# MULTINATIONALS IN THEIR COMMUNITIES: A SOCIAL CAPITAL APPROACH TO CORPORATE CITIZENSHIP PROJECTS

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**Abstract**
The objectives of this research are to provide new ways of thinking about and measuring the extent and effectiveness of multinational company efforts to contribute to society via their corporate citizenship (CC) (or corporate social responsibility - CSR) programmes. It uses as its method of analysis the emerging literature relating to the theory and measurement of social capital. The paper summarises the findings of a forthcoming book (from Palgrave, 2007).

We begin by discussing the concept of corporate citizenship in the context of the multinational. We go on to introduce the concept of social capital employed in the study. Next we summarise our case study evidence with cases from Anglo American and Diageo. Following this, we review our statistical and econometric analysis which maps the community engagements of UK multinationals in South Africa, US multinationals in Mexico and EU multinationals in Poland. We demonstrate the usefulness for analysis of social capital thinking in this context and make suggestions for future work.

**JEL Codes**: M14, Z13

**Keywords**: Social capital; Corporate citizenship; Corporate Social Responsibility; Multinational companies.

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**Multinationals in their Communities:**
**A social capital approach to corporate citizenship projects**

## *1. Introduction*

This paper concerns the coalescence of three different themes: multinationals, corporate citizenship and social capital. It summarises ongoing research, aimed at producing a book[i], into the measurement, impact and motivation behind multinational corporate citizenship programmes. It uses as its method of analysis the emerging literature relating to the theory and measurement of social capital. We draw on insights from the economic, strategic management and sociological literature and employ an interdisciplinary approach in our analysis.

The objectives of our research are to provide new ways of thinking about and measuring the extent and effectiveness of multinational efforts to contribute to society via their corporate citizenship (CC) (or corporate social responsibility - CSR) programmes. We also seek to analyse case studies to provide examples of good practice efforts by companies to engage with the communities in which they operate. We also seek to understand what might motivate such programmes and their significance in the economic development of developing countries.

Social capital provides a useful means of understanding the successful achievement of development goals. A working definition of this would be 'the social channels and mutual understandings that expedite or hamper action'. Social capital can be found (or found lacking) and analysed in an extremely broad array of contexts and scales. Typically it is seen in management literature in other contexts, including knowledge management (Maskell, 2001, von Hippel, 1999), alliance management (Tsai and Ghoshal, 1998, Koka and Prescott, 2002, Gulati et al., 2000, and Adler and Koon, 2002), employee motivation (Cohen and Prusak, 2001 and Prusak and Cohen, 2001), and analysis of grassroots business initiatives (Lyons, 2002).

There have been numerous treatments of multinational CC / CSR in developing nations, but social capital-based analysis has not yet been widely used. This is a shame because it is a useful analytical construct and an actionable tool when looking at CC / CSR in any context. But it is also tailor-made for understanding the developmental outcomes and aims that characterise firm engagements in host countries, given that the two dominant analyses of the concept (both of which are outside management literature) are provided by the political scientist

Robert Putnam's analyses of engagement in the civic sphere (Putnam, 2000) and the developmental economist Michael Woolcock's critiques of development policy (Woolcock, 1998, 2000).

The paper is structured as follows. Section 2 discusses the concept of corporate citizenship in the context of the multinational. Section 3 introduces the concept of social capital employed in the study. Section 4 summarises our case study approach with cases from Anglo American and Diageo. Section 5 reviews our empirical analysis which maps the community engagements of UK multinationals in South Africa, US multinationals in Mexico and EU multinationals in Poland. Section 6 offers a conclusion and suggestions for future research.

## *2. Corporate Citizenship and the Multinational*

Multinationals (MNCs) are increasingly important actors in economic development. They currently account for 33% of world exports and 10% of world GDP (UNCTAD, 2005). Foreign affiliates of multinationals are extremely significant agents of productivity growth with 16% of global private sector R&D (UNCTAD, 2005). These numbers are increasing over time. Developing countries that display greater openness to multinationals have higher rates of economic growth. The significance of multinationals is magnified by their presence as key purchasers of local inputs, agents of globalisation and their high international transparency and accountability to home governments, shareholders and consumers.

Corporate citizenship relates to how companies would like to act towards wider society. An example of a definition used by a leading proponent of corporate citizenship is that used by the international alcoholic drinks firm, Diageo: *'For Diageo, corporate citizenship means acting responsibly in everything we do – where our business impacts on society and the environment, how we govern our company and conduct ourselves in business. As with individual citizenship we believe such responsibility confers rights – to trade freely and be treated fairly. Clearly, this balance is essential to the sustainability of our business.'*[ii]

Corporate citizenship has emerged from corporate social responsibility. However it is subtly different from it. The dropping of the term 'responsibility' is significant, particularly for many companies with significant negative environmental or social impacts. Such companies want to be seen to be good citizens but not necessarily held fully accountable for all of the consequences of either the production or consumption of their products. Corporate citizenship is also rather different from corporate philanthropy where companies simply wish to give money to good causes with little regard for the benefits to the company of such giving. Rather it is, as the definition from Diageo suggests, about being accepted by society such that the company can trade sustainably.

Corporate citizenship (or corporate social responsibility) programmes do involve companies contributing substantial resources to environmental, developmental, educational and other programmes. In the UK the top 250 companies contribute around \$1.5bn annually in cash and additional resources in kind.[iii] In the US the top companies contribute around \$13.5bn in cash and donations[iv]. However in the US individual business people, such as Bill Gates and Warren Buffet, also give very significant amounts of business acquired wealth to charity.

The significance of this activity is not just about the direct economic resources involved, it is also related to the reputation of the companies which become tied up with their corporate citizenship commitments, the risk management aspects of projects, the impact of such programmes on corporate political lobbying and effect on the 'soul' of the company via the perceptions and behaviour of employees. However there remains the question as to what extent such activities are genuinely contributing to society versus acting as 'greenwash' which allows companies to avoid privately costly but socially beneficial regulation.

*3. Social capital*

Social capital can be defined as those '*features of social organisation, such as trust, norms and networks, that can improve the efficiency of society by facilitating co-ordinated actions.'*(Putnam, 1993, p.167)

Social capital is an extremely useful analytical concept because it can be used to explain the efficacy for economic activity of different social relations. This immediately suggests why corporate citizenship programmes - as deliberate attempts to improve the social relations enjoyed by a company - might have direct and indirect economic and social benefits. It is also a bridging concept between sociology, political science and economics which allows these disciplines to understand phenomena of mutual interest in language which resonates within each discipline.

The theory of social capital has been developed by many authors within several disciplines. Social capital seems to work by improving societal trust (especially outside ones family and ethnic group), reinforcing good norms of behaviour (such as honesty, work ethic and pro-enterprise) and via improved networking between individuals (especially with the influential or well informed). Economists have seen clear links between social capital and the game theory of co-operation and trust (e.g. Dasgputa, 2000). Others might see social capital is linked clearly to issues of social inclusion.

Social capital can be characterised as having scope, form and channel (Grootaert and Bastelear, 2002). *Scope* refers to which sorts of actors are involved. This can be micro (person to person), macro (society level) or meso (vertical, e.g. between a senior company official and a local resident). *Form* refers to the method by which social capital is created. This can be cognitive (by changing attitudes and perceptions) or structural (via creating a forum for interaction, such as a committee). Cognitive forms of social capital can involve competence trust whereby social actors become more willing to trust the ability of counterparties to deliver or goodwill trust where social actors are more willing to risk social or commercial dealings in the expectation (rather than the evidence of) a positive outcome (Sato and Helper, 1996). Structural forms of social capital either involve creating new social networks or forums for cooperation, adding members to existing networks or improving links between social actors. Improved links between social actors are particularly important when weak ties are created (Granovetter, 1973). Social capital in this sense can either be glue that provides social cohesion or the lubricant that helps members of society to rub-along together (Padlam, 2000). Forms of social capital which bridge structural holes in society may be particularly important (Burt, 2001), because these build social relations between otherwise poorly connected groups (such as local villagers and national politicians). Vertical relationships between the well connected and the poorly connected also add potency to social capital (Lin, 2001). *Channel* refers to the way in which the acquired social capital translates into positive social outcomes. Channels of social capital include the improved education which the forms of social capital facilitate and the collective action which they make possible (Collier, 2002). Collective action can correct government and social failures. Additional channels are via improved employment stability (Glaesar, Laibson and Sacerdote, 2002), social cohesion, improved radius of trust (individuals being willing to trust others more different from themselves (Fukuyama, 1999)) and improved norms of behaviour. As Woolcock (2000) points out, the basic focus of social capital building activity, is the improved quality of social relations.

In our analysis we make use of the above characterisation of social capital in our case studies of individual multinational corporate citizenship projects. However we also attempt to build on some of the empirical social capital literature which attempts to measure social capital in different contexts in order to test various hypotheses about economic and social development. This is an important task as it has proved difficult to measure phenomena in CC and CSR, especially with respect to inter-company or cross-country comparison. This has the effect of limiting the amount of statistical hypothesis testing that can be applied in this area. By contrast the concept of social capital has now developed to the point where measures of social capital do lend themselves to hypothesis testing (for examples see Knack and Keefer, 1997 and Putnam, 2000 who link low social capital to poor economic performance). Our paper therefore incorporates an attempt to contribute to the debate about the CSR / CC impact of multinationals, in the light of developments in the empirical social capital literature. The empirical social capital literature has itself focussed on measurement at the level of the country (e.g. Knack and Keefer, 1997) or the region (e.g. Putnam, 2000) rather than at the level of the company, as in this paper. The sort of quantification that we suggest may prove useful to concerned companies seeking to benchmark themselves against others, and to development agencies seeking to improve the image and impact of multinationals in host countries.

## *4. Case studies in corporate citizenship*

In our work we have conducted four detailed case studies of the corporate citizenship programmes of Diageo, GSK, Anglo American and Vodafone. The case study on Diageo has appeared in long version (Bek, Jones and Pollitt, 2005).

In each case we have worked with the corporate citizenship department of the company to review their overall programme and to select three or more specific corporate citizenship projects for detailed review and analysis using the concepts of social capital outlined in section 3. The review has consisted of company interviews together with third party verification via interviews and correspondence with independent NGOs or outside partners in the projects. We have also undertaken a limited number of interviews with independent NGOs to verify our general interpretation of the types of projects these companies are engaged with. We have also reviewed any relevant published literature on the companies or their corporate citizenship projects.

For the purposes of illustration we will discuss two of our case study projects.

*Anglo-American Zimele Empowerment Initiative.* Anglo American is a large mining firm with a significant portion of its assets in South Africa. The Zimele project is a Black Economic Empowerment (BEE) Initative aimed at offering venture capital support to black entrepreneurs. The company has put up around 15 million Rand (c.US$2m) to fund the capital of the scheme as well as management time and company contacts. A typical entrepreneur receives an injection of capital in return for a minority equity stake. The entrepreneur will then receive advice and often be given support in winning supply contracts with Anglo American. The scheme has been running since 1998 in its current form. So far an estimated 4000 jobs have been created by Zimele supported companies with the failure rate being 50% of the national average. 55% of Zimele companies are no longer dependent on financial support from the scheme, their initial minority equity stakes having been sold by Zimele. The South African government has shown considerable interest in the scheme and has entrusted the running of a similar government backed scheme to Zimele.

*Diageo-Earthwatch Institute Environmental Champions scheme.* Diageo runs an annual competition among its employees to select 15 environmental champions who will spend a week working with the charity Earthwatch on one of their environmental projects (such as saving a rare species in the rainforest). The champions will then be expected to return to the company to set up an in-company environmental project (such as improving the environment around a brewery). The company makes an annual donation of £100,000 (c.US$50,000) in addition to the employee time. The project has helped build corporate identity inside a firm which has been through many mergers and which consists of well-known brands. The champions are very enthusiastic about what they have learned and some have set up projects with positive financial payoffs for the company. One managed to save significant sums by substantially reducing the water consumption at her brewery.

The social capital impacts for the two projects are discussed below and summarised in Table 1.

*Table 1 : Social Capital Impact Analysis*

| **Scope-** | | **Zimele** | **Earthwatch** |
|---|---|---|---|
| Micro: | Person to person | ** | ** |
| Meso: | Vertical relationships | *** | * |
| Macro: | Institutional | ** | * |
| **Form-** | | | |
| Structural: | Networks | ** | ** |
| | Bridging structural holes | ** | * |
| | New membership | * | * |
| | Ties & glue/lubricant | * | ** |
| Cognitive: | Competence/goodwill | ** | *** |
| **Channel-** | | | |
| Information: | Improved education | ** | |
| Collective action: | Correct government/social failure | *** | |
| Misc: | Employment stability | ** | |
| | Social cohesion: | ** | ** |
| | Increased radius of trust/distrust | ** | * |
| | Norms of behaviour | ** | ** |

**Key**: no stars – minimal impact, * - some impact, ** notable impact, *** potent impact.

Perhaps the most striking aspect of the Zimele programme is the wide array of social capital impacts being facilitated. The principal constituencies benefiting through these impacts are the individual entrepreneurs and Anglo American itself, although it should be acknowledged that there are broader benefits being stimulated within society as a whole and the top levels of the South African government. The scope of Zimele's impacts is evident in several ways. Zimele has opened up unheralded opportunities for individual black entrepreneurs who are able to access person to person support from staff members at Anglo American and Zimele itself. The most significant effect of Zimele is the way that doors are opened for the entrepreneurs such that they are able to interact with senior managers within Anglo American's subsidiaries and divisions. Such access is critical to the potential success of their businesses as these individuals are the gatekeepers to the contracts that are the lifeblood of the embryonic businesses. The direct facilitation of such connections can be seen as a classic example of Lin's vertical relationships of scope. At an institutional level the programme has enabled constructive links to be developed between Anglo American and the highest levels of South Africa's government. In this context it should be noted that relationships between the government, especially President Thabo Mbeki, and Anglo American's senior management have recently been fraught. However the President's interest in Zimele may be perceived as a form of rapprochement, helping to build institutional trust and develop a sense of goodwill. Equally, the Presidential showcase of Zimele projects has the potential to assist government advisors in devising means to support the nation's small and medium sized enterprise sector; an area where the government has struggled to make an impact. By bringing major corporations into the policy making loop and thus providing an opportunity for the 'DNA of business' to be disseminated there is a possibility that a significant structural hole within policy making networks can be rectified.

There are other clear social capital gains being made by Anglo American via Zimele. The firm's divisions and subsidiaries are able to access a new network of suppliers of goods and services. The fact that these small firms are backed by Zimele acts as a form of recommendation implying that the standards of services/products will be of a good quality. Thus, the link with Zimele helps to build networks of trust. From Anglo American's perspective the existence of a growing network of new suppliers is important as it validates their commercial decision to focus upon subcontracting and enables them to meet the BEE targets set by the government. As well as building links with national government, Anglo American plc have been able to use Zimele as a vehicle to access global institutional networks via the development of connections with the United Nations and the International Finance Council.

Clearly the promotion of BEE via legislative means is central to the ANC's overall policy platform and Anglo American's high profile support for this policy via Zimele can be seen as important in normalising BEE within South Africa's broader business environment. Furthermore, Zimele's promotion of good business practice, including debt servicing, fulfilment of contractual obligations and so forth is important in constructing the type of business culture that is essential for generating an entrepreneurial culture within South African society.

The social capital outcomes from the Earthwatch programme are relatively limited. This is due to the nature of the programme whereby the particular skills of the Earthwatch champions are relatively unimportant in terms of their contribution to the field project and there is little scope for significant network development or skill/knowledge transfer. Indeed, whilst the work completed through the Earthwatch programme is extremely worthy some observers have noted that the programme's full potential is not developed due to the way that the programme is commonly practiced. Diageo's variant of the Earthwatch programme does, however, generate some social capital developmental through its follow-up local action plans. At a local level these can stimulate beneficial outcomes including the promotion of positive norms of behaviour in relation to attitudes to the environment and the promotion of employee goodwill within the firm. Indeed, many of the beneficial outcomes are internalised within the firm itself in terms of building networks amongst the champions and in promoting cohesion and structural ties across the firm.

Table 2 summarises both the nature of the scope, form and channel of social capital in the two projects. It also offers additional comment on the contribution from the company and the wider societal learning from the project, evidence of its sustainability and an assessment of the output of the project for society - in terms of the meeting the relevant Millennium Development Goals (MDGs) - and the output for the company. The wider societal learning from the project is important because the best private sector development projects can be useful learning experiments which might be rolled out more widely by other private firms or government agencies. The evidence of sustainability is worth highlighting because social capital building initiatives which have demonstrated a robustness are clearly of more value than the more ephemeral initiatives which by their nature may undermine future private sector initiatives. The outputs for society are measured with reference to the relevant UN Millennium Development Goal that the project helps achieve. MDGs reflect internationally agreed development targets for 2015. CC projects can help in meeting these goals. Goal 1 is 'Eradicate extreme poverty and hunger', Goal 7 is 'Ensure environmental sustainability', and Goal 8 is 'Create a global partnership for development' (UN, 2006). The company outputs reflect the direct benefits to the long term profitability of the company. The highlighted benefits include defensive protection against further regulation, improving the local society on which it depends, improving company sensitivity to environmental issues and attracting

***Table 2***
***Nature of Social Capital Components and Contribution***

| | *Network vitality* | *Partners* | *Geographic extent* | *Degree of social boundary crossing* | *Contribution* | *Learning* | *Sustainability* | *Output for society (MDG Goal)* | *Output for company* |
|---|---|---|---|---|---|---|---|---|---|
| *Anglo Zimele* Anglo American | Trust, open | Local and national govt | National | Significant | Sharing of business skills etc | Model transferred internationally | 55% recipients no longer dependent | Goal 1, Goal 8 | Defensive, Society dependence |
| *Earthwatch* Diageo | Exclusive | One NGO | International | None | Limited | Only learning within the company | Highly dependent on company | Goal 7 | Company sensitivity, Attracting staff |

staff who value the company's community spirit. Clearly the Zimele project has superior social capital outcomes to the Earthwatch initiative in most dimensions.

## *5. Network Engagement Mapping of multinationals in three countries*

This section summarises the emerging results from our quantitative empirical analysis. We have three samples of multinationals for analysis: 37 UK multinationals in South Africa, 73 US multinationals in Mexico and 49 EU multinationals in Poland. The UK sample was collected in 2001, the US in 2002 and the EU in 2003. Some detailed results are reported in Jones, Nyland and Pollitt (2001, 2002 and 2004).

In each case we identified all the multinational subsidiaries active in the host country with more than 250 employees. We conducted an internet search of their named corporate citizenship projects. We mapped the number of projects and their type (e.g. crime, arts, education) for each firm. We mapped the level of engagement (i.e. international, national or local). We measured the degree of company involvement (e.g. on the committee, donation of resources). This allows us to come up with a network engagement score for each firm that sums the scores from each CC project within the host country. The nature of our network engagement mapping is summarised in Table 3. The engagement mapping draws on the empirical social capital literature (following Putnam, 1993) that places an emphasis on counting the number of social interactions which social actors have as a way of getting at the amount of social capital e.g. the number of clubs which someone is a member of.

**Table 3:** ***Varieties of Geographic Level, Partners, and Scoring system for Extent of Commitment***

| ***Regional Level*** | ***Partners*** | ***Abbreviation*** | ***Extent of Commitment*** |
|---|---|---|---|
| Transnational | International Organisation (e.g. UN/World Bank) | Int. Org | Endorsement (indicating support for a program without specific details) = 1 Point<br><br>Active non-committee membership = 3 Points<br><br>Active committee membership = 4 Points<br>Resource Donation = 1 additional point |
| | NGO (e.g. Red Cross) | NGO | |
| | Academia | Acad | |
| | MNCs | Firm | |
| National | National Government | Gov | |
| | National NGO | NGO | |
| | National Institution (e.g. a Museum) | Instit | |
| | National Firm | Firm | |
| Local | Local Government | Local Gov | Endorsement = 1 Point<br><br>Resource Loan = 3 Points<br><br>Resource Donation = 4 Points |
| | Local Institution (e.g. Schools, hospitals) | Local Instit | |
| | Local Firm | Local Firm | |
| | Individual | Individ | |

We also constructed a norm score which reflects the quality of a company's reporting of its CC activity, its ease of access to information about its community funding and also a measure of participation in internationally recognised sustainability initiatives. This score was out of maximum of 10. This measure was interesting because it measured the 'rhetoric' of CC activity and this could be correlated with the actual level of CC activity, as measured by the network engagement score.

An example of the type of engagement scoring that emerges from the scheme outlined in Table 4. Table 4 refers to US multinationals in Mexico. We group the multinationals by sector. The scores under the issue columns represent the number of projects weighted by depth of engagement. The Regional level columns divide the Issue based scores by level of engagement.

**Table 4.** ***Sample Network engagement scores, by sector (Institutional dimension aggregated for brevity)***

| **Pharmaceuticals & Healthcare** | **Issue addressed by projects** | | | | | | | | | **Level** | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Edcn** | **Yth** | **Hlth** | **Env** | **Dvpt** | **Ethic** | **Arts** | **Oth** | **Total** | **T** | **N** | **L** |
| Abbott Labs | | | | | | | | | | | | |
| AHP/Wyeth | | | | | | | | | | | | |
| Baxter International | 2 | 12 | 8 | | | | | 4 | **26** | | 10 | 16 |
| Becton Dickinson & Company | | | 9 | | | | | | **9** | | 5 | 4 |
| Bristol Myers Squibb | | | 3 | 2 | 10 | | | | **15** | 5 | 7 | 3 |
| Eli Lilly | | | | | | | 3 | | **3** | | 3 | |
| Merck | | | 14 | | | | | | **14** | 1 | 13 | |
| Pfizer | | | | | | | | | | | | |
| Pharmacia Corp | | | | | | | | | | | | |
| **Total** | **2** | **12** | **34** | **2** | **10** | | **3** | **4** | **67** | **6** | **38** | **23** |
| Mean | 0.2 | 1.3 | 3.8 | 0.2 | 1.1 | | 0.3 | 0.4 | **7.4** | 0.7 | 4.2 | 2.6 |
| Std Dev | 0.7 | 4 | 5.3 | 0.7 | 3.3 | | 1 | 1.3 | **9.3** | 1.7 | 4.9 | 5.3 |
| Max | 2 | 12 | 14 | 2 | 10 | | 3 | 4 | **26** | 5 | 13 | 16 |
| Min | | | | | | | | | | | | |

Edcn=education; Yth=youth; Hlth=health; Dvpt=development; Ethic=ethics; Arts=Arts; Oth= Other.
T= International, N=National, L=Local

This type of analysis immediately allows comments to be made on the amount, type and level of engagement of firms. In Table 4 Baxter International scores highly while Abbott Labs scores 0. While there is an unsurprising emphasis on health projects (Hlth), Bristol Myers Squibb favour development projects (Dvpt).

The results show considerable variation between firms within each of the three samples. Some firms have very significant projects (in terms of social capital), but many firms exhibit a zero network map score. For each sample we seek to explore the drivers behind this econometrically. For the US firms in Mexico and UK firms in South Africa we have data on industry of activity, on global and host country size of the firms and the presence of a joint venture. We can also relate norm and network map scores. For UK firms we additionally have information on the existence of a listing on the Johannesburg Stock Exchange and the global CSR spend. For US firms we have information on the age of the Mexican subsidiary. For both samples we find substantial industry effects on social capital building activity but a surprisingly small subsidiary size effect. This suggests that while there are some obvious drivers of CC activity, the amount of CC activity is difficult to explain systematically.

**Table 5: Explaining Mexican Network Engagement Scores**

| | 1 | 2 | 3 | 4 |
|---|---|---|---|---|
| Dependent Variable | NETMEX | NETMEX | NETMEX | NETMEX |
| No.of observations | 73 | 42 | 33 | 33 |
| $R^2$ | 0.176 | 0.415 | 0.336 | 0.427 |
| Adjusted $R^2$ | 0.087 | 0.274 | 0.114 | 0.166 |
| F-statistic | 1.983* (7,65) | 2.931** (8,33) | 1.516 (8,24) | 1.636 (10,22) |
| **INPT** | **5.029** (1.022) | **4.115** (1.158) | **19.690***** (2.781) | **13.408** (1.374) |
| **CHEMICAL** | **2.350** (0.359) | **-0.007** (-0.001) | **-1.998** (-0.394) | **-2.542** (-0.516) |
| **FOOD** | **-6.348** (-0.909) | **-7.898** (-1.287) | **-10.499*** (-1.925) | **-11.189**** (-2.083) |
| **INDUST** | **-4.493** (-0.687) | **-5.582** (-1.029) | **-8.471** (-1.649) | **-7.855** (-1.568) |
| **ELECTRIC** | **-3.220** (-0.491) | **-4.440** (-0.830) | **-11.297*** (-1.924) | **-12.705**** (-2.208) |
| **MANUFACT** | **5.052** (0.795) | **-2.327** (-0.433) | **-9.698*** (-1.811) | **-5.753** (-1.016) |
| **MISC** | **-4.031** (-0.588) | **-8.089** (-1.195) | **-7.586** (-0.828) | **5.370** (0.476) |
| **REVENUE** | **0.000***** (2.902) | **0.000***** (4.279) | **0.000***** (2.773) | **0.000**** (2.294) |
| **MEXREV100** | | **-0.070** (-0.322) | | |
| **AGESUBSID** | | | **-0.249**** (-2.081) | **-0.303**** (-2.474) |
| **JV** | | | | **-4.924** (-1.182) |
| **NORM** | | | | **1.352** (1.468) |

*= significant at 10%, **=significant at 5%, ***=significant at 1%.
t-statistics in parentheses.

As an example of the empirical analysis which network engagement mapping facilitates we report the most interesting regressions for the US sample in Table 5. The dependent variable in the engagement score. The CHEMICAL to MISC variables are sector dummies. REVENUE measures global company size. Equation 1 is the base regression looking at the impact of industry relative to Pharmaceuticals and Healthcare. This regression suggests no role for industry and a significant revenue effect. However the R-bar squared is low indicating that less than 9% of the variation in scores is explained by the equation. Equation 2 shows that share of Mexican revenue in worldwide revenue (MEXREV100) significantly improves the fit of the regression but the parameter is insignificant and negative (though the sample size is reduced to 42). Equations 3 and 4 suggest a significant negative role for age of subsidiary (AGESUBSID). Joint ventures (JV) are negative but not significant. Norm scores have no significant effect in Equation 4.

The sample of EU multinationals in Poland allows us to examine country of origin effects on CC activity, as we have MNCs originating from the UK, Netherlands, France, Germany, Sweden and Italy in our sample. Network map and norm scores are only weakly correlated indicating a gap between rhetoric and CC activity. As for the earlier samples we are able to undertake econometric analysis in order to example the network map score using data on industry of activity, on global and host country size of firms, the age of the subsidiary and the presence of a joint venture. However we have also collected data on the absolute number of global corporate citizenship projects broken down by location in home country, Poland or rest of the world. This allows us to investigate the presence of home country bias and relate global social capital building projects to industry and size. We find a weak relationship between size in Poland and social capital score and a strong relationship between the level of worldwide CC activity and activity in Poland. We also suggest that firms that are good at CC are good everywhere, regardless of the size of their individual subsidiaries.

## *6. Conclusions and future research directions*

We believe that social capital concepts offer a useful way of thinking about corporate citizenship policies of multinationals. They facilitate detailed analysis of case studies and also open up the possibility of measurement and empirical testing of hypotheses on samples of data. The likely longer term impact of engagement is well measured by social capital.

The issue of corporate citizenship is not going away and there is a need to focus on successful engagement to deliver maximum impact and minimise reputational risks.

MNCs need to play to core strengths in engagement, this should focus activity but limit public expectations of what they can do. The successful Zimele project was successful precisely because it was close to Anglo-American's core business competencies. However all of the CC spending in South Africa is only equal to 1.5% of health and education spending by the government, so it is important to keep the likely contribution of the private sector in perspective.

Engagement should not be seen by companies as merely about public relations (PR). It is important that company corporate citizenship does yield demonstrable societal benefits or else it will backfire as a PR tool due to external cynicism towards it. MNC engagement can pay long term dividends in goodwill with some projects (which have little immediate PR value) yielding unexpected dividends. Engagement that works is the best way of creating a positive public image for a company. Glossy reports, vacuous claims and ineffective projects are counterproductive and waste shareholder funds.

Our analysis suggests that the current pattern of CC projects within a country can only be weakly explained. This leaves questions still to be answered around the issue of what explains the observed patterns of behaviour. Are observed patterns of behaviour driven wholly by concerns for public relations and brand-image building? On what basis should MNCs choose the quantity, level and type of engagements, given that it is not all clear that there is a rational basis for current observed choices? Within the context of current debates about the impact of multinationals on the development of the countries in which they operate this should be a question that they should be able to formulate a clear and convincing answer to. It also needs to be demonstrated that corporate citizenship projects are a good use of shareholder funds and a positive contribution to society. Analysis such as ours suggests one way of assessing this.

The process of deciding exactly *how* companies should deploy their focus in engagement is a different question, for a separate study, but our observation is that firms that perform strongly in social capital building have higher quality decision-making processes with respect to community involvement, and act accordingly.

## Notes

[i] Jones, Pollitt and Bek (2007).

[ii] Lord Blyth of Rowington and Paul S Walsh (Diageo, Corporate Citizenship Report 2005, p.1)

[iii] Business in the Community. See www.bitc.org

[iv] Committee to Encourage Corporate Philanthropy. See www.corpphilanthropy.org

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