The UN Global Compact and the Enlightenment tradition: 
A Rural Electrification Project Under the Aegis of the UN Global Compact

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Abstract

Despite extensive academic debate as to what CSR and other related concepts ought to encompass, there is a lack of critical analysis of what CSR in practice entails, i.e. what actually constitutes CSR practices. This paper critically addresses this question by focusing on one of the most influential CSR initiatives – the UN Global Compact. We demonstrate that the Global Compact principles are rooted in a European Enlightenment tradition and, based on a study of an Asea Brown Boveri (ABB) CSR project in a Tanzanian village, we illustrate how these Global Compact principles translate into corporate projects that challenge local institutions, while leaving the underlying Global Compact principles unquestioned. The paper concludes by opening a space for discussing the desirability of the Enlightenment ethos manifested in Global Compact projects.

Key Words: Corporate social responsibility, Enlightenment, institutional theory, rural electrification, low-income markets, UN Global Compact, ABB
Introduction

Over the past decade, managers have paid increasing attention to corporate social responsibility (CSR) issues (e.g. Waddock et al., 2002). Managerial practice of and academic research into CSR share a common denominator – the CSR trend is almost exclusively described as desirable. The main criticisms levelled against the trend are: i) that business should not conduct CSR activities, i.e. the well-known Friedmanesque criticism that “the social responsibility of business is to increase profits”1 (Friedman, 1962, p. 133) and that social development should not be driven by voluntary corporate initiatives (e.g. Kuper, 2004; Jenkins, 2005; Thérien and Pouliot, 2006), and ii) that MNCs only pay lip-service to CSR, i.e. MNCs are criticised for decoupling their espoused principles from their actual practices (e.g. Weaver et al., 1999; Sethi, 2002; Welford, 2002; Laufer, 2003). While important, these criticisms miss the heart of the CSR movement. The Friedmanesque criticism addresses who should perform the acts of social responsibility, while the decoupling criticism addresses the level of social performance. However, they both leave the central content question unasked: What constitute CSR practices? Furthermore, “CSR” as an encompassing social discourse has been deemed rather vague and disconnected from debates on international development that have a long history (Michael, 2003).

This paper critically addresses these questions in relation to how MNCs discharge CSR in a developing nation context. Since there exists a plethora of CSR initiatives, standards, and practices (e.g. Dahlsrud, 2008), this paper focuses on one of the most influential of these CSR initiatives – the United Nations’ Global Compact. We first analyse the Global Compact policy principles of CSR, and then how negotiations between firms and stakeholders in actual projects alter these principles. While there exists an extensive theoretical and normative literature as to what CSR ought to mean (e.g. Carroll, 1999; Matten and Crane, 2005), there is still less research into CSR practice- and process-related questions (cf. Rowley and Berman, 2000; Newton, 2002; Åhlström and Egels-Zandén, 2008).

This paper attempts to answer these practice and process questions, drawing on a qualitative study of Asea Brown Boveri (ABB) practices in a rural electrification project explicitly launched as a CSR project in response to the UN Global Compact. ABB’s project is also part of one of the newest CSR trends, namely, the tendency for MNCs to address the bottom of the economic pyramid (e.g. London and Hart, 2004; Prahalad, 2005). The idea underlying such efforts is that with MNCs increasing their profits and growth by selling products to the poorest four billion consumers of the world, social improvements should simultaneously come to them. In the same spirit in which other CSR practices are presented, Hart and Christensen (2002, p. 56) explain that, “By taking a great leap to the base of the pyramid, they [MNCs] will be giving themselves a chance for sustained corporate growth while also helping to lift the poor out of poverty and opening the way to sustainable growth for the global economy”. The studied ABB project can be regarded as a CSR project in three related ways: first, it is presented by ABB as a CSR project; second, it is a response to the UN Global Compact; and third, it

1 Although Milton Friedman argued for profit maximisation within legal (and arguably ethical) boundaries, in this paper his position is taken to represent the position of profit maximization within legal boundaries as well as the stricter idea of profit maximization without restrictions.
is part of the bottom of the pyramid movement. The focus in this paper is particularly on
the second of these aspects, i.e. a project launched as a response to the UN Global
Compact.

The Enlightened principles of the UN Global Compact

With over 2,500 companies having signed the UN Global Compact, these principles are
among the, if not the, best recognised CSR principles (e.g. Cavanagh, 2004; Fussler,
2004; Kuper, 2004). The idea of the UN Global Compact is that companies, by
complying with the ten principles of responsible corporate practice, will help realise “a
more sustainable and inclusive global economy”. The ten principles of the UN Global
Compact are as follows:

*Principle 1*: Businesses should support and respect the protection of internationally
proclaimed human rights; and

*Principle 2*: make sure that they are not complicit in human rights abuses.

*Principle 3*: Businesses should uphold the freedom of association and the effective
recognition of the right to collective bargaining;

*Principle 4*: the elimination of all forms of forced and compulsory labour;

*Principle 5*: the effective abolition of child labour; and

*Principle 6*: the elimination of discrimination in respect of employment and occupation.

*Principle 7*: Businesses should support a precautionary approach to environmental
challenges;

*Principle 8*: undertake initiatives to promote greater environmental responsibility; and

*Principle 9*: encourage the development and diffusion of environmentally friendly
technologies.

*Principle 10*: Businesses should work against all forms of corruption, including
extortion and bribery.

The first six principles of the UN Global Compact (and arguably also the tenth
principle) are closely linked to human rights issues – both outside (principles 1–2 and
10) and inside the corporate context (principles 3–6). More specifically, these principles
are closely linked to the 1948 Universal Declaration of Human Rights (principles 1-2
directly and principles 3-6 indirectly), which focuses on civil–political rights and
liberties. This declaration is in turn closely linked to a liberal notion of civilization
strongly rooted in European and U.S. ideals (e.g. Sieghart, 1986; Renteln, 1988;
puts it: “Contemporary international human rights norms, no less than the classic
standard of civilization, are European in origin”. Furthermore, “European human rights
initiatives have been missionary in the best sense of that term, seeking to spread the
benefits of (universal) values enjoyed at home” based on the idea that “a standard of
civilization is needed to save us from the barbarism of a pristine sovereignty that would
consign countless millions of individuals and entire peoples to international neglect”
(Donnelly, 1998, p. 15–16). More specifically, several researchers have linked these
human rights values to the European Enlightenment tradition (e.g. Renteln, 1990; de
Bary and Weiming, 1998; Doise *et al.*, 1999; Koshy, 1999; Freeman, 2002; Langlois,
2002; Tomuschat, 2003). Hence, principles 1–6 and 10 expressed in the UN Global

Compact can be regarded as an attempt to promote ideals rooted in a European and U.S. tradition, and a European and U.S. standard of civilization closely linked to the Enlightenment tradition.

The seventh, eighth, and ninth principles of the Global Compact could be linked to what Gladwin et al. (1995) identify as technocentrism. This is particularly evident in the ninth principle, which states that firms should “encourage the development and diffusion of environmentally friendly technologies”. Such technocentrism focusing on technological and market solutions to environmental problems could, like the other Global Compact principles, be linked to the European Enlightenment tradition (cf. Sandström, 2002). The link between Global Compact principles and the European Enlightenment tradition is most easily understood if one bears in mind that the European Enlightenment tradition emphasises individual rights, rationality, reason, and science in the interests of creating a better world by combating ignorance, religion, superstition, and oppression. The European Enlightenment tradition of the seventeenth and eighteenth centuries builds on the concept of “natural rights” as derived from nature and/or reason, and is hence closely linked to the notion of human rights (e.g. Koshy, 1999; Freeman, 2002). The Enlightenment tradition also emphasises that these rights are universally applicable, as reflected in the 1948 Universal Declaration of Human Rights (e.g. Langlois, 2002). Besides individual rights, the European Enlightenment tradition also emphasises rationality, reason, and science, and the presence of these ideals is most clearly illustrated in the environmental principles of the UN Global Compact with their emphasis on technological solutions to environmental problems. Hence, the ideological foundation of the environmental principles of the UN Global Compact (principles 7–9) and the social principles (principles 1–6 and 10) is – at a policy level – rooted in a mainly European Enlightenment tradition.

Institutional challenges within power relations
To map how these policy principles of the Global Compact are translated into corporate practice, we make use of an institutional theory framework. We assume that organising is mediated by institutions (e.g. Bourdieu, 1977; Giddens, 1984; Brunsson, 1989), i.e. through mechanisms generally taken for granted by the actors involved. We also assume that any single actor must adapt to its institutional environment (e.g. Meyer and Rowan, 1977; DiMaggio and Powell, 1983), and that all institutional environments manifest and support values and interests that benefit some actors more than others (e.g. Fligstein, 1991; Sjöstrand, 1993).

The creation or change of an institutional environment will likely challenge such values and interests, and, at least partly, alter which actors benefit from the institutional set-up (e.g. DiMaggio and Powell, 1991; Barley and Tolbert, 1997; Seo and Creed, 2002). Therefore, changes in institutional environments can be expected to be “rife with conflict, contradictions, and ambiguity” (DiMaggio and Powell, 1991, p. 28), and the individual actor’s ability to achieve change will be constrained by others who are “likely to resist reopening previously negotiated agreements” (Barley and Tolbert, 1997, p. 102). Consequently, it is necessary to analyse the plays for public opinion and other power relationships present in these institutional change processes (e.g. DiMaggio, 1991; Fligstein, 1991; Beckert, 1999; Maguire et al., 2004). Despite this, discussions of power and conflict of interest are fairly rare in many American and Scandinavian
versions of institutionalist theory (e.g. DiMaggio and Powell, 1991; Blomquist, 1996; Beckert, 1999; Maguire et al., 2004), although some authors have made efforts to deal with power relationships (e.g. Sahlin-Andersson, 1989; Czarniawska and Joerges, 1998; Beckert, 1999; See and Creed, 2002; Maguire et al., 2004; Drori et al., 2006). Since matters have yet to evolve so far in the here studied and still ongoing ABB project, we will in this paper not discuss matters in terms of institutional change but rather institutional challenges and foreshadowed changes.

Method
To capture the institutional challenges and foreshadowed changes induced by Global Compact projects and to analyse the mechanisms underlying them, we make use of materials from an explorative case study of an ABB project in the village of Ngarambe, Tanzania. The reliance on qualitative research methods is in line with the suggested methods for studying MNCs in low-income markets (e.g. London and Hart, 2004) and for providing detailed descriptions of institutional change processes (e.g. Garud et al., 2002; Maguire et al., 2004).

The ABB Access to Electricity project in Ngarambe was chosen for a case study for several reasons. First, ABB is among the most active MNCs in terms of CSR. For example, ABB has issued sustainability reports since 1998, has a code of conduct, and is a part of several progressive groups and coalitions, namely: the UN Global Compact, Amnesty International Business Group, International Committee of the Red Cross, Transparency International, World Business Council for Sustainable Development, CSR Europe business network, Global Village Energy Partnership, Business Leader Initiative for Human Rights, World Childhood Foundation, and expert groups developing the Global Reporting Initiative guidelines. Via these activities, ABB promotes global standards of responsible business practice wherever it operates (however, ABB statements regarding compliance with local law could in practice imply a multitude of standards globally). Second, ABB is also highly ranked for its CSR activities by, for example, Dow Jones Sustainability Indices, FTSE4GOOD, Business in the Environment, Sarasin Bank, SiRi Company, and the Swedish Environment Fund. Third, in ABB’s portfolio of Global Compact and CSR activities, the Access to Electricity project is a key activity, representing ABB’s main response to the Global Compact; this is indicated, for example, by the fact that Access to Electricity is one of the few concrete projects having a dedicated link on the ABB website. Hence, ABB represents an active MNC in terms of CSR, and Access to Electricity represents a central part of its CSR and Global Compact activities. The studied project in Ngarambe comprises the first actual field project in the Access to Electricity initiative, and can consequently be seen as one of the most central and prioritised operationalisations of ABB’s general CSR and Global Compact commitment.

ABB was created in 1988 from a merger between the Swedish company ASEA (founded 1883) and the Swiss company Brown, Boveri & Cie (founded 1891). It is one of the largest engineering companies in the world, and mainly focuses on electrical power and automation technologies. It has extensive experience in electrification projects, although limited experience in small-scale rural electrification projects involving less than 200 houses. Compared to ABB’s total costs of USD 16,830 million (as of 2005), the entire Access of Electricity initiative costs represent less than 0.05 per
cent. With the project so far not being profitable (at least not in terms of its direct revenues), it is reasonable to assume that while the project is a key CSR and Global Compact project for ABB it is not a key project for ABB. Similarly, ABB’s Access to Electricity investment is insignificant compared to other actors’ total investments in rural electrification in South America, Asia, and Africa – or even compared to investments in Tanzania alone (cf. Yang, 2003; Ilskog et al., 2005; Bhattacharyya and Dey, 2007). Hence, the Access to Electricity case should be seen as a symbolically important ABB Global Compact project that illustrates the operationalisation of the Global Compact principles, not as a financially significant investment for ABB or as a significant part of rural electrification investments in Tanzania and Africa.

Materials for the ABB study were collected from written documentation and via direct observation and interviews. Using semi-structured interviews, thirty-four representatives of ABB and its various village stakeholders, governmental stakeholders (e.g. the Swedish International Development Cooperation Agency – SIDA, and Tanzanian government agencies), non-governmental stakeholders (e.g. the United Nations Development Program – UNDP, the World Bank, the World Wildlife Fund – WWF, and unions), and business stakeholders (e.g. Ericsson and Tetra Pak) were interviewed. Each key representative involved in the studied project in Tanzania was interviewed two to five times for an average of one and a half hours (these key representative included village representatives, ABB Tanzanian and international representatives, and WWF Tanzanian and international representatives); the interviews with ABB’s other stakeholders lasted an average of one hour. Approximately a third of the interviewed individuals in the study were villagers and in these interviews interpreters were used due to language barriers. To minimise interviewer and interpreter biases (although these were likely still present), detailed and factual follow-up questions were asked to complement initial open-ended questions (cf. Boyd and Westfall, 1965; Davis and Silver, 2003). The interviews focused on ABB’s Ngarambe project in general and on particular instances of conflict between various actors involved in the project.

The collected written documentation mainly comprised websites, e-mail communication among the involved actors, policies, budgets, time schedules, and contracts. ABB allowed nearly unfettered access to all written documentation regarding the project, including official and unofficial documents, contracts between involved actors, and all e-mail communication between the international and local ABB project managers.

Observation at both the international and local village levels was used to collect additional data. Observation was particularly useful at the village level, since a limited amount of written material was available. At the international level, observation was mainly done at conferences in which both ABB representatives and influential stakeholders participated.

The data analysis focused on outlining the project’s main conflicts, each involved actor’s position in these conflicts, and the reasons for these positions. The identified conflict processes and conflict outcomes were then used to identify challenges to the local (Ngarambe) and international institutional environments. Institutional challenges at the international level were investigated at the beginning, throughout, and after the completion of the Ngarambe project. Such challenges were identified through analyses
of verbal and written discussions between ABB and its international stakeholders in relation to the project. Institutional challenges at the local level were investigated at the beginning and throughout the project. No observations have been made in the village of Ngarambe since the completion of the project, which makes us inclined to talk about institutional challenges rather than changes at the village level.

**An ABB Global Compact project in Tanzania**

**Project background**
In 2002, ABB approached WWF in the hope of forming a partnership for rural electrification in Tanzania. ABB’s preference for sub-Saharan Africa was related to the low level of rural electrification in this region. Of the 1.6 billion people lacking access to electricity around the globe, 500 million live in sub-Saharan Africa, making it perhaps the world’s region most in need of electricity (IEA, 2002).

WWF International embraced the idea, and it was decided that financial resources from already existing ABB-financed ABB–WWF collaboration should be redirected to the project. WWF then took on responsibility for identifying a suitable Tanzanian village for a pilot project, and WWF Tanzania (WWF TZ) recommended the small, remote village of Ngarambe, located just outside the vast Selous Game Reserve in the South East of the country. WWF TZ had been active in Ngarambe since the late 1990s and recommended the village based on its perception that Ngarambe had potential for positive economic development. ABB’s reasons for partnering with WWF were as follows: i) the possibility of redirecting existing ABB–WWF collaboration to finance part of the project, ii) WWF already had experience working in Tanzanian villages, and iii) WWF was recognised internationally as a reputable partner.

After choosing Ngarambe as a pilot project site, ABB launched its Access to Electricity project at the 2002 World Summit in Johannesburg. Access to Electricity was depicted as a response to the UN Global Compact and as an important way for ABB to materialise its more general CSR and Global Compact commitment.

**Deciding on power source**
After choosing the village, ABB and WWF turned to the choice of power source. For various reasons, wind, water, and grid extension were rather quickly ruled out as main power sources, leaving diesel and solar cells as options. While recognising that diesel was environmentally unsustainable, ABB TZ and WWF TZ suggested that it was the only viable alternative given the project’s limited budget. ABB’s international Access to Electricity manager, and in particular, the project manager at WWF International, were dissatisfied with this choice; eventually, however, ABB allowed WWF to make the final decision as to power source.

The stakes increased as various departments of WWF International began internally criticising the potential use of diesel with reference to carbon dioxide emissions, fearing damage to their credibility. The WWF project manager had three choices: endorse diesel, abandon the project, or renegotiate the project budget to broaden the range of viable options. Knowing that ABB was in the aftermath of financial difficulties, the WWF manager deemed a budget increase highly unlikely. He decided, after lengthy
discussion with WWF TZ, to proceed with diesel rather than to terminate the project. However, he insisted on using the most environmentally friendly diesel engine on the market and on conducting a feasibility study in the second phase of the project to consider the use of wind power as back-up. The ABB manager agreed to divert funds from the budget to accommodate these suggestions. The choice of diesel has since been questioned by several stakeholders at the international level, some at the Tanzanian level, and hardly any at the village level.

**Divergent opinions as to the desirability of electricity**

At the international level, ABB’s stakeholders viewed rural electrification as highly desirable. The UN Water, Energy, Health, Agriculture and Biodiversity Initiative (WEHAB), for example, identified provision of electricity as one of the five most prioritised areas for development. Similar statements are found in the World Energy Council’s recent report on the future of African energy (WEC, 2003) and in International Energy Agency reports (e.g. IEA, 2002). The World Bank, in collaboration with international donor agencies, is also scaling up its rural electrification efforts. To this end, its Rural Electrification Funds (REFs) have been or are being created in, for example, Tanzania, Uganda, and Senegal. These funds will centralise and co-ordinate most international funding activities and provide subsidies for part of the initial investment (but not the operational costs) for rural electrical systems.

In Ngarambe, however, the villagers were rather sceptical, some initially not wanting electricity in their houses. These attitudes were partly related to ignorance of the benefits of electricity, and partly to a mistrust of companies in general and, in this case, of ABB. Additionally, some villagers’ beliefs strongly opposed the provision of electricity. This was particularly evident in the case of the village’s traditional medicine man, who has yet to allow any ABB employee to set foot in his house, let alone install electricity.

**Distribution cables below ground**

To reduce costs, ABB TZ initially envisioned installing the distribution cables between the generator and the houses above ground. WWF TZ, however, rejected this option on the grounds that elephants, often present in and around Ngarambe, might topple the poles and become electrocuted. ABB accepted this reasoning and decided to incur the additional cost of burying cables underground; ABB, WWF, and the village government all agreed that the villagers should dig the trenches necessary for this.

Several weeks later when it came to digging the trenches, the villagers refused to do so without financial reimbursement. At this time, the only project participants in the village were two ABB technicians assigned to install the distribution cables. These technicians basically had three alternatives: do nothing and delay the project, give the villagers whatever money they had, or contact WWF TZ and ABB TZ. The only way to contact WWF and ABB was via a radio in a WWF camp eight kilometres away. With no car in the village, the technicians started walking to this camp on a road surrounded by head-high vegetation in an area with fairly dense populations of lions, rhinos, and elephants. Upon spotting some lions down the road, the technicians decided to turn back and instead unofficially give money to some villagers for digging trenches.
Since the cost of installing distribution cables was a function of the distance between the generator and the houses, ABB TZ decided to prioritise the electrification of houses near the generator to maximise the number of houses receiving electricity within the project budget limits. Influential villagers living far from the generator protested, and argued that provision of electricity should be based on village status rather than proximity to the generator; despite these protests, ABB TZ decided to provide electricity to those houses close to the generator.

**Village technicians and the handyman**

Since the villagers would be taking over operation of the electrical system, ABB agreed to provide necessary technical training for two villagers. The village government initially selected two candidates they claimed were best skilled for the jobs. After two weeks of training, however, the ABB team was displeased with their performance. For example, there were complaints that one of the trainees, a devout Muslim, left without notice for prayers five times a day. The team felt that in an emergency the trainee would choose to go to the mosque over repairing the electricity system, potentially jeopardising the electricity system and other villagers.

After discussions with the village government, ABB received permission to train four additional villagers. When instructing these additional trainees, it became evident that the two initial trainees had been selected for tribal and family reasons, rather than for technical competence. One of the new trainees (referred to as the “handyman”) performed especially well, and the ABB team wanted to promote him to head village technician. This, however, caused serious controversy among many villagers, since the handyman was not originally from the village, was Christian (while almost all other villagers were Muslim), and had not yet been granted permanent village residency. The ABB team argued that the handyman’s technical know-how was essential for the long-term functioning of the system, and that it was in the interests of the villagers to appoint him. Additionally, the team argued that tribe, religion, and personal connections (known-who) should not be decisive in recruitment. Eventually, the handyman was appointed head technician; he is now more respected, trusted, and accepted in the village and has also been granted permanent residency.

**Payment collection and the road ahead**

ABB adopted a business model in Ngarambe similar to that proposed by the Rural Electrification Funds, i.e. that the villagers themselves should finance the long-term operation and maintenance of the electrical system. This financing is probably the greatest challenge for the village of Ngarambe. While diesel was an attractive power source due to its low initial investment, its operational costs are high. To collect payments from villagers, a village board was established. ABB and WWF emphasised the necessity of including women in this board. Traditionally, women have had little influence on public decision making in Ngarambe, and several villagers also argued that this village board, like others, should only be open to men. After negotiating with the villagers, however, ABB and WWF managed to allow women to join the board, set up to collect payments.

Although it is doubtful that the villagers themselves can finance the electrical system operations, ABB and WWF support the village both financially and technically to such
an extent that Ngarambe’s future electricity supply is likely secure. However, from ABB’s perspective it is unclear whether it has developed a business model in which villagers can financially support the system’s operation and maintenance themselves. Finding such a business model is necessary now that ABB is attempting to obtain Rural Electrification Fund subsidies to turn its Ngarambe project into multiple projects in Tanzania, Senegal, and Uganda.

In Ngarambe, the introduction of electricity has yielded several benefits (according to some villagers). For example, the school can hold classes in the evening (allowing more students to attend school and improving school results), the medical doctor can store pharmaceuticals in a refrigerator and perform emergency operations in the evening, local shops can stay open longer hours without using kerosene, and some villagers have seen the potential of opening businesses that require electrical devices.

**Institutional challenges**

**Foreshadowed changes: challenges to the institutional environment of Ngarambe**

Table 1 below summarises the challenges to the local institutional environment and the foreshadowed changes to the institutional environment of Ngarambe arising from the ABB electrification project. Conflicts between Western organisations and local institutional environments are not unique for the ABB case. Several authors have observed comparable conflicts and limited project involvement of local stakeholders in other rural electrification projects around the globe (e.g. Neudoerffer et al., 2001; Karekezi and Kimani, 2002; Urban et al., 2007; van der Vleuten et al., 2007).³ More generally, the challenges observed in the ABB case are remarkably typical of what happens in the interaction between Western/urban aid/development organisations and poor rural agricultural populations (cf. Mosse, 2005).

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³ There are evidently also examples of rural electrification projects that incorporated greater involvement of local actors and less conflict with local institutional environments. These are often, but not always, driven by smaller companies and NGOs.
<table>
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<tr>
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<th>Challenges due to project</th>
<th>Signs of Change</th>
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<td>Introduction of electricity against the will of medicine man</td>
<td>Weakened position of “traditional medicine” and medicine man</td>
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<td>Hierarchical tribal structure: influential villagers have the bulk of attractive material resources</td>
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<td>Tribal structure, “know-who”</td>
<td>Promotion of handy-man to head village technician</td>
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</tr>
<tr>
<td>Patriarchal gender regime: women have little influence on public decision making</td>
<td>Assign women to the village board that is collecting payment for the operation of the generator</td>
<td>Strengthened position of women in the village</td>
</tr>
<tr>
<td>Outside patrons: unofficial payments are acceptable</td>
<td>Partial unwillingness to pay villagers unofficially</td>
<td>Few signs of change</td>
</tr>
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</table>

**Table 1: Institutional challenges in Ngarambe**

While the first four challenges in Table 1 can be considered to constitute foreshadowed institutional changes in Ngarambe, it is unclear whether the last challenge, related to unofficial payments, can be expected to have caused institutional change. The first four challenges left behind materialisation of the ideas in conflict with local institutions, for example, a working electricity system, a head technician appointed on the basis of ability, and the presence of women on the board. However, regarding the last challenge, none of the project’s actions against unofficial payments left behind any materialised structures in Ngarambe. In line with the reasoning of, for example, Berger et al. (1973) and Latour (1991), we hold that the challenges that are associated with materialisation will constitute the strongest change potential.

All of the institutional challenges in Ngarambe and the foreshadowed changes pointed in the direction of UN Global Compact principles. These challenges arose as a consequence of ABB (and WWF) representatives pursuing actions in conflict with local institutions and in line with UN Global Compact principles. Since these challenges and foreshadowed changes all pointed in this one direction, we can conclude that Ngarambe’s institutional environment is moving towards the Global Compact principles as an effect of the ABB (and WWF) electrification project. We can also conclude that since applying the Global Compact policy principles in practice caused conflicts with local stakeholders, the often emphasised universal nature of these principles is debateable. Some researchers have also questioned the universal nature of these human rights (e.g. Pollis and Schwab, 1979; Renteln, 1990; Huntington, 1996; Wasserstrom et al., 2000). For example, Renteln (1990) argues that it makes no sense looking for human rights principles in non-individualistic societies (particularly in tribal settings), and Wasserstrom *et al.* (2000) demonstrate that human rights principles may be at odds with certain belief systems, such as certain Islamic belief systems. Our study partly supports these arguments. While the Global Compact principles are present at the national Tanzania level as, for example, illustrated in some of them being included in
the Tanzanian constitution, Ngarambe’s institutional environment differs from these principles. Hence, conducting a project in line with these principles implies challenging the local Ngarambe institutional environment and means that certain villagers’ belief systems will inherently clash with the Global Compact principles. Importantly, this does not imply that all villagers’ belief systems will clash with Global Compact principles, nor does it imply that all villagers will oppose challenging and changing the local institutional environment. Local institutions represent the outcome of previous contestations that served some actors’ interests more than others (e.g. Fligstein, 1991; Sjöstrand, 1993); consequently, changing the current local institutional environment also serves some actors’ interests more than others.

Silencing differences: challenges to the international institutional environment
In sharp contrast to the situation at the local Ngarambe level, there were few, if any, challenges to the international institutional environment. If we compare the policy content of the UN Global Compact principles with the practical outcomes in the studied electrification project, a mixed picture emerges. In most instances, ABB implemented the principles locally, even though this caused conflicts with local stakeholders and challenged the local institutional environment. However, there were also several instances in which the project’s outcomes were at odds with the principles of the Global Compact. For example, using a diesel engine contradicts the environmental principles (principles 7–9), having children dig the trenches is arguably in conflict with the anti–child labour principle (principle 5), and unofficial payments are dubious with regards to the anti-corruption principle (principle 10).

Interestingly, these instances that were inconsistent with the principles of the UN Global Compact did not pose any challenges to the international institutional environment. This lack of challenges can be linked to the organisation of the project, with the local ABB project manager controlling most communication with the international ABB manager, and the international ABB project manager in turn controlling communication with ABB’s international stakeholders. In the communication from the local project manager to the international manager, the local manager filtered some information that indicated inconsistencies with the UN Global Compact principles. This was done both consciously in instances in which the local manager expected the international manager to disagree with the adopted practices (for example, the use of children in digging trenches), and unconsciously in instances that the local manager did not regard as unusual or problematic (for example, the unofficial payments). The international ABB manager then assumed sole responsibility for communicating with ABB’s international stakeholders. For example, neither the local project manager nor the Tanzanian project team participated in documenting the project or in communicating with international stakeholders; hence, the international manager acted as a gatekeeper controlling access to ABB’s international stakeholders, further filtering information. Thus, information regarding the inconsistencies between practice and principle was eliminated in a two-step process, and the practice of the project was presented as being in line with the Global Compact principles; the project thus exemplified classic aspects of decoupling so common in CSR and other organising activities (e.g. Meyer and Rowan, 1977; Brunsson, 1989; Weaver et al., 1999; Laufer, 2003).

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4 http://www.tanzania.go.tz/constitutionf.html (2008-02-20)
Since the actors participating in the project filtered out word of local conflicts and of inconsistencies with the Global Compact principles, no criticisms of the principles were presented by the project members to international stakeholders such as SIDA, the World Bank, the UN, and Amnesty International. Hence, the possibility that the Global Compact principles might be faulty and/or unsuitable for low-income African markets was never discussed. Furthermore, if any such inconsistencies were hinted at, they were treated as lessons for the future and implementation problems to be overcome in future projects. For example, after the Ngarambe project, ABB introduced a human rights check-list for local project managers in future Access to Electricity projects to follow to further minimise inconsistencies between policy and practice.

In sum, the organising of the project allowed local conflicts related to the implementation Global Compact principles of desirable corporate practice to be silenced. Instead of project members elaborating on the resulting conflicts from acting locally in accordance with Global Compact principles, reporting of conflicts was replaced by the appearance of harmony and of the frictionless applicability of the Global Compact principles.

Understanding the unequal distribution of institutional challenges

The unequal distribution of institutional challenges and foreshadowed changes between the Ngarambe and international levels can – in good institutionalist tradition – be understood as two sides of the same coin. At the international level, there is a myriad of influential stakeholders to western MNCs – for example, non-governmental organisations, unions, governments, media, and consumers – working to ensure compliance with the Global Compact principles. These stakeholders have pressured corporations to embrace CSR and Global Compact principles, as has been extensively highlighted regarding the factories of both MNCs and their suppliers (e.g. Emmelhainz and Adams, 1999; van Tulder and Kolk, 2001; Sethi, 2002). The stakeholders’ influence on corporate practice is often linked to their ability to damage MNC legitimacy and, in turn, profitability (e.g. Frenkel, 2001; van Tulder and Kolk, 2001).

The pressures exerted by international stakeholders were manifested in the ABB case in two main ways. First, in our interviews with ABB stakeholders (including representatives of labour unions and of governmental and non-governmental organisations), the Global Compact principles were consistently stressed and ABB stakeholders had little tolerance of violations of these principles. The same was true of discussions at conferences attended by ABB representatives, important ABB stakeholders, and one of the authors. Second, several of the instances in which ABB had previously been publicly questioned regarding aspects other than internal aspects (e.g. remuneration programs) and financial aspects (e.g. poor investment decisions) were related to violations of some of the above mentioned principles. In the past, ABB has, for example, been severely criticised for disregarding corruption, environmental degradation, and the displacement of indigenous populations. Hence, the penalties for not following the Global Compact principles had been experienced by ABB prior to the electrification project.
In the international networks of influential stakeholders defining and promoting the Global Compact principles, ABB is but a marginal actor. Rephrased in terms of the theoretical framework of this paper, ABB lacks the resources/capital (Leblebici et al., 1991; Maguire et al., 2004; Greenwood et al., 2002) and legitimacy (Maguire et al., 2004) needed to bring about institutional change at the international level. Hence, ABB acts as a value-taker rather than a value-setter at this level. As such, ABB is under tremendous pressure at least to appear to be complying with the espoused Global Compact principles of responsible corporate practice, so as potentially to restore and improve its legitimacy in the eyes of its international stakeholders.

At the local level, the tables have turned. In Ngarambe, ABB is bringing the gift of electricity to the village; compared to the villagers, ABB possesses substantial resources and legitimacy. For example, in terms of resources, the project’s budget was significant compared to the financial resources of the villagers, even though the project budget was limited compared to ABB’s total costs of USD 16,830 million (as of 2005). Additionally, ABB could leverage the strength it has from employing over 104,000 people in over 100 countries (as of 2005) in its Ngarambe project by, for example, shipping parts from ABB facilities all over the globe. Furthermore, in terms of legitimacy, the gift of electricity is almost unanimously regarded as desirable by both influential international and Tanzanian actors. The project also, for the first time, attracted numerous influential local Tanzanian politicians to the village of Ngarambe. All in all, the villagers would have had neither the resources nor the knowledge and networks to install an electricity system had it not been for ABB. Consequently, ABB was in an influential position vis-à-vis the villagers, and had, in this context, both the resources and legitimacy necessary to bring about institutional challenges and foreshadowed changes. Hence, ABB could act as a value-setter at the Ngarambe level; this is also what we find in the case of ABB trying to steer the project, and the local institutional environment, in the direction of the Global Compact principles.

In sum, ABB’s efforts to be perceived as legitimate in the eyes of its influential Western stakeholders motivated it to challenge the institutions of Ngarambe while not challenging the international institutional environment. Hence, the uneven distribution of institutional challenges between the local and international levels can be seen as an expected consequence of the set-up, in which a firm is marginally positioned internationally (with regards to universal Global Compact principles) but powerfully positioned locally.

The Enlightening Global Compact

In light of this background, we can argue that what we have been witnessing over the past decade is a well-organized effort at worldwide institutional change accomplished through, among other actors, western MNCs (cf. Hovden and Keene, 2002; Drori et al., 2006). This effort has been translated into a Global Compact business project, implying the transport of a set of taken-for-granted ideas and practices from Västerås, Zürich, and New York to Ngarambe, sparking institutional changes at that very local level. Although ABB (and WWF) acted as the carriers and proponents of the Global Compact ideas in Ngarambe, these ideas were not foreign in the national Tanzanian setting, some, for example, being included in the Tanzanian constitution. Still, the Ngarambe institutional environment had not previously incorporated all these ideas, so the ABB
(and WWF) project spurred institutional challenges and changes, pushing aside some local traditions while leaving the Global Compact principles unchallenged. In this way, the ABB Global Compact project became a way to shift a local village culture towards a pattern of civilisation rooted in a European Enlightenment tradition.

The desirability of this shift is not clear-cut. Most human rights researchers believe that these Enlightenment values ought to be spread universally, regardless of their European origin (e.g. Renteln, 1990; Bielefeld, 2000). At least implicitly, such support also comes from researchers dealing with the UN Global Compact (e.g. Cavanagh, 2004; Fussler, 2004; Kuper, 2004), and from the many stakeholders who promote Global Compact principles. According to these researchers and stakeholders, ABB’s and similar for-profit and non-profit projects are successes, since they promote the institutional changes that the UN and other stakeholders have called for. From this perspective, such institutional changes are viewed as signs of progress and of the abolishment of oppressive local structures. Many villagers also support this position. For example, several women were pleased at the opportunity to join a village board, the handyman was pleased at recruitment based on know-how rather than “know-who”, and uninfluential villagers living near the generator were pleased that electricity distribution was based on proximity to the generator and not on existing village power structures.

On the other hand, some scholars are critical of the global spread of concepts of human rights rooted in the Enlightenment tradition (e.g. Pollis and Schwab, 1979; Huntington, 1996). To them, preservation of local cultures is assigned a higher value than are universal rights (cf. Donaldson and Dunfee, 1999). Again, some villagers embraced this position, the traditional medicine man being the most visible of these.

This debate illustrates a key issue in international Global Compact and CSR projects: the tension between universal standards and the preservation of local cultures (cf. Prahalad and Doz, 1987; Arthaud-Day, 2005). If universal standards, such as the Global Compact principles, are respected, this implies shifting local village cultures towards a pattern of civilisation rooted in a European Enlightenment tradition. However, if universal standards are not respected, this implies preserving what could be seen as oppressive local institutions. The case illustrates that this tension does not only exist between international and local actors. In Ngarambe, some villagers favoured the universal standards and some favoured the local culture, i.e. the desirability of the project is dependent not only on whether international or local stakeholders are judging the project, but also on which local and international stakeholders are making the judgement.

To add to the complexity, the debate on the desirability of the shift of Ngarambe towards a pattern of civilisation rooted in a European Enlightenment tradition is not only about the outcome of the project but also about the process by which this outcome was achieved. In the ABB (and WWF) project, all major decisions regarding what to do in Ngarambe and why to do it were made before involving the villagers. If adherence to Global Compact policy principles means excluding local stakeholders from decision making – and we have demonstrated that it did in the studied case (cf. Arthaud-Day, 2005) – this could be problematic (cf. Habermas, 1981; Berleant, 1982; Donaldson and Dunfee, 1994, 1999; Arthaud-Day, 2005). However, including local stakeholders in open communication in Global Compact projects implies that such a process could lead
to the *outcome* that the involved actors considered it appropriate to uphold local Ngarambe tradition, even though this violates the Global Compact principles. Hence, *process* may well be linked to potential *outcomes*, especially in the longer run, and if certain outcomes are desired (such as compliance with the Global Compact principles), this restricts the range of possible processes. Of course, Global Compact projects could still be more inclusive than the ABB project was, while restricting outcomes as to reasonably comply with the principles.

This paper does not aim to resolve this normative debate as to the desirability of Global Compact projects. Rather, its purpose is to demonstrate that MNCs, such as ABB, operating in the midst of this debate seem to act in such a way that *outcomes* and universal standards are prioritized over *processes* and the preservation of local cultures. This is because MNCs act as value-*takers* at the international level and because influential international (and national) stakeholders emphasise outcomes and universal standards, while MNCs could act as value-*setters* at the local level. Hence, by understanding how MNCs implement the Global Compact principles, we can also understand what the UN Global Compact *is not*: It is not a way to preserve local cultures (outcomes) and it is not a way to include local stakeholders in open communication, since such communication could lead to violation of Global Compact principles.

**Conclusion**
In this paper we have argued that the principles of the Global Compact are closely linked to a European Enlightenment tradition. At a policy level, the Global Compact could thus be regarded as an extension of the Enlightenment project. As demonstrated in our studied case, this Enlightenment project is protected from criticism by the concealment of local conflicts, creating the appearance of harmony between international and local stakeholders’ demands. In this way, the Global Compact principles of responsible business behaviour can remain the same, while local institutional environments are challenged and seemingly changed in their direction. The idea that the world is becoming a better place is being established through some organisational decoupling, but even more so by the opposite: the tightly coupled implementation of policy principles.

It is towards this silencing of the effects of such tight coupling that we want to draw attention. While the effects of the loosely coupled implementation of policy principles have frequently been noted (e.g. Weaver *et al.*, 1999; Sethi, 2002; Laufer, 2003), the effects of *tight* couplings are rarely noted. As Korten (1995), Perlas (2000), Hovden and Keene (2002), and thousands upon thousands of protesters against corporate globalisation have long realised, organisations – even multinational corporations – might actually be doing what they say they are doing. That, in turn, might also be regarded as problematic if we value the preservation of local culture and the inclusion of open communication in Global Compact projects. In future Global Compact projects, the effects of both tight and loose coupling need to be recognised, to allow for critical discussion of what CSR in practice does, and does not, entail. Such recognition would also allow for conflicting stakeholder positions to be turned from matters that need to be silenced into opportunities for discussing the underlying assumptions of UN Global Compact and CSR projects.
References


