Building the Institutional Infrastructure for Corporate Responsibility

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It’s the Economy…

- A mantra that has stuck…”It’s the economy, stupid.”
- Shunting aside societal interests in favor of profits for shareholders, material gains, and growth and gains of global megacorporations
- Despite no legal obligation to maximize shareholder wealth (Savitz, 2006),
- Beliefs exist and shape practice
- Fiduciary duties to shareholders are enshrined in global trade documents that increasingly influence global practice
Globalization

- Corporations are the world’s most dominant and powerful institutions
- Governmental powers are waning and in any case nation/states’ reach is insufficient to handle global scope of responsibility or problems
- No global governmental infrastructure exists
- Globalization stands accused of:
  - Erosion of democracy
  - Destruction of native industries and natural resources
  - Fostering national debt (and consumer debt)
  - Emphasizing materialism over other values
Globalization has:

- Reshaped the social contract between workers and employers
- Reshaped relationships between communities and companies
- Created long supply chains fraught with abuses
- Generated activism and a strong anti-corporate movement
- Spawned serious scandals in the early 2000s and beyond
- Fostered a growing gap between rich and poor...people and nations
- Spurred recognition of the potential for ecological crises
A Time for Change?

- Explosion of voluntary CR/CSR/CC initiatives by companies
  - Reputation is a driving force
    - Wealth often resides in intangibles like reputation (Savitz, 2006)
    - Re-recognition of companies’ embeddedness in society (Polanyi, 2001)
  - Still, most efforts are traditional corporate social responsibility initiatives
- BUT the emerging infrastructure focuses also on corporate responsibility
  - Which involves business practices and strategies
  - I.e., there is attention to the impacts of the business model on society and nature
  - And efforts to change practices to better serve society’s interests
It’s the Economy…NOT

Past 20+ years—remarkable changes. Some examples:

- Principles for Responsible Investment (May 2006)
- ILO and IOE held first-ever international symposium on CSR in Geneva
- 1999 UN called for a new social contract between business and society, resulting in the Global Compact,
  - Now with 3000+ signatories
- Business Ethics 100 Best Corporate Citizens ranks 3rd most influential ranking to CEOs
  - Behind Fortune’s Most Admired +100 Best Companies to Work For
- The US-based Academy of Management is collaborating with Case Western Reserve U and the UN Global Compact on a conference entitled “Business as An Agent of World Benefit” (October 2006)
- And many, many more events and developments could illustrate a growing call for new thinking about the role of corporations/businesses in society
Emerging Counterpoints to Corporate Globalization and Power

- Corporate responsibility ‘movement’
  - CSR, CR, CCC, business ethics, sustainability
- Voluntary responsibility assurance system
- Accountability measures
- Visibility of CR issues

- Complimented by internal responsibility and sustainability management systems
- And a raft of other new(ish) institutions creating new pressures for responsible performance or different corporate practices
Let’s look at the…

Emerging Institutional Infrastructure

- Broad frameworks to guide action or create consensus or dialogue, e.g.,
- NGO/business, NGO networks, multi-sector dialogues, e.g.,
  - Corporation 20/20
  - Instituto Ethos
  - European Academy of Business in Society
  - Global Action Network Net (GAN-net)
  - UN Millennium development Goals
  - World Social Forum
  - World Economic Forum
Responsibility Assurance
Emergent Voluntary System—4 components

- Company-based internal responsibility management systems and approaches (TRM)
- Codes of conduct, standards, and principles
- Credible verification, monitoring, and certification processes and services
- Generally accepted social-ecological-governance (SEG) reporting systems similar to GAAP (e.g., GRI)

Let’s look at these…
Codes, Standards, Principles

- Both internal and external
- Attempt to provide guidance about what types of behaviors are and are not acceptable
- Aspirational (in general, not descriptive of current practice)

Some examples:
- UN Global Compact
- CERES Principles
- Equator principles (finance)
- Caux Roundtable Principles
- OECD Guidelines for Multinational Enterprises
- Principles for Responsible Investment (2006)
- Private Voluntary Organization (PVO) Standards (for NGOs, 2006)
Transparency and Reporting

- Standardized, like GAAP for SEG
- Multi-stakeholder developed

- Best known and most prominent is the Global Reporting Initiative (GRI)
  - About 1000 companies formally using, many more informally or partially
Verification, Certification, Monitoring, and Consulting

- Lack of trust breeds a need for verification
- Avoid the ‘window dressing’ charge
- Some are for-profit, though the most credible are not-for-profit NGOs

Some Standard Setters
- AccountAbility (AA 1000)
- SAI International (SA 8000)
- Fair Labor Association
- Rugmark International
- Transfair
- Utopies

Some Consultancies
- Verité
- Corporate Citizenship Company
- PwC, Deloitte & Touche
- Sustainable Value Partners
Responsible Investment

- Aka social, ethical investment—a ‘movement’
- Spawned numerous institutions that focus attention on corporate responsibility
- SIRAN study found...
  - (Social Investment Research Analysts Network) (2005)
  - 50% of S&P 100 report on social and ecological
  - Almost 40% issue CSR reports
  - Almost ¼ claim to use GRI standards

- Emerging infrastructure of SRI institutions includes:
  - Firms
  - Stock market indices
  - Professional associations
  - Research and investment firms
  - Activists and other
Responsible Investment Institutions

- **Sample indices**
  - Domini Social 400
  - Dow Jones Sustainability
  - FTSE4Good

- **Sample professional organizations**
  - SiRAN
  - European SIF
  - US SIF
  - SRI in the Rockies

- **Sample responsible investment firms, e.g.,**
  - Calvert
  - Citizens Global
  - Dreyfus
  - Green Century
  - Parnassus
  - Pax World
  - Trillium
  - Walden Asset Management
Responsible Investment Institutions

- Research firms
  - Analistas Internacionales en Sostenibilidad SA, Spain
  - Avanzi SRI Research s.r.l., Italy
  - Centre Info SA, Switzerland
  - Dutch Sustainability Research BV, Netherlands
  - GES Investment Services AB, Sweden
  - Jantzi Research, Inc. (publishes Canadian Social Investment Database,
    KAYEMA Investment Research & Analysis, Israel
  - KLD Research and Analytics (publishes Socrates database)
  - Pensions & Investment Research Consultants Ltd., UK
  - Scoris GmbH, Germany
  - SIRIS - Sustainable Investment Research Institute P/L, Australia

Umbrella Entity
- SIRI Group (Sustainable Investment Research International)
  (network of 11 major country-based research organizations)
Responsible Investment Institutions

- **Other organizations serve different interests, e.g.,**
  - Coop America (consumer action)
  - GoodMoney (information dissemination)
  - Institutional Shareholder Services (proxy voting)
  - Institute for Responsible Investing (IRI) (think tank, forum for dialogue, research)
  - Interfaith Center on Corporate Responsibility (ICCR) (sponsors shareholder resolutions)
  - Investor Responsibility Research Center (IRRC) (research on SRI, recently absorbed by ISS)
  - Responsible Wealth (works toward equitable prosperity)
  - Social Venture Network (leverages resources to build ecologically and socially sustainable businesses)
  - SocialFunds (helps individual investors)
Micro-Lending: Basis for Real Bottom of the Pyramid Gains?

- Micro-Finance
- Exploded since Grameen Bank developed the methodology in 1976
- Adopted and encouraged by the UN
- Now includes meso- (medium-scale) lending, too

Some examples:
- Grameen Bank
- Accion International
- FinMark Trust
- Foundation Zakoura
- Microcredit European Conference
- PlaNet Finance
- ShoreCap Int’l
Journals, Magazines, Rankings

- **Popular and On-Line**
  - Business Respect
  - CSR Wire
  - Business Ethics
  - Ethical Corporation
  - EthicsWorld
  - Greenbiz
  - Sustainable Business

- **Academic journals**
  - Business & Society
  - Business and Society Review
  - Business Ethics Quarterly
  - Greener Management International
  - Journal of Business Ethics
  - Journal of Corporate Citizenship
  - Organization and Environment
  - Plus most mainstream journals
Ratings and Rankings, e.g.,

- 50 Best Companies for Minorities (Fortune)
- 100 Best Companies to Work For (Fortune)
- 100 Best Companies for Working Mothers
- Best 100 Corporate Citizens (Business Ethics)
- America’s Most Admired Companies (Fortune)
- Global Most Admired Companies (Fortune)
- Hispanic Corporate 100
- Inner City 100
- Most Valuable Brands (InTerbrand,
- Corporate Responsibility Index, Top 100 Companies that Count (London Times)
- Top 30 Companies for Executive Women
- World’s Most Respected Companies (PwC and Financial Times)
Academic and Management Education Initiatives

- **New Curricula, e.g.,**
  - Leeds U “curriculum emphasis on social responsibility”
  - Bainbridge Institute

- **New centers and research institutes on ethics, CSR, CR, CC, e.g.,**
  - >115 university-affiliated centers and institutes with relevant titles

- **Adoption of SIM interests by other divisions in AoM**
  - Note BAWB
  - Note 2007 AoM conference theme

- **New associations**
  - EABIS
  - CSR Academy
    - Developed first CSR competency framework for managers in 2005
  - CCC at BC
  - Aspen B in S Initiative
  - EBEN
  - NetImpact
Watchdogs and Activists

- Pressure groups
- General, e.g.,
  - Corporate Accountability Project
  - Corporate Predators
  - Corporate Watch
- Or company-specific
  - Like Wal-Mart Watch
- Or issue-based
  - Human Rights Watch
  - Human Rights Advocates
  - Sweatshop Watch
Alternate Ways of Measuring Progress

- **UN Millennium Development Goals**
  - Focus on improving the life of the poorest by 2015 in eight areas:
    - Poverty and hunger, education, gender equality, child mortality, maternal health, HIV/AIDS, malaria and other diseases, environmental sustainability, and developing a global partnership for development.

- **Redefining Progress**
  - Genuine Progress Indicator

- **Calvert-Henderson Quality of life Indicators**
Business/Other Associations

Just a sample…

- Businesses for Social Responsibility
- Business in the Community
- International Business Leaders Forum
- World Business Council for Sustainable Development
- New Economics Foundation
- GEMI (Global Environmental Management Initiative)
- CSR Europe
- CERES
A NEW Phenomenon

- Most of these initiatives didn’t exist 30 or even 20 years ago. Most started in last 10 years.
- Could they represent a social movement and a great dissatisfaction with the status quo?
- They are partly a response to criticisms, a recognition of underlying important social concerns, an intersection of business, civil society, and governmental functions.
- Their activities intersect and compliment each other...and are generally aimed at similar ends.
- They are not necessarily ‘do good’ efforts, but focus mainly on the business models.
Emerging Laws and Regulations

  - Pension fund managers required to disclose policies on SRI
- **Belgium: Social Label Law (2003)**
  - Annual reporting how CSR is assessed in pension funds
- **France: (2001)**
  - Listed companies required to have social and environmental assessment
  - Retirement funds need to rely on financial and social criteria
- **Australia (2003)**
  - Investment firms disclose how SRI is incorporated
- **Germany (2001)**
  - Corporate reporting S/E policies
Emerging Laws and Regulations

- **Netherlands (2002)**
  - Mandatory OECD guideline compliance for export credits
- **Norway (1999)**
  - Required environmental reports
- **Sweden (1999)**
  - Required environmental reports
- **CSR criteria be introduced in member states**
- **US (2002)—Sarbanes-Oxley**
- **EU: requiring CSR criteria be introduced in member states**
- **Japan (2003)**
  - Audits of listed companies include risk related to viability, and brand image
  - EU memo to Parliament, required
Institutional Integrity…

- Reality has not always matched the rhetoric of corporate citizenship in the real world
  - may necessitate new approaches, some of which beginning to emerge in laws around the world
  - Though proactive action can potentially forestall legislation

- Key, as Dow Votaw pointed out long ago, is the very legitimacy of the firm in global society.
Competing Terms Describe Corporate Responsibility/Citizenship

- CSR (Frederick)
- Corporate Social Responsibility (CSR1)
  - Corporate social responsiveness (CSR2)
  - Corporate social rectitude (CSR3)
  - Cosmos, society, religion (CSR4)
- Corporate social performance (CSP)
- Corporate social relationships
- Corporate social reputation
- Corporate stakeholder responsibility

- Stakeholder approach/theory
  - Instrumental, Normative, Descriptive, narrative
  - Stakeholder management
  - Stakeholder relationships
  - Stakeholder engagement

- Business ethics, values
  - Economizing, power aggrandizing, ecologizing, attunement (Frederick, Swanson)
- Corporate community involvement (CCI)
- Corporate citizenship
  - Business citizenship
Figure 1. A Concept Tree for Corporate Citizenship

- **Corporate Responsibility**
  - **CSR1** Corporate Social Responsibility
  - **CSR2** Corporate Social Responsiveness

- **Corporate Community Relations (CCR)**
  - **Micro...Boundary Spanning Functions**
  - **Macro...Public Policy**

- **Corporate Social Performance**
  - **CSR 4+...reputation, relationships, religion (spirituality/meaning)**
  - **Corporate (Social) Rectitude (Ethics, Values)**

- **Stakeholder Engagement**
  - **Corporate citizen as policy maker**

- **Stakeholder Theory and Practice**
  - **Codes, Values, Principles**

- **Corporate (Social) Performance (Assessment)**
  - **Philanthropy, Volunteerism, Multi-sector or-stakeholder collaboration**
  - **Public Affairs, Employee Relations, Investor Relations, Public Relations, Customer Relations, Supplier Relations, Issues Management, etc.**

- **Guiding Vision and Values**
  - **Business Ethics**
  - **Reputation**

- **Corporate Citizenship**
  - **Corporate (Social) Performance (Assessment)**

- **Descriptive (Narrative) Instrumental Normative**

- **Boundary Spanning Functions**

- **Corporate (Social) Rectitude (Ethics, Values)**

- **Spirituality/Meaning**
  - **Corporate Stakeholder Relationships**

- **CSR 5 Corporate stakeholder responsibility**