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Citation for published version:

Hoenke, J & Thauer, CR 2014, 'Multinational Corporations and Service Provision in Sub-Saharan Africa: Legitimacy and Institutionalization Matter' *Governance*, vol. 27, no. 4, pp. 697-716. DOI: 10.1111/gove.12072

Digital Object Identifier (DOI):

[10.1111/gove.12072](https://doi.org/10.1111/gove.12072)

Link:

[Link to publication record in Edinburgh Research Explorer](#)

Document Version:

Early version, also known as pre-print

Published In:

Governance

Publisher Rights Statement:

© Hoenke, J., & Thauer, C. R. (2014). Multinational Corporations and Service Provision in Sub-Saharan Africa: Legitimacy and Institutionalization Matter. *Governance*, 27(4), 697-716. 10.1111/gove.12072

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Multinational Corporations and Service Provision in Sub-Saharan Africa: Legitimacy and Institutionalization Matter

By Jana Hönke and Christian R. Thauer

This paper considers attempts by multinational corporations to provide services in areas where the state fails to do so. Under which conditions are such attempts effective? This paper makes two arguments: firstly, they must be legitimate to be effective. Secondly, the institutional design of the firms' service provision programs is an important factor for their effectiveness. We assess these arguments by analyzing multinationals in the South African car industry fighting HIV/AIDS, and international mining firms in South Africa and the Democratic Republic of Congo trying to improve public security. The analysis demonstrates that under conditions of legitimacy and high degrees of institutionalization firm programs effectively contribute to service provision in areas of limited statehood.

Introduction

In areas where the state fails to provide collective services, external actors may step up and fill the gap (Krasner and Risse 2012). This paper considers the activities of multinational corporations (MNCs) in this respect. MNCs are external actors least likely to provide collective services in areas of limited statehood. As profit driven, private actors, they do not have a genuine interest in the common good.ⁱ Yet, some of them adhere to standards of

corporate social responsibility and make attempts to contribute to collective services (Börzel and Thauer 2013; Flanagan 2006; Flohr, Rieth, Schwindenhammer and Wolf 2010; Mol 2001; Vogel and Kagan 2004). The literature on governance and (self-) regulation, voluntary standards and corporate social responsibility has so far mainly focused on explaining such attempts (Boerzel, Héritier, Kranz and Thauer 2011; Greenhill, Mosley and Prakash 2009; Prakash and Potoski 2006; Smith 2008; Spar and LaMure 2003; Thauer 2010 and 2014). This paper analyzes an aspect that has not been looked at much yet (Blowfield 2007): the effectiveness of attempts by external business actors to contribute to service provision in areas of limited statehood. Under which conditions do multinational corporations effectively contribute to service provision?

Addressing this question, this paper assumes limited statehood, and that service provision is a complex task. By areas of limited statehood it understands spaces in which governments lack the ability to implement and enforce rules and decisions and/or in which the legitimate monopoly over the means of violence is lacking (Krasner and Risse 2012; Risse 2011). This ability can be restricted along different dimensions, such as territorial or with regard to specific policy areas (Draude, Risse and Schmelzle 2012: 11). Task complexity refers to the number of specific interventions required for successful service provision and the number of actors or entities that must be coordinated to administer these interventions (Krasner and Risse 2012; Perrow 1972; Schäferhoff in this volume). The more complex a task, the more actors must be coordinated by the MNC and consequently, the higher is the likelihood of coordination failure and ineffectiveness of service provision. Complex tasks are therefore hard cases for effective service provision. The complex tasks this paper specifically looks at are the fight against HIV/AIDS and public security provision. It investigates firm programs in these two domains that take place in a context of limited statehood. Specifically it examines multinationals in the

automotive industry and their fight against HIV/AIDS in South Africa, and mining firms in South Africa and the Democratic Republic of Congo (DRC) contributing to collective security.

We analyze effectiveness in terms of efficacy, that is, the degree of successful implementation of firms' attempts to provide services. The company programs we analyze have positive spin-offs for communities outside the firm. For example, the HIV/AIDS-related programs of Mercedes Benz in East London do not only provide health care to employees, but also to their families. This way, more than 30.000 persons have benefitted directly from the company's medical services in East London over the past years (Lorenzen 2006; Mercedes Benz 2012; Interview 1 Business).

This paper makes two arguments: firstly, attempts by MNCs to contribute to service provision must be legitimate to be effective. We concentrate on a specific aspect of legitimacy that we consider crucial: the conformity of norms held by those actors and entities that must be coordinated to deliver services, with the international norms on the basis of which MNCs act (Checkel 1999; Krasner and Risse 2012). Such congruence is a necessary condition for effective contributions to public service delivery by MNCs. However, legitimacy alone does not guarantee service provision. The institutional design – more specifically, the degree of institutionalization – of the programs that aim at service provision is, secondly, an important factor for effectiveness (Abbott, Keohane, Moravcsik, Slaughter and Snidal 2000). Institutionalization pertains to the degree to which a service provision program can draw on organizational structures that provide for monitoring and incentives for the achievement of program goals, and to the degree to which these goals are formulated concisely and obligatory (Krasner and Risse 2012). Everything else being equal, highly institutionalized programs are

more effective than weakly institutionalized ones.

In what follows, the paper first lays out the arguments on legitimacy and institutional design, and how they will be assessed. It then conducts the empirical analysis, using paired comparisons. The conclusion summarizes the findings and discusses them in relation to broader notions of effectiveness.

Theory and Case Selection

Assuming task complexity and limited statehood, this paper makes two arguments with respect to effective service provision by MNCs. Firstly, we make the case for an important aspect of legitimacy: the congruence of norms held by those domestic actors and entities that must be coordinated to deliver services, with the international norms on the basis of which MNCs act (Krasner and Risse 2012).ⁱⁱ By norms we understand shared understandings of appropriate behavior (March and Olson 1989). In complex task areas – that is, when service provision requires reiterated coordination of the MNC with a number of domestic actors – this kind of legitimacy is a necessary condition for service provision.

Why is norm-conformity and, in the negative case non-conformity, important for effective contributions to public goods provision by firms? Our argument assumes that actors' interests are constituted by norms and beliefs (Finnemore 1996; March and Olsen 1989). High levels of norm-conformity thus increase the chance that the preferences of actors (MNCs on the one hand, and domestic coordination partners on the other) converge, which in turn keeps coordination costs low and minimizes the risk of coordination failure.ⁱⁱⁱ If the international norms on which firm programs are built resonate well with domestic norms and beliefs,

domestic actors will thus cooperate with firms to provide a public service (Checkel 1999; Cortell and Davis 2000).^{iv} The reverse logic applies: legitimacy is lacking when the norms and beliefs held by coordination partners clash with the international standards on which MNCs build their approach to service provision. Concomitant of such a clash of norms and beliefs is accordingly a high probability of conflicts of interest between the MNC and coordination partners. Thus, with decreasing legitimacy, the costs of coordination increase, and so does the likeliness of coordination failure.^v Entirely illegitimate attempts by firms to provide for services will therefore not be effective.

We argue furthermore that norms, and their convergence or divergence, are also important once actors have defined their interests. Norms then still define and constrain the set of choices and strategies available to actors, and allow them to justify their actions.^{vi} In particular when attempts by corporations to provide services are considered illegitimate, domestic actors can take recourse to competing normative claims in order to justify publicly and vis-à-vis the MNC their denial of cooperation (see Jetschke 2011). In consequence, domestic actors will behave non-cooperatively. Service provision will fail.

While these aspects of norm-congruence and non-congruence make legitimacy a necessary condition of successful service provision, institutional design is also important. This paper argues therefore, secondly, that the degree of institutionalization of the agreement between different actors that together deliver a service explains different degrees of effectiveness. With respect to institutionalization, we look at organizational structures that provide for monitoring and incentives for the achievement of program goals. The paper also considers the degree to which these goals are formulated concisely and obligatory. Agreements are highly institutionalized if they are based on precise language as concerns who has to do what,

how, and when, which is in addition to that obligatory and supported by the right incentives and the possibility to detect deviant behavior (Abbott et al. 2000; Crawford and Ostrom 1995; Keohane 1989). High degrees of institutionalization will reduce uncertainties of actors concerning the behavior that is expected from them, and how others will behave. High degrees of institutionalization also increase the level of information actors have about their mutual behavior, and so enable *ad hoc* functional adaptation, and mitigate free rider problems. Therefore, high degrees of institutionalization result in effective service provision.

We assess our arguments on effectiveness in pair-wise comparisons. For each argument, we select cases that illustrate variation of the explanatory factor (legitimacy, institutional design) in order to assess the effects this variation has on service provision. Our universe of cases consists of MNCs that make attempts at service provision; we thus do not consider firms that do not show some form of corporate social responsibility. The empirical analysis will first look at cases of MNCs from within the South African automotive industry. We choose cases that represent the industry as a whole in their attempt to provide services. The issue area is HIV/AIDS. Service provision is in this issue area a highly complex task and thus a hard case. The analysis will then go beyond the automotive industry to establish the general relevance of our arguments. We do so by considering multinational mining companies and their attempts to improve collective security in South Africa and the Democratic Republic of Congo (DRC). The cases of mining firms we choose are, as the automotive cases, also representative for other firms in the sector that make attempts to provide services in both countries. As HIV/AIDS-related health services, contributing to public security involves task complexity. By showing that the two factors we consider in this article – legitimacy and institutional design – gain explanatory power for car companies and their fight against HIV/AIDS in South Africa on the one hand, and mining firms and their

contribution to security in South Africa and the DRC on the other, we show that they are generally relevant.

The paper analyzes thirteen cases. Five cases feature the activities of car firms in relation to HIV/AIDS in South Africa. Eight cases consist of attempts by mining firms to improve security in South Africa and the DRC. Establishing the cases we draw on 60 personal interviews with managers, NGOs, union representatives, government officials, external development agencies and foundations, site visits, and published documents. The interviews were held in the period between February 2007 and November 2008 mostly in South Africa and the DRC. Table 1 lays out the cases this paper analyzes to assess our arguments on legitimacy and institutional design.

Table 1: Featured Cases

Factor		Cases	South African Car Industry: HIVAIDS	Mining Industry in DRC and South Africa: Collective Security
		Legitimacy	Conformity of norms	Attempt to organize collective response to HIV/AIDS in communities of the municipality Mercedes Benz, East London (2006)
Non-conformity	Attempt to organize collective response to HIV/AIDS in communities of the municipality Japanese car maker, Durban (before 2003)		Attempt to improve security services of state police and military forces Anvil Mining, DRC	
Institutional Design: Institutionalization	High levels of institutionalization	In-house HIV/AIDS programs for workers and families BMW, Ford, Mercedes, Nissan, Toyota, General Motors, VW	In-house programs for private security providers Anvil Mining, Freeport, DRC	
	Medium levels of institutionalization	Supply chain activities of MNCs that make small firms invent HIV/AIDS workplace programs BMW, Ford, Mercedes, Nissan, Toyota, General Motors, VW	N/A (not relevant for mining sector and security)	
	Low levels of institutionalization	Organization of collective response in a municipality/locality BMW, Ford, Mercedes, Nissan, Toyota, General Motors, VW	Organization of collective conflict prevention activities in locality Anvil Mining and Freeport, DRC	

Limited Statehood and Task Complexity: HIV/AIDS and Security in South Africa and the DRC

HIV/AIDS and security are complex task areas. In South Africa and the DRC they are in addition areas of limited statehood. About 20 per cent of the population in the sexually active age group in South Africa has contracted HIV/AIDS (UNICEF 2013). Most South Africans, in particular in the townships where those live who are most affected by the disease, have hardly any access to health care services. Drug coverage for persons sick with AIDS is an

estimated 20 per cent nationwide, and it is much lower in the townships (Dickinson 2005; Natrass 2007; von Soest and Weinel 2006). Thus, with respect to HIV/AIDS, the country is an area of limited statehood in the sense that it is incapable of providing vital health services. It is in this context that we look at the contribution of MNCs to improve HIV/AIDS-related health care. Unlike a vaccination campaign (see Schäferhoff in this volume) which requires one-shot, simple interventions, fighting HIV/AIDS is a complex task. It requires continuous efforts and goes beyond simple medical prescription: first, doctors and nurses in clinics have to be trained so that they are able to diagnose the disease; then they have to acquire the skills to effectively treat it. Patients have to be convinced to test for HIV/AIDS. Fighting the disease effectively also involves prevention measures, such as sexual education programs run in schools, at the workplace and in public. In the automotive industry, all multinationals – Ford, General Motors, VW, Mercedes Benz, BMW, Toyota and Nissan – make attempts in this respect. However, some of them are more effective than others.

In many regions in the DRC the population experiences high levels of insecurity and the capacity of the state to provide for security is very low (Hönke 2013). The World Bank (2011) measures government effectiveness at 1.9 percentiles, and political stability and the absence of violence at 2.4 percentiles (out of 100) in the DRC. State security forces often rather cause insecurity than provide security (ICG 2006). South Africa, in turn, is considered to be a “crime capital” (Altbecker 2007) with respect to violence and crime, and the government has remained largely ineffective in providing security (Shearing and Berg 2006). While the World Bank (2011) ranks overall government effectiveness at 64.9 percentiles, it is much lower for the provision of security services. For absence of violence, South Africa scores only 48.1 percentiles (ibid.). Hence security provision is in both countries an area of limited statehood. It is also a complex task. In order to implement such

programs MNCs have to become engaged in institution building, capacity building and training of security officers, and coordination with other actors in society in general, such as employees, subcontractors, various state authorities, and the general population. A number of medium and large-sized multinational mining firms – such as Anglo American, Impala, Freeport MacMoRan and Anvil Mining – make attempts to improve public security provision in these contexts. These attempts vary in how effective they are. We argue in the following sections that these differences bore down to legitimacy and institutionalization.

Legitimacy: A Necessary Condition for Service Provision?

We will now examine our argument as concerns legitimacy empirically: a minimum of congruence of normative beliefs held by those actors and entities that must be coordinated to deliver services, with the international norms on the basis of which MNCs act, is a precondition for effectiveness. The analysis considers this argument by looking at two cases of firms in the South African car industry trying to provide HIV/AIDS-related medical services: Mercedes Benz in East London and a Japanese multinational car firm^{viii} in Durban. The two cases illustrate different levels of legitimacy. We show that on account of these differences in legitimacy, one attempt to provide services failed, whereas the other was relatively effective. We then discuss the potential for generalization of our argument by looking at two cases from the mining industry and the field of security provision in the DRC and South Africa.

Multinational Car Firms and the Fight against HIV/AIDS in South Africa

In the area of HIV/AIDS the activities of firms are based on a relatively unified transnational norm (WHO 1999-2008). Until 2003/4, this norm has been incongruent with the normative

position held by key figures of the South African government (Dickinson 2005; Natrass 2007; von Soest and Weinel 2006). This incongruence has negatively affected the success of firms' HIV/AIDS programs before that time, as the first case in our analysis will demonstrate, which features a large Japanese multinational car manufacturer and attempts to organize a collective response to the disease in Durban between 2001 and early 2003. However, from 2003/04 onwards the stance of the government towards the disease gradually changed on account of international and domestic pressure from civil society groups. Therefore similar attempts by Mercedes in East London in 2006 were more congruent with the beliefs held by government and, accordingly, more successful.

HIV/AIDS Programs in the Absence of Legitimacy: The Durban Global Fund-Project

Between 2001 and early 2003, a large Japanese MNC made attempts to fight HIV/AIDS in the municipality of Durban (Interview 2 and 4 Business; Interview 3 Expert). At that time HIV/AIDS prevention was faced not only with capacity problems on the side of the state (i.e. limited statehood). The attempt by the multinational was also confronted with a belief system among leading figures of the early Thabo Mbeki government, which was in conflict with the so-called 'international scientific consensus'. This consensus refers to the fact that HIV causes AIDS, and that medical treatment prolongs the time span before persons who have contracted HIV fall sick with AIDS (WHO 1999-2008). The government, however, publicly denied the relation between HIV and AIDS, and was openly hostile towards any medical approach towards the disease (Dugger 2008). In consequence, it abstained from making anti-retroviral medication available to persons who have contracted the HIV, and undermined any effort by international organizations to do so (Hickey 2002; Hickey, Ndlovu and Guthrie 2003; Natrass 2007; Whiteside and Sunter 2000). A key figure for holding up the government's denial of the international scientific consensus in the cabinet of Mr. Mbeki

was the health minister, Ms. Manto Tshabalala-Msimang, who had proposed garlic, lemon juice and beetroot as AIDS remedies (Dugger 2008; Robbie 2000). However, also President Mbeki himself attacked anyone in South Africa who questioned his “denialist” (Robbie 2000) position.

It is in this context of “denialism” that the MNC initiated a multi-stakeholder partnership for HIV/AIDS prevention and comprehensive treatment (Interview 2 and 4 Business, Interview 3 Expert). Partners were the local municipality, the University of KwaZulu Natal and the local chamber of commerce. The partners successfully applied for funding with the ‘Global Fund to fight HIV/AIDS, Tuberculosis and Malaria’ in 2002. The project was to be rolled out throughout the local business world and from there on to society in 2004, and would have provided full medical services in relation to HIV/AIDS, including antiretroviral treatment. The project was based on the international scientific consensus on HIV/AIDS, and on the norms for public health programs in relation to HIV/AIDS of the World Health Organization and the Global Fund itself (WHO 1999-2008). It was therefore inevitably in conflict with the normative beliefs held by the Mbeki government. When the central government realized that Durban would start the project, it therefore insisted in the last minute before the money was released by the Global Fund on taking full control over the budget and content of it. In light of the stance of the Mbeki government towards the pandemic, this insistence on controlling the partnership *de facto* meant its ending. The partners withdrew, fearing to become involved in a project dominated by the Mbeki government’s “denialist” approach to the disease, and consequently being held accountable for the foreseeable misuse of Global Fund money (Interview 2 Business). It is thus the lack of legitimacy – i.e. the incongruence of norms of company programs with beliefs held by key figures in the government – that accounts for the failure of this attempt to provide for

HIV/AIDS-related services: clashing normative beliefs made the South African government first intervene in the attempt and take over control, and then caused the withdrawal of the MNC and other partners from the project. In consequence, no services were provided.

HIV/AIDS Programs in the Face of Increasing Legitimacy: The East London-Project

By 2003/04, however, the government had come under international and domestic pressure for its display of ignorance towards the disease and its failure to fight it effectively (Dickinson 2004). In particular the civil society pressure group Treatment Action Campaign (TAC) organized broad public resistance against the Mbeki government's policy of denialism. The TAC, and increasing international isolation, forced Mr. Mbeki into an agreement imposed on him by his own party, according to which he had to abstain from any public debate on HIV/AIDS. The TAC also forced the cabinet to draft a new government program, which resulted in the 'Operational Plan for Comprehensive HIV and AIDS Care, Management and Treatment for South Africa' (Department of Health 2003; Hickey, Ndlovu and Guthrie 2003). In addition, the Constitutional Court ruled that the government had to provide antiretroviral drugs to prevent the infection of newborns. The ruling established in effect the international scientific approach towards the disease as the only acceptable one. When US president Clinton offered to send in a team of experts to help the country put together a national treatment plan, Mr. Mbeki agreed, and a team was sent in 2004 to implement the Operational Plan (Dugger 2008).

In consequence, while openly hostile before, the government from then on accepted, and even supported, international help to fight HIV/AIDS – even though this help was based on what international norms proscribe, and thus on the scientific approach to the disease (Nattrass 2007; von Soest and Weinel 2006). Private actors such as firms could from then

on step up as service providers. The second case of Mercedes Benz in East London is set in this new context (Interview 5 and 6 Business). Having rolled out its workplace program successfully since the early 2000s, the MNC decided in 2006 to organize a response to the disease with a broader focus. The firm initiated a multi-stakeholder partnership, including the National Ministry of Health, the local institutions, the DED (Deutsche Entwicklungs- und Investitionsgesellschaft) – a German development agency –, a local association as well as the Border Kai Chamber of Commerce (BKCC) (Dugger 2008; Siyakhana 2013). The aim of the project was to support small and medium-sized businesses in their efforts to draw up and implement HIV/AIDS workplace policies on the basis of the World Health Organization's guideline 'Healthy workplaces: a model for action' (Siyakhana 2013; WHO 1999-2008). More than 26.000 persons have gained access to health care services through this supplier initiative alone, in addition to another 30.000 persons who have gained access in the context of the firms program for workers and their families. The project also offers trainings for nurses and doctors in local clinics in order to improve the public health services in relation to HIV/AIDS, coordinates with schools sexual education programs, and assists local communities affected by the disease with sponsorships. Hence, this attempt to contribute to the provision of HIV/AIDS-related health care services was relatively successful.

When compared with the previous case, the precondition for this relatively effective rollout was that the South African government had given up its position of denialism towards HIV/AIDS. In consequence, the beliefs upon which the service provision attempts of Mercedes were based converged with those upon which the official government policy was built. The two cases of attempts by MNCs in the car industry to fight HIV/AIDS in South

Africa thus support our claim that legitimacy is a necessary condition for effective service provision. However, is this claim also valid beyond the car industry and HIV/AIDS?

MNCs and Security Provision in the DRC and South Africa

We will now examine two cases in which mining firms sought to contribute to public security provision. The first case features firms in the DRC and their attempts to contribute to collective security, which the government does not regard as legitimate. The second case concerns South Africa, where the government appreciates such attempts. The analysis demonstrates that the corresponding differences in norm-congruence cause variation in program outcomes: whereas the company initiative in the DRC was not even started, the company programs in South Africa have been relatively successful.

Competing Norms: Attempts to Improve Public Security in the DRC

Our first case features Anvil Mining and its attempt to improve security in the DRC in 2007-8 by providing human rights training to the Congolese police and military. This attempt was met with hostility by the Congolese government on account of lack of legitimacy.

To improve security in the DRC, Anvil Mining offered training programs to local Congolese police and military forces on non-violent policing methods and human rights. These offers followed international norms as outlined in the Voluntary Principles on Security and Human Rights (VPs). The VPs stipulate that companies should promote human rights and to this end engage with domestic security forces through such trainings (Börzel and Hönke 2012). The Congolese government, however, insisted on a different approach to public security. It repeatedly stated that security is the prerogative of the state, thereby also referring to an international norm: the norm on state sovereignty and national security (Interview 7 NGO;

Interview 8 and 9 Police). What were the consequences of this incongruence of norms for Anvil's attempt to train state security forces?

The firm offered repeatedly to train Congolese police and military forces. Yet the government proclaimed that mining firms should by no means become involved in training state security forces. As a consequence of this competing normative stance, Anvil was not allowed to provide comprehensive training to police forces, as it had wished for (Interview 10 and 11 Business). It was granted instead only a two hour-long briefing on preventive security measures and the importance of human rights with the commander in chief of the local police. This commander would then decide by himself whether he would integrate what he had heard before into police training and practice. Hence, Anvil's initiative was not a total failure – at least not on paper. However, this procedure rendered the firm's attempt to improve the provision of security services ineffective: unsurprisingly, the commander in chief did not implement any of the VPs norms in the procedures of his police forces (Interview 11 and 12 Business; Interview 13 NGO; Interview 8 and 14 Police). So in practice, the program failed. This case thus demonstrates our argument, which is that service provision in complex task areas will be ineffective if legitimacy is lacking.

Congruence of Norms: Business Initiatives in South Africa

In contrast to the DRC, the South African government calls on the private sector to help improve public security provision (Shearing and Berg 2006; Singh 2008). A first appeal was made by former president Nelson Mandela who summoned companies to assist in the fight against crime (Speech Nelson Mandela in 1996, cited in Singh 2008: 67). Assistance was sought with improving public security and the effectiveness of service provision. The government also called for support with democratizing the South African police force and

with improving its human rights record. Companies in turn emphasize that “[w]ithout the active contribution of civil society and business, Government and its law enforcement agencies will not succeed in fighting crime” (Nzimande 2008). Some of these businesses embrace the VPs. Hence, the domestic norms on which is based how the government wants to improve security provision and the norms on which firms base their attempts to improve security provision, are congruent. The government perceives business contributions to public security as legitimate.

In consequence, company programs that contribute to security proliferate, and are often effective. For example, large mining firms are key members of the association Business Against Crime (BAC). BAC coordinates company initiatives that support public security provision in South Africa (BAC 2006; Interview 15 Business). In 2006, BAC launched, together with the government and large companies, the Anti-Crime Leadership Forum. This forum collaborated in the formulation of a national anti-crime strategy and in suggesting a reform of the criminal justice system (RSA 2007). BAC also supports local police stations. The police support program provides training in police practices to local police officers, in areas such as station management, conflict prevention and rapid response. Individual companies often engage in this program in the areas in which they operate. The mining companies Impala and AngloGold Ashanti, for instance, funded such training for 24 police officers from four municipalities adjacent to their premises in 2007 (BAC 2007; Interview 16 Business). The South African case thus shows that contribution by MNCs to collective security can be effective if transnational and domestic norms as concerns security service provision converge.

The paired comparisons in this section have shown that perceived legitimacy of company programs reflects back on their effectiveness. This argument holds for attempts at service provision in the hard cases of company programs to combat HIV/AIDS and to improve public security.

Institutional Design

While legitimacy is a necessary precondition, it does not alone account for effective service provision. Instead, under conditions of legitimacy, it is the institutional design of company programs that brings about effectiveness: highly institutionalized service provision programs are more effective than weakly institutionalized ones. To examine this argument, we analyze three cases in the automotive industry, which consist of attempts by firms to provide health services in relation to HIV/AIDS (post-2003/4). The three cases consist of distinct institutional contexts within which firms fight HIV/AIDS, each representing a different degree of institutionalization. We will in addition to that look at four cases of security provision of mining companies in the DRC.

The Provision of HIV/AIDS-related Health Services in the South African Car

Industry: Institutionalization as a Key Factor for Effectiveness

The fight against HIV/AIDS of multinational car firms involves extensive and reiterated coordination in three distinct institutional contexts. Firms, firstly, coordinate intra-organizationally in order to run workplace programs. Secondly, they coordinate suppliers and assist them to implement workplace programs, too. In addition, they coordinate in a non-institutionalized context with other actors in society. The analysis considers these distinct

contexts as instances of different degrees of institutionalization. Do these different degrees of institutionalization result in different degrees of effectiveness of service provision?

Highly Institutionalized and Very Effective: Workplace Programs

Intra-organizationally, firms fight the disease in the context of workplace programs. Workplace programs address employees of firms, their families and some external workers employed by labor brokers or suppliers. Despite their focus on the workplace, these programs have an important effect on combating HIV/AIDS in general. Workplace programs are highly institutionalized. They formulate precise goals, for example that anti-retroviral therapy should be made available to all employees and their family members who suffer from AIDS, or that the participation rate in prevention and awareness programs for the workforce has to be increased (e.g. BMW 2011, Ford 2011; Mercedes 2011). In addition, workplace programs become part of the pre-existing organization of the firm and, accordingly, are integrated into the monitoring and incentive structure that governs it. The inevitable coordination problems inherent in the provision of services in complex task areas such as HIV/AIDS are thus embedded in an institutional context that has the means and resources to monitor and sanction as well as incentivize individual behavior. In fact, according to theories of the firm (Coase 1937; Williamson 1975), the reason why firms exist in the first place is that vertical integration – that is, a highly institutionalized context – is a rational solution to coordination problems in situations where actors cannot rely on market mechanisms.

Therefore, workplace-oriented programs are usually highly effective. A case in point is BMW. The firm has not lost one single employee in South Africa to HIV/AIDS since the invention of the workplace program, while it suffered significantly from losses before (Interview 17 Business). Other companies are similarly effective in implementing their programs. In the

context of the workplace program of Mercedes, 30 000 persons have gained access to the health services the company offers its employees and their extended families (Lorenzen 2006). The health manager of General Motors says that sick leaves have decreased since the start of the program and that HIV/AIDS does not cost the lives of employees any more (Interview 18 Business).

Institutionalized and Effective: Supply Chain Programs

In the supply chain, multinationals fight the disease in a context which is to a lesser extent institutionalized than workplace programs. At the same time, automotive supply chains are quite integrated in the sense that there is intensive supervision and organizational support provided by multinationals to their suppliers. Structures of governance exist between buyers – MNCs as BMW, General Motors and Ford – and suppliers (Héritier, Mueller-Debus and Thauer 2009). For example, Ford, BMW, VW and Mercedes organize their suppliers in supplier schools. In these schools they instruct them which policies and processes they have to follow in order to remain part of their value chain. The activities of MNCs in relation to HIV/AIDS in the supply chain draw on these structures. In the context of the mentioned supplier schools, MNCs make suppliers aware of the problems HIV/AIDS may cause to their production processes, and motivate them to fight the disease in the workplace. The degree to which these supply chain programs set concise and obligatory goals is, however, lower than in case of workplace programs. For example, the management of MNCs does not strictly demand from suppliers to have an effective HIV/AIDS workplace program implemented. Rather they communicate that in the long run they would prefer to see their suppliers engage in the fight against the pandemic (Interview 5, 17, 18 19 Business). Supply chain programs of MNCs also draw on less established and less sophisticated structures for monitoring and sanctioning/incentivization. Supplier schools increase the monitoring of what suppliers do,

and set incentives for workplace programs. However, in comparison with the intra-organizational context, organizational capacities to pursue systematic monitoring and strict measures in case of non-compliance are lacking.

Supply chain programs are therefore less effective than workplace-oriented programs, though they still make a difference with respect to the level of service provision in the industry. Many, though not all, first-tier suppliers today run workplace programs which were motivated originally by the MNCs to which they supply (Interview 20 and 21 Business). The effect on service provision is substantial. More than 33 000 persons have access to HIV/AIDS-related health care services on account of the firm's supply chain program, says for example Mercedes (Siyakhana 2013). In comparison with the firm's workplace program (highly institutionalized), from which about 30.000 persons benefit, the effect of the supply chain program on health service provision in the industry is significant. However, if we consider that more than 90 per cent of workers in the automotive industry work in the supply chain – compared to less than 10 per cent at the multinationals – the level of effectiveness in terms of goal attainment of the programs is much lower for supply chain programs than for workplace programs (Siyakhana 2013). Some suppliers to Mercedes, VW, Ford and General Motors, for example, still do not engage in the fight against HIV/AIDS in the workplace at all. Hence, the assessment with respect to the effectiveness of supply chain programs is mixed: on the one hand, supply chain programs achieve measurable results and are in this sense successful. The overall effectiveness of the supply chain programs is, however, weaker than of workplace programs in the sense that supply chain programs reach a smaller proportion of the total amount of workers and their families working in the supplier industry.

Low Levels of Institutionalization and Effectiveness: Programs that Fight HIV/AIDS in Society

MNCs also fight HIV/AIDS in society in general, as in the mentioned cases of Mercedes Benz in East London and a Japanese MNC in Durban. Their activities in this respect aim at raising the level of service provision in the locality they are set in. They are bound to take place in a weakly institutionalized context. Multinationals such as BMW, General Motors or Ford coordinate with schools, clinics, hospitals, local healers and township organizations, and different levels of government to organize sexual education programs, general public awareness raising, and better health care services in relation to HIV/AIDS. One obstacle to greater success of these programs is that they cannot draw on any organizational structure relating the MNCs to these various actors. In consequence, coordination costs are high, and monitoring and sanctioning devices are lacking. Hence, in this respect the programs are only weakly institutionalized. The programs also formulate goals with less stringency than workplace programs or supply chain programs. In the absence of a high degree of institutionalization, the inevitable coordination problems inherent in complex tasks areas such as HIV/AIDS-related service provision cannot be mitigated. Successful implementation is therefore rare, though not entirely absent. Managers of car firms, for example, say that their program ideas frequently fail being implemented on account of coordination problems with other actors – or simply because cooperation partners do not behave as previously agreed on (Interview 5, 17, 19 Business). The mentioned case of Mercedes in East London is no exception here. The MNC managed to organize a public response to the disease in its locality, which achieves measurable results. Hence, in comparison with the failed attempt of the Japanese car company, this case is rather successful. However, in comparison with workplace programs and supply chain programs the efficacy of the East London project is low.

In summary, the automotive industry demonstrates the effects of institutionalization: highly institutionalized programs to combat HIV/AIDS, such as workplace programs, are effective. Low degrees of institutionalization, as when multinationals fight the disease in society in general, result in low levels of effectiveness in comparative perspective. Supply chain programs can be placed somewhere in between – with respect to their degree of institutionalization and effectiveness.

Mining Companies' Attempts to Reduce Violence and Prevent Conflict in the DRC: Does Institutionalization Matter?

The analysis turns now to mining companies and their attempts to improve security provision in the DRC. It features two firms – Anvil Mining and Freeport in the DRC – and their attempts to prevent conflicts in the localities in which they operate. These attempts vary with regards to their degree of institutionalization.

High Level of Institutionalization: Reducing Violence and Preventing Conflict through Workplace Programs

First we examine workplace security programs. Such programs address the behavior of those private security agents which are employed by firms. In the case of Anvil Mining and Freeport, these are in-house security personnel, which are complemented by private security officers that work for the subcontracted private security company Brass Security. Both Anvil and Freeport run human rights and conflict prevention trainings for their private security agents (Börzel and Hönke 2012; Friedman 2006; Interview 10 and 22 Business; Interview 7, 13 NGO). These programs are embedded in the established structure of the organization of the company. Thus the coordination of the security personnel takes place in a highly institutionalized context. The security programs of the firms are in addition to that concisely formulated and make binding prescriptions. There are also monitoring and sanctioning

mechanisms. For instance, in-house security officers and subcontractors do not get a contract with the firm if they do not pass the human rights back-up check. The firms also emphasize that any infringements of the company code of conduct for security personnel results in letting staff go.

The high degree of institutionalization of these conflict prevention initiatives renders them relatively effective. Anvil's own security personnel is well trained in conflict prevention and human rights-abiding security practices. The training has reduced the extent to which the local population is exposed to violent threats (Friedman 2006; Interview 7 NGO; Interview 10 Business). Company-internal policies have also had an effect on subcontractors. Brass Security has specialized in good security practices. As a consequence, the firm has gained contracts with other large mining companies and the UN Mission in the country. The company also has its own internal monitoring and sanctioning policy in place. According to a Brass representative, employees will lose their jobs immediately in case of undue violent behavior or extortion of benefits from the local population (Hönke 2013; Interview 23 Security Company). Workplace-focused programs have thus been quite effective in improving service provision. They had positive effects beyond the firm in that they reduced violent incidents between security staff and local population.

Low Institutionalization: Conflict Prevention Initiatives in Society

Mining firms also reach out to actors beyond the workplace in order to collectively reduce violence and prevent conflict in the regions in which they operate. These initiatives are cases with low degrees of institutionalization. They seek to coordinate with diverse actors such as state authorities, security forces, representatives of local communities and other firms in order to improve security. The firms Anvil and Freeport, which have been featured as cases before,

have set up, together with the NGO Pact Congo, the regional Katanga Security Forum. The forum is intended to prevent conflict in the area and involves representatives from state, communities, international organizations and firms (Hönke 2013). The companies also run the Kolwezi Artisanal Mining program, which aims at reducing conflict between industrial mining firms, security forces and artisanal miners (Hönke 2010; Interview 7, 13, 24 NGO; Interview 10, 11, 12 Business). There are, however, no precisely defined goals to which actors are committed. The meetings of the security forum, for instance, take place on the basis of rather general statements of intention to improve public security in the area (Interview 7 NGO; Interview 25 Business). The initiatives also lacked institutionalization, despite the fact that diverse actors needed to be coordinated. Anvil Mining and Freeport were thus confined to diplomacy for making other actors take part and effectively work towards the initiatives' goals.

How does this low degree of institutionalization affect the effectiveness of these initiatives? There are regular meetings of the Katanga Security Forum. Yet while information was exchanged, more specific initiatives for improved public security did not follow from these meetings (Interview 26 NGO). As concerns the conflict prevention program with artisanal miners in Kolwezi, the project goal of developing an integrated approach to resolve the violent conflicts between artisanal miners and industrial mining companies was not achieved. One of the problems was that the government did not put in place sufficient Artisanal Mining Zones, in which artisanal mining would be legal. While the initiative had identified this as a crucial step towards reducing conflict, little progress was made (International Alert 2010). The companies had no sanctioning authority in order to enforce the agreement and make the government deliver. Hence, despite the fact that Anvil Mining and Freeport sought to prevent

conflicts and provide more security in the wider area through these programs, they remained ineffective on account of a low degree of institutionalization.

In sum, the mining cases confirm the findings from the automotive industry: high degrees of institutionalization make companies' workplace programs more efficacious. Public outreach programs by firms – which are in general less institutionalized – turn out to be less efficacious.

Conclusion

This paper considered an unlikely external actor as provider of vital services in areas of limited statehood: MNCs. It focused on firms that are motivated to provide services and examined under which conditions their attempts in this respect are effective. We analyzed HIV/AIDS-related health care and security service provision programs. Both are complex task areas and, thus, hard cases for effective contributions to service provision by firms. The paper showed that MNCs contribute effectively to service provision under condition of two factors: legitimacy and degree of institutionalization. Firstly, legitimacy is a necessary condition for effective service provision. The paper showed that the norms on which service provision programs are based must be congruent with domestic norms in order to be effective. Secondly, institutionalization is an important predictor for effectiveness once legitimacy is given. Our analysis demonstrates that the two factors explain effective service provision by MNCs in sectors as different as the mining and the automotive industries, in issue areas as distinct as HIV/AIDS and security, and in countries as divergent as South Africa and the DRC. Hence, we conclude that they are generally relevant.

The paper analyzed effectiveness in term of efficacy, that is, effective implementation of policy programs. However, it also provides insights about the contribution of these programs to general service provision. Our findings indicate that the firm activities substantially contribute to general service provision. In the context of the workplace and supply chain program of Mercedes, for example, about 60.000 persons gain access to free health care services. The other multinationals in the car industry in South Africa have similar programs. Our findings thus indicate that the level of services provided in those areas of limited statehood in which MNCs make attempts to contribute to service provision will be higher than in areas without foreign firms – or in which MNCs do not make such attempts.

However, we should also highlight the limitations of effective service provision by MNCs. We found that the effectiveness of program implementation at the workplace is negatively related to the scope of programs. Workplace health and security programs, which are narrow in scope, are highly institutionalized and therefore effective. In contrast, programs that aim at improving the fight against HIV/AIDS or public security in society in general are broader in scope, yet not highly institutionalized and therefore not very effective.

Service provision by MNCs is also not entirely unproblematic. Their inclusiveness is limited, and this sometimes increases inequality. The South African support program for local police stations, for instance, is mainly implemented in areas in which the main sponsoring firms of this program are located (Interview 15 Business). A manager of the program says that he had to make sure that the donations made by firms were spent in their direct vicinity (Interview 27 Business). Service delivery by firms may thus give rise to a fragmented and selective distribution of security. Furthermore, when MNCs step up to provide public services in areas of limited statehood, this may have unintended consequences (Hönke, with Thomas 2012).

Non-state governance may for instance reduce rather than improve the ability of the state to provide services. Instead of complementing the state, service provision by multinationals may hence rather substitute for it (Cammett and MacLean 2011; Hönke 2010). These additional considerations are important beyond the focus of this paper on MNCs. They apply to external actors in areas of limited statehood in general, including NGOs, development agencies, international organizations, and other actors discussed in the contributions of this special issue.

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Interview 13: NGO Pact Congo, 6 November 2008, Lubumbashi.

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Interview 15: Researcher, Business Against Crime (BAC), national office, 23 March 2007, Johannesburg.

Interview 16: Former manager BAC North-West Province, 3 December 2008, Rustenburg.

Interview 17: Occupational health and employee wellness managers of BMW, 14 February 2007, Midrand.

Interview 18: Company Benefits Coordinator, 23 February 2007, Struwendale.

Interview 19: Manager employee wellness, occupational health and HIV/AIDS of VW, 25 September 2007, Uitenhage.

Interview 20: Managing Director of supplier firm Vacuform, 01 October 2008, Rosslyn.

Interview 21: Executive Director of the supplier association NAACAM, 29 September 2008.

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Interview 23: Representative Brass Security, 13 November 2008, Lubumbashi, DRC.

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Interview 26: Interview with ex-Pact member, 8 November 2008, Lubumbashi.

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Notes

ⁱ MNCs are in fact often assumed to drive states into a ‘regulatory race to the bottom’, *i.e.* competitive regulatory downsizing for the achievement of comparative cost advantages (Bohle 2008; Chan/Ross 2003; Rudra 2002).

ⁱⁱ See the literature on norm diffusion for the aspect of congruence/incongruence (Acharya 2004; Checkel 1999). The importance of this aspect is also demonstrated by Börzel and van Hüllen in this volume. For other dimensions and concepts of legitimacy, however, see Schmelzle (2011).

ⁱⁱⁱ When actor preferences are non-conflictive, such as in coordination games, agreements are self-enforcing and the costs for reaching an agreement and implementation are low, see Crawford and Ostrom (1992); Hume (1739: 261); Levi (1997: 30).

^{iv} We refer here to literature from different meta-theoretical perspectives (*i.e.* ‘constructivist’ and ‘rationalist’) as we consider these points to be non-controversial, *i.e.* supported by approaches from both perspectives (different uses of terminology and language notwithstanding).

^v When actors have ‘mixed motives’ or conflicts of interest, coordination takes on the form of a ‘collaboration game’ with high coordination costs, or is – in case of incompatible interests – entirely impossible (Stein 1983; Zürn 1992).

^{vi} Different meta-theoretical perspectives on the importance of norms converge in this point: Checkel (1997: 474-5); Cortell and Davis (2000); Finnemore (1996); North (1991); Ostrom (1990); Williamson (1975).

^{vii} The firm insists on anonymity and will therefore not be named.