The CERA Project Presents:

CORPORATE CITIZENSHIP

Leaders International

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Introduction

Throughout modern history there have always been attempts to clearly define the relationship between corporations and society.[1] Stemming from the fact that businesses cannot strive without communities and ethical behavior and vice versa.[2] Since the 1970s scholars have indicated that corporations need to exert high social responsibility.[3] Where different companies need to incorporate ethical, environmental, and humanitarian purposes within their objectives.[4] As such the term Corporate Citizenship has been associated with community partnerships, and became part of it within various definitions.[5] Moreover, studies have shown that employees have higher commitment and loyalty to organizations that have a good reputation and are regularly involved in social welfare activities.[6]

The Corporate Citizenship concept has been developed mainly throughout the mid to late 1990s, whereby the business model has become more sophisticated to encompass new concepts of social responsibility. [7] There are particular patterns to define corporate citizenships, and its different types in relation to incorporating it with the surrounding environment.[8] Thus far, multiple assessments of the social responsiveness of firms or their degree of corporate citizenship have been conducted to assess the responsiveness of firms.[9]

The Corporate Citizenship concept carries many meanings, including ethical objectives, CSR approaches, and working towards the interest of stakeholders.[10] Various firms have adopted this approach in setting specific goals that benefit society and entail some form of support programs.[11] Many factors affect the degree of their progress, and it operates on a different pace and path across the various firms.[12] Research has shown that very few company owners and managers understand the concept of corporate citizenship, nor how to integrate programs that are socially responsible,

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[1] Altman 1999
[2] Ibid
[3] Ibid
[4] Alshihabat and Atan 2020
[5] Altman 1999
[6] Jones, 2010
[7] Altman 1999
[8] Googins and Mirvis 2006
[9] Altman 1999
[10] Altman 1999
[11] Ibid
[12] Googins and Mirvis 2006

as there are different degrees of understanding in terms of attitudes, structures and practices.[13] Whilst it is worth mentioning, that women have been found to have a more thorough grasp on the concept.[14]

Given the importance of the concept of corporate citizenship, and the role the Corporate Entrepreneurship Responsibility Alliance (CERA) project; where an alliance of 30 corporations is formulated and trained to implement Corporate Entrepreneurship and Corporate Social Responsibility approach in Jordan, to enhance the local value-chain. It is worth defining this concept and understanding the different approaches. Accordingly, the paper sets out to investigate the difference between Corporate Citizenship and Corporate Social Responsibility. The positives and negatives of corporate citizenship, and the factors affecting it. In addition to methods of implementation and digging deeper into different arguments and hurdles associated with the concept. Concluding with Corporate Citizenship within the Jordanian context.

Corporate Citizenship vs. Corporate Social Responsibility

Corporate Citizenship and Corporate Social Responsibility are closely related concepts.[15] Evidence reflects that social responsibility has been part of the corporations' identity since the 1800s, influenced by the market and competitive factors.[16] This CSR concept today is based on multiple pillars, whereby corporations are obligated to think about society and the environment, they should demonstrate high levels of transparency and integrity, and be involved in enhancing social welfare and providing community support.[17] The idea here can then be transformed into corporate citizenship, through operationalizing the procedures and engaging with the needs of stakeholders, by building sustainable relationships.[18]

Scholars have had different views on whether corporate citizenship and corporate social responsibility are interchangeable concepts. While some argue that they are synonyms, others

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[13] Ibid
[14] Alshihabat and Atan 2020
[15] Altman 1999
[16] Banerjee 2007
[17] Waddock 2001
[18] Ibid

pinpoint that the former is based more on internal organizational values, while the latter is based on the exogenous behaviour of the firm.[19] Others have also stated that corporate citizenship encompasses business-like approaches, based on a trial and error composition, while corporate social responsibility emerged more as an academic concept.[20] Yet, one can conclude that the concepts are complementary rather than substitutes.[21] As stated by (Bal and Bozkurt 2012): " the CSR firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen.[22]"

There have been stated methodologies on how to assess corporate citizenship, circling around five dimensions as follows: Altruism, Conscientiousness, Sportsmanship, Courtesy and Civic Virtue. Within this methodology a corporate citizen engages society through CSR and develops a corporate culture of social consciousness.[23] Similar methodologies have concurred that corporate citizenship leads to good financial performance, and bad corporate citizens will be revoked by society.[24] All in all, it is surely visible that those with positive CSR activities are viewed to be good corporate citizens.[25]

The real meaning of Corporate Citizenship

The World Bank has defined corporate citizenship as "the practice of matching companies with the rest of society", where corporations are forming partnerships with the community and approaching their business more holistically.[26] The World Bank elaborates further that this in turn has strategic advantages, where it enhances sustainability and investment potential; improves the brand's image; develops the capabilities of human resources to become more community centric; and assists in growing the economy and stabilizing society.[27]

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[19] Banerjee 2007
[20] Ibid
[21] Whitehouse 2003
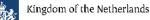[22] Bal and Bozkurt 2012, P. 42
[23] Rupp et. al. 2006
[24] Banerjee 2007
[25] Bal and Bozkurt 2012
[26] Altman 1999
[27] Ibid

To enable the more practical and tactical implementation of corporate citizenship, some models were developed. An example includes the reputation model, one that is focused on changing the corporate mindset, based on three main pillars. Here the corporations are expected to develop ethical and moral principles across all levels of the company; they should work towards continuous and regular community integrated projects; and find specific mechanisms to balance between stakeholders' needs and a profitable sustainable future.[28] Furthermore, there have been certain milestones and steps identified to enable the achievement of corporate citizenship. These include, first, identifying the problems present that are negatively affecting the community or economy. Second, deciding how the problem can be solved using the corporate resources strategically. Third, creating partnerships, specifically with government agencies; and fourth finding a manner by which the corporation can balance its profitability and social role.[29]

There have also been certain principles introduced that guide the behaviour of corporate citizenship. These include exerting continuous respect across the community and stakeholders. Integrating support across multiple causes including health, social and environmental. Offer continuous communication outlets on the company's performance and operations. Lastly, strive always for higher performance and to offer better standards.[30] These concepts, strategies, and milestones are also closely related with the very close concept of organizational citizenship behaviors (OCB), within this concept, the roles have extended further to the employees, and their individual contributions, in addition, to promoting continuous efficiency and effectiveness without the need of a formal reward system.[31]

The UN has taken the definition a step further, with the UN policy process, where it states that the obligations of the corporations with society, under corporate citizenships, should exist within a legal framework.[32] Corporations within this view are expected to conform with the existing laws and have a higher obligation towards other citizens.[33] In this model, social audits may be required to assess the company's commitment to sustainable development and moral standards.[34] Although,

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[28] Altman 1999
[29] Ibid
[30] Banerjee 2007
[31] Ahmadi, 2010; Bal and Bozkurt 2012
[32] Whitehouse 2003
[33] Waddock and Smith, 2000
[34] Altman 1999

the standards and requirements here tend to differ greatly. Whereby companies that are still in the developmental stage, are anticipated to be more reactive to social and environmental issues.[35] While, larger and more powerful firms, are held more and more accountable as individual citizens.[36]

Here measurements and evaluations can be conducted based on the internal commitment and legal framework, and their contributions to corporate social responsibility.[37] This becomes more evident the more international the corporation is, as it will be assessed more harshly. Therefore, today, we see more and more multinationals taking a more active role in alleviating poverty and contributing to green practices.[38]

As the tactics, strategies, definitions, and legal standings of corporate citizenship have been defined, it is worth assessing the positives and negatives of this concept.

Positives of Corporate Citizenship

Corporate Citizenship has been said to offer various advantages for the company and society. It increases the effectiveness and efficiency of companies.[39] It also leads to better employee engagement,[40] in addition to encouraging individuals to improve their performance and take more proactive initiatives.[41] Furthermore, it automatically entails higher transparency and rates of disclosure by the firms, which has a positive impact on the overall industry.[42] Evidence have also reflected that corporate citizenship creates more partnership with various institutions and civil society organizations.[43] On a broader front, corporate citizenship initiatives have contributed to better social and environmental performance in the countries they are operating in.[44] The companies adopting this concept, have also started working towards bigger and more sustainable objectives, and implementing more CSR activities. [45]

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[35] Googins and Mirvis 2006
[36] Windsor 2001
[37] Whitehouse 2003
[38] Altman 1999
[39] Salavati et. al., 2011
[40] Albdour and ALtarawneh 2012
[41] Alshihabat and Atan 2020
[42] Googins and Mirvis 2006
[43] Whitehouse 2003
[44] Alshihabat and Atan 2020
[45] Ibid

Negatives of Corporate Citizenship

Unfortunately, however, there have been a couple of negative presumptions in the current form of corporate citizenship. In this case some managers and company owners do not see the benefit and are not willing to implement it.[46] Thus far the current form of corporate citizenship remains unattractive to some. On the other hand, in many of the existing models, it remains unclear as to who in the firm is responsible for these kinds of activities, and who is obligated to follow through.[47] Here, more specified models, or even departments need to be established to be able to harness this concept and achieve it in the best possible manner. [48]

Factors Affecting Corporate Citizenship

There are various factors that affect the successful implementation of corporate citizenship. On a macro front this includes the economic and political factors of the countries of operation, and the ease of corporate integration. At a second and more essential level it is shaped by socio-economic and environmental factors,[49] especially as this is where most of the CSR activities within a corporate citizenship structure are directed. More specifically the laws and regulations of individual countries have a full fledge effect on the ability of companies to actually become corporate citizens,[50] and apply the UN driven programs elaborated on above.

On a more micro front, within the companies themselves there have been two significant factors as well. Essentially the earlier the company adopts a Corporate citizenship approach, the easier it will be to grow innovatively, find funding streams, and undertake a more successful approach.[51] The other factor is the leadership style adopted within a company, where research has reflected a positive proportionality between progressive leadership styles and corporate citizenship.[52] Here specific research has shown that adopting a transformational leadership style (TLS); where employees are encouraged to work on the shared vision and values, and be part of the change and leadership process, has led to better organizational citizenship behavior (OCB), and by exertion an

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[46] Whitehouse 2003
[47] Altman 1999
[48] Ibid
[49] Googins and Mirvis 2006
[50] Ibid
[51] Ibid
[52] Alshihabat and Atan 2020

easier transformation into corporate citizenship.[53] These employees that feel more appreciated, and receive more training and education are more motivated to participate in positive change.[54]

Implementing Corporate Citizenship

The ability and the methods by which corporate citizenship can be implemented, varies according to various factors. Essentially it depends on the countries' regulations and laws, and the structured relationship between stakeholders and the companies.[55] In parallel it depends on the policies put forth in regard to the environmental and social causes and their importance for the areas of operation.[56]

Implementation also varies depending on the approach used by individual companies and how they link it to the ideologies of corporate social responsibility and organizational corporate behaviour, as elaborated on above. Research has reflected that incorporating corporate citizenship and CSR as complementary approaches exert more significance, and facilitate the tactics used for implementation.[57] Furthermore incorporating an OCB, clarifies the identity of the company, and ensures all employees are on board early-on.[58]

Prior to implementation, each company should assess where it should take action, and determine essential topics to support, whether that may be environment protection, human rights, ethical investment, community development…etc.[59] Once the main priorities have been determined, they should be integrated within the companies' internal corporations, via for example updating the code of conduct,[60] creating targeted programs, facilitating an inclusive and friendly environment…etc. These in turn should be incorporated in the companies' missions and across all value chains and departments.[61]

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[53] Harris and Ogbonna 2000
[54] Ibid
[55] UNRISD 2000
[56] Googins and Mirvis 2006
[57] Whitehouse 2003
[58] Dutton, Dukerich, and Harquail 1994
[59] Googins and Mirvis 2006
[60] UNRISD 2000
[61] Wood and Logsdon 2001

As the company is transforming into a corporate citizen, nonetheless, it should recognize that this is a challenging process that requires various strategic and executive decisions, very specific benchmarks, and a set of goals to follow. Here is where a successful implementation will require setting key performance indicators early on and assigning the roles and responsibilities within the company.[62]

Different Arguments Relating to Corporate Citizenship

There have been some different arguments in the literature on the actual effect that can be conducted by corporate citizenship, especially in its current form, and what needs to change to improve the impact exerted. Some have expressed that more power should be given to the communities in determining what corporations actually work on, and what causes they support, to encompass more of a bottom-up approach.[63] Others have assessed that the financial performance and size of the firm have not correlated well with corporate citizenship, in a sense that smaller companies have actually contributed more.[64] In different arguments, it becomes visible that the current form of corporate citizenship, and the strategies required, have worked much better for developed countries, as it requires specific training and skill-sets that still need to be developed further among other countries, which may present a certain bias within the current approach.[65]

All in all, nonetheless, there is still a lack of integration between corporate citizenship and business strategizing. Here, it is worth investigating whether the approaches used, and the activities conducted are actually sustainable, or in other instances current enough, especially with the continuous demand of environmentally friendly approaches. Thus, what is the successfulness of corporate citizenship per company based on and can more clear key performance indicators be introduced.[66]

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[62] Googins and Mirvis 2006
[63] Whitehouse 2003
[64] Googins and Mirvis 2006
[65] Ibid
[66] Banerjee 2007

Corporate Citizenship in the Jordanian Context

The definitions and roles of corporate citizenship and corporate social responsibilities have differed across various countries. Corporations in Jordan, still adopt a very social approach to corporate citizenship. In a sense, it is considered volunteer work, rather than a strategic approach.[67] Furthermore, the main motivation behind most implemented activities is based on a religious approach (i.e., zakat[68]). This has impacted sustainability of set forth CSR activities. The parallel issue here as well, is thus far, there haven't been specific laws issued that support such initiatives, while compliance with the law still falls within the basic parameters, such as: labor law, compensation act, environmental law, minimum wage act, etc.,[69] and further initiatives are required in this regard.

On a more macro front, the exogenous political and economic shocks have continuously affected the ability to conduct activities outside the standard business operations.[70] This is parallel with a lack of government incentives to pursue such initiatives, or a more comprehensive country-based strategy that is able to give guidelines in this regard. There is a lack of overall monitoring and evaluation in any implemented CSR projects, and no clear measurements for the success of these activities. There have also been concerns about the current skill set in the corporations to follow through with corporate citizenship and strategize sufficiently for it.[71] A concern that has been picked up by the Corporate Entrepreneurship Responsibility Alliance (CERA)[72] project and conducted recently as part of its main activities. Focus of this here set project is also on an additional issue that has been affecting the implementation of CSR activities, deemed as the lack of sustainable value-chains across the country.[73] There have been optimistic indicators nonetheless, that the project could present a solid basis for a change in the country's CSR, and by extension corporate citizenship structure.
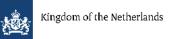
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[67] Al-Daaya 2017
[68] An act of giving to charity
[69] Al-Daaya 2017
[70] ibid
[71] ibid
[72] https://leadersinternational.org/projects/cera-corporate-entrepreneurship-responsibility/
[73] Al-Daaya 2017

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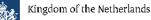
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