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The Role of Corporations in the
Economic Order of the 21st Century

International Corporate Social Responsibility

**RAMON
MULLERAT**



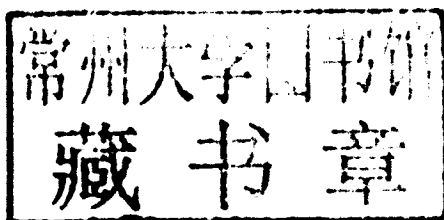
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International Corporate Social Responsibility

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Foreword

Over the past decades, businesses, governments, academics, the media, and the remaining part of civil society alike have displayed incommensurable levels of interest and enthusiasm for the still vague and undefined concept of corporate social responsibility ('CSR'). So much so, that the economic activity of the twenty-first century cannot be understood without such concept. CSR has become a buzz word in the business world. Just try Google and you will get over six million 'hits' and you will find over one million web-pages on CSR.

The reason for the CSR explosion can be found in the role corporations play in the new economic order and the enormous power and influence that they exercise in today's world. Out of the one hundred largest economies of the world today, fifty-one are corporations and only forty-nine are nation-states. These powers and influence are exacerbated by the economic globalization, deregulation and privatization, the communications revolution, the increased access to information, and the prevailing of material over spiritual values, not to mention the myriad of corporate scandals that have emerged at the outset of the twenty-first century. The new corporate role is at the same time the cause and the consequence of such power and influence.

For many centuries, corporations were seen as human enterprises exclusively to produce the goods and provide the services needed by any given society. Today, this concept is obsolete, since corporations' activities go beyond the production of goods and the provision of services to the exclusive interest of their owners, and society expects them to address major local and global issues. Winston Churchill used to say that the more power, the more responsibility.

It is not the first time that businessmen are called to fix the problems of this world in modern times. In the past century, when the world became crazy and almost annihilated itself in the two World Wars, it was not the politicians or the military who found the formula to eradicate wars and build a new peaceful Europe. It was business, who in the middle of the century, through treaties like the ones for

coal and steel, found a 'modus vivendi', which made possible the survival of the human race through the use of the plough and not the sword.

However, in this flat and globalized world, still many people do not trust corporations, especially after the scandals in the United States and in the European Union at the turn of the century, and the more recent ones, which have caused the need to rethink the role of corporations in the knowledge society.

In his recent book, *Common Wealth: Economics for a Crowded Planet*,¹ Jeffrey Sachs denounced the basic economic reckonings that the world is facing: poverty, climate change, and environmental destruction. The world has discovered that there need to be new ways of handling its future. It has also discovered the importance and influence of corporations. In this regard, Enron, WorldCom, Tycon, and the other scandals at the beginning of the century sped up CSR's movement. The current failures and ensuing financial crisis affecting the whole planet claims for a new way of doing things.

Today, CSR is an honest movement that has conquered a legion of proselytes. As many things in this world, CSR activities may be genuine or twisted and distorted. While some CSR activities are probably mere window dressing or public relations exercises, many companies are convinced that economic, social, and environment objectives are not invariably in conflict and are genuinely committing to addressing labour, environment, health, and economic justice issues and the promotion and protection of human rights. On the other hand, the movement has been so successful that it has pervaded all sorts of activities of all kinds of entities, economic as well as non-economic. It is so pervasive, that one of the problems affecting CSR is the difficulty of defining the concept and setting boundaries to its scope.

I would like to make a universal call from these pages. We individual mortal beings are accustomed to impassibly watching and sometimes meekly criticizing the constant abuses that are being made on human rights or on the planet's rights. And we tend to accuse 'them' for such intolerable abuses without even realising our indirect participation in such wrongdoings. Each one of us, with our choices, consumption, actions, and often inaction and silence, are cooperating to such sad events. In a meeting organized by Resource for the Future Forum (RFF) on CSR, which took place in October 2003,² Paul V. Tebo, Vice President, Safety, Health, and Environment of E.I. du Pont de Nemours, remarked how our consumers' interest in the environment was ironic because, for one thing, we 'drive huge cars with "save the polar bears" bumper stickers'.

Our goal must be that the CSR movement not remain the stringent romantic ideal of a few charitable-sensitive businessmen, but soon become a natural and indissoluble element in all corporations' behaviour and on the top of their managers' agenda, and to make it also the role of each individual person, corporation, and organization in transforming the present new economy for the benefit of world development.

1. Jeffrey Sachs, *Common Wealth: Economics for a Crowded Planet* (2008).

2. Resources for the Future (RFF), Council Meeting: Forum on CSR, overview, (16 Oct. 2003).

This book is not a scientific or academic text, it is for the general reader. It may probably contribute to few innovative ideas on the subject, since it is basically intended to facilitate a general knowledge of some aspects of this vast movement. When I put together this book, my intention has been to learn more than teach. The book's aim is basically informative of the multifarious issues encompassed under the concept of CSR and the opinions of some commentators, politicians, and businessmen who are preoccupied with this movement. This book is not totally original. In it, I have tried to summarize the diversified and coming-from-different-quarters opinions of politicians, businessmen, journalists, and other thinkers on the broad and still undefined field of CSR, together with my own ideas, that I have made public here and there, hoping that the reader will have the opportunity to judge for himself or herself on the different intellectual and practical opinions and options.

At the beginning of each chapter, I have selected some quotations and thoughts relating to this subject, and at the end, I have provided a bibliography, mainly of works that have fallen into my hands when writing, most of which I have followed, consulted, and/or quoted.

When the first draft of this book had been sent to the editor, the 2008 financial crisis, spearheaded by the Lehman Brothers collapse, had just started to develop, and therefore, this book does not take into consideration the development of the crisis, which undoubtedly will give some answers to the questions that CSR has raised.

Ramon Mullerat OBE
September 2008

Preface

We need this book. We need better to understand and more to discover ways to reconcile private interest with the public good. James Madison in one of the *Federalist Papers* wrote that 'If men were angels, there would be no need for a government'. The same thought applies as well to markets and business. If all people were angels, markets would be perfect. However, we are not so. We need guidance in the formulation of corporate principles, standards of conduct, and concern for others in the corporate system. Such guidance does not come only from within markets but originates beyond them in culture and society. The concept of corporate social responsibility is the product of this admixture of business, culture and society. This book provides that guidance on Corporate Social Responsibility.

The years 2008 and 2009 are already part of fundamental economic history. We are going through the most dangerous period of economic disturbance since the Great Depression. The effect of these events is continuing – the cost of stimulus packages; reduced lending by banks; rising unemployment; substantial reductions of public services and increases in tax and so on. The effects on society everywhere are profound.

We now have three narratives underway – the economic, which occupies the front page every day; social, which is now underlined by unemployment and personal debt, and the moral – surely there is a better way for finance to operate we say to each other. These narratives overlap. Each deals with business and people in society. All are concerned with transparency, accountability, risk assessment and avoidance, and protecting the public good.

CSR is now more than ever a requirement of business and capitalism. It is so because it benefits business and it benefits the community. It does so throughout the world. The former pre-recession corporate indifference of some to CSR is no longer acceptable. The view that it is a fashionable ideal of do-gooders in civil

Preface

society is yesteryear. CSR now is part of our corporate and personal lives. We are probably entering a period in which we ought to drop the adjective 'social' and use the phrase 'corporate responsibility'. That better embraces the inevitable relationship between corporate governance, corporate responsibility to shareholders, the value chain and the community, and its integral value rather than a 'social' add-on. Most business thinkers know the value of corporate responsibility however described. My predecessors in the Caux Round Table formed it in 1986 as a group of businessmen. They included Frederick Phillips, then head of the Phillips company of the Netherlands; Olivier Giscard d'Estaing, the Vice President of INSEAD, and later Ryuzaburo Kaku, Chairman of Canon Inc. They came together in 1986 and over time advanced as businessmen the Western concept of human dignity and the Japanese virtue *Kyosei* 'living and working together for the common good'. This led in 1994 to the creation of the Caux Round Table Principles of Business and later the Principles for Government, and the proposed Principles for Non-Governmental Organizations. We are now in the stage not only of proclaiming these principles devised by business for business, but also ensuring that we have the practical means of applying them. Arcturus is our consultative programme within business designed to identify risk and successfully avoid it by good company practices right across the stakeholder terrain. It has been used by Nissan and is in a process of international development. In addition our director-training programme ensure that CSR is a daily practice of all aspects of business life.

Our example of how CSR can be developed for business is reflected by the multitude of examples in this book of how business, international organizations and civil society have advanced CSR in so many different and powerful ways. This, from within business and from within the community, demonstrates *Kyosei* – living and working together for the common good.

So the time is right for this work. Its enormous range of information and thinking redounds to the benefit of every reader in business and the community. The what, why and how of implementing CSR are comprehensively analysed in the many short and pithy chapters.

There could be no better an author for such a work than Ramon Mullerat. He is an eminent lawyer, a profound thinker and a man imbued with the concept of the common good.

Good business practices make for good business. George Washington expressed it eloquently 'There is no truth more thoroughly established than that there exists in the economy and course of nature an indissoluble union between virtue and happiness; between duty and advantage . . . '.

CSR is part of that truth. This book is the way for everyone to find out, to learn, to review, and to apply the thinking and information about corporate social responsibility.

As the author says in the conclusion CSR is here to stay. So is this book.

Lord Brennan QC
Caux Round Table

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