

## **SOCIAL RESPONSIBILITY**

### **People Expect More From Corporations > Chris Komisarjevsky, CEO, Burson Marsteller Worldwide**

And so I think we're sort of in this shifting moment where people expect corporations to provide the financial return. But they're, now they're saying give me something more. Make sure that you behave in a manner. You actually behave in a manner that we can respect and we want to have some kind of relationship. Either we're going to invest in your company, buy the products, go to work for you, pass a law that's going to be helpful, whatever the situation is. So there's an increasingly different kind of pressure on companies.

... And corporate social responsibility is a mandate that companies have today. They don't have any choice. The fact of the matter is that when you look at the research, our research as well as other research you'll find that people expect, those people who shape opinions. And in many cases that's legislators, that's government people, that's other corporations, that's members of the media, that's activist organizations. They are saying to companies yes we want you to earn a return but we want you to do it right. And we want you to do it in a responsible way. We don't want you to abuse the environment. We don't want you to abuse ethics. We don't want you to abuse people's rights. We want you to do it properly and we're going to hold you accountable for it.

### **Principled Companies > Ira Jackson, Director, Center for Business & Government, Kennedy School at Harvard**

The market will demand over time the emergence of principled companies.

And these companies will not be long on rhetoric alone. They won't just have fancy PR and advertising slogans. They won't necessarily even wear their morality on their sleeve. But what they will do is bake principle and purpose into the very DNA of the firm and how they operate. Their core business competencies.

And I think they will begin first and foremost with a recognition that purpose not just profitability is the basic. Orientation of the firm that's the reason for being. So the first principle is purpose beyond and consistent with profits. The second is partnering with stakeholders. The third is promoting democracy and opportunity around the world. Fourth is embracing and harnessing and practicing environmentally sustainable capitalism.

And the fifth principle is to drive this through the firm so that the principled company is performance driven. That these are measurable, quantifiable metrics of corporate performance. So that they're taken seriously as seriously as

measures of customer satisfaction or quality improvement. I don't think we're there by a long shot.

**Kinder, Gentler, Corporations > Elaine Bernard, Executive Director, Trade Union Program, Harvard**

Part of what corporate, corporate responsibility is about is looking to create a competitive niche by being the kinder gentler corporation. And is that a bad thing? No it's a good thing. That's a mark of success by the social movements.

But do you then sit down and say we won? No. You do even more. Because what you've got with the corporate responsibility is some leading edge niche marketers. But what you don't have is the whole industry. What you don't have is, you've created a little action on the edge of the corporation. But you haven't fundamentally transformed corporations. And that's what I think we need to do.

**The Law Will Follow > Sir Mark Moody-Stuart, Former Chairman, Royal Dutch Shell**

Social responsibility is interpreted by some people as, you know, we'll make some money and then we'll build a hospital with it or something. It is of course an implausible hypothesis that corporations just make profits in order to give them away in philanthropy. You know, that's plainly not what we exist for. It's a good thing, it needs to be done to a good extent, but it's not the answer. We've got to get the right bits into our fundamental workings, and that's not something that's new.

I mean, you can go right back to innovations that corporations in the United States and Europe and elsewhere, and Japan have worked on in relation to, labour rights, worker conditions, very often initially voluntarily leading companies doing it, and then you see it gradually becomes accepted practice, is also taken into legislation to catch not just the laggards or the folk who are disinterested, but actually the unscrupulous corporations, there are unscrupulous corporations, we're certainly not all angels, anymore than anybody else in society is. So I think there is that change. I think the biggest change, though, for an international corporation, is this extension of responsibility, and that's what we found came from our societal soundings. But people said, no you have a responsibility beyond just paying your taxes, and beyond just relating effectively to communities around your factory fence,

...And that's the change I think, the widening. And it's a very difficult area, because we have no electoral mandate to do it.

## **Fire All Socially Responsible Executives > Peter Drucker, The First Management Guru**

Every executive, everybody has to believe that his or her specific performance area is the most important one or he or she won't do a good job. And everyone but, yes, here, if you have a business executive who really wants to take on social responsibilities, get rid of him fast. He doesn't have the right sense of priorities and will do a poor job running the business.

## **Pfizer's AIDS Philanthropy > Robert Weissman, Editor, Multinational Monitor**

Pfizer is one of the leading pharmaceutical corporations in the world. They have been obsessed with expanding patent rights for their and every other pharmaceutical. They were centrally involved in drafting the international trade rules on patent protection. Those rules are in the World Trade Organization. They require every country in the world to adopt the same strict patent standards that the United States has. Prior to adoption of those rules, many countries didn't have patents on pharmaceuticals or had shorter term patents on pharmaceuticals or had different kinds of limited protections in the intellectual property area for pharmaceuticals.

The result was that the price of drugs was lower in countries because competition was possible. So countries like Argentina or Turkey or Brazil or India evidenced much lower prices for pharmaceuticals than the United States did. And it wasn't because the brand name companies made a gifted donations or lowered their prices out of concern for poorer countries, but because there was competition there. There were generic companies that were competing with the brand name products.

Pfizer was the lead corporation in a temporary trade association known as the Intellectual Property Committee. The Intellectual Property Committee claimed responsibility for drafting the outline of the U.S. position on what should be included on intellectual property on patent protection in the negotiations over the World Trade Organization. The U.S. position in turn then became the basis for the final draft, so it's fair to say that Pfizer had a leading hand in drafting the world patent rules. The effect of those patent rules has been to deny the competition that has promoted access in many developing countries. Pfizer holds the rights to a product called Fluconazole, which is an important treatment for people with AIDS.

They've now made it available on a limited basis for free in South Africa to the public sector only and are talking about expanding access in other parts of Africa and elsewhere in the developing world. They are very quick to claim credit for their wonderful, charitable efforts. In fact, they have left the price totally out of reach of people in Africa, leaving people to die and suffer from horribly painful

diseases until they were forced, by activists' campaign, by the threat of introduction of generics against Pfizer's will under the banner of compulsory licensing. Before they had all those pressures, they were quite happy to let people suffer. And it's only been the pressure from AIDS activists and the possibility of introduction of generics that has forced them to enter into this charitable donation program for which they now claim so much credit.

### **A Waste Of Money > Milton Friedman, Nobel Prize-winning Economist**

A corporation is the property of its stockholders. And its interests are the interests of its stockholders.

Now beyond that should it spend the stockholders money for purposes which it regards as socially responsible but which it can not connect to its bottom line? The answer I would say is no. In doing so it is acting like a government. It is imposing taxes. And spending taxes without a popular grant. And the corporation doesn't have any money to spend. If it spends money it's spending its stockholders money, or it's spending its employees money or it's spending the money of its customers.

I've observed and talk about social responsibility and then it's not clear who's deciding what is socially responsible. Corporations, especially big corporations set up a separate branch, or a separate section to deal with its social relations. And that section is typically run by somebody who's not really involved in the corporate activity. Who is not really concerned with serving the interest of the corporations, it's sort of pure advertising. And as such I think it's a waste of money, and more than a waste of money. It typically has being, it's often is being spent on things which are adverse to the interest of the corporation and to the society as I would view it.

### **Confession Is Good For The Corporate Soul > Sir Mark Moody-Stuart, Former Chairman, Royal Dutch Shell**

We've talked about publishing something, being open about something, going right back to health, safety and environmental reports, publishing them. The reaction has always been the same - what are people going to do with this information? Aren't they going to beat us with this information? Because the information is, sometimes the picture is not that good. Every time we've done it, the reaction, because you do it, is so positive, because they feel, here is someone being open about it, that problem, and everybody knows, there is no corporation in the world who doesn't make mistakes, or who doesn't have something somewhere, which is an issue. The question is, are you pretending that it's not there or hiding it, or worse distorting it in some way?

## **Trust Us > Robert Keyes, President and CEO, Canadian Council for International Business**

The business community has, has a lot of concerns as to how people are approaching the issue of corporate social responsibility. Many of our members have their own codes, which binds their activities and how they are going to operate in Canada and abroad. There are international, there is a plethora of not only business codes that every company has but also a plethora of international guidelines.

You have the OECD guidelines of multinational enterprises. You have the Sullivan Principles. You have the International Chamber of Commerce's principles. And there's more in the works. You have principles under the, under the ILO. You have principles being advocated organizations like SA 9000, Social Accounting 9000 and, and so on and so on.

And in fact the waterfront is pretty cluttered with these kinds of things. So some businesses who are trying to find a way through this maze are saying well who do I listen to, who do I follow, who's right, what are the best principles, what do I draw on? How do we mold something, which is right for us, for our conditions, for our situation?

And that becomes the difficulty whenever one starts to talk about mandatory measures because every company is different, every operating situation is different. And I think it's, it would be exceedingly difficult to find a one-size-fits-all solution to this.

... It has been proven at times that the, that the carrot and stick approach is far better than what we call the command and control. Where you have a very rigid system. And we feel that there's a very significant place for voluntary actions for business to itself get out in front of the regulatory environment. Don't just meet the minimum standards but do better and strive for continuous improvement. And business can undertake those initiatives, those initiatives themselves.

The Canadian chemical industry and the US chemical industry has a program called Responsible Care. And if you do not meet the expectations of your peers you're kicked out of the Association.

### ***Mark***

That doesn't mean you can't do business?

### ***Robert***

It doesn't mean you can't do business but your peers are turning their back on you and that sends a pretty strong message.

### ***Mark***

Strong enough.

**Robert**

Strong enough! Absolutely strong enough because people do not want to, governments and other customers and say look you're going to do business with somebody who has been, has been kicked out of this particular industry association. That's not good for your business prospects in the long run, not at all. And it's happened. It's happened.

Two companies have been kicked out of the Canadian Chemical Association for not meeting, not meeting certain standards and, and poor environmental behaviour. So and that's, you know that's, that's, that's a form of industry, industry discipline.

Will it ever replace government regulation? No. No. But government regulation is not perfect. Government can never hope to control everything. You know. Do you always obey the speed limit?

**Note**

*The Canadian Chemical Association refused to identify which corporations were disciplined.*

In a letter to Associate Producer, Dawn Brett, Brian Wastle, VP Responsible Care® explained, "while I recognize it would likely help with our association's public credibility to reveal the companies' identities, I am of the opinion the value of this would not offset the negative effect of unduly stigmatizing the company."

**No Bad News > Chris Barrett & Luke McCabe, First "Corporately Sponsored" University Students****Luke**

I think if we found out that First USA or Bank One was doing anything dishonest or you know against the contract or against what they promote it's just I mean it's in our best judgment to not go with it obviously. I mean we're not going to give into the corporation if they're lying and if they're not, just like we were talking about the cigarette companies like if they lie about the fact that cigarettes are bad for you. You know that's not a good thing to support that and all of a sudden say oh well you know that's okay corporations are supposed to lie. Like First USA was doing something dishonest we wouldn't work with them.

**Chris**

We wouldn't work with them.

**Luke**

We wouldn't be working with them anymore I mean that's why we chose them though is because they're not a dishonest company.

**Chris**

We believed in what they believed in and we felt like we had the same morals as them. And they didn't want to exploit at the beginning of this and it's been working out great so far and we've been working we were a strong team together throughout the last I guess like nine months now or eight months.

**Chris**

We were talking to a caffeinated mint company and we didn't think that was a great image to uphold. Like we'd be popping mints and just having buzzes the whole time like three mints equals a cup of coffee and it's not the idea that we want to go out there. We want kids to have good grades and be able to like go to sleep at reasonable hours. And just giving them caffeine all the time is not the best idea.

**Mark**

I just poked around Bank One's website and just did a little search and I came up with this and I don't know if you've heard of it but, and this wasn't very long ago. Bank One Capital Markets a broker dealer subsidiary of Bank One was censured and fined 1.8 million dollars by the National Association of Securities Dealers for inadequate net capital, insufficient customer reserves and inaccurate books and records. According to the NASD.

**Luke**

When was the date on that?

**Mark**

They operated from February 1999 through August 1999 without a reliable accounting system.

**Chris**

Oh actually they changed CEOs Bank One a couple of years Jamie Diamond came in and he's an awesome guy, that, that's why I think there was so many problems with Bank One. And he's really turned the whole company around and he invested millions of dollars of his own money into the company to show that he believed in it and he could turn it around and make it positive. So I think, and that was pre-Chris and Luke.

**Luke**

Ever since we've been working with them.

**Chris**

We've made sure their books...

***Luke***

No bad news