values as a way of operationalising them. These principles are very significant to the idea of the good company in the context of Zambia. For example, one is *human dignity* -- respect for the basic equality and potential of every person. This means in good company attention is given to the question of wages -- as I discuss later -- that would promote that dignity, general conditions of service that recognise the inherent dignity in every person, and more proactive responses to social challenges as opposed to being reactive. In similar ways to the JCTR of promoting integral development, *The King Report* (1994), published by the Institute of Directors of South Africa, spells out an integrated approach to good corporate governance by encouraging fundamental principles of good financial, social, ethical and environmental practice.⁵

(b) *Internal HIV/AIDS Policies*

It would be expected that the good company in Zambia, driven by the notion of human dignity, *Ubuntu*, would respond both in a *pioneering* and *comprehensive* fashion to the challenge of HIV/AIDS. *Pioneering* in the sense of taking bold decisions, for example, in ensuring that there are no discrimination regarding HIV/AIDS with respect to pre-employment testing, a work environment that does not discriminate or foster stigmatization, employee access to treatment and other support services, instead of “we will see what others

² For example, only a small fraction of Zambia’s arable land is under cultivation.

³ See for example, the Zambia’s Poverty Reduction Strategy Paper and more recently, the Fifth National Development Plan for Zambia.

⁴ Pontifical Council for Justice and Peace, *Work As Key to the Social Question*, Libreria Editrice Vaticana, Vatican City, 2002, p. 198.

⁵ Institute of Directors in Southern Africa, *King Report on Corporate Governance for South Africa*, Parklands, South Africa, 2002.

do about this”⁶ as the practice was at the advent of HIV/AIDS. It is true to say that a lot of the changes that occurred in relation to treatment of HIV/AIDS can be attributed to the sensitisation campaigns mainly embarked on by civil society groups. According to Michael Kelly, Zambia has one of Africa’s largest HIV/AIDS treatment programmes, with antiretroviral treatment (ART) reaching about 30 percent of those estimated to be in need. But the treatment came late to Zambia, as to so many other developing countries – about six years after it had been developed.⁷ Shouldn’t the good company been leading the way on this? But the response also needs to be *Comprehensive* in the sense of the depth and breadth of access to treatment, for example, more of a response to the social need by including spouses and children, etc.

(c) Wages and other conditions

With so many people competing for very few formal employment opportunities, companies – both Zambian and foreign – have in some ways taken advantage of this situation in, among other things, paying inadequate wages, providing inadequate safe work environment⁸, hiring employees on temporary basis even for jobs requiring long term engagement, etc. Since work promotes human dignity, a figure of only around half a million people out of a population of ten million people indeed presents a serious challenge for the good company not to succumb to the “natural economic law of oversupply leading to price reduction.” One instructive insight from the CST regarding work is that it is not only to be perceived as having instrumental value, enabling a person to achieve something, but that which brings about the humanisation of social life.

People’s participation in co-creation by way of employment or other economic activities must also mean remuneration or returns that promote their dignity. Over the past several years the JCTR has been conducting a monthly *Basic Needs Basket* that measures the cost of essential food and non-food items for a family of six. Most employees in Zambia are simply unable to meet the cost of the *Basic Needs Basket*⁹. This has led the JCTR to question not only company practices but also government regulations.

It is true to say that wages should not be in ways that “drain the cow itself of any milk” because there will be no milk at all. It is therefore important that there is a balance between wages paid on one hand and the sustainability of the company on the other. Motivation for profit must not override the needs of employees and society. Indeed motivation for good company image through social responsibility initiatives must not be in ways that compromise ability to pay adequate wages. We have seen, at both local and international level, some companies that respond to wider social needs, but at the same time pay unjust wages, wages that do not promote human dignity.

(d) Building Internal Trust as an Important Constituent of the Good Company

⁶ Most organisations in Zambia adopted internal HIV/AIDS policies after they became “common practice”.

⁷ Michael Kelly, *HIV and AIDS: A Justice Perspective*, 2006.

⁸ While accidents leading to loss of life can happen anywhere, there have been incidences of loss of life in some mining companies mainly on account of inadequate safety procedures and inadequate capacity of government in safety oversight.

⁹ The *JCTR Basic Needs Basket* has been one of the major points of reference in wage negotiations by trade unions.

Trust is very important to a discussion of the good company and overall improvement of living standards in society. In fact a number of studies have linked trust to economic outcomes. The good company is both a *product* and *cause* of trust¹⁰ It is also very important within cooperative economic activities and other human relationships. For example, employee contribution to advancement of a company on one hand and what an employee receives in return on the other, is all but a matter in which trust must be present.

This view is well elaborated by Michael Pollit when he says “economic actions [and outcomes] are affected by the atmosphere of trust in which they occur. At the centre of economic interaction is the hand over of something that one economic actor has to another. Such handovers involve vulnerability and the threat of appropriation. Trusting that the other person will honour their side of the trade is fundamental to encouraging particular trades and economic activity in general.”¹¹

It follows therefore that where citizens or former employees engage in litigation processes before courts of law to obtain that which is due to them after termination of employment for one or the other reason; where wages are far much lower compared to the profit margins; and where welfare employee policies are inadequate, etc., levels of intra-company trust will be expected to be low which will, of course, mean reduced levels trust in society in general.

The economic history of Zambia, particularly with its privatisation experience of the 1990s through to the 2000s, characterised itself with the situation described above. Exploitative tendencies shrouded in unclear employment contracts, casualisation, low wages, unsafe work environments, etc., have only worked to reduce levels of trust in organisations or companies and wider society.¹² Trust as “the willingness of a party to be vulnerable to the actions of another party based on the expectations that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party,”¹³ is contrary to the employment conditions described above.

4. External Organisational or Company Aspects

The good company is also dependent on governmental policies and the kind of regulatory environment present. As much as the good company can be defined in terms of actions that go beyond the law in relation to its operation, national policies or laws -- political, economic and social policies -- encourage good social responsibility as they set some kind of threshold. As we are reminded, the law is foundational, but leaders need moral ideals and a vision that go beyond their legal obligations.¹⁴

Zambia is currently pursuing policies of economic liberalisation. During the process of restructuring the economy, one of the major oversights within the framework of these reforms

¹⁰ Trust also depends on other factors such as transparency and accountability (e.g., disclosure of information on tax, contracts, etc.)

¹¹ Michael Pollitt, *The Economics of Trust, Norms and Networks*, Judge Institute of Management University of Cambridge, May 2001.

¹² I believe there is need in Zambia for detailed studies to establish what the actual impacts on levels of trust of privatisation outcomes such as delayed or non-payment of terminal benefits were. It is an issue which I truly believe in making follow-ups.

¹³ Oliver Williams, “Restoring Public Trust in Business: The Crucial Role of Good Corporate Governance,” Corporate Governance Conference, 11-12 August 2005.

¹⁴ Oliver Williams, “SA Needs Moral Leadership to Retain Legitimacy,” *Capetimes*, 01 August 2005.

was the social consequences of the reforms. But even more striking has been government tendency towards a “divestiture” of the “moral judgement” to individual companies evidenced in the manner in which employees or retirees were treated. Failure to enact, clarify and review various pieces of legislation relating to employee welfare left most employees not only vulnerable but created a large number of “working poor.” These are workers whose low wages cannot meet the needs of education for their children, health care for all the family, and, most importantly, adequate and nutritious food. In hindsight, the World Development Report 2006, makes a very useful recommendation to a country like Zambia when it says countries should not reduce employment protection legislation without improving social protection and job creation schemes.¹⁵

As we are told, laws are only useful in so far as they respond to the needs of the people. Companies will not only act on the basis of moral principles but also in response to the regulatory environment. The Zambian minimum wage according to the law had for a long time been much too low to enable employees to actually meet their basic needs. The JCTR has over the years demonstrated cogently and objectively this injustice in remuneration through its monthly surveys of the cost of a *basic needs basket*. The cost of the *Basic Needs Basket* revealed a very strong imbalance between its cost and take-home pay according to the law. For example, (in February 2006), the monthly cost of food alone – not the total basket -- was US\$153 for a family of six, but the minimum wage according to the law was only US\$25. In this, we see that *a company would not be violating any law. However, it would certainly be violating the dignity of an employee and her or his family!* And how would it be evaluated in terms of scoring as the “good company” -- following the law but ignoring the person?

After several years, (2006) the minimum wage was adjusted upwards including consideration of other conditions for some lower categories of employees. But as would be expected, some sections of society feel that such an adjustment will injure prospects for business prosperity and job creation. One also often hears in the discourse on a living wage, statements such as “half a loaf is better than no loaf at all”. Others, though, have argued that the wage structure in Zambia’s relatively big business establishments is not only secretive at the top but also very high. As referred to later in the discussion on trust, studies have shown that corporate governance that approves exorbitant executive pay unrelated to performance leads to a loss of trust in business¹⁶.

(b) *Building External Trust as an Important Constituent of the Good Company*

Emile Durkheim, quoted in *Trust: The Social Virtues and the Creation of Prosperity* by Francis Fukuyama, made the observation that “... A nation can be maintained only if, between the state and the individual, there is interposed a whole series of secondary groups near enough to the individuals to attract them strongly in their sphere of action and drag them, in this way, into the general torrent of social life.... Occupational groups are suited to fill this role, and that is their destiny.”¹⁷

A company, as intermediary between state and the individual and one of the most important units of interaction, is an important conduit of promoting one of the most important aspects of social capital, trust. Therefore depending on how the company conducts itself in with wider

¹⁵ The World Bank, *World Development Report 2006*

¹⁶ Oliver Williams, *Restoring Public Trust in Business*

¹⁷ Francis Fukuyama, *Trust: The Social Virtues and the Creation of Prosperity*, New York: Free Press, 1995.

society, it can either promote or reduce trust within itself or wider society. As already mentioned, the positive role of trust in promoting positive outcomes at various levels of society is increasingly being demonstrated. It is an essential ingredient in so far as promoting sustainable development in Zambia is concerned.

As pointed out, at the height of Zambia's economic reform, privatisation led to a lot of job losses with significant negative social outcomes as already mentioned. There have not been studies carried out to establish to what extent levels of trust have been affected by this rearrangement in society. Intuitively, though, one would argue that the privatisation episode with its problems of job losses delayed or denied payment of terminal benefits has had some negative impacts on the levels of trust.¹⁸

(c) Outward Image on Corruption

It has long been acknowledged that corruption is at conflict with the sustainable development of any country. This means also that an environment where corruption prevails, it is difficult to construct sustainable businesses. The effects of corruption are wide-ranging: inadequate observance of the law, reduced levels of trusts, etc. (Eric Uslaner showed relationship between levels of trust in society and corruption).¹⁹ According to the corruption perception index conducted by Transparency International, Zambia has ranked very highly as one of the most corrupt countries.²⁰

A good company must have an outward image -- borne not only out of its written anti-corruption principles but also deeds -- that strongly supports anti-corruption crusades. It is important that the good company adheres to principles of integrity and engage in efforts that send messages widely to society both in terms of its pronouncements and deeds.

(d) External HIV/AIDS Policies

HIV/AIDS, like trust, relates to both internal and outreach company arrangements. Like in general health, some companies have approached the response to HIV/AIDS by incorporating spouses, including in some cases children, in their programmes. This is because of the nature of HIV/AIDS transmission and re-infection. While such an approach may not be appealing from a company's economic point of view, it is certainly important from the point of view of promoting sustainable development. With a high infection rate in Zambia (16 percent of adult population), addressing the epidemic requires the contribution of the good company to uprooting the political, social and economic environments that promote HIV/AIDS. This would take the form of a comprehensive response that looks beyond narrow company interests of confining treatment only to its employees to broader needs of society. As opposed to most policies that are currently inward looking as important as they are, there is need for policies on HIV/AIDS to be outward looking, taking into consideration needs of wider society.

¹⁸ Only through detailed study could empirical evidence have been established.

¹⁹ Eric M. Uslaner, "Trust and Corruption," in Global Corruption Report 2005, Transparent International, London: Pluto Press 2005.

²⁰ See the Global Corruption Report 2005.

5. Some Practices of Multinational Corporations

(a) Taxation and Corporate Citizenship

If the good company is to be defined from the point of view of what it does in society, especially in a society with higher expectations such as Zambia, it is interesting to observe variations in the practices of multinational corporations, especially when viewed comparatively between the industrialised countries and developing countries such as Zambia. This variation is particularly invoked when one looks at the notion of corporate citizenship. Certainly where serious tax concessions are being requested and granted and with experiences of companies leaving the country after their tax breaks as experienced in Zambia, corporate citizenship is seriously challenged in such a situation. In Zambia, significant tax concessions were given to foreign investment in the mining industry in addition to very small percentage being paid to government as royalty.²¹ Moreover, whereas there could be long term commitments, for example, to educational support by companies in industrialised countries, such commitment by a company is rare in a country like Zambia which has very serious needs.²²

(b) Disclosure of Information

Transparency must be the hallmark of the good company. This is particularly important in respect to contracts or agreements that are entered into between government and foreign investment, including disclosure of information related to environmental impacts, safety, etc. As noted in the preceding discussion, existing laws governing the country tends to have a bearing on this. One of the major gaps in the Zambian laws is the absence of an information law that promotes access to information by the citizens. Current efforts at seeing the freedom of information bill to fruition have stalled for one reason or the other. But also there has been failure on the part of wider civil society to realise the wide-ranging implications of such piece of legislation.

6. Challenges to the Good Company

But beyond national considerations are also other important factors influencing the practice of companies. The increasingly powerful phenomenon of globalisation is one such factor. Today within the liberal economic framework, there is competition among nations to be attractive destinations of foreign investment. “One undeniable fact is that Zambia has not only structurally adjusted its economy ... but has also tried to make itself an attractive destination for FDI by improving the standards of treatment given to foreign firms.”²³ As much as the issue of wages was not given explicit statement of ensuring that they are kept

²¹ See J. Lungu and C. Mulenga, Corporate Social responsibility Practices in the Extractive Industry in Zambia, Catholic Commission for Justice, Development and Peaces and the Zambia Congress of Trade Unions, 2005.

²² I have the occasion of sitting on a management committee of a British initiative aimed at promoting access to and quality of education in Zambia. Our recent visit to one of the international firms in banking here in Zambia with the purpose of mobilising some resources for education promotional purposes did reveal indifference on the part of the firm to any long term support to education as we were suggesting. But one could strongly raise some doubt as to whether this would be the case in the firm’s place of origin. Do some transnational companies enjoy higher respect in countries with lower expectations?

²³ See Muweme Muweme, “Foreign Direct Investment: What Difference for Zambia?” *JCTR Bulletin*, Fourth Quarter, 2001.

low, one is bound to construe government reluctance to adjust the minimum wage over several years as part of an implied measure to attract foreign investment.

7 Conclusion: Promoting the Good Company in Zambia

What will it take to have “the good company” in Zambia and other countries in similar situation? There are several things that need to happen. They include:

(a) The Culture of Social Responsibility: Since we have observed that CSR is being approached in Zambia in ways that are simply *charitable*, it is important that a culture of social responsibility that is long-term in orientation is promoted in Zambia. This means embarking on efforts that do not simply imply image building of the company, but efforts that promote ethical approaches to social responsibility based on one important principle of *ubuntu*.

(b) Construction of Elements for Reporting Social Responsibility: There must be serious efforts to make social responsibility an important element of company/organizational reporting. This would mean that prior to having a “reporting standard,” there must be agreement by all interested parties: government, the church, trade unions, private sector, etc., on the elements of social responsibility to be reported on within the Zambian context. These elements would include those that have been discussed in this paper such as how much a particular company or organization is adhering to just or living wages, environmental protection, promotion of safety standards, etc.

(c) “Whistle Blowing”: The role of the church and wider civil society in influencing social change is increasingly becoming significant. In many respects, the church, in its role as servant of the people, is already promoting the good company. For example, in meeting the challenge of HIV/AIDS, health care in mission hospitals, care for orphans in established orphanages, home based approaches to lessening suffering of people with AIDS, etc.

But what seems not to be adequately addressed is the “whistle blowing” aspect, especially that is undertaken in similar efforts to those directed at government. The church and wider civil society must embark on efforts that ensure that negative aspects in the practice of some companies are brought to the scrutiny and frowned upon by society. For example, very little has gone on in talking more around environmental degradation occasioned by some type of packaging materials. What is also important, as a foundation for the “whistle blowing” is what has been referred to already, to have an information law that promotes access to information by the citizens.

As I conclude, three issues become important to remember: *First*, the foundation for the good company must always remain on the principle of *ubuntu*. *Second*, in promoting the good company or corporate social responsibility, the prominent voice of the church must always be heard in addition to that of individuals as we have read from the opening quotation. *Third*, to reiterate, CSR must be approached in ways that are long-term rather than one-off and simply charitable ways. CSR must also take into account both intra-company arrangements and those outside and contribute to change.

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