Chapter 15
Corporate Social Responsibility in Water Services:
A Developing Country Perspective

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ABSTRACT

Water companies have attracted minimal attention in the corporate social responsibility literature. This chapter examines conceptual issues regarding the applicability and relevance of CSR principles in a public service industry. It aims to bridge the gap that exists between the CSR and water service discourses by offering some initial ideas on the CSR issues of particular relevance to this industry, with emphasis on developing countries. We suggest re-examination of relationships with poor communities, a different understanding of the role of the government, and the adoption of industry-wide, as opposed to company-specific, social responsibility schemes.

INTRODUCTION

The debate over the role of corporations in society has been fuelled by a series of recent corporate scandals that have resulted in invigorated attention to methods of corporate control and accountability. In the developing world – farther from the lenses of the world media – corporate failures and scandals have also been common. Globalisation, experienced by many in the developing world as falling incomes and deterioration of living standards, has encouraged resistance to corporate power and its economic beneficiaries. The intensified debate has brought about demanding questions regarding the relationship and accountability of corporations vis-à-vis third-world governments and societies at large. Nowhere else has the debate been more intense than in controversies over the privatisation of public sector utilities, and water services in particular.

Water is a basic necessity of life and is often seen as a "gift of nature". Privatisation of water services excites very strong sentiments among large segments of a population, particularly among the poor. As one example, following a sharp increase of up to 200% in water tariffs

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in Cochabamba, Bolivia in 1999 civil unrest escalated to an outright armed intervention of government forces that resulted not only in the ousting of "Aguas del Tunari" (a consortium led by International Water Limited, jointly owned by the US construction company Bechtel and the Italian energy company Edison, that also included Spanish and Bolivian partners) but also – in what many describe as the "First Water War" - to loss of human life. (Lobina, 2000)

Conflicts such as these, and the heated debate about water privatization more generally, raises questions about the social responsibilities of private water service companies: do the existing concepts of corporate social responsibility fully capture the issues at stake in the case of water privatization? The principal objective of this paper is to establish a link between the corporate social responsibility (CSR) and water services discourses and highlight some CSR issues of specific relevance to the water service industry. Our focus is on the developing world, as the social impacts of water privatization are potentially most acute in developing countries.

A STAKEHOLDER PERSPECTIVE

A recent surge in media and academic interest in CSR may suggest that theory of the corporation-society interface is a recent phenomenon. The reality is that a long list of authors since Adam Smith, and beyond, has exercised their minds on the subject. Nevertheless there are numerous unresolved theoretical and empirical issues in CSR (not least of which, a universally agreed definition of CSR) and academics have drawn on several existing theories to explain, critique and study the area. Theories drawn on include: agency theory (Friedman, 1970); stakeholder theory (Freeman, 1984; Donaldson and Preston, 1995); institutional theory and classical economic theory (Jones, 1995); a resource-based-view-of-the-firm (Penrose, 1959; Barney, 1991; Wernerfelt, 1984; Hart, 1995); economic models of CSR (Baron, 2001; Feddersen and Gilligan, 2001) and; systems theory (Preston and Post, 1975). We propose that stakeholder theory may be further developed in the discourse on CSR in the water industry.

Since the word "stakeholder" first appeared in management literature in the 1960s discussion of the concept diverged in a number of directions: corporate planning literature (Ansoff, 1965; Taylor, 1977); systems theory literature (Churchman, 1968; Ackoff, 1970; Davis and Freeman, 1978); corporate social responsibility literature (Post, 1981; Dill, 1975; Ackerman, 1975; Ackerman and Bauer, 1976; Murray, 1976; Hargreaves and Dauman, 1975; Wheeler and Sillampaa, 1997; Mahon and Warwick, 2003; Martin, 2004 and; Post, James, Preston and Sachs, 2002) and organisational theory literature (Rhenman, 1968 and; Katz, Kahn and Adams, 1980).

The distinguishing feature of the stakeholder literature on corporate social responsibility is that it can be viewed as applying the stakeholder concept to non-traditional stakeholder groups who are usually thought of as having adversarial relationships with the firm. In particular, less emphasis is put on satisfying owners and comparatively more emphasis is put on the public, the community or the employees.

Stakeholder dialogues (with consumers, retailers, suppliers, business partners, shareholders, investors, employees, trade unions, host and local communities, NGOs, civil society and academia) first made an appearance in the mid-1990s, initiated by "cooperatively inclined" NGOs such as World Wildlife Fund and progressive companies like the Body Shop (Van Tulder and Van der Zwart, 2006). Although most companies agree that stakeholder engagement is not a panacea and cannot be used to talk away all differences of opinion, it is increasingly being employed. Although there is no one best way of conducting strategic stakeholder dialogues the entrance of a company into conversation with stakeholders does signify its willingness to listen more seriously to