Public Responsibility and Private Enterprise in Developing Countries

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In recent decades, the trend towards greater involvement of private enterprise in achieving public goals is unmistakable. Nowhere is this more evident than in developing countries. From national security to health, and from human rights to education, business has increasingly been seen as a major player in addressing public problems in countries lacking basic infrastructure and services. On the one hand, business can provide an important contribution to public sector resource deficits and inefficiencies. On the other, firms can face a whole host of problems if their strategies backfire. Consider the experience of Blackwater Worldwide, the private security company, now renamed Xe. Blackwater was one of the largest companies providing essential security services in Iraq and other conflict zones. Yet, following a series of contentious incidents, the Iraqi government has revoked the company's license to operate in the country, forcing it to completely abandon its operations in Iraq.

In developing country contexts, firms encounter distinct challenges that place them in situations where they do more than simply go about the business of business. Faced with government incapacity to fulfill many basic human needs, it is private enterprises that increasingly fill the void. As former UN Secretary General Kofi Annan famously said at the launch of the UN Global Compact, "At a time when more than 1 billion people are denied the very minimum requirements of human dignity, business cannot afford to be seen as the problem." Firms have become involved in public activities as diverse as building schools and hospitals, enabling economic development, contributing to public health programs, building capacity for trade, bankrolling basic infrastructure, and providing security solutions.

In many cases, these activities go beyond traditional philanthropy or corporate social responsibility (CSR) programs in that they place firms in quasi-governmental roles where major decisions about public welfare and social provision have to be made. This then brings private enterprise into uncertain territory as firms struggle to navigate a new set of responsibilities that catapult them into a space more usually occupied by governments and non-government organizations in developed regions. With boundaries increasingly blurring between these once distinct sectors, we pinpoint the new challenges faced by private enterprise in addressing public responsibility in developing countries. We identify four strategic pathways taken by firms, and highlight the strategies for success that firms adopt in dealing with the distinct challenges that they face.

A Public Responsibility Deficit

As Bill Gates said at the World Economic Forum in January 2008, "The world is getting better, but it's not getting better fast enough, and it's not getting better for everyone." Infant mortality rates remain staggeringly high; a majority of the world's children continue to miss out on access to education and basic health care; and over 2 billion people live on less than $2 a day.[1]

To date, a range of actors appear to have failed to effectively address some of these most basic of citizen needs in developing countries. Developing country governments frequently lack the resources to tackle such overwhelming social problems. And, even where resources are available, corruption typically results in the remittance of only 30% of financial aid to citizens, handicapping the entrepreneurial will of many developing countries.[2] Industrialized nations have been criticized for creating an uneven playing field in international trade by imposing hypocritical subsidies that disallow developing nation access to the global marketplace.[3] Furthermore, international institutions such as the International Monetary Fund (IMF), the World Bank, and the World Trade Organization (WTO) have undergone detailed scrutiny by leading economists who suggest that their imposed macro-economic policies foster an inequitable globalization system that further cripples developing nations and compromises access to public services.[4] With the proliferation of international economic activity, the ability of nation states to protect public welfare is waning, particularly in developing countries. The lack of international governing bodies to keep up with this economic activity has resulted in a shift in power to large multinational corporations employing practices that lack sufficient government oversight.[5] Finally, non-governmental organizations, while effective in attending to many basic needs, also have only limited capacity to deal with the broader development challenges facing the developing world.

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In light of this public responsibility deficit and the growing power and dominance of the private sector, we see increasing attention focusing on the role of companies in public service provision and the broader advancement of public welfare.[6] On the one hand, though, private enterprise has done little better than other institutional actors. Motivated by efficiency, shareholder value, and by limited enforcement of regulation, corporations have been accused of reckless business practices that disregard the social and environmental costs of doing business.[7] From oil to pharmaceuticals, water, information technology, and apparel, companies have been in the spotlight for failing to meet the needs of the most vulnerable and needy in society.

On the other hand, a burst of activity from multinationals, domestic firms and social enterprises over the past decade has unleashed a range of public solutions from the private sector in developing countries. One development here has been the emergence of innovations targeted at solving the needs of those at the bottom of the economic pyramid.[8] For example, Aravind's revolutionary eye care service model has provided once inaccessible health services for India's poor. Another strand has seen large firms extending their corporate responsibility programs to tackle deep-rooted social problems in developing countries.[9] For example, Heineken has demonstrated that corporations can play a key role in HIV/AIDS prevention and treatment in South Africa. Still another strand has seen small social entrepreneurial firms employ business models that aim to improve the livelihoods of the poor.[10] Turiya Group is a company that aims to build a more sustainable supply chain for a number of agricultural products in the Brazilian Rainforest (such as the açaí "superfruit") by facilitating the fair and equitable treatment of rural suppliers and acting as an intermediary for the international fair trade market.

These activities have led business into uncertain territory. While approaches such as bottom of the pyramid strategies and corporate responsibility programs tend to presume a distinction between the public and private sector, company executives in developing countries have increasingly seen their firms called upon to play a role more akin to government than business. Despite intensifying demands to deliver shareholder value, private enterprise has had to show how it can simultaneously contribute to the public good when the usual apparatus and infrastructure of government may be lacking. This requires attention not only to effective delivery of social goods, but also to broader expectations for accountability, inclusion, and democracy that traditionally lie with public bodies.[11] Attending to public responsibilities is therefore fraught with unknown obstacles for private enterprise managers, however valuable the participation of their companies in this realm might be. What is more, the problems vary according to the type of strategic orientation that firms adopt. Therefore, in order to address these challenges more effectively, we have researched how companies in developing countries orient their businesses to cope with these challenges and have developed a way of mapping the different types of public responsibility strategies that private enterprises engage in. In this way, we provide senior executives with clear insight on the types of challenges that they will face and offer straightforward guidance on how to overcome them.

Public Responsibility Strategies

We refer to public responsibility strategies as strategies that firms develop to address public problems in the absence of effective governmental infrastructure or processes. In this respect, we are specifically concerned with gaps in public welfare and voids in public service provision in developing countries, typically as a result of deficits in public resources and capabilities, poor governance, or corruption.[12]

Public responsibility strategies may include some activities that might more typically be thought of as CSR or corporate philanthropy[13] but only those encapsulated by activities aimed at filling in for government absence—or what some have referred to as "political CSR" or "extended" corporate citizenship.[14] That is, we are concerned with how the basic entitlements of citizens are met through private enterprise rather than, say, with corporate efforts to "give something back" through discretionary social investments. For instance, donating money to an existing, functioning medical facility would simply be philanthropy whereas financing the building of a new medical facility in a district bereft of any medical services at all is more akin to a public responsibility. So this means that many CSR activities do not necessarily represent public responsibilities, and vice versa. For instance, utility firms involved in the direct provision of public services do not necessarily need to do so as a matter of "social responsibility" but out of simple self-interest in serving a new market—nonetheless, public responsibilities may be unavoidable. Specifically, by focusing our analysis on developing countries, we move away from the assumption implicit in much of the CSR literature that the "rules of the game" are set through a process of effective public policy and regulation towards a view of private enterprise operating in an arena of institutional incapacity.

To best understand the different strategies through which companies engage in public responsibility, we investigated 30 companies operating in developing regions of the world. Each company was qualitatively examined as a case study to understand how and why they engaged in public responsibility in the absence of effective public bodies. All companies were profit-based organizations operating in the manufacturing, services, or agriculture sectors and ranged in size from large subsidiaries of multi-national corporations to small social enterprises (see Table 1). Preliminary exploration of firm public responsibilities indicated that this phenomenon is not specific to a particular firm size. Commercial microfinance enterprises have been popularized as a private sector approach to poverty alleviation while the direct provision of public services by multinational corporations (e.g., health care facilities) has escalated in developing country contexts. Thus, to best capture the full range of public responsibility strategies and their challenges, we chose to study a range of firm sizes. We provide detailed descriptions of two of these cases in Appendix A. For the first 16 companies, 150 interviews were conducted with senior and middle-level employees of firms and relevant public actors such as communities, non-governmental organizations, and government. Secondary data were collected and analyzed for the remaining 14 cases, which were chosen to expand the dataset to additional developing

TABLE 1. Case Sampling

Sector	Africa	Latin America	Asia	Total by Sector	Subsectors Included
Agriculture	5	1	1	7	Tea Honey Cotton Vegetables Fruit Sugarcane
Manufacturing	7	2	2	11	Cement Oil and gas Gold Pulp and paper Aluminum Forestry Chemicals Steel
Services	6	2	4	12	Financial Health Energy Waste Tourism Telecommunications
Total by Region	**18**	**5**	**7**	**30**	

country contexts. By examining company response to public welfare and service gaps across these cases, important similarities and differences emerged that helped conceptualize the strategies used, the associated challenges faced, and the tactics managers employed to overcome these challenges. For a full description of the methodology, see Appendix B.[15]

According to our research, public responsibility strategies can be categorized along two dimensions. The first dimension differentiates between strategies that focus on the firm's *core operations* and those that focus on the firm's *non-core operations*.

Firms targeting the former tackle social welfare issues as part of their basic business model, such as in the case of private sector providers of utilities, health services, education, and security. In this case, there may be little or no intention on the part of the firm to play the role of government but it may have to do so in the process of fulfilling its regular business operations where necessary governmental oversight is lacking. Core operations could encompass a firm's products and services and/or the value chain activities associated with the provision of those products and services.[16]

Firms that focus their public activities on non-core operations differ in that their core business may be largely unrelated to public goals, but they see value in enhancing the social and political environments in which they do business and over which they have influence to further these public goals. Non-core operations could encompass dimensions of a firm's competitive context, such as contributing to the basic services needed to operate the business, or they can encompass generic political issues that are beyond the firm's competitive context yet reside within the firm's broader sphere of influence.[17] For instance, at the second Forum of the United Nations Alliance of Civilizations in 2009, the United Nations Global Compact co-organized a working session meant to examine the specific actions companies can take to foster cross-cultural understanding and tolerance. In his address, Secretary General Ban Ki-Moon emphasized the role of business in bridging cultural divides to "help keep the peace."[18] In the absence of powerful transnational governing bodies, companies are increasingly expected to exert leverage within their sphere of influence for, in this case, international public welfare.

The second dimension highlights the difference between firm activities that provide specific *public services* versus those that aim to shape *political/economic infrastructure* to achieve public goals. A distinction typically exists between governmental activities that administer citizenship through the provision of public services and activities that define citizenship through the development of policy and laws that determine "at which level and in which intensity certain entitlements and processes of participation should be guaranteed."[19] We draw on this distinction here when describing the two ways in which private enterprise can engage in public responsibilities. Public services are those services considered to be essential to modern life that, for moral reasons, are meant to be universally provided to all citizens, regardless of income. Examples include education, health care, water services, policing services, waste management, telecommunications, social housing, public transportation, and security. Firms' decisions to build schools or health care facilities represent a direct fulfillment of public services associated with the absence of child education or proper medical treatment.

In contrast, firm activities that develop political and/or economic infrastructure influence the broader political and economic landscape through which public policy is determined and public goals are achieved. Shell's human rights training for judges in Nigeria or MNC efforts to build capacity among local community governing bodies represent examples of public responsibility that lay the foundation for the achievement of public goals without any delivery of a particular service direct to the public. The point here is that companies initiate changes in public policy by altering the political landscape or economic context through which public goals are achieved. In some cases, building this infrastructure enhances the public's ability to access public services and/or spawns the emergence of third-party organizations to deliver these services. For instance, training judges on human rights enhances the ability of the Nigerian justice system to incorporate criteria related to universal definitions of human rights in its service to citizens. Thus, whereas the provision of public services represents an administrative role by the firm, the development of infrastructure influences the political and economic landscape through which public goals are achieved.

For companies to manage their public responsibilities effectively, they must first understand these dimensions and the relationships between them. Exhibit 1 "Public Responsibility Strategies" is a matrix that highlights the four different approaches identified in our research using a number of broad characteristics. Each is associated with a distinct set of challenges and strategies for success, as we discuss below.

Supplement Strategy

Companies frequently fill gaps left by the public sector by directly taking on public service roles through their corporate citizenship programs, even when these have little relationship with the core operations of the firm.[20] Companies may supplement existing government activity in geographical or functional areas where it is lacking, for example by building schools, health care facilities, or physical infrastructure. These strategies may be essential for augmenting inadequate governmental provision of public services in developing countries facing significant deficits in key social services.

Consider Magadi Soda Ash, the Kenyan-based mining company and subsidiary of parent firm Tata Group. With almost all government funded public programs in the region centered on the city of Nairobi, the firm's immediate physical environment outside the city limits faced a deficit of public infrastructure. As a result, the firm, as the only major corporation in the region, faced an increased expectation on the part of the surrounding Masai communities to provide necessary social services—for example, by constructing water treatment plants and extending water and power distribution to the community. The company also built, operated and maintained the community health clinic and several schools. They extended the 120-kilometer road from the southern edges of Nairobi to Magadi and built and operated an extension of the Kenyan railway line to transport the soda ash to the Mombasa port. These road and railway lines are now used for transportation by Kenyan citizens with little relationship to the company:

> "There were no roads. There was no water. There were no medical facilities. So even for the business to start, you needed to have a few of those basic facilities. The government said, 'you guys want to extract deposits at Magadi, it's really up to you to provide all the amenities that you need—water, electricity, you name it'. We built the road that you just travelled on to get here."—Managing Director, Magadi Soda Ash

In the face of governmental absence, companies may respond in this manner as a means of preserving or enhancing their competitive context or giving back to their communities to earn a license to operate and to offset

EXHIBIT 1. Public Responsibility Strategies

	Provision of Public Services	**Infrastructure for Public Goals**
Non-Core Operations	1—Supplement *Scope* Direct public service provision *Examples* Building schools and hospitals Laying physical infrastructure *Impact* Provision of key public services Enabling competitive environment Addressing urgent public crises *Key Challenges* Addressing democracy & accountability Averting public dependency Avoiding futile sustained costs *Benefits for Private Enterprise* License to operate Supportive competitive context Public relations *Ideal Scenario to Use Strategy* Situations of urgency or crisis Threat to competitive context Where existing services can be augmented *Strategies to Overcome Challenges* Shared ownership of projects Tap into existing institutional/social structures	2—Support *Scope* Government capacity building Intervention on government activity/policy *Examples* Building municipal government capacity Influencing international labor regulations *Impact* Bolstering institutions Influencing public policy Influencing decisions related to public goals *Key Challenges* Overcoming mistrust/superficial relationships Motivated to report on inappropriate measures *Benefits for Private Enterprise* Relinquishes public service role Costs diverted to public bodies Gain local capabilities *Ideal Scenario to Use Strategy* Governmental/institutional incapacity Inadequate public goals and policies *Strategies to Overcome Challenges* Reciprocal understanding and collaboration Shift measures from output to impact
Core Operations	3—Substitute *Scope* Privatization of government services *Examples* Provision of military service Policing of labor practices *Impact* Commercial provision of public services Private bodies enforcing regulation *Key Challenges* Accommodating a public service agenda Legitimizing privatized governance *Benefits for Private Enterprise* Market/revenue opportunities Critical step in the value chain *Ideal Scenario to Use Strategy* Value proposition around public services Stakeholder pressure to replace government *Strategies to Overcome Challenges* Sanity check through outsourcing One piece of the puzzle of actors	4—Stimulate *Scope* Alternative economic model Market knowledge to influence government *Examples* Alternative agricultural system Commercial microfinance Lobby against Internet censorship *Impact* Alters means by which to achieve public goals *Key Challenges* Access to resources and support Overcoming institutional norms and biases *Benefits for Private Enterprise* Taps into entrepreneurial spirit of poor Ensures full diffusion of alternative approach *Ideal Scenario to Use Strategy* Economic/political infrastructure needs change *Strategies to Overcome Challenges* Gaining critical mass through partnerships Persistence and creativity through small steps

any negative impact of their operations. In other situations, a crisis such as a drought, disease, or extreme poverty can create a sense of urgency for the company to respond with public responsibility due to the absence of efficient governmental responses. There may also be situations where governmental capacity is limited and companies supplement public service roles alongside their public counterparts. Other companies take a more philanthropic approach and take on gaps in public service that lie within their broader sphere of influence, regardless of the benefit to their competitive context. Following the post-election conflict and subsequent famine in Kenya, Mabati Rolling Mills, an Indian-based steel company, rebuilt a primary school that had been burnt down as a result of the conflict in a distant region of Kenya. Yet while the use of private sector power and resources to fill institutional gaps may in the right circumstances lead to benefits for both enterprises and their communities, important challenges exist.

Addressing Democracy and Accountability

The first main challenge of a supplement strategy is public resistance to the firm's quasi-political role. Well-meaning programs may be derailed when activists question why companies are acting like governments with little, if any, democratic measures in place to ensure accountability. In supplementing government provision, companies are inevitably making public welfare choices on the basis of their own strategic orientation, and financial and operational constraints, rather than necessarily on the needs of the community. This strategic orientation may be based on developing an appropriate context with basic services that allow for or support core operations for competitive maximization; or it may be part of a public relations strategy that is conveyed to the general public to soften pressures, particularly from developed country stakeholders. Either way, the question remains of whether the services chosen are in the best interests of the public. This typically results in understandable skepticism on the part of the public and social activist groups. In many cases, companies can face a backlash should they be forced to retrench such investments as a result of difficult financial times, shifts in market prices, or pressure from shareholders or a parent firm.

Supplement strategies are most suitable in situations where they extend or augment already existing governmental public services. When they are targeted at complete institutional voids, the approach is best employed where the lack of public services represents an immediate threat to either the surrounding community or the company. Even then, successful companies will conduct rigorous analyses of potential impacts and make thorough investigations of alternative providers before making social commitments. Forward thinking managers will also involve the community in their decision making as early as possible by developing an open decision-making process around the social initiative. In the aftermath of a severe drought, Magadi Soda worked closely with respected leaders of the community to develop and implement an emergency food drop and water provision plan that drew upon the available human capital of the Masai and their invaluable knowledge of the surrounding landscape. The goal here is to build in an inclusive decision-making process and balance accountability appropriately so that the relationship with the community is tightly intertwined, and where ownership is shared across the development, management, and implementation of the project. This ensures that any provision of public service by the firm is perceived as legitimate by affected parties while guaranteeing efficiency gains due to the incorporation of external expertise and knowledge.

Averting Public Dependency and Futile Sustained Costs

Another important challenge of a supplement approach is the dependency created in the local community. Once made, public commitments may escalate and be difficult to reverse. Firms therefore face significant reputational threats, especially if they cease involvement in particular public initiatives further down the line. Moreover, because this approach is typically implemented by the firm in isolation, the company can become locked into a continuous commitment of scarce resources that generate little value for the surrounding areas. Frequently, community stakeholders in poverty-stricken areas will fabricate answers based on what they think the company wants to hear, resulting in projects that are not in the best interests of the community. This results in "white elephants" where new facilities are left abandoned and unused. A steel company in East Africa spent thousands of dollars building a bus shelter for a poor rural community outside of Mombasa, Kenya. In retrospect, it was learned that access to shelter while waiting for transportation was not an urgent need of the community especially given that buses pick up passengers at different locations depending on the time of day.

Companies can overcome this challenge by tapping into existing institutional structures in the community or among NGOs so that social initiatives can more easily become embedded in existing routines and behaviors, can draw on the insight of those most impacted, and can gain greater commitment for operational longevity. Facing an increasing HIV/AIDS crisis within the surrounding community, Bamburi Cement, a subsidiary of the French conglomerate Lafarge, looked to a well-institutionalized yet informal women's group to help develop and disseminate an HIV/AIDS program. The hiring of a clinician with experience in the community and knowledge of the women's groups was instrumental in this process, leading to a substantial increase in educational awareness of the disease:

> "HIV/AIDS was a problem for us and our employees. But you can't tackle this in-house without involving the community. So we brought in a local clinician who worked with the community before and I think even led one of these women's groups. So she knew how decisions were made by the community and the types of programs that would work. That was important for us."—Managing Director, Bamburi Cement

Consequently, while the urgency of the social issue may require immediate attention by the company, researching and leveraging existing institutional and social structures among communities and NGOs dramatically increases the effectiveness of the initiative while reducing public dependence on the firm. This reduces the possibility of white elephants.

Support Strategy

The second way that private enterprise may leverage its sphere of influence and/or enhance its competitive context in a way that is non-core to operations involves the use of its power and influence to support the achievement of broader public goals. Here, public responsibility does not entail the provision of public services such as education, health care, or physical infrastructure as much as it involves supporting the development of political infrastructure and will to assist in closing public welfare gaps such as social injustice, violence, and cultural intolerance. Support implies that the company leverages its position to facilitate action or affect change in those actors responsible for fulfilling public gaps. This may involve building capacity of governmental and civil society organizations to take on the fulfillment of public responsibility gaps or it may involve intervening in particular actions, taken by governmental organizations, that may or may not be in the best interests of pubic citizens. Critics of Royal Dutch Shell's hands-off approach to the Nigerian Ogoni conflict in 1995 called for increased intervention from the company to enforce fair and equitable treatment of captured activists.[21] Here, Shell was called on to exercise its influence to facilitate changes in governmental action but was instead complicit in ignoring human rights violations by those within its sphere of influence. Upon reflection, Shell's former Chairman remarked, "The biggest change . . . for an international corporation is this extension of responsibility . . . beyond just paying your taxes and beyond just relating effectively to communities around your factory fence."[22] Ultimately, under a support strategy, companies focus on supporting the establishment of an appropriate intermediary body, or encouraging shifts in the behavior of existing bodies, to make decisions for public welfare by developing social and political capacity to enable more effective social provision.

Consider Siberian-Urals Aluminum Company (Sual), a once independent vertically integrated aluminum producer located in Russia. When faced with deteriorating public health and education and limited small business capacity, Sual's approach to public responsibility included the development and creation of local self-governing bodies in and around the regions in which it operated. The company helped to create a public council for local self-governance reform in a region near its operations. The council identifies priority areas of public service provision while building a sense of ownership and accountability among elected officials around the development and implementation of specific projects. The company was also instrumental in facilitating the development of independent NGOs and helped create community foundations with a mandate to prioritize areas facing the most severe public deficits as defined by their respective communities. In Tanzania, a subsidiary of a South African sugarcane company supported the launch of an independent community-based trust in collaboration with the World Bank to spearhead the identification and implementation of projects that would enhance the livelihoods of independent sugarcane farmers on whom the firm relied for harvest. The trust sources its revenue from sugarcane using a plot of land that it leases from the company and uses this revenue for social projects, including a mobile health unit and physical infrastructure development for the community.

What we see then in the support approach is that while the company may continue to demonstrate a concerted effort to ensure the enhancement of its competitive context and the welfare of its broader sphere of influence, it achieves this through non-core operations that bolster institutions and the required political and social infrastructure to achieve public goals. Responsibility and accountability of specific public services largely remains in the control of independent third parties, leaving the enterprise to focus on management and facilitation. So whereas the supplement approach is more suitable for immediate social problems, the support approach is more effective in building up institutional capacity over the long term. Again though, a number of challenges face firms adopting this strategy.

Overcoming Mistrust and Superficial Relationships

While the company may have good intentions by committing to a support strategy, success is very much dependent on overcoming the mistrust communities typically have for the private sector, and in particular for large domestic and multinational organizations. To effectively facilitate the development of governance structures, companies must be able to move beyond the often superficial relationships that typically persist in these situations.

In our research in Africa, CEOs of companies employing a support approach commented on the importance of regularly visiting communities and senior chiefs to gain sensitivity to their ways of life. Some CEOs waited several hours before being allowed to see the senior chief—an important signal that the CEO was genuinely committed to learning about the community. Other CEOs lived in the rural community contexts to fully understand the needs of the surrounding community:

> "We all learned rather quickly that we really didn't know them. I've had to learn the hard way that these people move slowly and they are pretty wise people who've been around for a long time. They know what they want and they'll take a longer-term view than we will. So understanding these needs and their way of life was critical."—CEO, Multinational Ecotourism Company

In the same way that the company learns about the community, the community begins to understand the needs and motivations of the company through their relationship with company officials. Over time, as trust develops, both sides can begin to see the genuine nature of their commitments and, more importantly, understand their respective needs and responsibilities. The CEO of a large mining company effectively brought together 35 representatives of a community to develop a community relations policy that would set out the process of engagement while identifying public priority areas. The community presented the policy to the company's parent board of directors for approval. This example highlights the importance of creating conditions of mutual dependency that begin to spark conversations about self-governance and collective ownership, because the community begins to see its role in conjunction with, rather than in isolation from or in opposition to, the company. Without this mutual dependency, mistrust proliferates and relationships remain superficial.

Pressure for Short-Term Contributions

Unlike the supplement strategy, which demonstrates immediate results, a support strategy requires a greater investment of resources over time for results that do not garner immediate approval in the public eye. Companies seeking a license to operate in the face of substantial pressure from communities, customers, NGOs, or shareholders may struggle to justify investing such time and effort that, while potentially more sustainable in the long term, may fail to demonstrate any immediate, visible impacts. This is particularly acute for companies facing consumer or media pressure where managers typically experience a need to demonstrate that they have "solved" the problem to protect their brands. A senior manager of a forestry company in South Africa discussed the pressures associated with demonstrating visible commitments to the community in the form of physical infrastructure development, schools, and hospitals. Although he recognized the limitations of this supplement approach over the long term, he garnered very little support for a long-term institutional capacity building approach:

> "We see better public relations benefits in philanthropy. Giving him the fish carries more clout for customers in the West than teaching him how to fish."
> —Senior Executive, Global Forestry Products

To overcome this perception, companies should work to educate their stakeholders and put more emphasis on process rather than content—or, put another way, impact metrics rather than evaluative metrics. More specifically, a support strategy calls for a shift in focus away from the number of schools or hospitals built as the measurable outcome (evaluative) to a focus on the degree to which capacity has been built within local communities (impact). This means that companies should report less about financial expenditures and philanthropic contributions and more on qualitative issues around the process of engagement, community achievements of self-governance, and the operationalization of community leadership. Because of the time required to achieve these outcomes, engaging in a support approach is more appropriate when the firm is not facing any urgent gaps in public services. Ultimately, the firm's responsibility is based on the creation of legitimate, sustainable, and effective bodies that take accountability for the development, operation, and maintenance of public services.

Substitute Strategy

In a substitute strategy, the firm takes over direct delivery of public services, but in contrast to the supplement approach, here it does so as part of its core operations either through its core product/service or in the chain of activities responsible for delivering that product/service. In many cases, politically based public sector provision is substituted by market-based private sector provision, for example, in the case of privatized utilities or military security. This approach typically centers on the alignment of company strategy with new market opportunities, often as a result of institutional voids in the public sphere. Companies taking this route may or may not want to engage in the political dimensions of their business, but such elements are intrinsically linked to their business model.

Many of the most prominent examples of this strategy are in private utilities where governments privatize particular public services or contract them out to companies. However, in developing countries, a wide range of business models require effective private substitution of public services in the product/service itself as well as part of the activities meant to deliver the product/service. Consider &Beyond (formerly Conservation Corporation Africa), an ecotourism company based in Johannesburg with lodges throughout Sub-Saharan Africa. &Beyond targets consumers seeking a luxury adventure vacation with a company that demonstrates sustainable practices. However, a lack of community public services such as education, health care, and physical infrastructure surrounding game reserves resulted in substantial local resistance to the firm and consequential disruptions to tourism and conservation operations throughout the various regions in which it operated. As a result, &Beyond could not even hope to implement its private business without attending to the urgency of these wider public problems. To implement its model, &Beyond had to build schools and hospitals in the communities surrounding its game reserves. However, unlike Magadi Soda Ash where these provisions were unrelated to core operations, &Beyond incorporated the provision of these services into its broader value proposition to the consumer. As part of the holiday experience with &Beyond, consumers are exposed to the community development projects they indirectly fund through their service fees. Unlike traditional game reserves that exclude the community, &Beyond incorporates the provision of public services into the value preposition to the consumer allowing them to tap into a niche market of eco- and social-conscious developed country consumers:

> "We started to get signals from customers that community projects were something they wanted to see in their ecotourism experience. There is a growing niche market out there right now. The traveler wants to know where they're going and what's being done for the surrounding communities. It really confirmed that this stuff is not philanthropic but really a strategic benefit."—Senior Manager, &Beyond

&Beyond also fills public responsibility gaps by providing environmental education to the local community. This has led to a decrease in clearcutting of trees for firewood and poaching of fauna. So although the firm had a direct role to play in providing public services, it has done so as a value-creating activity and ultimately as part of the core value proposition to the customer, not simply as a philanthropic add-on.

In other cases, however, a substitute approach can exist in isolated parts of a firm's supply chain where the substitution is not a result of market opportunities as much as governmental incapacity to administer public services such as regulatory enforcement. With labor representing a substantial part of the apparel sector's chain of value-creating activities, the monitoring and enforcement of labor practices undertaken by various players in the industry effectively substitutes for the ineffective enforcement practices of developing country governments.[23] Companies such as Nike and Puma (and, increasingly, companies in other sectors) are faced with the task of policing labor practices throughout their supply chin by auditing factories, working with factory managers to improve conditions, and punishing behavior through the termination of contracts. Yet while private sector supplanting of governmental activities may represent an opportunity or a necessity, this approach poses challenges to executives.

Accommodating a Public Service Agenda

Companies substituting the public sector with a for-profit model carry substantial risks, especially in sectors that provide basic human needs such as food, water, safety, and human rights. The first challenge is related to the company's ability to remain committed to the interests of the public. Unlike a public sector organization whose ultimate purpose is satisfying public interests,[24] a private sector organization has, as its root, the creation of profit and shareholder value.[25] While the company may have the best of intentions, the private-based model carries with it a number of institutional constraints that could very well run counter to the needs of the community and subsequently derail the firm's public agenda. This derailment could occur when firms pursue traditional tactics of the private organization such as reducing costs, seeking to capitalize on new market opportunities or developing new business models. Such shifts in strategy could compromise the stability of public services created by the company, representing an important obstacle for strategic change if and when the firm is expected to adjust its strategy in the face of market changes. Ultimately, in its quest for complying with traditional responsibilities of the private organization, the firm may struggle to maintain its commitment to these public services.

To address this challenge, companies must separate those public elements that are most relevant for their strategic mission from those that can be outsourced to other actors, even if the development of actor competencies to conduct these activities requires support from the company. These additional actors are not mere peripheral service providers in the supply chain as much as they are equal partners in the execution of the business model. The inclusion of public actors as partners in the execution of this model creates a sanity check around whether the actions of the company are in the best interests of the public in which it serves. Successful managers shift the strategic frame of the firm to a state where competitive advantage originates from being adept at aligning complementary competencies across a number of actors by drawing on their specific institutional capability and knowledge. For instance, rather than employing its own private security, &Beyond worked with local partners to develop a community security service that polices poaching activity in and around the game reserves:

> "It was unusual in the tourism industry to have the community as a partner. But they knew the behavior of the poachers and they were best suited to police this problem, not us. I'm sure they were also weary of being in bed with the big mean company."—Senior Manager, &Beyond

This has resulted in an important edge over other game reserves in the area without attracting hostility from the local community. This same challenge exists with companies substituting governments in particular parts of their supply chain. Apparel companies have often expressed difficulty in monitoring and enforcing activities in their factories and have subsequently engaged in close dialogue with NGOs to assist in the independent monitoring process. NGOs, such as the Fair Labor Association (FLA) whose mandate is to protect workers worldwide, also represent important sanity checks on whether the firm's existing labor enforcement approaches are in the best interests of the workers.[26] This positions the company among public partners (available or new) so that public needs are constantly presented alongside the traditional interests of shareholders, forcing the firm to reconcile any tension as a regular part of its value-creating and public responsibilities.

Legitimizing Privatized Governance

The second challenge is related to stakeholder resistance to a strategy that effectively introduces an element of privatized governance into the provision of public goods. Fabio Rosa, a social entrepreneur in Brazil, developed a business model that provides inexpensive power to the rural poor in Brazil at a fraction of the cost of traditional power alternatives. Because the business model challenged the government's central power service, Rosa spent years gaining official buy-in from the Brazilian government. Only when the media got hold of the story did government acceptance start to develop. Yet resistance may also originate from below when existing public services are privatized. When the World Bank required Bolivia to privatize the water service of its third-largest city, U.S.-based Bechtel Corporation gained control of the city's water. This led to a public outcry as compromises needed to be made around access to food, education, and health care given that water commanded more than a quarter of many citizens' income levels.[27] Although the government was in full support of Bechtel, citizen revolt led to one of the most well-known resistance movements to privatization.

Our research indicated that effective substitute strategies occurred when companies recognized that they were merely one piece in a larger constellation of actors with interests in creating sustainable value. In the Bechtel example, there was very little in the way of a democratic process that incorporated citizens in the decision making around water privatization. Impressions that present the firm as the dominant actor in the provision of these services result in substantial backlash and resistance by local and international communities. Apparel companies now sit alongside universities, human rights groups, labor and religious organizations, and consumer advocates as one actor on the FLA. Successful companies use this position to ensure that the enforcement of fair labor practices is a joint effort rather than a company-specific initiative. Companies are thus advised to cut through the red tape and engage directly with communities and informal groups most affected by the privatized governance as early as possible including them in the process as a partner rather than just as consumer or critic. Successful companies thus build coalitions to establish effective systems of governance before they enter developing country markets. Playing this more "civil" role also provides an ongoing and very essential tension between the public and private sectors that assists in strategy refinement and also creates reciprocal ownership among public actors of the business model employed.[28] While Bechtel's partnership with the government was important, it lacked essential relationships with critical community and NGO groups at an early enough stage to gain their buy-in and input on what such a model, if permitted, would look like. Identifying the key points of leverage in the public debate and positioning the firm appropriately are crucial in managing the public relations threats that face private firms in delivering public goods.

Stimulate Strategy

In contrast to substitute strategies where firms provide public services directly, firms adopting a stimulate strategy drive new models of social provision through the development of political or economic infrastructure that addresses gaps in public welfare. Here, unlike the support strategy where public responsibility bears no relation to the company's core operations, working towards the achievement of public goals represents a pivotal component of the company's core operations. Under this strategy, firms leverage their products and services or their set of value chain activities to stimulate different forms of economic activity or regulatory behavior that directly or indirectly contributes to the achievement of public goals. For instance, information technology companies in the Global Network Initiative have made commitments to lobby governments against censorship of the Internet in order to better serve their developing country consumers.[29] Commercial microfinance organizations, on the other hand, represent a form of business that leverages its core service of financial loans as a means to build the economic infrastructure for the achievement of public goals, such as poverty alleviation. In these two examples, the firm's efforts are not related to the direct provision of public services as much they are meant to change the existing political and economic infrastructure through which public goals are achieved.

The stimulate strategy, however, can extend beyond one or two isolated parts of a firm's value chain and be manifested in the entire set of activities defining its business model. Consider SEKEM, an Egyptian-based company that developed a supply chain based on organic agriculture. SEKEM's business model is unlike a typical entrepreneurial venture that builds its business within the boundaries of the existing economic infrastructure of a given national context. Instead, the SEKEM model stimulated a parallel agriculture system that shaped the socio-economic infrastructure of Egypt by incorporating broader public goals related to social equity and ecological preservation. The business gained commitment from over 800 rural Egyptian farmers to transition their land to organic soil while securing a market with large customers in Europe. The business model also spawned the creation of the Egyptian Biodynamic Association (EBDA), an NGO established to promote organic agriculture in Egypt and to provide cultivation support for farmers. In executing this business model, SEKEM gained the support of new and existing players operating vertically and horizontally along this alternative agricultural supply chain. In effect, the transformative nature of SEKEM's model challenged the existing economic infrastructure solidified by governmental bodies in a way that incorporated, to a more inclusive and comprehensive extent, the public goals of the nation. When asked what instigated the business model, the founder, Dr. Ibrahim Abouleish explained:

> "On my last journey through Egypt I had experienced a deep sense of hopelessness caused by the way of life of the Egyptian population. This had deeply moved me . . . I felt compassion for these people who could not be made responsible for their situation, but were forced to bear it and had learnt to carry it. Through SEKEM, I felt I would be able to change this situation of hopelessness and liberate them from their misery."—Ibrahim Abouleish, Founder, SEKEM

A stimulate strategy, then, sees firms introduce products and services (such as microfinance loans), initiatives related to the supply chain (such as global network initiatives), or comprehensive business models (such as alternative agricultural models) that lay the foundation for shifts in political and/or economic infrastructure and inevitably lead to a systemic contribution to broader public goals. Yet, while impactful, there are important challenges to consider.

Access to Resources and Support

Disruptive innovations of this kind require careful nurturing. The development of path-breaking business models, for instance, requires access to critical financial, social, and human capital along with stakeholder support to help legitimize the enterprise.[30] Success in accessing these resources requires a portfolio of capabilities, but critical amongst them is the need for agility and flexibility in the face of competing expectations from funders, clients, and others in the course of testing and refining the approach. This implies that while the entrepreneur may have predefined notions of what the business model will look like, success will likely be a function of incorporating a wide range of inputs due to the entrepreneur's dependence on these stakeholders. While access to resources is especially relevant for the entrepreneur, large companies working to stimulate changes in developing country regulation require political support from a range of actors including NGOs, competitors, industry associations, and human rights groups. This flexibility and input is especially important so that the business is able to generate the critical mass required to challenge existing economic and political infrastructure.

Honey Care Africa, a small farmer-centered enterprise based out of Nairobi Kenya, worked closely with Africa Now, a local Kenyan NGO, to develop a tripartite model linking the public and private sectors with rural farmers. While the founder of the business had original ideas for its design, his engagement with this NGO early on was instrumental in refining the approach to ensure that the model stimulated interest from communities to adopt an alternative approach to agriculture:

> "The NGOs, who have been here for a long time, have done a lot of work at the cross streets and thus have developed the capacities of very many communities through a myriad of projects. And so we felt that the easiest way to actually reach the communities effectively is to go partner with these stakeholders."
> —Co-Founder, Honey Care Africa

Similar to the SEKEM model, Honey Care Africa set out to challenge existing agricultural practices in Kenya by building an alternative supply chain that was built on broader public goals of poverty alleviation, small farmer access to markets, fair and equitable treatment of farmers, and environmental conservation. Because the NGO, Africa Now, already had offices located throughout Kenya, Honey Care targeted these regions to develop its supplier base of farmers. This provided Africa Now's recipients with a much needed continual stream of income for access to public services while providing Honey Care with the social capital it required to build its supplier base. So the extent to which disruptive business models can challenge existing agricultural models and create the trickle-down effects for the achievement of broader public goals will depend on collaborative partnerships with those organizations that have the resource and institutional capacity to make it happen.

Overcoming Institutional Norms and Biases

Related to the resource challenge is the difficulty in overcoming existing norms and biases to which existing stakeholders have grown accustomed. SEKEM's founder, Ibrahim Abouleish, recalls visiting farmers around Egypt to encourage their transition to biodynamic cultivation and facing substantial resistance due to the 2-3 year conversion time required, not to mention the unknown potential of organic produce in the late 1970s. Successful managers are persistent and creative in helping stakeholders visualize how new approaches to business will better achieve their objectives compared with traditional approaches.

More importantly, however, firms are advised to seed multiple small-scale changes and to create islands of innovation rather than going straight for direct institutional change. The establishment of a microfinance bank was certainly not the original intention of Muhammad Yunus, founder of Grameen Bank. Grameen Bank arose through a series of steps whereby Yunus slowly began to realize that the most sustainable means of reaching large numbers of poor people would be to employ a banking model, but in a way that would provide loans to those most in need. Grameen Bank represents an example of a business that leverages its core service of financial loans as a means to build the economic infrastructure for the achievement of public goals. He explained:

> "The whole Grameen story started with a blank sheet of paper. I never knew ahead of time that I was going to have a bank. All I was doing was trying to demonstrate that poverty alleviation can be achieved. It eventually became clear that a banking model was best. But with more than half of the population of the

world unable to take out loans from existing financial institutions, I had to turn the existing banking system around so that the poorest people were receiving loans."—Muhammad Yunus, Founder of Grameen Bank.[31]

Getting the Strategy Right

Choosing the right strategy in responding to public service deficits is becoming a key management task in developing country contexts. However, there is no one-size-fits-all solution. Industrial sector, regional context, national factors such as economic and legal infrastructure, as well as company values and resources will all play a part in determining the most effective course of action. Crucially though, the role of the private sector in the provision of public services is growing in light of the increasing power of business and the lack of existing alternatives in developing country contexts. If private enterprise is to take this role seriously, managers need to be aware of the different approaches to public responsibility and their associated challenges.

In terms of public service provision, the supplement approach is recommended in situations of urgency or in situations where firm activity merely augments existing governmental efforts. The substitute approach should be pursued cautiously and only when the firm considers itself as one piece of a larger puzzle of actors working towards broader public goals and has the appropriate structures and measures in place to effectively and without compromise combine its commitment to profitability with the public agenda. In terms of developing infrastructure for public goals, the support approach is highly recommended for those firms operating in sectors unrelated to public services yet in contexts where the potential exists to develop a local governing body or improve the political capacity of one that is already present. On the other hand, the stimulate approach is best for those businesses that can leverage their core product and service or their broader chain of activities to foster change in the political or economic landscapes that determine how public goals are achieved.

It is also clear that successful firms need to remain agile in the face of changing internal and external circumstances. This may require a shift from one strategic approach to another or ambidexterity in executing multiple strategies concurrently. For instance, consider the case when a firm gets locked into a supplement strategy but its leaders want to reduce the burden of their political role. Magadi Soda Ash, for example, initially employed a supplement strategy, but then over time transitioned to a more indirect support approach:

> "As the community got more involved, we started to question our role as a company in terms of doing all this philanthropic stuff. Maybe they should be the ones to manage this. In fact, they were having the same thoughts."—Former Managing Director, Magadi Soda Ash

Realizing that they were ill-suited to make decisions on public welfare and uncomfortable with the government-like role the company was playing, senior executives worked with the local community to build a municipal council made up of locally elected officials. Magadi Soda Ash then formalized a committee that encompassed elected chiefs and company executives to identify priority areas for the firm's public programs. As a result, whereas the company was initially responsible for overseeing the community health unit, for example, responsibility was eventually shifted to the community. This reduced the company's costs, minimized its obligation to operate activities for which it had little expertise, and enabled the local community to develop its own effective health care services.

Firms may also transition away from non-core forms of public responsibility to initiatives that are more central to strategy. BancoReal's establishment of a microfinance arm is an example of a transition from a supplement to a stimulate approach, while CEMEX's market expansion to the slums of Mexico represents a substitution for governmental public housing initiatives. Mining and extractive companies may transition to a stimulate approach by supporting the development of local small businesses to build capacity in their respective supply chains.

The conditions under which these changes should be made are largely based on the specific gaps in public service or welfare surrounding the firm along with the commitment level of the organization. Clearly, pursuing public responsibilities that address broader gaps in public goals represents a more comprehensive and complex approach than limiting commitment to the provision of specific services such as health care, policing, water distribution, or education. Companies should seek out information related to the underlying causes of public welfare gaps not only in their immediate competitive context but in their broader sphere of influence to determine whether the gaps are merely caused by missing public services or more comprehensively by the underlying political and economic infrastructure meant to achieve public goals. For instance, companies operating exclusively in the substitute strategy may be providing public services that represent remedies for symptoms of an underlying issue related to how public goals are achieved. The company may subsequently fall victim to community backlash regardless of the approach employed. While shifting to a stimulate strategy may represent too radical a shift for the firm, it may be worthwhile engaging in the support approach to bolster institutions that can effectively and democratically make decisions related to public service provision. In contrast, firms may need to complement their substitute approach with a supplement model where they take on other public services not related to their business to augment existing governmental efforts in situations of urgency. For instance, a water distribution company may assist in the development of housing services or partner with housing developers for those clients who face freak weather events.

Consequently, the four strategies introduced here are not mutually exclusive. Companies may find the need to tread different strategies. For instance, SEKEM complements its stimulate approach with the direct provision of education and health care on its mother farm just outside Cairo, while a mining company may need to commit to a supplement and support strategy concurrently especially when operating in conditions where the provision of public services is urgently required. The apparel sector's self-regulation of fair labor practices may tread both substitute and stimulate strategies. On the one hand, as already discussed, apparel companies adopt a substitute approach by replacing governmental policing of factory working conditions. On the other hand, companies have engaged in a stimulate approach in Kazakhstan by boycotting the sourcing of Kazak cotton in an effort to promote government action on forced and child labor. The economic carrot associated with foreign direct investment has encouraged many developing country governments to comply with MNC investment conditions, including the institutionalization of laws banning child labor and other unfair labor practices.[32] Thus, to effectively fill gaps left by government, many companies may need to develop a portfolio of strategies that caters to their specific operating context.

Conclusion

We have outlined the different types of strategies—supplement, support, substitute, and stimulate—firms adopt as they seek to discharge public responsibilities left underserved by government actors.

The message for managers of private enterprise in developing countries is clear. The burden of public responsibility is real, and only by effectively developing an appropriate strategic orientation can programs be developed in ways that add value both to the business and to the communities in which they operate. While researchers and practitioners may have voiced anxieties about the blurring of the lines between the economic and political spheres, such definitional debates overlook the very real problems of management in developing countries.[33] Companies must be ready to face challenges not commonly experienced in industrialized countries, where public infrastructure is typically already in place. Present research and management best practice tends to presume that public policy exists to guide firms in their social responsibilities. However, increasingly companies are forced to blur the lines between private and public activities by taking on roles typically undertaken by government bodies. This presents new and frequently unforeseen challenges not typically faced by companies. These challenges require carefully crafted solutions that are tailored to the specific strategic context in which firms are located.

APPENDIX A
Case Illustrations

Case in Point #1
Magadi Soda Ash: Supplementing Public Services

A subsidiary of the India-based Tata Group, Magadi Soda Ash is located 120km south of Kenya's capital, Nairobi. The company is situated adjacent to Lake Magadi, a body of water with a high concentration of various minerals resulting in a crusty surface of trona. Magadi breaks up the trona and crushes it at its processing plant into a fine powder known as soda ash. The soda ash is an ingredient in common detergents and glass. The remote location of Lake Magadi affords it very little governmental public services. At the time of the company's founding, there was no running water, educational facilities, health facilities or roads. Close to 30,000 Masai people live within a large geographic region surrounding the plant. In light of government incapacity, Magadi Soda has been responsible for developing the public services required to effectively operate its factories and operations. This public responsibility extends beyond the physical boundaries of the firm as the company installed and maintains the main highway that links Nairobi to Magadi in addition to the rail line that connects Magadi to the main Nairobi-Mombasa highway. While both transportation arteries are necessary to assist in company operations, they are available to the public.

Magadi Soda built and staffed the community hospital which sees over 10,000 patients annually, a secondary school in the region which includes over 15 buildings equipped with renewable sources of energy, running water, and other basic services for the school, which is located 20 km from the main town of Magadi. After a major drought in 1999 that led to greater pressure on the company to assist the surrounding Masai, the company began to question its supplement approach and initiated a more inclusive support approach that shifted its focus from the direct provision of public services to the gradual building of capacity of a central governing body. This governing body is made up of community senior chiefs, elected officials, NGOs, and company representatives and is charged with the broader responsibility of community welfare. This shifted the responsibility of public service provision from the company to this central body. Today, any issues related to public services are dealt with through this central mechanism with each actor providing important resources and capabilities.

Case in Point #2
SEKEM: Stimulating Alternative Approaches to Agriculture

With only $150,000 and a network of friends and supporters, Ibrahim Abouleish, the founder of SEKEM, launched a "mother farm" in the Egyptian desert, 60 km outside of Cairo. Abouleish founded SEKEM in response to a "deep sense of hopelessness caused by the way of life of the Egyptian population" and a determination to "liberate them from their misery." His goal was to heal the people and the land, and to build an organization for the comprehensive development of society in Egypt. Abouleish and SEKEM won the Right Livelihood Award (also known as the Alternative Nobel Prize) for integrating commercial goals with the promotion of social and cultural development of society. Over 120,000 trees were planted to create a shield from desert storms and a habitat for insects and animals. Wells were drilled at depths of more than 100 meters. Despite only 4% of the land in Egypt being suitable for agriculture, SEKEM built up soil fertility gradually using the dung of 40 cows donated by friends in Germany.

The 2004 Schwab Foundation "Outstanding Social Entrepreneur" went door to door educating farmers about the benefits of organic crops and the potential of the growing European market for organic produce. He guaranteed a market for all produce, at fair prices, using a supplier network that ran alongside the socially and ecologically detrimental effects of the existing agricultural system in Egypt. SEKEM founded the Egyptian Biodynamic Association, a knowledge and learning institution, to build the organic agricultural capacity of the Egyptian farmers, stimulating an alternative agricultural model that is based on fair prices, ecological preservation, sustainable livelihoods, and cultural development. SEKEM is now working closely with over 800 farmers across a group of six companies ranging in operations from the processing of herbs, spices, and fresh fruit and vegetables to textile manufacturing and pharmaceuticals.

APPENDIX B
Methodology

To best examine public responsibility strategies, we employed an inductive, qualitative research design, which involves exploring new phenomenon without preconceived hypotheses or expected theoretical outcomes.[34] We used 30 company case studies in three broad sectors of agriculture, manufacturing, and services across a range of developing country contexts (see Table 1). All 30 companies were profit-based, ranging in size from large subsidiaries of multinational corporations to profit-based social enterprises. The sample was structured into two parts. The first group of 16 cases was selected based on interviews conducted with International Finance Corporation (IFC), the private-sector arm of the World Bank Group. IFC investment officers were helpful in identifying companies perceived to have a positive social impact on their surrounding communities, and that operated in contexts with substantial governmental voids related to the provision of public services and the achievement of public welfare. A second set of 14 cases was then identified in order to replicate and extend our emerging theory by adding further diversity within the three sectors and extending the context to other developing countries.

The data collection took place from November 2004 to February 2008. An average of 10 interviews was conducted for the first 16 cases across various levels inside the organization and with external stakeholders including senior community leaders, NGOs, farmers, government, and other relevant stakeholders. Several observations were documented during extended company visits of three to five days and archival data were collected to triangulate findings emerging from the primary data. Eight of the first 16 cases were visited and examined more than once to help uncover mobility across public responsibility strategies.

Data analysis followed best practice grounded theory methods and began as soon as data collection commenced to create overlap between data collection and data analysis.[35] This overlap was important because it assisted in theoretically sampling the second phase of cases to validate emerging conceptualizations of public responsibility by extending the study to additional business models, sectors, and regions. Manual coding of the 150 interview transcripts, observation notes, and archival data was used to understand the nature of the interface between the companies and their political role. Common themes were identified across the data sources for each case to compile 16 separate within-case analyses. From there, cross-case analyses were conducted to identify common themes across cases. This involved looking for differences in public service provision in seemingly similar cases and looking for similarities in public responsibility in seemingly different cases.[36]

Based on the cross-case analysis of these 16 cases, a preliminary typology of private enterprise public responsibility strategies emerged using two relevant dimensions. Moreover, a number of different challenges associated with each approach were identified in addition to approaches to overcome these challenges. The 14 additional cases were helpful in refining the typology and ensuring that the challenges introduced were indeed representative of the four approaches. While the 14 cases added in the second phase did not include primary data, coding of available archival data was sufficient to conduct within-case analyses and more importantly cross-case comparisons with the other cases. Ultimately, we were very confident having examined 30 cases across multiple sectors and contexts that the four public responsibility strategies identified were representative of firm political responsibility in developing country contexts.

Notes

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3. S. Lewis, *Race Against Time* (Toronto: House of Anansi Press, 2005); J. Stiglitz, *Globalization and Its Discontents* (New York, NY: W.W. Norton & Co., 2002); J. Stiglitz, *Making Globalization Work* (New York, NY: W.W. Norton & Co., 2006).
4. E.g., Stiglitz, (2002), op. cit.; Stiglitz, (2006), op. cit.
5. D. Matten and A. Crane, "Corporate Citizenship: Towards an Extended Theoretical Conceptualization," *Academy of Management Review*, 30/1 (January 2005): 166-179; G. Palazzo and A. Scherer, "Corporate Social Responsibility, Democracy, and the Politicization of the Corporation," *Academy of Management Review*, 33/3 (July 2008): 773-775; J. Moon, A. Crane, and D. Matten, "Can Corporations be Citizens? Corporate Citizenship as a Metaphor for Business Participation in Society," *Business Ethics Quarterly,* 15/3 (July 2005): 429-453.
6. See for example, S. Hart, *Capitalism at the Crossroads: The Unlimited Business Opportunities in Solving the World's Most Difficult Problems* (Upper Saddle River, NJ: Wharton School Publishing, 2005); A. Scherer and G. Palazzo, "Toward a Political Conception of Corporate Responsibility: Business and Society Seen from a Habermasian Perspective," *Academy of Management Review*, 32/4 (October 2007): 1096-1120; Matten and Crane, op. cit.; G. Palazzo and A. Scherer, "Corporate Legitimacy as Deliberation: A Communicative Framework," *Journal of Business Ethics,* 66/1 (June 2006): 71-88.
7. J. Bakan, *The Corporation: The Pathological Pursuit of Profit and Power* (Toronto: Viking Canada, 2004).
8. Hart, op. cit.; C. Prahalad, *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits* (Upper Saddle River, NJ: Wharton School Publishing, 2005); C. Prahalad and S. Hart, "The Fortune at the Bottom of the Pyramid," *strategy+business,* 26 (first quarter 2002): 1-14.
9. T. Dunfee, "Do firms with unique competencies for rescuing victims of human catastrophes have special obligations? Corporate Responsibility and the AIDS Catastrophe in Sub-Saharan Africa," *Business Ethics Quarterly*, 16/2 (April 2006): 185-210; Matten and Crane, op. cit.; S. Elankumaran, R. Seal, and A. Hashmi "Transcending Transformation: Enlightening Endeavors at Tata Steel," *Journal of Business Ethics*, 59/1-2 (June 2005): 109-119.
10. J. Elkingon and P. Hartigan, *The Power of Unreasonable People* (Boston, MA: Harvard School Publishing, 2008); C. Seelos and J. Mair, "Social Entrepreneurship: Creating New Business Models to Serve the Poor" *Business Horizons*, 48/3 (May/June 2005): 241-246. D. Wheeler, K. McKague, J. Thomson, R. Davies, J. Medalye, and M. Prada, "Creating Sustainable Local Enterprise Networks," *Sloan Management Review* 47 (Fall 2005): 33-40.
11. Scherer and Palazzo (2007), op. cit. For a perspective specifically focusing on the USA, see S. Barley, "Corporations, Democracy, and the Public Good," *Journal of Management Inquiry*, 16/3 (September 2007): 201-215.

12. For an earlier discussion of public responsibility in a developed country context, see L. Preston and J. Post, *Private Management and Public Policy: The Principle of Public Responsibility* (Englewood Cliffs, NJ: Prentice Hall, 1975). For a review of its subsequent incorporation into models of corporate social performance, see D. Wood, "Corporate Social Performance Revisited," *Academy of Management Review*, 16/4 (October 1991): 691-718. In these accounts, public responsibility is defined as "functions of organizational management within the specific context of public policy," where the assumption is that an effective, well-functioning public-policy process defines a regulative environment that sets the criteria for effective management of corporate responsibilities. In contrast, we consider contexts where such an environment is either largely absent or incapacitated in some way. We recognize the diversity across developing countries when considering aspects such as governmental corruption and capacity, legal infrastructure, and social issues. Although the strategies we identify here span different contexts, firms should be aware of the variation in country level characteristics.
13. Although there are several definitions of Corporate Social Responsibility, we consider CSR to encompass corporate actions "that appear to further some social good beyond the interest of the firm and that which is required by law." A. McWilliams and D. Siegel, "Corporate Social Responsibility: A Theory of the Firm Perspective," *Academy of Management Review,* 26/1 (January 2001): 117-127, at p. 117.
14. For a discussion of "political CSR" see Scherer and Palazzo (2007), op. cit. An "extended" view of corporate citizenship is provided by Matten and Crane, op. cit.
15. Some of the companies mentioned as illustrative examples in the presentation of our findings are not included in the sample.
16. A firm's activities "that are performed to design, produce, market, deliver, and support its product" or service is called its value chain. M. Porter, *Competitive Advantage* (New York, NY: The Free Press, 1985), p. 34. Porter also suggests that each firm's value chain "is embedded in a larger stream of activities" [p. 34] that he calls the "value system." The value system could consist of upstream raw material suppliers' value chains, the focal firm's value chain, downstream distributor and retailer value chains, and the ultimate buyer's value chain. Both value chain and value systems are considered here.
17. Porter and Kramer prioritized social issues faced by a firm in a similar manner. M. Porter and M. Kramer, "Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility," *Harvard Business Review,* 84/12 (December 2006): 77-92.
18. United Nations Global Compact: "Business has Important Role in Bridging Cultural Divides," April 7, 2009, New York, NY, accessed September 5, 2009, <www.unglobalcompact.org/NewsAndEvents/news_archives/2009_04_07.html>.
19. A. Crane, D. Matten, and J. Moon, *Corporations and Citizenship* (Cambridge: Cambridge University Press, 2008), p. 53.
20. Matten and Crane, op. cit.
21. D. Wheeler and P. Moszynski, "Blood on British Business Hands," *New Statesman & Society,* 8/379 (November 17, 1995): 14; BBC News, "Nigeria's Removal of Shell Hailed," BBC News, June 5, 2008, accessed September 10, 2008, <http://news.bbc.co.uk/go/pr/fr/-/2/hi/africa/7437247.stm>.
22. Sir Mark Moody-Stuart, referenced from Bakan, op. cit.
23. S. Waddock, C. Bodwell, and S. Graves "Responsibility: The New Business Imperative," *Academy of Management Executive,* 16/2 (May 2002): 132-148.
24. These derailments are not limited to the private sector. There is indeed reference made to such derailments befalling public bodies where governments abuse public sectors. For example, see A. Kruger, "Government Failures in Development," *The Journal of Economic Perspectives,* 4/3 (Summer 1990): 9-23; M. Datta-Chaudhuri, "Market Failure and Government Failure," *The Journal of Economic Perspectives,* 4/3 (Summer 1990): 25-39.
25. J. Margolis and J. Walsh, "Misery Loves Companies: Rethinking Social Initiatives by Business," *Administrative Science Quarterly*, 48/2 (June 2003): 268-305.
26. D. Murphy and D. Mathew, "Nike and Global Labor Practices," a case study prepared for the new academy of business innovation network for socially responsible business, 2001, accessed September 10, 2009, <http://docs.google.com/gview?a=v&q=cache:kB2yrI7_IAgJ:www.newacademy.ac.uk/publications/keypublications/documents/nikereport.pdf+nike+ngos&hl=en&gl=ca&sig=AFQjCNEHQZafRLUIUS_AlvE8_PEzlIhiOA>.
27. Bakan, op. cit.

28. S. Zadek, “The Path to Corporate Responsibility,” *Harvard Business Review*, 82/12 (December 2004): 125-132.
29. For more information on the Global Network Initiative, see <www.globalnetworkinitiative.org>.
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