



Corporate Citizenship

**What does having a “corporate conscience” mean?
What is the real definition of corporate social responsibility?
And is there one global definition?**

BY ELIZABETH HOWARD

In the United States, where lawsuits have become a national pastime, there is an element of risk in everything we do. And for CEOs and members of corporate boards, even the possibility of a lawsuit, indicated by the early warning signs of a slight from a group of “conspicuous consumers,” is a cause for concern. Reputation and stock price are inextricably linked. So what does it mean for a company to have and maintain a corporate conscience in the era of globalization?

Alice Tepper Marlin is one of the pioneers in developing the concept of corporate accountability and social responsibility. In the mid-1960s she was one of only six female security analysts working on Wall Street at a time when women were not even being admitted to business schools. She received a request from a religious group to invest its pension fund in companies and vehicles that were not involved with manufacturing weapons for use in the conflict in Vietnam.

“I put together a peace portfolio and found out about military contracts. I recognized the link between the investment community, the individual investor and society,” Tepper Marlin tells *The Strategist*. Her firm placed a query in *The New York Times* seeking information about others with a similar interest in a peace portfolio and Tepper Marlin says they received more than 600 responses. However, the only information she had for guidance was from the U.S. Securities and Exchange Commission. There was no Freedom of Information Act and no Environmental Protection Agency. There was also no way to trace a company’s impact on the community and society from year to year.

This process so intrigued Tepper Marlin that she left Wall Street to set up The Council on Economic Priorities (CEP) in 1969 and served as its president for 33 years. The nonprofit was created to work on innovative programs that would assist cor-

porate leaders, policymakers, investors and consumers in making “informed decisions about how to promote and encourage socially and environmentally sound business.”

CEP developed a standard, with the assistance of a wide range of corporate executives, trade unions and human rights organizations, that they named SA 8000. It is based on United Nations and ILO Conventions and Declarations, and the ISO 9000 management system. SA 8000 Certification is designed to assure decent working conditions at companies around the globe. In addition to being used by corporations as a benchmark of how they measured up against other companies, auditing firms are using it in their corporate audits. Four years ago CEP established a second organization, Social Accountability International (SAI), to focus on SA 8000. Tepper Marlin is now running SAI.

When Tepper Marlin reflects on three decades of studying corporate social responsibility, she can cite examples of the issues and the companies that focused attention on the importance of being a good corporate citizen.

For example, Vietnam led to the first Proxy Resolution and fight against Eastman Kodak, Whirlpool, Dow, and Mobil were other companies that came under attack because of their involvement with the military.

In the 1970s it was the environment that became the barometer of social responsibility, which led to the Clean Air Act and Clean Water Act and, eventually, the formation of the Environmental Protection Agency.

The CEP rated companies in the five industries that McGraw-Hill identified as having the most expensive cleanup costs to meet the new environmental regulations. *BusinessWeek* gave broad coverage in an editorial that concluded there was a link between pollution control and profitability. The reporter who covered the story and wrote the editorial was Stephen B. Shepard. Today he is editor in chief of *BusinessWeek*.

In the late 1970s and into the 1980s it was the energy sector that was under attack. There was great public concern that nuclear energy was unsafe and was not living up to its promise of providing affordable and safe energy. In the 1990s the focus was on human rights for companies operating in developing countries. Campaigns against Shell, Nike, and Kathie Lee Gifford's Wal-Mart brand made headlines.

Corporate leaders got the message. For years those of us in public relations had been called in to "handle the situation." Issue-advocacy programs, community-affairs initiatives and corporate-advertising campaigns were sometimes effective and legitimate in communicating the corporate position and reflecting internal changes. Those that were window dressing were eventually recognized as such, which leads us back to the original question: Is there a global standard and definition for corporations to follow?

It could take months to proceed through all the organizations that are involved in setting standards, developing codes of conduct for corporations looking for a *Good Housekeeping* Seal of Approval. There is U.N. Secretary General Kofi Annan's initiative, The Global Compact (www.globalcompact.org), with 400 companies signed on. There are the Global Sullivan Principles (MCCR_ust@stthomas.edu), developed by the late Rev. Leon H. Sullivan, which have the backing of several U.S.-based multinationals. There is the Business for Social Responsibility (www.bsr.org), a U.S.-based global resource founded in 1992 for companies seeking to demonstrate respect for ethical values, society and the environment. The Conference Board and the U.S. Council on International Business have set up working committees on corporate responsibility. (These are just a few of the U.S.-based programs.)

Edward Potter is the president of the Employment Policy Foundation, a Washington, D.C.-based research and educational foundation that is focused on workplace trends and policies. When asked about corporate social responsibility, he says: "Corporations are increasingly recognizing the importance of good governance and of behaving as a good corporate citizen, yet both large and small businesses are still not on-board, even though the genie is out of the bottle." He believes that until companies agree to a standard on external monitoring on a global basis, nothing will be accomplished.

Companies are certainly trying. David Berdish has been with the Ford Company for 18 years serving in positions in manufacturing and operations, quality management, strategic planning and organizational training. He is now working in the newly created Corporate Governance Department. The two-year-old department reports through a vice president to the CEO. The group's role is to develop internal programs and

standards for human rights and other issues related to the company's core values that can be integrated into general operating principles. The vision is worldwide and the issues complex. Berdish admits that it is a struggle to implement programs across the globe because of cultural and legal differences. Berdish believes that companies cannot expect to sign on to principles if they do not have an internal plan in place. "How can the ivory tower of corporate headquarters endorse principles that may not address the needs of their local stakeholders?" he asks.

Ford engaged in emerging-issues dialogues in which it examined its human-rights policies and practices and created an executive team to review current practices and explore whether changes were needed, according to Berdish. In terms of human rights, Ford looked at the following issues: What risks and opportunities do we face? To whom should our human-rights policy apply? What is the appropriate scope for our policy? What is the right pace and sequencing for policy implementation? With whom should we partner? What companies should we benchmark our effort against? The company consulted with Michael Posner, executive director of the Lawyers Committee for Human Rights, Aron Cramer, vice president of Business for Social Responsibility and the Interfaith Center for Corporate Responsibility.

There will still be those companies that set high standards and meet them and those companies that are in compliance. Eventually there will be global standards, as there are national, local and even industry standards, and the accounting profession will be completely educated in the new field of social auditing. Tepper Marlin can attest that, "Enormous progress has been made, in attitude and in transparency. However, there are tremendous challenges still ahead. But it is encouraging that today almost every corporate leader will tell you that good citizenship is essential to their business."

Who will the next target be? "Potential candidates are telecoms and electronic companies that are manufacturing and designing in developing countries," says Tepper Marlin. "People think that because these companies employ highly educated and skilled workers and engineers they are being treated and compensated fairly. Yet, garment workers and electric workers often live together in shantytowns."

Silicon Valley, are you ready for protestors shimmying up your flagpoles? ■

Elizabeth Howard will be writing this column for the next two issues of *The Strategist*. She welcomes your ideas and information about the programs that your company or your agency has developed. You may contact her at Elizabeth Howard and Company by e-mail (ehoward@eh-co.com) or by telephone: 212.929.3020.