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Corporate Innovation and Sustainable Community Development in Developing Countries

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Abstract

The role of multinational corporations (MNCs) in fostering or undermining development within poor communities in developing countries has been a subject of intensive debate within academic and practitioner circles. MNCs are not only considered an obstacle to development but also as sources of solutions to some of the pressing social and environmental problems facing these communities. This article reviews the way in which companies frame (a) sustainable community development, and (b) their engagements in the community. It then considers the implications of both for sustainable community development and poverty alleviation in developing countries. The article then proposes an agenda for future research centering on how corporations innovate in their governance roles and the conditions in which community development innovations are created, take shape, and are put into practice. The article concludes with an introduction to the other articles presented in this special issue highlighting also their main contributions.

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sustainable community development, corporate community involvement, corporate social responsibility, corporate social innovation

The relationship between multinational corporations (MNCs) and community development in developing countries has traditionally been a subject of intense disagreements and debates within development studies (see Paul & Barbato, 1985). However, since the late 1990s, the gradual shift in the reconceptualization of business–society relationship from *business and society* (i.e., a collateral system) to *business in society* (i.e., an interpenetrating system) has offered new spaces for the thinking about the roles of MNCs in fostering or undermining development within poor countries. This reconceptualization is partly because although Western MNCs are often attracted to developing countries because of their abundance of natural resources, cheap labor, and weak governance structures, globalization of communications also means that a business–as-usual approach by MNCs is no longer risk free, given that corporate misdemeanors are often broadcast in real time to socially aware consumers and investors at home and abroad.

Moreover, corporate rethinking about global supply chains is not simply about risk. Through accreditation or branding within fair trade or other responsible business systems, companies can win new partners, customers, and investors. Indeed, many companies attest to the advantages of social investment in their supply chains as a means of enhancing the reliability and quality of their products. As a result, many leading MNCs have turned to the discourse and practice of "corporate social responsibility" or "corporate citizenship" as a strategy to maximize opportunities that come with operating in developing countries as well as to manage associated risks. Accordingly, many MNCs are now seen not only as obstacles to development but also as sources of solutions to some of the pressing problems facing the people in developing countries. Hence in this article and those that follow, consideration is given to the motives for and the means by which companies operating in developing countries seek to innovate as they address various challenges in developing countries, which together would contribute to *sustainable community development.* The article considers the lessons that can be drawn about the opportunities and risks associated with MNCs' efforts to contribute to sustainable community development in developing countries, the challenges that persist both for the communities in question and for the corporations themselves, and the implications for the process and outcomes for sustainable community development.

The significance of sustainable community development stems from the fact that it is often posed as a cluster solution to the problem of relative economic underdevelopment and the widespread poverty endemic to developing countries (Sachs, 2005). The significance for MNCs is that they often operate in areas of developing countries that are characterized by limited governmental presence, a high incidence of poverty and diseases such as HIV/AIDs, a lack of basic social infrastructure, and the problem of environmental degradation. Consequently, the activities of MNCs either by omission or commission are bound to exacerbate or ameliorate these problems and their impact on local populations. Therefore, it is axiomatic that companies need to understand and develop strategies for dealing with their market and nonmarket environments, particularly their political, social, human, and environmental impacts (Baron, 1995). Their ability to assess and respond effectively to these kinds of issues can have significant ramifications for both their ability to secure the social license to operate and their bottom line.

Hence, our core concern is to better understand how MNCs seek to innovate in their efforts to address sustainable community development issues in developing countries and the consequences of such efforts for both the communities and other stakeholders. Equally, it should be noted that the expectations that governments, civil society, and local communities have of MNCs in developing countries may differ from those prevalent in their own countries of origin. These expectations often relate to the need for MNCs to assume paragovernmental roles (Crane, Matten, & Moon, 2008), in part reflecting governance shortcomings noted above, and in part reflecting the resources, networks, and capacity that MNCs bring to the often desolate communities within which they operate (Muthuri, 2008a). The article seeks to understand how MNCs adapt to their stakeholders' expectations of wider governance roles in the community, how companies make sense of their new roles, and what innovations pertaining to corporate community involvement (CCI) processes, systems, policies, techniques, and practices companies adopt to enact their new roles as agents of community development in developing countries. Addressing these questions is particularly important as notwithstanding company claims and anecdotal evidence of MNCs taking development-related activities more seriously, there is a need for the further research to confirm and explain such changes (see Kemp, 2010).

The article continues as follows. In the next section the ways in which corporations frame their business in society engagements in developing countries, with reference to "corporate social responsibility," "corporate citizenship," and "business–community partnerships," are discussed. This discussion is followed by a section on the more practical aspects of the role of business in development, particularly linking it to the predominant modes with which corporations engage in communities or corporate community involvement (CCI). In the subsequent section the question of "community" is revisited as well as the range of policy initiatives adopted by MNCs as they seek to contribute to sustainable community development. Thereafter, the notion of "sustainable community development" and the implications of companies taking on responsibility for community development are examined. The article concludes by identifying future research agendas on sustainable community development and by highlighting the contributions to this agenda of the other four articles of this special issue.

Corporate Framing of Business in Society

The prevalence of CCI in developing countries is influenced by the sociocultural, economic, and political factors in the countries of their operation. For example, due to high levels of poverty, illiteracy, unemployment, disease, poor governance, and a lack of infrastructure, companies are expected to play a role in addressing these problems (Newell & Frynas, 2007; Visser, 2008). This expectation has meant that CCI in developing countries is often increasingly framed within the discourses of "development," "poverty alleviation," and "the millennium development goals" (Idemudia, 2007b; Visser, 2008) as an avenue for business involvement in development (Eweje, 2006; Hamann, Woolman, & Sprague, 2008; Moon, 2007; Muthuri, 2008a). This language has been picked up by companies, such as Shell in Nigeria, which adopted a sustainable community development framework in their CCI programs.[1]

Stakeholder expectations for corporations to take on wider governance roles in community development are attributed to the changes in institutional relationships between business and governments, with claims of shifting or declining roles of governments in wealth creation and social services provision that compel companies to step into the traditional roles played by governments (Crane, Matten, & Moon, 2008; O'Rourke, 2004). Driven by the need to enhance their reputation and increase legitimacy and goodwill in the local communities, companies in developing countries provide a range of social initiatives such as health care, education, economic welfare, infrastructure development, communication, and environmental protection (Hamann et al., 2008; Idemudia, 2007b). Such provision has meant that companies' roles in the community have gone beyond traditional philanthropy to incorporate more engaged activities in the political, social, and economic spheres of the community (Visser, 2008). This engagement in turn has led companies to reframe their "business and" or "business in" society relationships (Muthuri, 2008a).

As a consequence of acting as providers of social entitlements for individuals in these geographical communities, companies are often conferred "citizenship" status based on their active participation in social activities and the provision of public goods (Andriof & McIntosh, 2001; Gardberg & Fombrun, 2006; Moon, Crane, & Matten, 2005; Waddock, 2001). Corporate citizenship is based on the metaphor of *human citizenship*, which encourages corporate entities' participation and engagement in community affairs (Neron & Norman, 2008). Engagement in community development and poverty reduction often casts companies into political roles; in other words, companies can sometimes act as "governments," or as "citizens," in the administration of aspects of citizenship rights for individuals in the community (Matten & Crane, 2005).

The article by Arora and Kazmi (2012) employs a corporate citizenship framework in its analysis of business, acting collaboratively to form a bridge between public sector organizations and rural communities and to assist them in achieving their respective developmental goals. In particular, they adopt Valente and Crane's (2010) framework of four strategies for corporate citizenship (also developed in the context of developing country communities): to directly provide social services to communities, support governments in building governance structure, substitute government by providing privatized social services, and stimulate alternative models of providing social services.

It is common to find companies describing their community relationships as part of their "citizenry" duty as indicated in the following:

> As a good corporate citizen, we respect the dignity and human rights of individuals and communities everywhere we operate. We strive to make a lasting contribution to the well-being of these communities while generating strong investor returns. (Anglo American: http://www.angloamerican.com/about/principles)

> Being a premier pharmaceutical company in the country, GSK's core value is to be a good corporate citizen. It is committed to the communities in which it works. Support to the community through charitable initiatives is the way through which it invests in society. This is done by: Being proactive in improving the environment; Participating and contributing actively for Tribal Welfare. (GlaxoSmithKline—India, http://www.gsk-india.com/corporate-index.html)

> We believe commitment to good corporate citizenship is a fundamental part of achieving sustained value creation for both society and our company, and thus to ensuring the future of the work that we do. We believe being a good corporate citizen requires building successful partnerships with our customers, suppliers and communities and is critical to establishing a trusted brand and responsible reputation. (DHL-Kenya: http://www.dhl.co.ke/publish/ke/en/about/citizenship/context/approach.low.html)

These "corporate citizenship" statements represent the pragmatic, instrumental, and normative reasoning that drives company engagement in community activities. First, companies now recognize local community as a key stakeholder and are aware that they must act responsibly (because of either pragmatic or normative motives). Second, "corporate citizenship" is a concrete way for the companies to demonstrate their public spiritedness and contribution to the public good (pragmatic motive). Third, companies believe that CCI is the "right thing to do," and when they give something back to society, they improve the well-being of their local or global communities (normative, instrumental motives). Fourth, successful partnerships with communities are good for the business, as they help establish a responsible reputation (instrumental motive).

Partnerships offer a tangible mode of business–society relationships in general and of enacting corporate citizenship in particular. Partnerships, including with governmental bodies (Moon, 2002), with NGOs alone (Seitanidi, 2010), and with all three sectors (Muthuri, 2007), are well known in more developed countries, and they are very much a feature of Western corporations' mode of managing their relationships with society. In their article, Kolk and Lenfant (2012) use a partnership approach to their study of business involvement in a conflict setting. Kolk and Lenfant adopt Muthuri and colleagues' (Muthuri, Chapple, & Moon, 2009) framework for business–NGO collaboration, which distinguishes three styles of partnership relationships: philanthropic, engagement, and transformation. In the philanthropic type, the NGO was effectively an intermediary between the corporation and its resources (usually financial). Latterly partnerships have also taken the form of community involvement, which usually entails fuller engagement by both partners in the context of poor governance systems. Transformation distinguishes those types of relationship that bring about some change in the capacity of the community in question, usually with reference to capabilities and self-determination.

The article by Valente (2012) explores six different business–community partnerships to investigate the significance of "local context" therein and does so specifically through examination of the role of different forms of capital. The main finding is about the significance of different sorts of capital within partnerships, but it also distinguishes between partnerships according to two sorts of capital: resource capital (tangible or intangible) and institutional capital. These types of capital inform the overall sustainability strategy adopted by the companies and are also acquired as a function of unfolding stakeholder relationships.

Similarly, in an attempt to facilitate more dialogue and conceptual exchange between traditional community development practitioners and those in the corporate sector as a strategy to strengthen corporate contribution to community development, Owen and Kemp's article (2012) draws on the revised "Asset-Based Community Development" (ABCD) approach that is inspired by research and practice in the mining sector. The issue of sustainable community development is framed using an "Asset" lens that highlights the existing collective capacities of a community as a basis for collective action for addressing problems of community development. This emphasis on community capacities and collective action between business and communities, in which both are actively participating in dialogical processes, offers a different framework from more traditional forms of corporate engagement that tended to focus on community needs.

The discussion so far has been on the broad framing of business–society relationships in developing countries. The more practical strategies that corporations adopt, under the heading "Corporate Community Involvement," are considered next.

Corporate Community Involvement: An Overview

Although issues such as poverty, disease, illiteracy, homelessness, corruption, and pollution are now recognized as part of the contemporary corporate social responsibility (CSR) agenda (Chapple & Moon, 2005; Jenkins, 2004; Porter & Kramer, 2002; Selsky & Parker, 2005), explicit business efforts to address these kind of problems are sometimes fragmented (Boyle & Boguslaw, 2007). At issue here is the nature of business motivation for its involvement and the organizational structures and forms of the initiatives it deploys to address these developmental challenges.

First, the corporate motivation for addressing developmental problems in developing countries could either be because of a strong moral commitment to its stakeholders or because the corporation has a strong pragmatic interest to do so (Ackerman, 1973; Gutiérrez & Jones, 2004; Kapelus, 2002). As such, whichever of these motivations underpins a corporate action, it is bound to have significant ramifications for the performance and impact of the initiative. For instance, whereas actions with altruistic motivations alone, such as a charitable donation, might not withstand economic downturns as in the case of the recent global economic meltdown, actions motivated by only pragmatic interest would likely distance important social partners (Gutiérrez & Jones, 2004; Kapelus, 2002). Consequently, a number of studies have suggested that a sustainable and effective venture is likely to occur when both motivations are at play (Altman, 2000). For example, research has shown that the key to a corporation's community relationships' success in developing countries is the genuine involvement as opposed to traditional approaches like making only charitable contributions or just being a good employer (Hess, Rogovsky, & Dunfee, 2002; Schmitt, 2010).

Second, businesses have been accused of contributing to such problems as social displacement, complicity in political corruption and perpetuating despotic regimes, cultural vandalism (e.g., desecrating sacred places), and economic exploitation (e.g., low wages). Hence, businesses have been called upon to take market, civic, and social responsibilities for their actions and inactions (Bendell, 2000). They have responded to these calls and sought to avoid, minimize, and correct negative consequences of their pursuit of economic goals (Andriof & McIntosh, 2001), by means of their engagement in social initiatives in the communities where they operate (Margolis & Walsh, 2003), a practice commonly referred to as *corporate community involvement* (Muthuri, 2008b).

Corporate community involvement can be considered as the origin of the wider concept of CSR and remains a core part of companies' CSR agenda, especially in developing countries (Chapple & Moon, 2005). Indeed, whereas the involvement of companies in community initiatives through business philanthropy and paternalism even pre-dates business incorporation, in recent years businesses have sought to innovatively employ slightly different organizational "architecture" for the implementation of their CCI. The strategy employed to implement CCI policies is often dependent on the decision either to manage community relationships internally or to do so externally in conjunction with other stakeholders (Idemudia, 2009). For example, although CCI functions have recently become very popular with companies operating in developing countries, the structural arrangements for carrying out CCI functions vary significantly. Kemp (2010) points out that whereas some companies include their community relationships (that encapsulate CCI functions) within communications, public relations, or external affairs departments, others put their community relationships alongside or as part of their environmental or sustainable development. Yet, others might also choose to have a dedicated community development department that performs the CCI function, which may be detached or semidetached in the form of a foundation or trust (see Lakin & Scheubel, 2010). For example, whereas Exxon Mobil manages its community relationships via its external affairs department in Nigeria, Total Plc manages its CCI activities externally via a corporate-community foundation within the Niger Delta.

The choice of one organizational form for the CCI function over another or whether CCI functions are managed internally or externally has implications for the way in which business delivers on its developmental goals. Brammer and Millington (2003) show that the chosen organizational form for managing CCI issues affects the nature of corporate social activities, and Idemudia (2009) concludes that the external management of CCI can have more positive impacts on community development than when managed internally. This approach, however, brings the risk of "contracting out" responsibility and the associated lack of employee engagement (to which the authors return). Underlining both studies is the central role of power both in its discursive and material forms in mediating corporate–community relationships (see Garvey & Newell, 2004; Hamann & Kapelus, 2004; Muthuri, 2007; Newell, 2005) and the willingness of business to give up control over CCI initiatives as a strategy to allow for greater stakeholder participation in sustainable community development (Schmitt, 2010).[2]

Turning from organizational form to substance, companies are inventing new CCI techniques, models, practices, and processes. Companies have come up with new ways of accomplishing social objectives of the firm across the CCI project cycle,[3] such as dialogue processes, frameworks of stakeholder identification, information management system, impact evaluation tools, to name but a few. It is also noted that a number of these community initiatives are dubbed "bottom of the pyramid" (BOP)[4] initiatives (see Hamann et al., 2008). Although in general businesses might opt to use donations, cause-related marketing, and philanthropy as the avenue for addressing their social issues, they may employ more complex CCI modes such as employee volunteerism, business–community partnerships, and community enterprise development. These different modes of CCI practices are not mutually exclusive; in fact, most companies tend to engage their social initiatives through more than one mode of CCI practices.

The practice of CCI is constantly under scrutiny with empirical studies attempting to assess its impact on community development, often suggesting that corporate efforts have failed to deliver on their promise (e.g., Akpan, 2006; Eweje, 2006; Idemudia, 2007b; Rajak, 2006). Company activities in the community have been criticized for being paternalistic, context insensitive, corporate centric, and for not being development orientated (Banerjee, 2003; Newell, 2005; Rajak, 2006). Others claim that a core problem with business involvement with sustainable community development is that the business perspective is more often privileged over the community perspective (Newell, 2005) and, as a result, CCI is often insensitive to local priorities and does not address the root causes of poverty or underdevelopment (Fox, 2004; Kapelus, 2002). Hence, it has been suggested that businesses have failed to address the developmental needs of communities, especially those from countries with weak governance and institutions (see Canel, Idemudia, & North, 2010). Some see this failure as partly due to a dominant Western view of CCI as a "discretionary" responsibility of corporations (e.g., Carroll, 1991), which is inadequate to address the governance and development deficits experienced by communities in developing countries (O'Faircheallaigh & Ali, 2008).

The aforementioned criticisms expose inadequacies of CCI programs, but crucially they highlight the power imbalances between companies and the local communities that the authors mentioned in the introductory section of this article see as critical to the success or failure of CCI initiatives. As argued by Besser (2002), the balance of power between communities and businesses is often one-sided in favor of business and the communities become potential victims of CCI that treats them as objects of development as opposed to agents of their own development. In the face of such corporate power, local communities often seek distributional or procedural justice that can serve as a catalyst for company–community conflicts that range from minor disagreements to escalated or outright violent conflicts (Kemp, Owen, Gotzmann, & Bond, 2011) that, perversely, can become the core challenge confronting sustainable community development in developing countries (Idemudia & Ite, 2006).

The specific causes of conflicts may vary. Conflicts about inequality reflect a concern with the distribution of assets or relative justice. Conflicts about access to basic living conditions and the availability of fundamental capabilities and freedoms reflect concerns with human rights–based justice (see Sachs, 2010, p. ix.). The clamor for justice by communities is often further complicated by the reality of scarce resources (i.e., land, water, fuel, raw materials) that may differentially impact companies and communities. The growing resource scarcity is a global phenomenon driven by shifting consumption patterns, population explosion,[5] industrialization, environmental degradation, all of which present new social, political, and economic challenges for companies and their local communities (see Canel et al., 2010) and potentially undermine community development (Newell, 2005).

Company–community conflicts are also likely to arise when there is a divergence between company and community interests and values, or a disjuncture in corporate and community expectations of the role of business in the community (Idemudia, 2007a). Communities often expect companies to engage in social, economic, and environmental initiatives that improve their well-being and livelihoods. However, companies may not always see such demands as falling within their domain of responsibility or may simply not always have the resources to initiate programs that meet these expectations (Muthuri, 2008a). In other instances, conflicts arise where communities feel that the anticipated benefits from corporate resource utilization do not match the risks associated with MNCs' resources exploitation such as environmental degradation or erosion of local culture (Bendell, 2000; Idemudia & Ite, 2006). Conflicts also arise where there is no evidence of "development" or "sustainable livelihoods" in spite of the company's continued resource exploitation (Muthuri et al., 2009; Rajak, 2006).

As a result, companies operating in conflict-riddled communities often find it challenging to make community engagement operable. This challenge begs the questions: What is the role of companies in conflict-ridden communities? Should companies use community relationships as a vehicle to resolve conflicts? How can companies constitute effective conflict resolution mechanisms or conflict management systems, or even act as mediating institutions themselves? (Fort, 1996, 2007; Kemp et al., 2011). It is further worth examining how companies may develop and implement strategies that can improve company–community relationships to ensure conflict does not arise in the first instance (see Kolk & Lenfant, 2012).

Conflicts over resources touch on the sensitive and complex issue of how "the community" stakeholder is defined and identified by companies. For example, the issue of who benefits from CCI initiatives in the oil-producing communities in the Niger Delta area of Nigeria has frequently been the cause of different inter- and intra-community conflicts. Studies have shown that these conflicts are triggered by competition among communities for developmental benefits to be derived from CCI initiatives or directly over claims of land ownership where crude oil is being extracted, which is often the basis of oil companies' social investments (Ifeka, 2001; Kemedi, 2003). Indeed, Shell Nigeria has admitted that its CCI has contributed to violence in the region (Idemudia, 2007b).

The tendency to homogenize communities in CCI literature raises both normative and empirical questions. In many developing countries, communities are often in competition with other communities around interests and factions informed by tribal, clan, and religious differences. The role of corporations as providers of social entitlements of local communities necessitates a rethink over who exactly is the "community" stakeholder, as this definition can (a) reduce or increase conflicts arising from competing "communities" over resource and benefits distribution, (b) impact positively or negatively on how companies design and execute their CCI strategies, and (c) cultivate or undermine healthy company–community interactions. The topics of "community" and "community development" are addressed in turn.

Rethinking How We Define a "Community"

The definitions of "community" in business and society literature remains problematic and contested, characterized with competing definitions and theoretical perspectives. Greenwood (2001) noted that the lack of clarification on the nature of the "community," its value, and interest poses some significant challenges for CCI. Differences in the institutional contexts within which companies operate have also contributed to the contestation over the nature of the *community* and the applications of the term.

A community may be defined according to "locale," "sharing," "joint action," or "social ties" (Muthuri, 2008a). A community defined by *locale* refers to people who share locality, for example, a corporate neighbor, but it does not necessarily assume common ties or social interaction (see Altman, 2000). A community defined by *sharing* refers to people who identify with each other and are bonded by common values, norms, ideology, and beliefs or shared interests, resources, and social issues (Kepe, 1999). A community can also be defined by the notion of *joint action* where collective action becomes a source of cohesion and identity among people (Wilkinson, 1991). A community may be defined by *social ties*, that is, as a web of kinship, social, and cultural ties of people within the same locality (Wilkinson, 1970). Somewhat paradoxically, it has also been contended that a community can be defined by *diversity* where different individual characteristics help articulate the social complexity within communities (MacQueen, McLellan, Metzger, & Kegeles, 2001).

Dunham and colleagues (Dunham, Freeman, & Liedtka, 2006) usefully distinguish four types of communities employing Lee and Newby's (1983) typology*: the community of place, the community of interest, the virtual community, and the community of practice.* Of course, these categories can overlap and even they do not guarantee full connectedness or communion of individuals as communities derive their existence and identity through process of social interaction. However, a territorial element of community (i.e., where people live and act together) cannot be overlooked when defining a community because a locality "is an important consideration in studying the interactional community although the territory itself is not the focus of inquiry" (Wilkinson, 1991, p. 39). A corporation, as a relative stranger to a place and its population, may make a first assumption of a communal contiguity of the locale and its people. Similarly, a community is not just an aggregate of clustered interactions of people and organizations functionally located within a locality. Instead, a community consists of systemic interconnections of individuals acting in relation to other persons in respect to the territorial locations of both parties and toward a common interest (Bridger & Luloff, 1999).

Given the new realities of corporations' wider roles in sustainable community development, including participation in local governance and development, the notion of a "community" may need to be reconceptualized interactively. Such an interactive conception of the community would need to see the community as heterogeneous, combining elements of "locality," "configuration of interests," "mutual identity," and "locality-oriented collective action" within a particular governance context (see Muthuri et al., 2009). This conception enables us to see communities as organized into locality-oriented processes and structures with social interaction as the common binding element. Such social interaction comprises multiple actors (with different ideologies, values, and norms who engage in purposeful action) interacting within a "governance field" (Bridger & Luloff, 1999). Although interconnected around common issues, concerns, and interests, a community becomes an arena of power relationships where actors have differing approaches to solving social problems, and compete over definition and identification of social issues and forms of organizations to govern their interaction (Muthuri, 2008a).

An interactive approach to defining a community is particularly useful for analyzing "corporate–community engagement," and it is also consistent with the Friedman and Miles (2002, p. 3) idea of "decentring the discourses of stakeholder theory from organization management in order to illuminate and understand the broader context of stakeholder/organization relations." Hence, defining a community in an interactional sense allows one to analyze the processes, activities, and associations of the actors pursuing specific interests in addressing social issues within a particular governance context. Besides, an interactive approach highlights the issues of power, its sources, and the challenges it poses in company–community interactions. For instance, it will encourage companies not to view communities as "objects" toward which their affirmative duties (e.g., philanthropy) are directed but allows for the consideration of communities as actors with rights and duties who jointly participate in local development processes. Thus, an interactive approach to CCI governance invariably promotes the idea of stakeholder engagement as an opportunity for learning and innovation (Schmitt, 2010; Svendsen & Laberge, 2005) as opposed to stakeholder management that is more concerned with managing transactional costs and risks associated with the firms' interaction with its stakeholders. This view of a community accommodates the complexity of today's society as observed by Lozano (2005, p. 60):

> The complexity of contemporary society (the network society) may require us to learn how to interpret the company's economic and social relationships systems, so that thinking about the company means thinking about it both within and without the network.

All in all, there seems to be a consensus among practitioners and academia that companies have a role to play in the governance of sustainable community development. Governance is about leadership, and herein, companies are called to adopt what might be termed "leadership for development." As leaders in the governance of sustainable community development through CCI, companies not only provide social goods but also actively participate in community development decision-making process and planning for social action (see Boehm, 2005; Loza, 2004; Muthuri et al., 2009; Tracey, Phillips, & Haugh, 2005). Such involvements have raised a number of both normative and practical questions and contestations.

Toward Sustainable Community Development

This article is not the place to survey the development literature's (often critical) perspectives on corporate involvement. However, it is important to evaluate the extent to which corporate social action contributes to the creation of sustainable communities especially when the institutionalization of CCI practices in developing countries continues to stress the business case and companies often rationalize their CCI from an instrumental perspective (Muthuri, 2008b). The instrumental approach to CCI has often been criticized for its short-term expediency and its limited potential to tackle structural poverty and underdevelopment (Akpan, 2006; Blowfield, 2005; Manteaw, 2008; Newell & Frynas, 2007). In the absence of such evaluation, the adoption of the instrumental approach might otherwise only confirm the views of those already skeptical about the roles of corporations in development

(Banerjee, 2003; Escobar, 1992; Esteva, 2010). Development is considered herein as much more than an economic undertaking (Grillo & Stirrat, 1997; Manteaw, 2008; Sachs, 2010). It encompasses the social, ecological, human, and political dimensions of state–society and business–society relationships (McCall, 2003; Pegg, 2006; World Bank, 2001). Community development is thus a multidimensional concept to which corporate social action can either contribute or undermine the creation and maintenance of economic, social, ecological, human, political, and cultural capitals of communities. This concept refers to

> the process by which the efforts of the people themselves are linked with those of other agents and actors to improve the socioeconomic and cultural conditions of the community; this, in turn, leads to people becoming more competent to fully contribute to national progress and able to live with and gain some control over local conditions and the changing world. (Idemudia, 2007b, p. 5)

Community development denotes the use of resources in a "sustainable" and "progressive" manner. It is about giving a community the chance to play its part in the use of resources with the aim of meeting their current needs without compromising the community's future socioeconomic and cultural conditions (Roseland, 2000). Thus, sustainable community development is about creating opportunities to tackle all dimensions of business–poverty relationships.

If it is accepted that a multidimensional approach is critical for sustainable community development, as captured in Figure 1, the goal of sustainable community development becomes (a) improved socioeconomic and cultural conditions of host communities, (b) capacity building and self-help in host communities, and (c) community empowerment (see Idemudia, 2007b; Pegg, 2006; World Bank, 2001). The purpose of corporate social action then is to respond to problems of low levels of education, material deprivation, vulnerability and exposure to risk, and voicelessness and powerlessness, all of which stifle the creation, development, and maintenance of human, economic, ecological, and social capitals in the local communities.

As Roseland reminds us, "a sustainable community resembles a living system in which human, natural and economic elements are interdependent and draw strength from each other" (2000, p. 99). The sustainable community development indicators should not be viewed in isolation as the elements are interdependent and overlap. For example, to improve the *socioeconomic and cultural conditions of the local community* (see Figure 1, Level 1), CCI

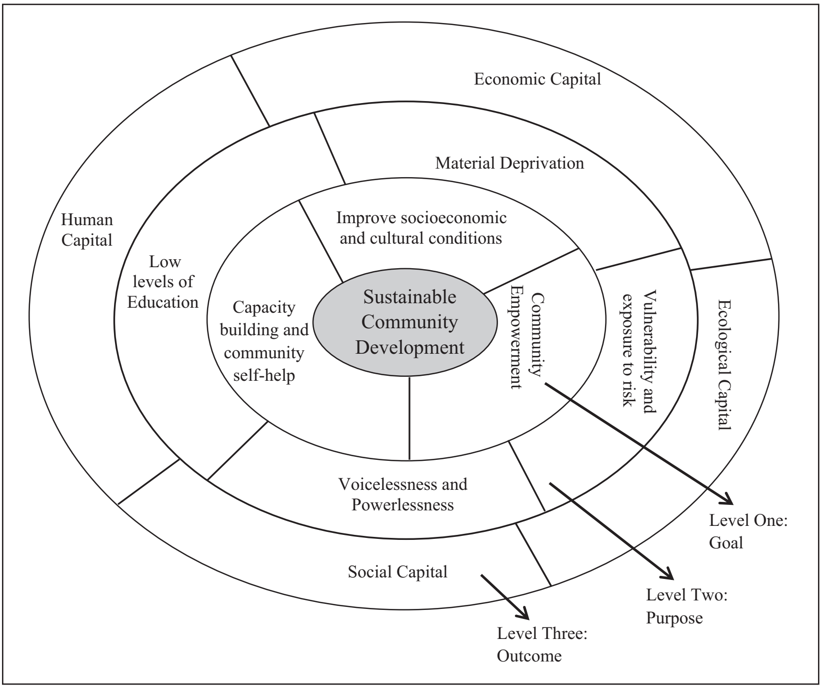

Figure 1. A Multidimensional Approach to Community Development
Source: Muthuri (2008a, p. 56).

activities ought to address "low levels of education" in the community and also "material deprivation" (Figure 1, Level 2). This improvement is achieved through engaging in activities intended to build the community's *human capital* (e.g., training for skills development, expanding the leadership base, increasing civic engagement, developing an entrepreneurial spirit) and *economic capital* (e.g., social infrastructure development, such as building roads, communication, and housing; health care; access to capital; and employment and job creation; Figure 1, Level 3).

To achieve fundamental changes in the governance of sustainable community development, companies will have to rethink their approaches to social partnerships, multistakeholder engagement process, and impact assessment. The role of corporations in the governance of sustainable community development brings to the fore the range of strategies companies may employ in their engagement with the community: for example, collaborative, cooperation, and containment strategies (see Dunham et al., 2006). However, Dunham et al.'s linking of a type of strategy with a type of community (e.g., collaborative with communities of place, containment with virtual community) does not account for the dynamic nature of corporate–community interactions and the changes over time of corporate–community relationships. In reality, a corporation will adopt multiple strategies when interacting with its communities and when dealing with different social issues in a particular governance arena (see Muthuri, 2007).

The successful implementation of stakeholder engagement in the governance of sustainable community development is likely to depend on a comprehensible understanding and appreciation of power in corporate–community interaction. Companies must be clear about their own and stakeholders' rationale for participation and be able to facilitate the creation of appropriate participatory structures and processes that contribute to a sustainable decision-making process and, thereby, to sustainable communities. This requirement demands that corporations enact community participatory processes that do not further corporate domination in the governing of community development but encourage the creation of institutional arrangements or infrastructure where actors can collectively set goals, strategies, and principles for local governance and development processes (see Hamann, 2006).

It is suggested that, in their interaction with other actors in the governance of sustainable community development, corporations adopt a "relational approach," which embraces collaborative strategies, rather than "a transactional approach," which encourages containment strategies. In line with the suggestions above on defining "a community," collaborative strategies depict an interactive community characterized by social ties among actors who are interdependent, who cooperate in joint action, and who possess shared interests in governance processes and in the construction of a sustainable community in which to operate.

What Next for Corporations and Sustainable Community Development?

Corporations do not operate in closed systems but in open systems where the community stakeholders are becoming more aware and conscious of their rights and where they expect companies to embrace expanded social responsibilities and to contribute to complex societal problems in a particular governance arena. The new role of corporations in the governance of sustainable community development introduces new CCI themes and approaches and new governance and accountability structures that "have the potential to enhance the capabilities of local people to pursue transformative and emancipatory possibilities for sustainable development" (Manteaw, 2008). Furthermore, development models such as participatory development and right-based approaches to development are infiltrating the private sector and impact CCI practices. Communities continue to demand corporate accountability and the creation of space for engagement in corporate issues that affect them. Questions remain around how corporations innovate so that they are able to perform their roles as expected by their stakeholders and how corporate social action guarantees community livelihoods and security. The continued criticism leveled at CCI in developing countries, as discussed in this article, makes it even more paramount for companies to engage in processes of innovation where they adapt ideas, products, and processes that significantly benefit the business, the community stakeholders, and the wider society, as opposed to simply viewing community needs as opportunities to address core business issues (see Kanter, 1999).

It is acknowledged that the extent to which companies innovate in their governance roles and their potential implications for sustainable community development and poverty alleviation is not systematically explored in CCI literature. The problem of CCI innovation across the company has mostly been confined to the community relationships function as alluded above, and this confining limits intraorganizational learning. Very few companies involve employees across the company with the design, implementation, and evaluation of CCI.

More research is required that critically appraises the conditions in which community development innovations are created, take shape, and are put into practice. Similarly, research ought to examine both the extrinsic and intrinsic factors that give rise to the emergence and diffusion of sustainable community development innovations. For example, what institutional conditions give rise to the diffusion of community development management institutions? What is the role of managers in inventing and implementing new CCI management practices? How is innovation shaped and specifically, get shaped by cultural conditions inside companies? What are the processes through which community development innovations come about, and how are they diffused through the organization? The question of whether innovative practices may lead to poverty reduction and livelihood security and whether sustainable community development helps organizations fulfill their goals is worth investigating.

Articles in This Issue

The theme of this special issue is "corporate innovation and sustainable community development." It brings together studies that address corporations and the defining challenges of developing countries. It focuses on ways in which corporate community involvement goes beyond more traditional approaches, particularly in how it becomes integrated into broader business strategy and reflects new forms of corporate–community interaction around their respective resources and of partnerships for social and business innovation.

The article by Owen and Kemp, "Assets, Capitals and Resources: Frameworks for Corporate Community Development in Mining" (2012), explores the contested relationship between corporate–community involvement and community development in the mining sector. The article offers fresh insights into the changing role of mining companies in community development by going beyond well-known orthodoxies and, instead, focusing on the "ways and means to improve the current state of affairs." While acknowledging the often contested (i.e., materially and discursively) nature of corporate–community relationships in the extractive sector, the article identifies and critically examines the Asset-Based Community Development (ABCD) model as a potential useful conceptual and methodological approach that mining companies can usefully adopt to improve not just corporate–community relationships but also the outcomes of corporate contribution to community development. The article presents an incisive analysis of current community development approaches being applied by mining companies, highlights the potential benefits of a revised ABCD model to both local communities and mining companies, and engages critically with the possible pitfalls that can confront the implementation of the ABCD model.

Valente's article, "Indigenous Resource and Institutional Capital: The Role of Local Context in Embedding Sustainable Community Development" (2012), investigates the axiom that local context is critical to business claims about their sustainable development in developing countries. It points to the importance of two different forms of capital—resource capital (tangible and intangible), and institutional capital—for the relationship between firm strategy and sustainable community development. Thus, sustainable community development and firm strategy formulation become interdependent particularly as firms acquire intangible resources and institutional capital of their social and ecological stakeholders, to identify what is not perceived as socially and ecologically sustainable and what represents a strategic opportunity for the firm. The article also contributes to our understanding of the place of different forms of capital in the dynamics of public-private partnerships. In particular, it investigates how different types of indigenous capital can interact in a firm's commitment to sustainable development and in its relationships with local stakeholders. Finally, and most significantly, it points to the importance of institutional capital's interaction with more tangible capital, and its contribution to sustainable community development and competitive advantage. Interestingly, this form of capital's most valuable contributions to competitive advantage are not around efficiency and cost reduction but rather around competitive differentiation through sustainable community development.

Arora and Kazmi's article, "Performing Citizenship: An Innovative Model of Financial Services for Rural Poor in India" (2012), investigates the impact of a business and nonprofit foundation partnership as a "strategic bridge" between public services, banks, and rural communities. This bridging is through their entrepreneurial role in providing financial services for the delivery of public benefits for poverty alleviation based on technological and political innovation. The article considers this role as a form of corporate citizenship as the company performs a state-like role; it simultaneously achieves strategic business objectives and imperatives of sustainable community development, is sensitive to the contextual factors, and transforms the political and organizational contexts through which individuals connect with wider society, by removing opportunities for exploitation of individuals through paternalism and corruption. The article shows the possibility of addressing agendas of sustainable community development through innovative and inclusive business models that create benefits for all concerned stakeholders.

Kolk and Lenfant's article, "Business-NGO Collaboration in a Conflict Setting: Partnership Activities in the Democratic Republic of Congo" (2012), brings both a critical level of social well-being into the frame and a broader conception of community than is often the case. The majority of partnerships studied constituted different forms of philanthropy, from the provision of entertainment to medical products and equipment. A third of the cases were classified as engagement—often around education, health awareness, and capacity. Here there was more than the transfer of funds—active involvement by the company and NGO in service delivery. A minority were described as transformative in that they focused on core sustainable development issues of building and strengthening local capabilities, including fostering a sense of community in conflict setting. Kolk and Lenfant consider the respective roles and impacts of the NGOs and companies in these different forms of partnerships for community involvement and their impact and potential. They conclude that companies ought to think of innovative forms of governance that can promote peace in their local contexts.

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Notes

1. See http://www.shell.com/home/content/nigeria/news_and_library/publications/2007/sust_comm_dev/dir_sust_comm_dev.html.
2. A process that Schmitt (2010) refers to as a shift from classical stakeholder management approach to an open form of strategizing that accepts a less ordered and structured management approach in favor of an open process that allows for sense making, shared learning, and shared power among stakeholders.
3. CCI project cycle relates to the emergence (e.g., partner/issue identification, partner/issue appraisal, and partner/issue selection), implementation (project design, project delivery, monitoring and evaluation, and communication and reporting) and closure/renewal (overall evaluation) phases of community initiatives.
4. This characterization is in spite of C. K. Prahalad's (2005) positioning of BOP as separate from corporate social responsibility and dismissal of the social welfare role of MNEs.
5. According to the UN Population Fund, the population of the 48 Least Developed Countries will more than double to reach 1.7 billion by 2050. The number of people living in poverty in developing countries also is rising (http://www.unfpa.org/pds/poverty.html).

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