

Corruption and Human Security: A Further Point to be added on Multinationals Companies' Corporate Social Responsibility Agenda?

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Abstract: After reviewing the literature on human security and corruption in conjunction with the main contributions on Corporate Social Responsibility (CSR), the primary purpose of this paper is to provide a theoretical justification for exploring why it is important to link human security and corruption through the lens of CSR. With this as our objective, we attempt to answer the following research question: how does linking human security and corruption through the lens of CSR improve our understanding about the possibilities for mitigating corruption? Moreover, we look at how potential links between human security and multinational companies practicing CSR can reduce corruption activities.

Keywords: human security; corruption; multinational companies; corporate social responsibility

Introduction

Beginning with an analysis of the previous literature in the scientific community on corruption and human security and considering that these two topics have frequently been analyzed in parallel, the primary purpose of this paper will be to provide a theoretical justification for exploring why it is important to link human security and corruption. We will also attempt to answer the following question: how does linking human security and corruption improve the skills of Corporate Social Responsibility (CSR) to fight corruption and increase human security?

It is important to understand that human security involves individuals as referents.¹ This modern concept of security is broad and extends beyond protection from conflicts, which distinguishes it from traditional military theory. The imperative *freedom from want and freedom from fear* – which summarizes the characterization of the human security mission from the 1994 United Nation Development Program² – seems to correspond to an underlying conception of personhood that is defined by human development and peace building. To this end, the link between human development and corruption has previously been demonstrated.³ The objective of this work, therefore, is to reveal the drivers of both human security and corruption in order to show how they are connected and in what ways they are linked to Corporate Social Responsibility.

The awareness of the shared potential drivers of corruption and human security is of paramount importance to reorient and reinforce the intervention against corruption. This is

not merely a public concern because even the United Nations Global Compact⁴ acknowledges the responsibility of the private sector — and of multinational companies in particular — to address this issue.⁵

In this light, we will attempt to contribute to understanding whether and how potential links between human security and corruption might influence the Corporate Social Responsibility agenda⁶ of multinational enterprises.

After a review of the literature on corruption and human security — including the literature on multinational enterprise' Corporate Social Responsibility — our next step will be to highlight the links between the two issues and, in turn, to examine how they might influence the CSR agenda of multinational enterprises.

Corruption

There are several definitions of corruption because there are multiple perspectives⁷ from which the issue may be observed.⁸ The approach to corruption may also depend on the academic discipline of the author.⁹ Philosophers examine the origins of corruption, arguing that its basis must be rooted in the corruption of fundamental principles—e.g., according to Pascal,¹⁰ corruption is the absence of God that originated from the Fall. Sociologists treat corruption as an issue of social relationships; it is defined as a social construct, and its perception varies over time and place.¹¹ Economists usually define corruption as the abuse of public office for private gain. To this end, one of the most accepted definitions of corruption is the one formulated by the World Bank in 1997:

Public office is abused for public gain when an official accepts, solicits, or extorts a bribe. It is also abused when private agents actively offer bribes to circumvent public policies and processes for competitive advantage and profit. Public office can also be abused for private benefit even if no bribery occurs, through patronage and nepotism, the theft of state assets, or the diversion of state revenues.¹²

Both economists and political scientists look for the causes of corruption in a country's economic and administrative structures and particularly in those acts exploited for attaining, maintaining, and regulating power.¹³ Mishra attempts to formulate a multidisciplinary approach: "*Corruption is commonly defined as behavior that deviates from formal duties because of private gains.*"¹⁴ Because corruption is not easy to define, several scholars have undertaken extensive definitional efforts that have not always been easy to understand.¹⁵

Corruption may be analyzed culturally. What is defined as corruption in one society may not be regarded as such in another; conversely, actions that may be legitimate in one country may nevertheless be regarded as corruption when performed in a different country.¹⁶ It has also been noted that the persistence of corruption is not dependent on the absence of laws; corruption persists even in the most elaborately developed and complex legal regimes.¹⁷

Consistent with the aim of the present work and acknowledging the breadth of the concept of corruption, we require a definition that is both multidisciplinary and multicultural. According to Okogbule,¹⁸ most definitions of corruption converge on one point: "*Corruption is a device or*

strategy usually employed to [divert] people from the right course of action, duty or conduct either in the performance of their official duties or in activities relating to economic or political matters.”¹⁹

At this point of the analysis, we discuss the drivers of corruption and the factors that promote some drivers more than others. Tanzi argues that there are direct and indirect factors (previously indicated as drivers) that may identify the premises of corrupting actions.²⁰ The former includes regulations and authorizations, taxation, spending decisions, provision of goods and services below market prices, and financing political parties. Indirect factors are found within the quality of bureaucracies, the level of public sector wages, penalty systems, institutional controls, and the transparency of rules and processes.²¹

We now move to observations on the effects of corrupting behavior. Transparency International,²² a global civil society, leads the global fight against corruption and highlights the costs of real and figurative corruption at the political, economic, social, and environmental levels.

From a political perspective, corruption is a major obstacle to democracy and justice. Economically, it leads to the depletion of national wealth and to the channeling of scarce public resources to economically unsound high-profile projects. It also undermines the development of fair market structures and distorts competition, which deters private investment.²³ Corruption affects the social structure and threatens people’s trust in the political system, its leadership and institutions. Furthermore, environmental degradation is a consequence of corrupt systems that enable the careless exploitation of natural resources.²⁴

Several empirical studies have been conducted that quantify the effects of corruption,²⁵ demonstrated that corruption negatively affects real per capita GDP growth; the same negative correlations have been found with respect to foreign direct investment and economic growth. An increasing rate of corruption has also been shown to negatively affect public spending, particularly on public education spending and public health spending.²⁶

Studies have also shown that widespread corruption is correlated with income inequality.²⁷ Other studies have shown that corruption is correlated to child mortality and with primary student dropout rate²⁸.

These empirical studies reveal four primary effects of corruption: lower investments and growth, smaller share in growth for poor people, impaired access to public services, and inadequate (or absent) health and education services.²⁹ These elements are generally regarded as immediate causes of poverty. By affecting the per capita GDP, corruption consequently affects all related aspects, such as standard of living, educational attainment, and longevity, which constitute the dimensions of human development.³⁰ Therefore, corruption has been regarded to negatively affect human development.³¹

Human Security

The modern conception of security is strikingly different from earlier conceptions. Indeed, international security has traditionally required military dimensions because it was the imperative for defending territories against military threats.³²

To this end, it has been noted³³ that, for most populations in the world, disease, hunger, environmental contamination, street crime, and even domestic violence are much greater threats to security than military action. In light of this finding, the 1994 Human Development Report of the United Nations declared: *“For most people today, a feeling of insecurity arises more from worries about daily life than from the dread of a cataclysmic world event. Job security, income security, health environmental security, security from crime, these are emerging concerns of human all over the world.”*³⁴

As such, the major threats to many communities come from their own state and not from abroad. Thus, traditionally defined international security does not necessarily mean human security, and citizens belonging to states that are secure according to the traditional concept of security can be gravely insecure with regard to domestic threats. Moreover, it has been noted that overemphasizing state security can be detrimental to human welfare.³⁵

Human security is intended as a normative and ethical movement in that there is an ethical responsibility to create security for individuals rather than solely for nations;³⁶ thus, there has been a shift from a state-centric to an individual-centric paradigm. This reorientation began with the awareness that the foundations for peace and stability within and between states must be built on eliminating the real threats that constitute the origin of conflicts and instability.³⁷

The new conception of security might be explained as a reaction to two factors: the end of the Cold War and globalization.³⁸ During the bipolarism that characterized the Cold War environment, the international political policies of many states were aimed at survival and increasing power; the domestic priorities and needs of states were secondary. By the end of the Cold War, the scientific community and progressive foreign policy circles were articulating political theories that questioned the state-centric model of international politics.

In addition, globalization is fundamental to understanding the new concept of security. Globalization frequently overlaps with the deregulation and marketization of national economies that has led to what has been conceptualized as a complex interdependence of states and economies.³⁹ This context has contributed to the awareness that issues concerning the environment, international economics, peace and security, and the population spread of diseases (such as AIDS) require collective management efforts involving nations, non-governmental organizations (NGOs), and civil societies.

Although the intensity of certain threats varies from location to location, these threats endanger all, and eliminating them is therefore an important precondition for sustained peace on the national and global scale. To that end, human security is a concept that bonds peace and development. Indeed, ensuring that people enjoy the conditions discussed by the United Nations report would mean liberating humans from physical and artificial hindrances (such as war, poverty, and political oppression) that prevent them from choosing freely and acting freely, ultimately limiting their development as individuals. To implement the principles declared by the UNDP,⁴⁰ the United Nations has promulgated a set of recommendations that includes linking overseas aid to poverty reduction and welfare, allocating a certain portion of existing foreign assistance to the poorest nations, and establishing a world social charter.⁴¹

The basic concept of human security addresses a broad range of issues that concern individual interests. There are seven dimensions (Table I) of human security associated with the modern concept of security that arose from multilateral discussions.⁴²

Table I - The seven dimensions of human security.

Economic	This dimension revolves around an assured basic income for individuals from productive and remunerative work or, as a last resort, from a publicly financed safety net.
Food	This dimension is identified with physical and economic access to basic nutrition and food supply.
Health	This dimension covers many different issues such as access to safe water, living in a safe environment, access to health services, access to safe and affordable family planning and basic support during pregnancy and delivery, prevention of HIV/AIDS and other diseases, and basic knowledge of how to live a healthy life.
Environmental	This dimension is concerned with preventing water pollution, air pollution, and deforestation, while providing relief from natural catastrophes such as droughts, floods, cyclones, earthquakes, etc.
Personal	This dimension aims at protecting people from physical violence from states (whether domestic or foreign), from other individuals and sub-state actors, and from domestic abuse.
Community	This dimension covers conserving traditions, cultures, languages and commonly held values. It also includes abolishing ethnic discrimination, preventing ethnic conflicts, and protecting indigenous people.
Political	This dimension is concerned with protecting the human rights and wellbeing of all peoples, including protection from state repression, such as by guaranteeing the freedom of the press, freedom of speech, and freedom to vote. This dimension includes abolishing political detention, imprisonment, state harassment, and disappearance.

Source: United Nations Development Program (1994)

The problem regarding the forces violating human security is that they are persistent and pervasive.⁴³ Key drivers of human security problems may be summarized as follows:⁴⁴

Poverty and poverty-related problems, including lack of access to reliable food supplies, safe drinking water, adequate healthcare, and modern energy supplies; (This author considers that these are the most immediate forms of human security problems.)

Lack of good governance, which is essentially characterized by corruption, among other conditions; and

A distinct sense of injustice arising from the imbalance between the “haves” and the “have-nots.”

This list is another method of presenting the above-discussed seven dimensions, and this convergence confirms the validity of the drivers selected for our analysis.

Corporate Social Responsibility and Multinational Companies

The relationship between business and society has been studied for decades. The following discussion highlights the main stages of the process that led to contemporary approaches to Corporate Social Responsibility.

It is only since the 1950s and 1960s that businesses were regarded as having an obligation to society.⁴⁵ In 1953, Bowen introduced the idea that the social responsibility of business people extended beyond pure profit seeking.⁴⁶

During the 1960s and 1970s the concept of CSR was examined and discussed in depth, resulting in the emergence of models and debates on its managerial implications and the introduction of the related concepts of business ethics and corporate social responsiveness.⁴⁷ During the 1980s, Freeman developed the stakeholder theory. This perspective implies that organizations and the individuals working in/for them — employees, managers, and executives — understand that there are both expected and unexpected consequences that may affect different groups of people (stakeholders) and society in different ways.⁴⁸

Consistent with this approach, Carrol identified the following four components of CSR: economic, legal, ethical, and discretionary (philanthropic).⁴⁹ In particular, the ethical component relates to the organizational responsibility to meet the obligations placed on corporations by society, whereas the discretionary component involves philanthropic activities that support the broader community.⁵⁰

There are explicit and implicit elements of CSR.⁵¹ The former refer to corporate policies that assume and articulate responsibilities from some societal interest, and normally consist of voluntary programs and strategies enacted by corporations that combine social and business values. Implicit CSR consists of the values, norms, and rules that result in mandatory or customary requirements for corporations to address stakeholder matters.

Because there is no common ground accepted by the majority, there is no consensus on the definition of CSR.⁵² These definitions take different denominations depending on the approach taken and sometimes reflect on the meaning of the word “social” in a particular context.⁵³ Thus, “it stands to signify that social responsibility refers to a limited range of responsibilities, those that deal with human beings.”⁵⁴

As far as social responsibility is concerned, multinational enterprises operating in a variety of environments and cultures are more likely than others to encounter numerous stakeholder groups and non-governmental organizations; these organizations, therefore, encounter significant pressure to enhance their social performances.⁵⁵ Indeed, multinationals are often perceived as the driving forces behind certain social problems, such as global warming, ecological problems in general, corruption, poverty, human rights violations, and cooperation with repressive regimes.

Although these enterprises are frequently considered to be the cause of the forgoing problems, they are also considered to be part of the solution to global regulation and public goods concerns,⁵⁶ particularly in those states that are unwilling to safeguard citizens' rights or contribute to the public good. Problems such as global warming, water shortages, AIDS, corruption, deforestation, and human rights have a strong transnational dimension and/or effect. They cannot be solved unilaterally by national governments with their geographically limited spheres of influence. This creates a *regulatory vacuum effect*.⁵⁷ The corporate activities of global players may potentially fill this vacuum because their activities occur in a transnational environment that is inhabited by political authorities with sovereignty that is limited by national borders, which indicates that these authorities are losing their influence on corporate behavior.⁵⁸

Under societal pressures, certain global corporations have begun to intensify their CSR engagement. Many corporate initiatives operate in domains that were traditionally considered to be under the governance of national political institutions.⁵⁹ In today's world, corporations develop human rights initiatives,⁶⁰ such as the Business Leaders Initiative on Human Rights of British Petroleum. Furthermore, they engage in actions to improve public health by addressing issues such as AIDS and other diseases,⁶¹ and they have begun to engage in initiatives of self-regulation to fill the vacuum of global governance.⁶²

The rationale underscoring CSR actions is the awareness that companies are facing pressure to join governments, NGOs, and civil society to conduct global business in a more responsible way that respects a system with multiple stakeholders. The United Nations Global Compact⁶³ is an effort to promote this type of awareness. Its work is based on the transparency and anti-corruption provisions of the United Nations Convention against Corruption⁶⁴ (UNCAC), which was adopted in Merida, Mexico in December 2003. In particular, the tenth principle of the UNGC⁶⁵ against corruption states that: "*business should work against corruption in all its forms, including extortion and bribery.*"

The Global Compact suggests the following three methods of implementing the tenth principle: internally (by introducing anti-corruption policies and programs to organizations and their business operations), externally (by reporting on anti-corruption work in the annual communication on progress), and collectively (by joining forces with industry peers and other stakeholders).

Linking Corruption, Human Security and Corporate Social Responsibility

What clearly emerges from these observations is that corruption is always a dangerous phenomenon, even when expressed in small and apparently safe actions; human security is

characterized by the possibility of having a “double face” depending on the influences that human beings are subject to, i.e., positive (security) or negative (insecurity); and CSR, if correctly adopted, is able to positively support the stakeholder. Taking the previous assertion into consideration, the possible links among corruption, human security, and CSR can be identified, as discussed below.

The social responsibility actions adopted by multinationals exert a positive influence on human security that (reciprocally) enables behavior that reduces the effects of corruption. Below, we consider certain drivers (highlighted above) to better explain this assertion and to attentively consider the role played by multinational corporations.

Because corruption is associated with decreasing real per capita GDP growth,⁶⁶ public investment,⁶⁷ foreign direct investment,⁶⁸ and economic growth,⁶⁹ corruption affects economic security; in fact, this dimension of human security is related to assuring basic income to individuals from remunerative work or (as a last resort) from a publicly financed safety net.⁷⁰ The behavior of the Illy firm is emblematic,⁷¹ acting to help their suppliers from developing countries adopt the correct production methods — including providing training courses — and thus contributing to adequate income.

Additionally, food security appears to be undermined by corruption. In fact, the latter exacerbates the effects of food scarcity and amplifies the pivotal challenge of water governance.⁷² Another symptom that links corruption and food security is the positive correlation between corruption and child mortality. In fact, one of the principal causes of mortality among children is malnutrition,⁷³ which is caused by limited access to food. With reference to multinational corporate engagement, the social responsibility agenda of Vodafone is of interest. In partnership with the World Food Program and United Nations Foundation, the Vodafone Foundation adopted actions to enable quick and easy communication in cases of emergency and natural disaster.⁷⁴

Corruption has been shown to exhibit a negative relationship with public health spending and with the quality of the health services provided.⁷⁵ Moreover, as discussed above, corruption is correlated with the child mortality rate,⁷⁶ which (in turn) is connected to poor public health services; thus, corruption is likely to affect the health dimension of human security. The actions of two firms (Coca-Cola and General Electric) are useful examples with reference to their engagement with health and security.

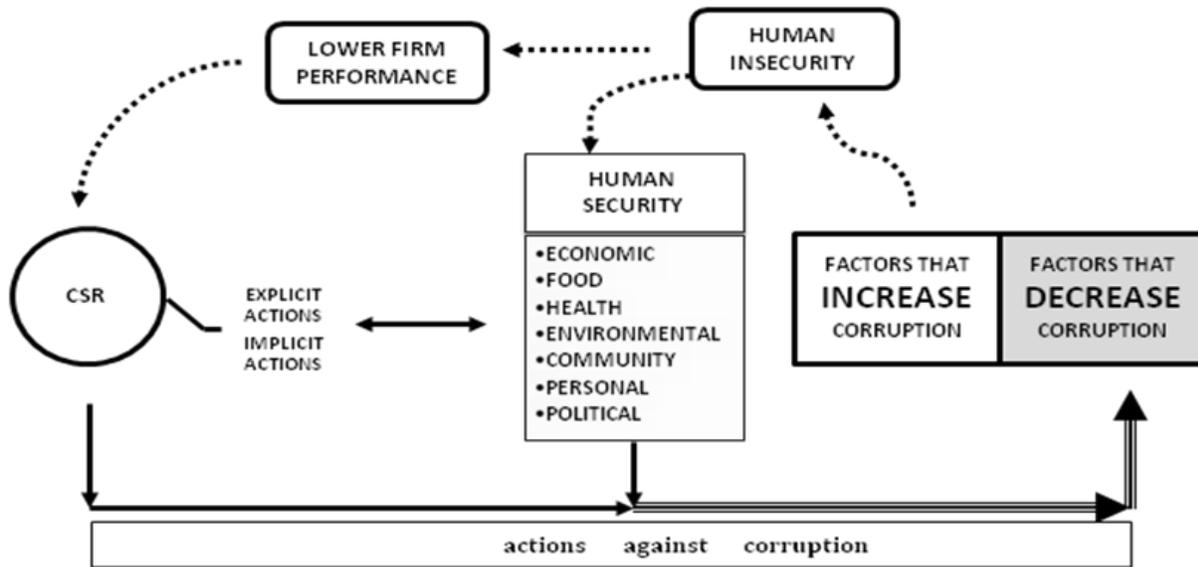
Coca Cola was accused by the Indian government of selling beverages that were contaminated with pesticides and of causing water shortages and water pollution by discharging wastewater into fields and rivers surrounding Coca-Cola's plants in Southern India.⁷⁷ This controversy motivated the company to adopt a more proactive CSR policy on a global scale that focuses on water management. In June 2007, Coca-Cola implemented a water program and committed itself to reducing its operational water footprint; in 2007, the company entered into a partnership with WWF to increase global understanding about watersheds and water cycles, improve Coca-Cola's water usage policies, work with local communities in various locations worldwide, and develop a common framework to preserve water sources.⁷⁸

General Electric acted to reach ambitious goals, such as the improvement of health care policies and the organization of professional internships in developing countries.⁷⁹

Corruption also threatens environmental security. In fact, it has been shown to reinforce the influence of shadow economies that, in turn, exacerbate problems with local and global air pollution;⁸⁰ this finding is supported by empirical evidence from a study that covers the period 1999-2005 for more than 100 countries. Thus, corruption undermines this dimension of human security. Controlling corruption also dampens the effects of shadow economies on pollution. In this light, we cite the commitment of HBOS (a banking and insurance company) to the global environment. HBOS policies demonstrate a considered approach to environmental management and reporting; moreover, it has a forward-looking approach to the risks and opportunities inherent in climate change. This issue is now an item on HBOS's main board agenda. In the second report of the Carbon Disclosure Project (CDP), HBOS garnered attention for financing renewable energy projects and was named one of the top fifty global companies addressing climate change.⁸¹

As a consequence of the matters discussed above, the dimension of personal security is likely to be affected by corruption. In fact, violence and unrest are common reactions to hunger and the perception of political and economic injustice. One notable example of Corporate Social Responsibility action in support of personal security is the case of BSI (a cosmetics company belonging to L'Oréal Corporation). In 1995, BSI initiated a campaign against domestic violence by utilizing windows and merchandising space to promote the cause of eradicating domestic violence and promoting initiatives to raise money for the Young Women's Christian Association (YWCA) and the Women of Courage program for survivors of violence.⁸² Moreover, those firms that ensure a safe and welcoming workplace have an indirect correlation with this dimension. With this in mind, the case of Ferrero⁸³ — which has been ranked as the best Italian employer of choice and fifth on the world ranking — appears significant. Political security is concerned with the protection of human rights and the wellbeing of people;⁸⁴ according to Transparency International,⁸⁵ political corruption can lead politicians in office to steer away from good government. As a result, political corruption may divert scarce resources from poor and disadvantaged people, particularly in countries in which democratic institutions are ineffective or absent. One means of combatting political insecurity would be for companies to develop codes of conduct that include anti-bribery policies, such as that adopted by DSV (a transportation and logistics global company), which states: "No employee may accept or offer bribery of any kind; [this prohibition] applied to all countries and it is aimed to all stakeholders of the Group, including in particular bribery of public officials."⁸⁶

The image below highlights the connections between the variables considered as consequences of corruption. Lower economic growth and reduced public spending on health and education lead to the creation of problems for human security in terms of economic, food, health, environmental, personal, community, and political factors. Such conditions prevent human development and create the basis for conflict and instability. In turn, reduced human development creates more corruption.

Figure. 1 – The connections between corruption and human security.

Conclusions

Corruption is a dangerous phenomenon that affects all countries of the world; all people and all types of organizations must work to significantly reduce, if not eliminate, corruption.

The methodologies proposed in this work emanate from an awareness that many organizations, and particularly multinational corporations, are engaged in reducing corruption by acting to adopt socially responsible behaviors to increase human security. More specifically, multinational corporations are engaged often in the adoption of socially responsible actions, but sometimes this engagement remains unpublicized. Simultaneously, the usefulness and effects of reinforcing human security and reducing corruption, in particular, are not adequately understood; for this reason, fewer implications are obtained than would otherwise be possible. This contribution provides a basis to shed light on the links between human security and corruption as well as on how these could be considered within multinationals' CSR agenda.

In addition, the link between corruption, human security, and CSR has rarely been studied, and its significant advantages and positive effects have scarcely been analyzed and evaluated. Therefore, the evaluation of the effects of the proposed link, as well as how CSR policies should manage it, should be further investigated.

Throughout this study, our aim was to add one brick to the wall that must stop corruption from destroying economies, societies, and individuals. Only by combining the engagement of several fields will it be possible to eliminate or reduce corruption.

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