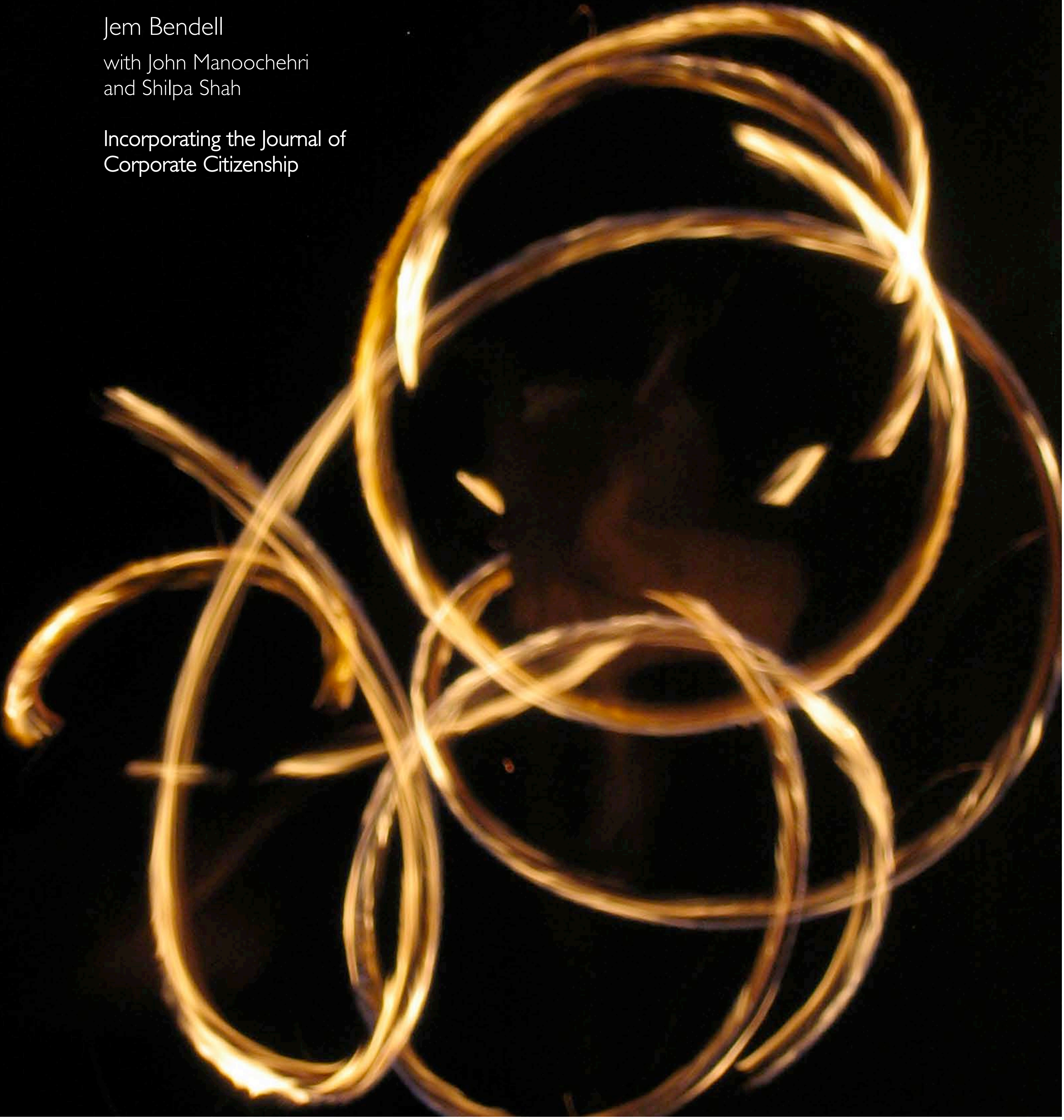
serving systemic transformations

The Lifeworth Review of 2005

Jem Bendell
with John Manoochehri
and Shilpa Shah

Incorporating the Journal of
Corporate Citizenship



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This free publication combines the quarterly reviews of the premiere academic publication in the field, the Journal of Corporate Citizenship. It provides you with international analysis of the main trends of 2005, insights into the future, as well as some proposals for future work on corporate responsibility.

Lifeworth publishes this resource to promote more informed consideration and practice of corporate responsibility, to encourage systemic change towards sustainable development. The review is editorially independent and the sponsors did not influence its content.

This is the fifth Annual Review. You can access this and previous reviews at www.lifeworth.net. Visit www.lifeworth.com for information on research, strategy, policy, coaching and careers in this field.

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Document and website design by waywardmedia.com

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Foreword

I'm told that 2005 was a good year for wine. I'd say it's also been a good year for maturing the debate about the role of corporations in society.

The bitter taste of Enron, Parmalat, and other corporate scandals, and the strong flavour of popular systemic critiques in the book No Logo and the film The Corporation have fermented more creative thinking on how to resolve the clash between financial and social pressures on companies.

For instance, in 2005 the oil giant BP began teaching its customers about their carbon footprints whilst at the same time calling on government and other companies to do more to solve climate change and support those companies that are taking action. Major financial institutions like HSBC, Allianz and others have been calling on their peers to engage with sustainability.

At events throughout the year, such as the EU corporate responsibility conference, the clarion call is now much the same from NGOs, investors and companies – "it's the market stupid". Thoughtful people in all sectors recognise the need to change the frameworks within which business operates, in order to make responsible and sustainable activities more financially viable. Despite this emerging consensus many Governments seem deaf to it and the implications for public policy, and fearful to act in case they upset their friends in stale trade associations like the Confederation of British Industry.

Some will remain cynical of corporate motives but others detect a change in the old 'regulate or deregulate' debate. Sophisticated companies are recognising that they cannot shift their business models to more sustainable ones without the support of government, consumers and investors. This Annual Review describes how the cutting edge of corporate citizenship is now about working with those three groups to engineer the business case for sustainability and create new market opportunities.

True leadership will come from refocusing efforts from communicating in sustainability reports read only by specialists, to speaking the right language to these key audiences. It will come through transparent and accountable third-generation lobbying[1] of governments, encouraging them to re-engage and recognise the need to step in to address market failures. It will come from empowering consumers to become part of the shift to sustainable consumption (and thus sustainable production) through responsible marketing and advertising. And it will come from innovative ways to engage with investors so that they give companies more free rein to act in the longer-term interests of people and planet[2]. This challenge requires professionals in all sectors to see beyond the walls of their organisations and work together on generating systemic change. In this review Jem Bendell highlights how some executives are beginning to express such 'transcending leadership'.

The Review also describes how many people and organisations are not transcending narrow self-interests, being trapped in cellars of separative thinking and short-termism. If Milton Freedman was right that companies are unable to be moral, then we need to reinvent them and the rules that define them so that they can be. We would do well to revisit Adam Smith's sentiments on morals and markets to rethink what it really is we ultimately want - increased economic growth or maximum wellbeing? If the latter is the case then also need to question whether our current political and economic systems and their operators are up to the job. As Bendell says in this Review "if we want to change the way business does business, we have to change the way money makes money". As such, working to create greater 'capital accountability' must become a central part of future efforts at systemic change, within the corporate responsibility arena.

Transforming capitalism to a system that enables prosperity in harmony with eachother and the planet is the greatest challenge of our time. Today, companies are the most pervasive and persuasive communicators and have a key role to play in this great transition towards a sustainable society. Corporate executives urgently need to innovate in how they use their influence and show moral leadership. The stories and analysis in this Review will hopefully encourage us all to engage with this task with greater maturity and, perhaps, a youthful fizz. After all, can there be anything more invigorating than playing a part in the most important challenge of our time?

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Introduction: The Generation of Transcending Leadership for Transforming Capitalism.

Dr Jem Bendell
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Jem Bendell

In 2005, another Jem, prettier than me and with a better voice, had a hit singing “who are they, where are they, how could they know all this? I’m sorry, so sorry, I’m sorry we do this”. It was about 4 months before I actually paid any attention to the lyrics, such is my low expectation of modern pop. I had thought ‘Live 8’ was as good as it gets with the social conscience and commentary of our contemporary stars. But the success of singers like Jack Johnson in 2005 suggests that singing about the human condition is back in fashion. One of my favourite tracks of his reflects our complicity in supporting the mass media we experience: “it was you, it was me, it was every man, we’ve all got the blood on our hands. We only receive what we demand and if hell is what we want, then hell is what we’ll have.”

This awareness that we co-create the systems we live in, and that we all have a hope, however stifled, to work on what matters for something greater than ourselves, has been at the heart of Lifeworth’s agenda since 2001. Achieving a synergy between our ‘life’ in terms of its true nature and purpose, and our ‘worth’ in terms of our ability to earn a living, is embodied in the name we chose.

This publication marks our 5th anniversary, and as such provides a broader analysis and prognosis than previous annual reviews. In so doing, it reflects a new confidence of knowledge and purpose within people in some of the business, public policy and academic networks we engage with. This confidence arises from a new sense of urgency, greater experience, and self-discovery.

One reason for the sense of urgency is that environmental problems have fast moved from prediction to reality, while the rate of damage is increasing rapidly with industrialisation in the East. The stubbornness of poverty in the face of numerous international commitments to make a difference, including the Millennium Development Goals, adds to this sense that widespread results must come now.

In addition, the contemporary emphasis and initiative on voluntary corporate responsibility is now a decade old, with 2005 being the 10th anniversary of Ken Saro-Wiwa’s execution in Nigeria, which added to the public outcry over the oil company Shell at the time. Participants in and observers of voluntary corporate responsibility initiatives have had some time to understand the potential and limitations of this area. With this experience, the commercial difficulties of making companies and markets more sustainable and responsible are more widely known. As Jules Peck argues in the foreword to this Review, "sophisticated companies are recognising that they cannot shift their business models to more sustainable ones without the support of government, consumers and investors." Whereas this argument used to lead to business people passing the buck, now it is leading them to explore how they may be able to engender that support from government, consumers and investors. They are exploring how to act together to cultivate a business case for sustainable behaviour, in order to create systemic change in society. It is this approach which guides the new strategy of the corporate responsibility team at one of the sponsors of this Annual Review.

Another reason for the new confidence of knowledge and purpose may relate to self-discovery. People who work on corporate responsibility can be regarded as a social movement, and a new profession. As a profession, it is very new, and there are no professional institutes for corporate responsibility practitioners that have the support and participation of large numbers of those practitioners. Professional culture, identity and purpose are still evolving. Many people came from not-for-profit backgrounds, and many started in this field as young professionals. Consequently people have been learning how to act and behave in this new profession, and cautious about expressing themselves fully. They have been on a journey of self-discovery. Now, with some years under their belt, many people have greater confidence in their more fundamental assessments of situations and in expressing their views.

This new confidence is leading to more assertive work that aims at larger transformations of organisations and societies than have been attempted within the corporate responsibility arena in the past. In 2005 a range of activities suggested that more of us are not prepared to merely tinker with the edges of corporations and capitalism and instead will work toward systemic transformations. The growing focus on responsible lobbying responds to the need to reconfigure the relationship between business and government in order for government to intervene for longer-term commercial and societal interests and not be swayed by short-term expediency of certain companies and industries. The greater popularity of concepts such as 'social entrepreneurship' and 'authentic business', reflects the desire of people to work in ways that are good for humanity, rather than merely being less bad. The rapid advances with collective action in the financial sector to change its integration of social and environmental value also reflect a growing desire to change the basic framework conditions that companies and their executives have to operate within. Ultimately this may lead to a fundamental rethinking and eventual reordering of the rights and duties of capital. Certainly the private financial sector looks set to become the focus of more NGO campaigns and projects. We may be on the cusp of a 'capital turn' in civil society that will have as significant effect on business as the 'corporate turn' of civil society in the early 1990s, when NGOs began engaging business more energetically.

Individual people, acting together, are creating these changes. That may seem so obvious, but the implications can be overlooked. One implication is that we need to know the nature and action of such people, to learn from them, to nurture them and to inspire others to become like them. One characteristic is that they are all crossing boundaries, whether organisational or cultural, to try new ways of working to serve wider society. 'Crossing a threshold' is one concept that the etymological study of the origins of the word 'leadership' suggests. 'Marking a path' is another. The topic of leadership is well established in the fields of business and organisational behaviour and therefore provides a useful frame for understanding and communicating the qualities of those who are marking a path towards a sustainable and just society by crossing the thresholds of organisations, industries, countries, cultures and generations.

Traditionally analysts and educators on corporate leadership have assumed that it involves leading people towards the goal of their employer, the company. Mark Gerzon of the Mediators Foundation describes this as a focus on "leadership within borders", when what the world needs is "leaders beyond borders". This means people who can see across borders created by others, such as the borders of their job, and engage others in dialogue and action to address systemic problems. We can call this 'transcending leadership'. It is a form of leadership that transcends the boundaries of ones professional role and the limits of ones own situation to engage people on collective goals. It is a form of leadership that transcends a limited conception of self, as the individual leader identifies with ever-greater wholes. As Albert Einstein wrote, "the human being experiences oneself, ones thoughts and feelings as something separated from the rest--a kind of optical delusion of our consciousness. This delusion is a kind of prison for us, restricting us to our personal desires and to affection for a few persons nearest us. Our task must be to free ourselves from this prison by widening our circle of compassion to embrace all living creatures and the whole of nature in its beauty."[3]

Ultimately, transcending leadership is a form of action that transcends the need for a single leader, by helping others to transcend their limited states of consciousness and concern and inspire them to also lead for the common good.

Writing about organisational learning and change, Peter Senge argues that to create change in organisational systems requires leadership qualities that arise from an awareness of systems and one's own connectedness to those.[4] This is even more the case for the challenge of societal learning and change, as it requires an understanding of inter-organisational relations and whole social, economic, political, economic and cultural processes. Therefore people who move beyond organizational and personal transformations to leading societal transformation are praised as 'Alchemists' by David Rooke and Bill Torbert, in an article for the Harvard Business Review.[5]

Perhaps the best modern example of transcending leadership is Mohandas Gandhi, who aroused and elevated the hopes and demands of millions of Indians and whose life and personality were enhanced in the process. He called on us to understand our connectedness to 'all that lives', and identify with ever greater wholes.

The transcending leaders of today are not necessarily charismatic figures in positions of institutional authority. There is often a mistaken assumption that leadership is about being a boss. Today's transcending leaders are those who cross boundaries to influence society for the better, and operate at all levels of organisation or none. When I think of people who exhibit these qualities, I do not think of senior people within the United Nations system, with which much of my recent work has been. Instead I think of people like James

Gifford, who came to the UN as an intern and quietly developed a responsible investment initiative that is helping shift trillions of dollars of assets behind the sustainability transition. Or Alisa Clarke, who created a network of UN staff and consultants to promote revitalisation and reform of the UN system from the bottom up, by focusing on the importance of personal values in ones profession (see www.wisdomatwork.net). I think of Mike Zeidler, who created an Association of Sustainability Practitioners to support people who seek to transform organisations towards sustainability through their work (see http://www.asp-online.org/). And I think of Bill Zhang, who has been helping the sustainability movement in China to grow. All are quietly acting for the collective.

In 2005 another transcending leader I had the privilege to know passed away. His achievement in building institutions yet not being very bothered about his or others 'position power', his interest in crossing boundaries and experimenting with the new, and his commitment to social change, made Richard Sandbrook someone I deeply respected. Jonathon Porritt wrote in the Guardian, "the essence of this extraordinary person lay in his irrepressible humanitarianism. Though he loved to poke fun at all and sundry, deliberately cultivating a world-weary scepticism to strip away self-importance and cant wherever he met it (especially among his colleagues), his heart never stopped beating for the world's oppressed."[6] The strength of his legacy embodies the ultimate goal of transcending leadership.

Our challenge today is to cultivate these qualities in each other: to learn ways of achieving states of connection, and ways of implementing our compassion. There are skills to learn, experiences to hear about and niches to find. In 2005 a variety of organisations did useful work in this regard. The Oxford Leadership Academy[7] and Shambhala Authentic Leadership Institute[8] continued to help top executives to tune in to their desire to serve society. The Society for Organisational Learning continued to expand outside the United States and bring more people into a dialogue about systemic change.[9] Forum for the Future and LEAD completed their first cross-cultural and cross-sectoral leadership development programme.[10] All these initiatives are helping to inspire the leadership needed for global social change.

In business, and particularly in the field of corporate responsibility, transcending leadership translates into engaging all relevant stakeholders in collective action to change market frameworks to make responsible and sustainable enterprise more financially viable. It involves employing those business functions that communicate with stakeholders, such as public affairs, investor relations, human resources, supply chain management, marketing and advertising, in pursuit of systemic change. Recognising that capitalism is the larger system within which we operate, transforming capitalism to a sustainable and just means of socio-economic organising is the key challenge for real business leaders.

Our own work at Lifeworth these past five years focused on this goal of corporate executives playing a role in systemic change. We have pursued it, rather limitedly, through research, strategy and policy advice, writing and educating, especially in the area of cross-sectoral relations and dialogue, as well as through life coaching, and providing career and recruitment consulting in the corporate responsibility field. Our understanding has been that much of the emphasis in the professional services field focuses on the organisation – not on the person within it or the system around it. We believe that the most important work today is both deeply personal and highly systemic. People need to find ways of succeeding in their organisations, by transforming those organisations to succeed in societies, by transforming those societies to succeed in the world. More simply: people need to be able to serve the world while not bankrupting their organisation or getting the sack!

After 5 years we are now planning to take our work to another level. Therefore in 2006 we are co-creating a study circle on "Consciousness, Leadership and Humanity". This circle is open to anyone who seeks to cultivate this 'transcending leadership' in their organisation or through their work, and who can contribute substantively to a process of elucidating the principles, purpose, and practices of such leadership, including how to cultivate and sustain it. The project will be open source, with all intellectual outputs made freely available. One output already scheduled is a forthcoming special issue of the *Journal of Corporate Citizenship*. For further information, visit http://www.transcendingleadership.net/

In any case, I hope you find this Annual Review helpful. It both reviews and embodies the new confidence of a profession and movement that arises out of an awareness of serving something greater than itself. As such it is the first annual review to carry its own title. I hope that 2005 comes to be remembered as a time that began the generation of 'Transcending Leadership for Transforming Capitalism'. Now that would be worth singing about.

First Quarter January-March 2005

Professionalization: A New Approach Required

In January 2005 the International Organisation for Standardisation announced the establishment of the group to develop a global standard on social responsibility. The ISO Working Group on Social Responsibility had its first meeting in March in Salvador, Brazil, establishing a workplan culminating in the issuance of standardised guiding principles for the field of social responsibility. This represents an ISO reference for the business community to match its weights, measures, standardised grades of aluminium...and 15,000 other global standards. The development of this standard is the latest step in the growing 'professionalisation' of service provision in the corporate social responsibility (CSR) and corporate citizenship fields.

In addition to the development of standards for management practice, there are increasing moves to standardise the practice of those working in this field. At the end of 2004 AccountAbility and the International Register of Certified Auditors (IRCA) came together to launch the world's first individual certification scheme in the field of sustainability assurance. The so-called *Certified Sustainability Assurance Practitioner Program* will help auditors – both internal as well as external to companies – provide quality assurance to sustainability reports.

This initiative came fast on the heels of a new CSR Academy in the UK, which developed a "CSR Competency

Andrew Dunnett

Framework" for managers.[11] This outlines a set of core characteristics that CSR managers should exhibit, and is intended to help managers improve their practices both within the specific CSR profession, but also in other specialisms where business-society issues are relevant. This is because "in today's business environment" says Andrew Dunnett of CSR Academy "managers across the business require the skills and competencies to take into account an increasing range and complexity of factors relating to the financial, environmental and social implications of business operations."[12]

History teaches us of the mixed blessing when individuals and organizations come together to establish, improve and ultimately protect a profession. On the positive side, they provide the opportunity for people to share knowledge and expertise and maintain standards through peer review. They also provide a form of guarantee for consumers of professional services that the provider is of a certain standard, with a particular training, qualifications and experience. However, this social benefit from professions and professional associations is not without its kickback. 'Professions strike a bargain with society in which they exchange competence and integrity against the trust of client and community, relative freedom from lay supervision and interference, protection against competition as well as substantial remuneration and higher social status' commented the sociologist Rueschemeyer, some 20 years ago.[13] A body of work on the sociology of professions demonstrates that the definition of what is a professional training, qualification, experience and practice, is not just a technical exercise.

Some see professionalisation less as an issue of quality as one of self-interest. 'All professions are conspiracies against the laity' wrote George Bernard Shaw in 1906. Today many regard the development of professions as projects of occupational closure. This means making it more difficult to get into the profession, thereby restricting supply of a service and driving up prices and remuneration. Professions can therefore play a role in perpetuating class divisions[14], which could become a key issue for professionalisation in the area of business-society relations. Further, professionalisation of the CSR domain is likely to filter out the more creative wavelength of idea generation, to challenge fast-moving changes and weight them with new administrative burdens, and to insulate itself from voices critical of the mainstream.

The history of professions also raises issues about the relationship of CSR and government. Professionals, whether accountants, doctors, or others have been found to seek and maintain the judgement domain and indeterminacy of their professional task as a way of empowering their members, and also restricting external interference.[15] Thus professions seek a certain amount of independence from the state in order to carry out their activities, yet they need the state to give them a monopoly to protect their activities.[16] As the issue of public policies on CSR becomes more developed in subsequent years, so the relationship of the CSR profession to regulatory processes will become increasingly important. Evidently, the an increasingly professionalised CSR community has a lot to lose by being actually critical of either its client base or regulatory masters.

Given that questions of organizational accountability are central to debates and initiatives on CSR and corporate citizenship, the accountability of CSR professionalisation must become a key issue. Who should CSR standards development be accountable to? CSR practitioners? Or their intended beneficiaries? Can we assume that their intended beneficiaries are not only their clients, but those affected by their client's activities? If so, what opportunities for meaningful participation in CSR professional standards development can those constituencies really have? CSR professionalisation could learn well from the history of professions, as well as innovating a new conception of professional identity, where the professional not only serves the client, but a set of principles that speak directly to the need for a more sustainable and just world. The

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establishment of the Association of Sustainability Practitioners (www.asp-online.org) in 2005 is one attempt to encourage such an orientation amongst professionals in this field.

Rethinking intellectual property

The responsibility of software companies towards society has not been high on the agenda the corporate social responsibility community in recent years, perhaps because the environmental and social impacts of production appear to be very low, while the value added to society appears pretty high. When such companies as Microsoft appear in the corporate responsibility press it is often about traditional corporate philanthropy, involving their donation of products or services to specific educational projects.

However, IT companies sit at the nexus of two of the most important changes to capitalism today which should make them a key focus for future work on corporate responsibility issues. On one side is a key technological development in recent capitalism, cheap information technology (IT), while on the other side is the international protection of intellectual property, which is probably the most important regulatory development in capitalism of our time, as it extends private property rights into new areas. The allocation of private property rights as opposed to collective use rights, and the responsibilities and obligations of those people or organisations which enjoy such property rights is a key political question at the heart of capitalism. When the nature and allocation of private property rights are being negotiated, as is the situation with intellectual property today, it reveals to us the way ‘property’ is an inherently political concept concerning a balancing of private and collective interests. As this balancing of the private and collective interest is a key theme in most corporate social responsibility and citizenship debate, we might reasonably expect developments in the nature and allocation of property to appear.

The responsibility of pharmaceutical corporations who hold patents to crucial drugs for diseases like AIDS has been the focus of some attention over the last few years. Most corporate responses have been in the form of cutting prices and in some instances relaxing their patents, to improve access to medicines in the global South. However, the key issue of what constitutes the responsible use of corporate power in shaping the regulatory regime on intellectual property remains relatively un-debated and unresolved. Recent events in the IT sector make this question even more urgent to explore, and bring IT companies more firmly into the corporate responsibility spotlight.

A significant development came in February, when the European Parliament rejected unanimously a draft Directive to introduce patenting for software.[17] The issue had been in play since moves in 97/98 by the European Patent Office to institutionalise patents for software design, and on the negotiating table since a draft Directive was proposed in 2002.[18] The issue of patenting of software is just one of the intellectual property (IP) issues facing the information and communications technology (ICT) sector that have implications for public benefit, and thus can be considered in the context of corporate responsibility.

IP is legally defined under three headings: copyright, patents, trademarks. Patent coverage is generally more restrictive than copyright because, while copyright restricts re-use of a particular *piece* of creativity, a patent, in IP terms, is the equivalent of protecting a whole *style* of creativity. So, taking language as a hypothetical example, copyright covers a particular text; but patenting would cover a whole style of formatting, or genre of writing, or a certain use of grammar or punctuation. And thus, applied to software, patents could close down a wide range of potential creativity, bringing all sorts of software developments within the scope of concepts of 'similarity' in both 'operation' and 'effect', and thus under the control of patent holders.

What is at stake here in practical terms? A huge amount for both business and society. Arriving on the software scene has been open-source software, with Linux, the desktop/server operating system, at the head of the charge. But the terrain in which these newcomers are emerging is not smooth, and is getting worse: the open-source movement is in serious danger of being tripped up not so much by the question of quality or compatibility (issues with open-source software that are now being overcome, partly through backing by computing giants like Sun and IBM) but by questions over IP. If software patents are set up in Europe, the open-source movement might have its scope for software development badly curtailed; and Linux users are already being sued for illegally using, within the Linux software code, supposedly copyrighted proprietary code.

In 2004 Microsoft was bidding to install their software on the 14,000 desktops of the Munich municipal government. After offering, eventually, a 35% discount on the original $40M US bill, and sending their senior management to meet the Mayor, the Munich government chose Linux, the freely-available, no-licence-required open-source operating system for its desktop machines. Why was this important enough for Microsoft to offer such reductions? By going with Linux, the Munich contract was a watershed in the transition to the desktop machine of Linux, out from its ghetto in back-office servers, where Microsoft's dominance has been hitherto unassailable.[19]

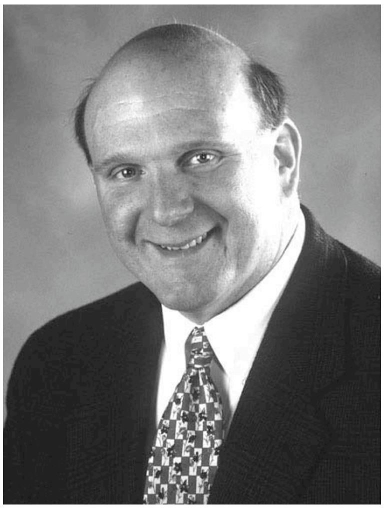
Nevertheless, the switch to Linux was nearly scuppered by the threat of messy IT patent lawsuits. Munich put its transfer to Linux on hold while they waited for a clarificatory ruling from the EU Commission over whether their shift to open-source would put them in regulatory difficulties should the then-current draft Directive on software patents have come into force; and leave them moreover with software to which updates would only be patchy and infrequent (since those updates would themselves be subject to patent disputes). In the end, they proceeded before receiving guidance – and Munich Mayor Christian Ude told the Commission that it should scrap the software patents law in any case.[20]

> 'what is a responsible use of corporate power on issues as fundamental as determining the scope and nature of private property rights?'

Although the patent issue is at bay, at least in Europe, Linux is having a rougher ride in terms of copyright. Much of the crisis with Linux over copyright has arisen due to the company SCO, which claims that Linux uses some of its code (code for the parent system of Linux which SCO owns) illegally. And therefore it is suing the biggest corporate users and vendors of Linux for colossal sums, firms such as IBM, DaimlerChrysler and computer companies like Novell and Red Hat. The first sign of strength of SCO's case, however, was revealed in 2004 when a judge dismissed most of their case against Daimler Chrysler before a trial even commenced.[21] IBM, the biggest mainstream convert to Linux having invested hundreds of millions of dollars in developing it for their machines and clients, has attempted to obtain a similar dismissal in its own case against SCO.[22] What may be working against SCO's claim that Linux has pirated code that they own is their unwillingness to say which bits of code these actually are.

SCO's legal campaign poses difficult questions for Microsoft. This is because allegations from open source advocate Eric Raymond, who analysed a leaked SCO email, that "at least a third of SCO's entire market capitalization" comes from Microsoft.[2324] Despite various denials and clarifications a significant commercial link exists. [25] The question this raises is whether or not Microsoft's seeming association with SCO is a legitimate way to interact with its competitors. It also raises the issue of what is a responsible use of corporate power on issues as fundamental as determining the scope and nature of private property rights?

The probability of legal action, and its success, is not the same as potential for legal action and it is the latter that concerns large corporations making long-term software decisions. Microsoft's Steve Ballmer, speaking late 2004 in India[26], focused on the likelihood of continuing IP difficulties as the main risk posed for those in Asia deciding to adopt Linux. That copyright concerns are threatening the access of the global South to the software they need for their development is a concern, and the role of corporations in this



Steve Ballmer

situation should be a focus of corporate responsibility, especially given the increasing attention to corporate contributions to economic development in the South.

The main theoretical argument for protection of software IP goes that properly protected IP is an incentive to perform ever better in a competitive environment: if you won't get any more from making even better products, because you can't protect the return on that investment, why make the products better? The fact that Linux is so successful without anyone having being paid to write its code suggests that this issue is open to debate. In addition, without serious competitors, protected IP becomes a licence to print money. The ethics of arguing about the need to 'protect return on investment from the competitive environment' – when there is no competitive environment – are problematic. In the absence of competition, the inevitable state of affairs is profits are vastly in excess of investment – as they are in the case of Microsoft's products, running up to 400% profit in some cases[27] – and prices that are high with no incentive to come down. Poorer regions of the world should not be denied the opportunity to participate in development based on office and home computing – but at current prices, they are.

Growing pressure from open-source technology and piracy led to Microsoft offering in February to sell its XP operating system at half-price across China, for a short period.[28] Microsoft has also responded to the 'digital divide' by rolling out a range of educational projects. Also in February, Microsoft senior vice president and chief executive officer of Europe, Middle East and Africa (EMEA) Jean-Philippe Courtois officially opened the Regional School Technology Innovation Center in Jordan, and announced Microsoft's collaboration with United Nations Development Fund Women's e-Village Initiative, to bring IT to educational centres across the country. "Microsoft's alliance with the Jordanian Government is an extension of our broader commitment to help individuals, communities and nations in the Middle East region gain access to the technology, tools, skills and innovation they need to realize their full potential," said Mark East, Microsoft EMEA Senior Director of Education.[29]

The benefits of helping women to learn IT skills and have access to IT resources could be significant.

Jean-Philippe Courtois

However, is the best way of developing a sustainable IT sector in countries like Jordan to set people on a path of using proprietary software, rather than the free alternatives? One often heard criticism of voluntary corporate responsibility initiatives is that they are part of a ploy to distract attention from systemic challenges by diffusing conflict. The business model of proprietary software companies appears inherently problematic for sustainable development, and so a true embracing of responsibility would be to look at how to change that business model.

Although Microsoft is a special case, other companies whose core business is based on digital IP protection could do well to engage in dialogue about the future of intellectual property. Security is so readily bypassed by the armies of crackers in the programming community, and files are so readily transferred online – often by

> 'companies whose core business is based on digital IP protection could do well to engage in dialogue about the future of intellectual property.'

'centreless' peer-to-peer networks which cannot just be shut down – that some other solution than conventional IP enforcement may become commercially necessary, in addition to more socially beneficial.

Rupert's Rights

Beyond the realm of software, companies involved in information and communications technologies have been pushing for the introduction of new property rights. One example is 'The Draft Treaty on the Protection of Broadcasting Organisations,' being negotiated at the World Intellectual Property Organisation (WIPO).[30] The proposed treaty aims to extend new rights to broadcasting organisations. This is not a category of society widely considered to be threatened by rights violations: in 2004 Rupert Murdoch's News Corporation had amassed total assets of approximately US$53 billion. [31] The treaty would give such broadcasters, cablecasters, and, under the U.S. proposal, webcasters a range of new rights, and substantially expand both the scope and duration of currently recognised rights for broadcasting organisations.

The U.S. National Association of Broadcasters (NAB) and the Association for Commercial Television (ACT) in Europe, argue that new rights are a necessary measure to defend against 'signal theft', whereby a broadcast of a public event, for example, is picked up by a third party who re-broadcasts it. Lawyers for the Digital Media Association (DIMA) (whose members include AOL, FullAudio, RealNetworks and Yahoo) are arguing for the new protections to also include web casters.

The extent of the rebroadcast problem is debatable, however. In addition, the draft treaty goes much further than signal protection, covering what happens when a signal has been received and stored. Such proposals could enable treaty broadcasters to restrict the distribution of material that is not copyrightable, is in the public domain or is made freely availably by its creator. David Tannenbaum of the Union for the Public Domain argues that while "broadcasters have convincingly argued that the passage of this treaty will boost their profits," they have yet to show why the effort to create entirely new rights to the broadcasting stream is either economically necessary or desirable, particularly when balanced against its costs to society at large—such as

David Tannenbaum

restrictions on access to knowledge and encroachment on the public's rights to fair use. [32] It seems the broadcasters want a mechanism to give them a slice of the digital property pie.

The draft treaty itself provides no justification for its existence in terms of the public interest. Thiru Balasubramaniam of the Consumer Project on Technology told the *JCC* that social and development goals do not readily occur to most participants in the WIPO committee that is drafting the treaty. That such issues are not a concern, let alone the top priority for WIPO, is highly problematic. As a UN agency, WIPO's work should be in support of the UN Charter, to advance peace and social progress. However, WIPO has struggled to understand its work in that context, and a coalition of 14 developing countries have called for the development dimension to be incorporated into the core of WIPO's mandate. [33] Others have questioned the impartiality of its secretariat, pointing to evidence they have been pressurising governments to back the new treaty. “It appears that the tail is wagging the dog” said Robin Gross of IP Justice. The institutional interests of WIPO and its closeness to industry may be key factors, which raises questions about appropriate corporate influence over intergovernmental institutions. [34]

As mentioned earlier, the nature of property rights, their potential extension, the social obligations of bearers of property rights, as well as the responsibilities of those who infringe such rights, should all be central to debates about corporate-society relations. Thus the role of corporations in influencing the definition and regulation of private property should be a key focus for those concerned with corporations using their power more responsibly, for public as well as private benefit. However, a review of various online corporate social responsibility newsletters and magazines in the past months indicates that this has yet to emerge. Nevertheless, it is only a matter of time before companies like News Corporation, Microsoft, and Yahoo will need to consider more closely how the worldwide extension and consolidation of their property rights will impact on society, become more transparent about their political activities, and engage with their critics.

Is it good to talk?

The e mobile phone industry is another sector that, in conventional CSR areas of environmental impact and social responsibility, scores as highly as the computing and software sectors. Indeed, it is hailed as a sector that can catalyse social and economic development across the global South. But how *safe* is the technology? Is electromagnetic radiation a hidden pollutant? Debates in the UK during 2005 highlighted continuing concern about the relationship of science, politics, business and human health.

At the start of 2005 the UK Health Protection agency (HPA), issued updated guidance to the 2000 report of the National Radiological Protection Board (NRPB) – the “Stewart Report”. “Within the UK, there is a lack of hard information showing that the mobile phone systems in use are damaging to health… a precautionary approach to the use of mobile technologies should continue to be adopted... limiting the use of mobile phones by children remains appropriate as a precautionary measure”.[35] So that’s all clear then: ‘Mobiles are safe. But use them with caution’.

The new report carries no specific limit for the age group of ‘children’ considered particularly at risk, but this did not stop one UK newspaper headlining its report on the updated study: “No mobiles for under-nines, study says[,]”[36] on the basis of ad-hoc comments made by the head of the HPA, Sir William Stewart, at the press conference. Indeed the original Stewart Report was notably noncommittal not just on the age of ‘children’ whose

Sir William Stewart

‘The ‘caution’ that manufacturers are enacting amounts to either various forms of ‘consultation’, before doing what they plan, or leaving it to the consumer to decide their own fate.’

access to mobiles should be restricted, but also on what ‘caution’ really means in relation to use a mobile phone. Recommending ‘shorter calls’, as it did, is hardly a scientific breakthrough; and its other concrete recommendation, to use an ‘approved hands-free set’[37] was contradicted by its own finding that no approved hands-free sets exist: “ The regulatory position on the use of hands-free kits and shields is unclear and the only information available to the public appears to be that supplied by their manufacturers.”[38]

The NRPB seems, in fact, to have overturned the conventional understanding of the ‘precautionary principle’, in that, rather than finding evidence for the safety of mobile technology, it states that mobiles are not known to be unsafe – but suggests ‘caution’ in any case. This may have gone unnoticed by the mobile-safety campaigners[39], who point to more traditional interpretations – in which the burden of proof is on those wanting to implement a new technology, not on those against it. Perhaps the most important fact driving the NRPB’s position is what the original Stewart report unashamedly stated: “The use of mobile phones and related technologies will continue to increase for the foreseeable future.”[40] Which really *is* clear: there is nothing we can do.

So who *is* driving the debate on mobile phone safety? The mobile phone networks, who on this issue now speak with one carefully honed voice – the media-savvy Mobile Operators Association (MOA) – immediately ‘welcomed’ the Stewart-update.[41] Ditto the equally organised Mobile Manufacturers Association, emphasing specifically how NRPB has “reaffirmed the absence of any scientific evidence of adverse health effects from wireless communications technologies particularly mobile phones.” Regarding the ‘other end’ of the mobile safety debate, the masts (or base stations), the MOA reminded us in February, that the NRPB had stated “there is no scientific basis for establishing minimal distances between base stations and areas of public occupancy”. And in their Corporate Social Responsibility reports for 2003/4 both mmO2 and Vodafone discussed these issues. Jim Stevenson, O2’s Community Relations Manager, said “we are building a lot less now than three years ago, but the level of community consultation is far greater today”.[42] The focus in their report is on the provision of reassurance and early information to the communities concerned. Vodafone, on the other hand, is more assertive in its dismissal of the scientific basis for community concerns over health. “Based on current scientific review, there is no evidence of an impact on human health when electromagnetic fields (EMF) exposure levels are below internationally recognised guidelines" they stated.[43] So, as far as the mobile companies are concerned, caution notwithstanding, it's all systems go.

But these assertions by the mobile phone companies serve to amplify the inconsistency embedded in the Stewart report – that, if phones are safe, why is there any need to exercise 'caution', indeed take any notice of the Stewart recommendations at all? Or, put in terms of the precautionary principle, if companies are aware that risks may emerge at a later stage, why are they not hesitating to put up masts and marketing their products with that risk in mind, rather than moving forward as though there will never be any health issues emerging from mobile telephony? The 'caution' that manufacturers are enacting amounts to either various forms of 'consultation', before doing what they plan, or leaving it to the consumer to decide their own fate. On the question of children's particular risk of exposure to electromagnetic radiation, the MOA confirmed in February simply that: "the operators reviewed their marketing policies to ensure they do not actively market mobile phones to the under-16s", and the MMA explicitly passed the buck to parents, saying "we believe that it is an issue of parental choice whether children should be provided with a mobile phone".[44] And in submitting a planning application near a school, the limit of their responsibility, according to the MOA is merely to follow governmental guidance and, in their own words, to "provide evidence to the local planning authority that they have consulted the relevant body of the school or college as required by the guidance."[45]

However calm the MOA and MMA are – and thus all the operators and handset manufacturers – about the issue of health, it refuses to go away. One claim, from the burgeoning mobile health action community but with strong scientific backing, is that the NRPB is, perhaps wilfully, measuring the wrong impact (studying only heating effects of microwave radiation, but not other effects, on the body).[46] Crucially, a Swedish/European study released in October 2004, with the strongest scientific credentials[47], suggested that, for users with more than 10 years of regular mobile use, there was a clear link to cancers in the ear – acoustic neuroma – on the side of the head at which users normally held their phones. While the NRPB and mobile operators responded a previous Swedish study, pointing out flaws[48], they have notably failed to comment in depth on this latest Swedish study. And new health scares keep emerging – another one, on the basis of a Hungarian study from 2004, is that mobile use cuts sperm counts.[49]

There has in the past been some indication of too close a link between the scientific research community and the mobile operators – for example that NRPB funded 'independent' research from an adviser to Orange.[50] It remains the case that the main body funding 'independent' research on mobile phones and health, the Mobile Telecommunications and Health Research Programme (MTHR), is very considerably funded by the mobile industry itself.[51] Whether this implements the recommendation in the first Stewart Report that a "substantial research programme should operate under the aegis of a demonstrably independent panel"[52] is open to question; the mobile-safety campaigners are not convinced.[53]

Nevertheless, many scientists with knowledge of the issues are becoming decreasingly convinced of just how safe mobile phones and masts are. Only in March was new research released suggesting that, finally, hands-free sets could be proved to reduce radiation reaching the head – if used with a ferrite bead that absorbed emissions from the cable itself. Lawrie Challis, head of the MTHR, was unequivocal: "there is no evidence yet that mobile phones are harmful to health but people have not been using them long enough for us to be sure. ...Using a ferrite bead effectively reduces emissions to the head to zero but as yet manufacturers do not

Lawrie Challis

put them on hands-free kits....I am not sure why, but I wish they would...you would think they would like to promote it."[54] And the response from Michael Milligan of the MMF? "I agree they can have an impact. But the bigger issue is that mobile phones are tested to be comply with standards and have been passed safe."[55] So finally, we have a split between the UK scientific establishment on 'caution' – and the manufacturers. Stewart himself has been critical at the extent to which the manufacturers are using a reverse precautionary principle (i.e. doing nothing until danger is proven). "We said in the report that it's not possible to say categorically that there are not health effects. But what has come out from the industry is that mobile phones are safe," he said.[56]

The validity of the mobile phone industry's response to these issues through stakeholder dialogues is under question. At a MOA stakeholder meeting in 2004, at which government, industry and civil society stakeholders were present, many concerns were raised about processes of consultation. Some claimed that "industry representatives often refuse to attend public meetings, and that this leaves communities feeling angry and disempowered" and that "it was felt by some that the public get very frustrated that operators appear to be 'judge and jury' on the health issue[...]."[57]

'If the precautionary approach ends up meaning – everyone for themselves – then the mobile users themselves will end up being the scapegoat.'

Other methods have been employed to understand stakeholder concerns. Vodafone commissioned a 'perception survey' from MORI in 2003 to assess public views of mobiles and mobile safety. That found "the public believes that network operators are not taking the [radiation and health] issue seriously enough."[58] Vodafone's response to this, as per their 2003/4 Group CSR report[59] is that their "role is to support independent research and explain the findings in plain language so that our customers have the information they need to make their own decisions on mobile phone use."

The message from the phone companies is that stakeholder engagement is not about listening to customers – it's about telling them everything's okay, according to the science. This is far from real dialogue – the irony being that phone companies might have something to learn about how to talk properly.

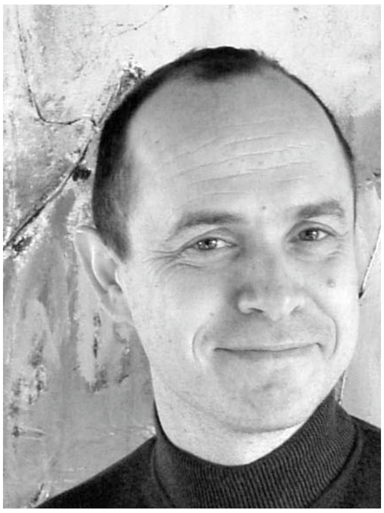
"It's important to abide by what the science tells us," British Prime minister Tony Blair responded to a question on the subject of phones and sperm, in parliament.[60] Apparently the science isn't telling us anything definitive either way. But if the trend of evidence, as the Swedish study on acoustic neuroma seems to imply, points to pragmatic conclusion that mobile-phone radiation does increase cancer risk, the deeper question is what anyone can or will do, and who will take the rap if things go wrong. The scientific communty – led by Stewart and Challis – is starting to distance itself from the industry's calm. However, governments are making so much money from mobiles (the 3G licence auction brought in a staggering 22.5 Bn GBP to the UK government), they are not likely to want to slow the mobile juggernaut. If the evidence ever becomes overwhelming, it would appear that it will then be too late to either undo society's reliance on mobiles, or prevent a welter of health symptoms from arising due to long-term mobile use. If the precautionary approach ends up meaning – everyone for themselves – then the mobile users themselves will end up being the scapegoat.

Whole Systems Change

The cases of mobile telephony and intellectual property in software and broadcasting illustrate the importance of regulation to shaping the market for new technologies and therefore the impact of such technologies on society. They highlight how the corporate influence on regulatory developments is a central question for corporate responsibility. The lack of engagement by the CSR community on these issues also highlights its limited engagement on the rules of the game, the system conditions, that shape the environment within which corporations operate. However, during 2005 the need for 'whole systems change' in global capitalism, and the role of corporate leaders in helping this, began to be more widely discussed.

'Whole systems change' means changing the factors that shape what all agents within that system do. In the context of companies, this means changing those factors that shape what economic actors do, so that all behave in a sustainable and accountable manner. In January 2005 the introduction to previous *Lifeworth Annual Review of Corporate Responsibility* called on CSR professionals to make their work a "a catalyst for systemic change", and outlined different paths that would together constitute a transformative CSR agenda.[61] Then the magazine *What is Enlightenment?* ran a special feature on 'The Business of Saving the World' which chronicled a nascent leadership amongst some business executives, aiming "to transform the systems that govern global enterprise".[62]

In the article Nike's Darcy Winslow identifies two system conditions that need to be tackled for all companies to be made more responsible. “One is government: a lot of laws that are in place right now do not give financial incentive to do things differently in future. The other is Wall Street. At the end of the day, the shareholders and Wall Street are what keep corporations moving in the direction they are moving in” (ibid, p 88). A few months earlier her company was the feature of an article in the widely read *Harvard Business Review*. In it Simon Zadek, CEO of the U.K.-based institute AccountAbility, chronicled the bumpy route Nike has travelled towards more responsible business practices. Organizations learn in unique ways, Zadek contends, but they inevitably pass through five stages of corporate responsibility, from defensive ("It's not our fault") to compliant ("We'll do only what we have to") to managerial ("It's the business") to strategic ("It gives us a competitive edge") and, finally, to what he describes as ‘civil’ ("We need to make sure everybody does it").[63] This highest stage has strong resemblance to a whole



Simon Zadek

systems change approach.
Frank Dixon of Innovest Social Investors has noted that “the traditional CSR movement has been focused on improving corporate environmental and social performance (i.e.: reducing pollution, making safe products, taking good care of employees, acting responsibly in developing countries, etc.). This has prompted great improvement, but much more is needed to achieve sustainability. The missing element of sustainability is system change.”[64] In the *What Is Enlightenment?* article he described Innovest’s “Total corporate responsibility (TCR)” approach to rating companies, as one that “recognises that economic and political systems essentially force firms to be irresponsible and unsustainable by not holding them fully accountable for negative impacts on society. TCR encourages them firms to work proactively with others to achieve system changes that hold them fully accountable.”[65] TCR therefore suggests a new mindset for business. Rather than seeing itself as one entity operating independently from the rest of society, business would see itself as being part of one interconnected system. It would give priority to the good of the overall system, and in so doing ensure its own prosperity. However, the TCR approach recognizes the realities of today’s marketplace and suggests that firms take practical, incremental, profit-enhancing actions that improve internal CSR performance as well as promoting system change. Other initiatives explicitly talking about systems change are the Global Transitions Initiative (GTI)[66], and Corporation2020, which asks the question "What would a corporation look like that was designed to

‘Perhaps we will require many more personal transformations before global transformations become possible.’

seamlessly integrate both social and financial purpose?" During 2005 it continued its search by convening various experts to develop principles for the future corporation.[67] It is a major task, and whether it is able to provide some answers to systemic issues about the nature of property and profit, and then how to actually achieve the needed whole systems change, is still to be seen.

The earlier discussion of corporate influence over governance on basic issues such as property rights and consumer safety illustrates that there is much work to be done for a systemic view to actually impact significantly on global political economy. The most famous meeting of corporations and politicians, the 2005 World Economic Forum, showed little evidence of a shift towards awareness of systemic problems and thus system-change solutions. WEF's recommendations for global priority-setting attended to some serious issues – poverty, equitable globalization, climate change, education, the Middle East.[68] However, the recommendations were the wedded to the usual neo-liberal economic world view of greater corporate activity being of benefit to all regions, including the poorer, and the limited role of governments in facilitating corporations contributions by ever-'freer' international trade."[69]

Perhaps we will require many more personal transformations before global transformations become possible. As the journalist for *What is Enlightenment*? put it, "only as business leaders begin to fully embrace the truth of our unity and interdependence will they demand accountability from each other to change these powerful global systems."[70] The nature of this transformation, and the type of leadership it may inspire, was something increasingly discussed during 2005, and is returned to in this report. See the 'Living Dead' section.

Second Quarter - April to June 2005

China changes everything

The view that China poses particularly difficult challenges for corporate citizenship is widespread in both the academic and practitioner communities engaged in these issues. Concerns are expressed on both social and environmental issues. A report by the US-based NGO Worldwatch Institute reported that China's spectacular economic boom is inflicting a terrible toll on the environment.[71] China is in the middle of the largest rural migration in human history, with millions of its people leaving for the cities. About 240 million Chinese people are now in the consumer class, buying the type of goods and services that most people in Western nations purchase. While that number is the same as in the United States, it represents only 19 percent of the total Chinese population, and so growing demand is likely. The World Bank reported that China's economy was growing 8.3% in 2005.[72]

‘The view that China poses particularly difficult challenges for corporate citizenship is widespread in both the academic and practitioner communities engaged in these issues.’

With factories multiplying and car ownership surging, the cities' air quality has plummeted. Sixteen of the 20 most polluted cities in the world are in China. The number of Chinese workers suffering from pneumoconiosis, which causes lung damage due to the inhalation of toxic materials and dust, was over half a million in 2001, of whom 140,000 have died.[73] Meanwhile scores of rivers have dried up in northern China over the past 20 years, with more than 75 percent of river waters are not suitable for drinking or fishing. The damage to the environment is not restricted to China’s borders, with the Worldwatch Institute highlight the county’s growing ecological footprint around the world. "China is becoming the sucking force, taking raw materials from across the planet, because it alone doesn't have the resources it needs to sustain its growth," said Lisa Mastny, the director of the research project. China’s increasing consumption has been cited as one of the factors driving up global prices on a range of products, from oil to wheat. In April the figures on Chinese steel production told of a 25% increase in one year, depleting iron ore stocks so fast that there could soon be shortages.[74] Aside from the ecological impact of resource extraction, China is now the second largest emitter of carbon dioxide after the United States, adding to the difficult challenge of addressing climate change. Raising the alarm about China does not reduce the need for rich Northern countries to act. As much of China’s resource consumption and pollution is driven by its export industries, its ecological footprint is heavier due to carrying the West on its back. Nevertheless, the ecological implications of a resource ravenous China make initiatives in the North something of a side-show in the unfolding planetary sustainable development drama. Consequently those global corporations and financial institutions that are seeking to address systemic challenges to future value, such as climate change, need to assess how they are influencing the way Chinese firms fill their appetite for resources. Aside from environmental issues, China also continues to pose challenges for companies on a range of social issues. Given its totalitarian political system, truly independent trade unions and NGOs are hard to find in mainland China. This social landscape has limited the ability of workers and communities to articulate their views effectively if they differ from those of business executives and Party officials. Chinese labour law does not incorporate international standards on freedom of association, for example, which is part of most voluntary labour standards.

Voluntary efforts by foreign companies to ensure that Chinese suppliers meet basic labour standards have been hampered by this problematic legal and social context. In April more evidence of Chinese factories faking records and coaching workers in how to answer auditor questions came to light.[75] Eight out of nine Chinese toy suppliers investigated in a report by Fair Trade Center and SwedWatch were in breach of both national legislation and international conventions on workers' rights. They argued that seven these suppliers had systematically been cheating during social audits. The International Council of Toy Industries is now working on a global initiative to tackle these problems, but according to the new report, this initiative is not addressing the underlying causes.[76] For five years it has been known that to be effective, social auditing requires active participation and ownership of standard setting, monitoring, verification and corrective action implementation by independent representatives of the workers themselves.[77] Without change in the social and legal context in China it will be difficult for companies to responsibly source from China.

In 2005 there was evidence of growing domestic concern about the social and environmental challenges arising from Chinese industrialisation. The human face of ecological recklessness appeared in April when thousands of villagers rioted in eastern China after two of about 200 elderly women protesting against factory pollution died during efforts to disperse them.[78] Historically, the vocal NGOs have mainly been based in Hong Kong. For example, in April the Justice and Peace Commission of the Hong Kong Catholic Diocese urged people to write to the Chinese Premier Wen Jiabao over conditions in coal mines.[79] In mainland China NGOs are beginning to articulate the views of people who are being affected by current developments. In April a new NGO was formed to rally all Chinese people against worsening pollution. The All China Environment Federation, which includes government officials, other environmental and social organizations, enterprises and ecologists, claims it will serve as a bridge linking the public and the government and to rally society to fight China's worsening pollution.[80]

Meanwhile, the Shenzhen-based Institute of Contemporary Observation, China's most visible labour rights organisation, won a sustainability award from Shell China and the Beijing Economic Observer. ICO's Director Dr Liu Kaiming believes that ICO's success in 2005 is a signal that labour issues are perceived as more important than before. The major factors leading to the award were ICO's training, education and activities for workers. In the short term, ICO

Dr Liu Kaiming

plans more training on infectious diseases, such as AIDS, and will be working with young migrant workers (15 to 18 years old) who travel to Guangdong looking for work.[81]

A critical media has been recognised as key to creating incentives for greater voluntary corporate responsibility. Therefore government restrictions on reporting in China poses some difficulties for effective information exchange and dialogue about corporate practices. Western-based companies like News International and Yahoo! have been criticised for agreeing to restrictive media regulations in order to access the Chinese market. Even within this context, questions of corporate responsibility have begun to appear in Chinese media. In April the *New Beijing News* published an article arguing that China's rich lack social responsibility. It said the rich seek status purely in terms of financial wealth rather than on any social or moral grounds.[82] Meanwhile some media commentators have begun to suggest that greater corporate responsibility is an opportunity for business.[83] Highlight the success that can be had, *China Enterprise News* ran a story on the China People's Electric Appliance Group, which over the past few years has received more than 100 awards from local, provincial and central governments for its corporate responsibility.[84]

Not a lost cause?

Faced with the China challenge, some practitioners, analysts, or advocates of corporate citizenship may lose hope in the potential of voluntary business action. However, evidence in 2005 suggests that it would be wrong to assume that Chinese business and government are inescapably opposed to improving the social and environmental impacts and contributions of business. A WWF survey on China and the environment suggests that some of China's biggest and most important companies are intent on improving environmental standards and practices. All of the companies that participated in the survey said protecting the environment was important, with more than half indicating that it was part of their company's core values. The survey reported that 22% of respondents are implementing tougher environment standards than legally required, with 13% calling for even stricter mandatory rules.[85]

Some opinion leaders in the Chinese business community have begun calling for greater action. In April, Dr Xu Zhiming, Chairman of the Hong Kong General Association of International Investment, appealed to Chinese entrepreneurs to be more socially responsible.[86] Meanwhile, on behalf of 23 food corporations in Beijing, the general manager of the Yili Group, Liu Haichun, stated that the industry would actively advocate CSR and improve the industry's reputation.[87] Companies are undertaking numerous voluntary projects to improve their impacts. For example, the Hang Seng Bank has launched an e-Statement Tree Planting Scheme in Hong Kong, whereby the bank will pay for one tree to be planted for every 10 paper statements that are avoided by its customers using e-statements instead.[88]

Another area where business is beginning to be proactive concerns HIV/AIDS. In May the People's Republic of China Ministry of Health and Merck Co., Inc. announced their plan to establish a public-private partnership to fight HIV/AIDS. The Merck Company Foundation will support the new $30 million program that includes education, prevention, care and treatment. The partnership represents the largest of its kind in China and will be launched in the fall of 2005 in the Liangshan Prefecture in Sichuan Province. Trevor Neilson, GBC's executive director, said that "China's HIV/AIDS epidemic is starting to move from high-risk groups to the general population. Merck's commitment to tackle HIV/AIDS among drug users and sex workers presents a unique opportunity for China and shows that companies don't need to shy away from HIV/AIDS prevention programs in countries where the epidemic is still centered on these groups."[89] The following week the GBC announced that another 26 companies were taking steps to implement non-discrimination policies for HIV/AIDS for their China-based employees. These moves have come after Chinese Vice Premier Madame Wu Yi's call on companies to take action to stem the growing HIV/AIDS epidemic.[90]

This initiative reflects the government's growing awareness of novel social challenges that are arising from rapid changes in Chinese society. On the environmental front, some sections of the government are recognising the damage that is being caused to its people, and is enforcing legislation. It has, for example, introduced strict fuel-economy standards for new cars, and passed a renewable-energy law that sets ambitious targets for using wind and solar energy.[91] Meanwhile the State Environmental Protection Administration (SEPA) has demanded that Chongqing, Shenyang, Wuhan, Xi'an and Harbin regulate material waste producers, make greater efforts to enforce related laws, build an orderly recycling system of sensitive material wastes, and gain experience that can be used to develop a nationwide solution to the environmental problems caused by sensitive material wastes.[92] SEPA is particularly concerned with reducing the use of Persistent Organic Pollutants (POPs), and implementing the Stockholm Convention on POPs.[93] There has also been some movement on social issues, illustrated by the Shenzhen government fining 22 enterprises for not paying back wages and worker insurance.[94] In April a factory owner in Shandong was punished for hiring workers under 17 and working them 15 hours per day, a form of abuse that the government has not policed effectively in the past.[95] In his Blog on corporate responsibility, ERM's director of CSR services in the China, Mark Eadie, reported in May that as the government works on China's 11th Five Year Plans "it is

'Sustainable development requires us to re-conceive human wellbeing beyond the merely material, and therefore re-configure the processes that create resource demands as well as those that shape how such demands are met.'

looking increasingly likely that sustainable development aspirations and objectives will be put into the central planning process."[96]

There are some indications that Chinese society is beginning to respond to its social and environmental challenges, and so Western companies may not be able to claim that such matters are beyond their control and responsibility in that country. Indeed, in April the tables were turned when Guo Wencai from the All-China Federation of Trade Unions criticised the lack of responsibility from Western companies. He said that "some foreign enterprises, with Wal-Mart being representative, turned a blind eye to China's Trade Union Laws and set very negative examples during the country's unionizing effort".[97]

There are also indications that the assumption that demand for Chinese products from other parts of Asia is not sensitive to sustainable development concerns may also be questioned. In particular, Japan has experienced something of an environmental awakening in the last 10 years. This was illustrated by the Japanese electronics company Sony announcing tough new environmental tests for more than 4,000 Chinese electronics manufacturers. This is a result of the electronics giant adopting a new Green Partner programme for environmental management systems. The influence of Europe in this environmental initiative is apparent, as one of the reasons for Sony's action is to ensure it meets standards set by the European Union on electronics products. About 3000 of the manufacturers are expected to fail Sony's new test and be threatened with dropping off its supplier list unless they can improve.[98]

The dramatic impacts of industrialisation in China and the rest of East Asia on their own peoples and environments, as well as the impact on the global environment, and the increasing importance of the region for the future supply to, and sales of, major transnational corporations, makes the region of central importance for future work on corporate citizenship. It was this context that led to the creation of 'CSR Asia' at the start of the year. Founded by Richard Welford of the Corporate Environmental Governance Programme (CEGP) at the University of Hong Kong and Stephen Frost of the South East Asia Research Centre (SEARC) at the City University of Hong Kong, CSR Asia provides information, research, training and analysis of CSR issues in the Asia Pacific region. It has offices in Hong Kong and Shenzhen and plans to expand further around the region.[99]

The importance of the region to the future of the world is so great that more of the world's best minds on sustainable development are needed to apply themselves to the necessary sustainability transition in Asia. Currently corporate and governmental responses to sustainable development in the region are insufficient, as they generally seek to add-on social and environmental issues to a dominant paradigm of economic development, which necessitates greater consumption and pollution. That

> 'The future of human civilization will be determined in Asia. In its present it holds the seeds of the world's destruction, in its past it has the seeds of its salvation.'

model of economic development is a psychological hangover from colonialism, as it is based on a perspective of human nature and social progress which arose from European societies. Sustainable development requires us to re-conceive human wellbeing beyond the merely material, and therefore re-configure the processes that create resource demands as well as those that shape how such demands are met. Given the philosophical history of Asia, especially the holistic notion of the individual as existing in connection with all of that lives, as reflected in many Buddhist, Jain, Hindu and Taoist teachings, sensitivity to collective and environmental needs should not be intellectually foreign to Asians. The scale and urgency of the challenge makes it important that these philosophies are recalled. The future of human civilization will be determined in Asia. In its present it holds the seeds of the world's destruction, in its past it has the seeds of its salvation.

Nike says time to team up

In 2005 Nike returned to reporting on its social and environmental practices after a couple of years of silence due to legal concerns. The sports and clothing company is very important to countries like Vietnam, where it is the largest private sector employer with more than 50,000 workers producing shoes through subcontractors.[100] Nike's new report makes sobering reading, as it describes widespread problems in Asian factories. The company said it audited hundreds of factories in 2003 and 2004 and found cases of abusive treatment in more than a quarter of its South Asian plants. For example, between 25% and 50% of the factories in the region restrict access to toilets and drinking water during the workday. The same percentage deny workers at least one day off in seven. In more than half of Nike's factories employees work more than 60 hours per week. In up to 25%, workers refusing overtime were punished. Wages were below the legal minimum at up to 25% of factories.[101]

For the first time in a major corporate report the details of all the factories were published. The report was significant for this transparency and being so candid about the problems workers for Nike still face, and therefore the challenges that remain for the management. The NGOs working on these issues know that Nike is not alone in facing such problems. Indeed, they realise that the company has invested more in improving conditions than many of its competitors. Studies of voluntary corporate attempts at improving labour standards in global supply chains have suggested that they are delivering widespread improvements, and instead new approaches are needed which engage governments, NGOs and local businesses.[102]

This realisation has led to a new strategy from Nike. In May Nike's Vice President of Corporate Responsibility, Hannah Jones, told delegates at the Ethical Trading Initiative (ETI) conference that whereas the company had previously been looking into how to solve problems for themselves, now they are exploring how to create systemic change in the industry. She explained that "premium brands are in a lonely leadership position" because "consumers are not rewarding us" for investments in improved social performance in supply chains. Like other companies, they have realized that the responsibility of one is to work towards the accountability of all. Consequently one of Nike's new corporate citizenship goals is "to effect positive, systemic change in working conditions within the footwear, apparel and equipment industries." This

Hannah Jones

involves the company engaging labour ministries, civil society and competitors around the world to try and raise the playing field so that all companies have to attain better standards of social and environmental performance. One example is its involvement in the Multi-Fibre Agreement (MFA) Forum to help countries, unions and others plan for the consequences of the end of the MFA.

This new strategy is beyond what many consultants, media commentators and academics currently understand. By claiming to be an advance in thinking, an article in *The Economist* in May by the worldwide managing director of McKinsey & Company, illustrated the limits of current consulting advice. It suggested that seeking good societal relations should be seen as both good for society and good for profitability. "Profits should not be seen as an end in themselves" suggested Ian Davis "but rather as a signal from society that their company is succeeding in its mission of providing something people want."[103] However, those who have experience working in this field for some years, including Nike, realise that however we may wish to talk about the compatibility of profits with people and planet, the current societal frameworks for business are not making this a reality. The implication is that we have to make this so by changing those frameworks.

The key strategic shift for Nike's management is that they no longer regard the company as a closed system. Instead, they understand its future depends on the way customers, suppliers, investors, regulators and others relate to it. Their challenge is to reshape the signals being given out by those groups to itself and its competitors, so that the company can operate in a sustainable and just way, that is also financially viable.

Nike's experience is pertinent to other companies, whose voluntary efforts are failing to address the root causes of the problems associated with their industry. Unilever, for example, was criticised by Action Aid for profiting from worsening conditions for workers on plantations.[104] Falling prices have led to plantations laying off workers

'however we may wish to talk about the compatibility of profits with people and planet, the current societal frameworks for business are not making this a reality. The implication is that we have to make this so by changing those frameworks.'

and wages going unpaid - a trend which has seen a consequent increase in attacks against owners and managers. Apply a systems view to the situation would suggest that Unilever reconsider how it influences the global political economy that is driving down prices for tea.

The challenge is not only one of strategy but also leadership. Traditionally analysts and educators on corporate leadership have assumed that it involves leading people towards the goal of their employer, the company. In May an article on leadership in Conference Board Canada's *Organizational Performance Review*, quoted the thoughts of leaders from World War II and the Korean War.[105] This reflects what Mark Gerzon describes as a focus on "leadership within borders", when what the world needs is "leaders beyond borders".[106] This means people who can see across borders created by others, such as the borders of their job, and reach across such borders to engage others in dialogue and action to address systemic problems. We could call this 'transcending leadership', which was alluded to by James McGregor Burns, in his pathbreaking book *Leadership*[107], and is being developed by organisations like the Shambala Institute, who speak of 'authentic' leadership. It is a form of leadership that transcends the boundaries of ones professional role and the limits of ones own situation to engage people on collective goals. It is a form of leadership that transcends a limited conception of self, as the individual leader identifies with every greater wholes. It is a form of leadership that transcends the need for a single leader, by helping people to transcend their limited states of consciousness and concern and inspire them to lead.

'transcending leadership'

'is a form of leadership that transcends a limited conception of self, as the individual leader'

Perhaps the best modern example of transcending leadership is Gandhi, who aroused and elevated the hopes and demands of millions of Indians and whose life and personality were enhanced in the process. It is an irony of our times that this anti-imperialist who chose to spin his own cloth could be an inspiration for the future direction of executives in large companies sourcing clothes from factories across Asia. Ghandi called on us to understand our connectedness to 'all that lives', and identify with ever greater wholes. There is a lesson here for Nike and others. The apparel sector is an open system, and so wider issues of trade flows, governance, media, financial markets, and politics impact on the potential of the sector, and thus Nike, to become sustainable and just. Without changes to the financial markets, Nike may find its efforts are in vain.

Changing Money

In 2005 more people working in the corporate citizenship field began to express a belief that in order to change the way business does business, we have to change the way money makes money. Greater focus is now on the role of the financial markets as the origin of, and therefore potential solution to, social and environmental problems. In the UK a variety of campaigning organisations including Amnesty International,

> ‘in order to change the way business does business, we have to change the way money makes money.’

Greenpeace, People & Planet, WWF joined together to launch FairShare, a campaign to mobilise UK pension fund owners to put pressure on their trustees, fund managers and ultimately the companies they invest in behave in a responsible and sustainable manner.[108] 2005 witnessed a greater level of activity in the financial services sector, including a range of collaborative initiatives. In April the group Just Pensions published a ‘trustee toolkit’ to help UK pension scheme trustees to understand more about responsible investment and how they might integrate it into their scheme’s long term investment strategy.[109] Denmark's National Pension Fund announced that it would work with EIRIS to help it invest responsible.[110] Meanwhile investors started to report more clearly on their screening, indexing, engagement, voting and government lobbying activities. For example, the asset manager of Halifax Bank of Scotland, Insight Investment, reported on its engagement with 62 companies on governance and corporate responsibility issues, representing 11% of its clients' holdings.[111]

Some institutional investors are recognizing that major problems like AIDS, climate change, and poverty actually pose threats to long-term business success, and to combat them will require all companies to respond, not just a few companies that seek an ethical profile. Many investing institutions like pension funds are so large that they own a broad cross section of an economy, and so many of the costs externalized by some companies in their portfolio are picked up by other companies in the same portfolio, thereby impacting negatively on the value of the fund as a whole. For example, a steal company’s likely success at securing an import tariff to protect its domestic market would be assessed favourably by many fund managers, and so that form of political lobbying activity would be incentivized by the stock market. However, the result of this may be to increase the price of steal thereby reducing the profitability of steal-using companies in the same portfolio, and so reducing wealth overall. A systems-view of the situation would look at

> ‘Currently most fund management still involves an assessment of individual companies that is based on an atomistic not systemic mindset.’

what individual corporate behaviours are likely to support longer term value creation in the economy as a whole, without negatively impacting on that company in the short term, and then incentivize those, not for an immediate return to that company, but a longer term return to a wider set of stocks. Currently most fund management still involves an assessment of individual companies that is based on an atomistic not systemic mindset: a company is assessed purely in terms of its own prospects (mostly in the near term).

As ‘universal owners’ Professor James Hawley of Saint Mary's College argues that institutional investors should be taking a lead to change the way their assets are managed, and redefine what it means to exercise fiduciary duty to include a broader range of factors.[112] A whole-systems theory of value and valuation would take into account a company's influence and reliance on the wellbeing of the whole world economy. A number of initiatives signpost what may emerge in the future as this theory of value develops. Frank Dixon of Innovest Social Investors has developed a new approach to assessing the social and environmental performance of companies which focuses on the political activities of companies and thereby "encourages firms to proactively work with others to achieve system changes that hold them fully accountable."[113] Another signpost is the launch of the Enhanced Analytics Initiative (EAI), where asset managers and asset owners with over €380 billion Assets Under Management (AUM) are actively supporting better sell-side research on extra-financial issues concerning society, the environment and corporate governance. They have committed to allocate individually a minimum of 5% of their respective brokerage commission to sell-side researchers who are effective at analyzing material extra-financial issues and intangibles.[114]

One of the most significant initiatives is the development of the UN Responsible Investment Principles, covering the central importance of more active ownership and assessment of extra-financial issues in enhanced conduct of their fiduciary duty.[115] Farsighted fiduciaries looking after trillions of dollars of assets are engaged in this initiative, and many have also backed the Carbon Disclosure Project and the Extractive Industries Transparency Initiative, both of which encourage more corporate reporting on extra-financial issues. Committed individuals in these investment institutions are beginning to lead beyond the borders of individual companies, and beyond their own short-term interests. There is, however, some way to go. More engaged ownership can help address the social and environmental challenges of our time when the owners are pension funds with farsighted fiduciaries. However, the average US mutual fund turns over its portfolio once every 10 months, and consequently the more influence these myopic money flows exert on corporate boards the more difficult it may become for CEOs to lead their companies towards sustainability. The challenge such CEOs must meet is to reach across borders, to their competitors, to civil society, to farsighted investors, and to governments, to build a critical mass of support for a fundamental transformation of the basic principles of our economy – property rights and their related obligations.

There is a deep simplicity to the surface complexity of malaise we see around the world today. This is because there is an initial system condition or trigger that creates a cascading fractal of social fracturing, by putting anti-social pressures on financial firms, to put anti-social pressure on CEOs, to put anti-social pressures on suppliers, communities, governments, and ultimately, 'all that lives'. That initial condition is this: the ability for people to demand an increase in their personal repository of power (i.e. financial capital), without being accountable to those who are affected by that demand.

'There is a deep simplicity to the surface complexity of malaise we see around the world today.'

Financial capital is one expression of property rights. Property rights are one form of human rights. The premise of most human rights thinking is that we enjoy rights so long as our exercise of a right does not infringe on the ability of others to enjoy theirs. By assuming that the numbers in our accounts will rise, without having any concern for how this is achieved, we are abrogating ourselves of the basic obligations that come with human rights. By demanding that our financial property increases we are creating situations that lead to the infringement of others human rights (and even our

‘By assuming that the numbers in our accounts will rise, without having any concern for how this is achieved, we are abrogating ourselves of the basic obligations that come with human rights.’

own). If we believe in democracy then it can not be left up to the powerful to decide if they are responsible or not, or if they are carrying out their obligations or not. Instead, we must focus on the governance of capital by those who are affected by it - a concept I dubbed ‘capital accountability’ by this author in a report for the UN Research Institute for Social Development (UNRISD).[116] An economy based on this concept of property would be one where owners of capital could only invest in activities that are accountable to those affected by them. Nick Robins, head of SRI at Henderson Global Investors, and author of the forthcoming *Imperial Corporation*, told the JCC that demands for capital accountability will become greater as people realize that “ultimately you can not hold corporations to account unless you hold capital to account”.

Nick Robins

Drawing on Adam Smith’s incisive critique of the irresponsibility of that iconic corporation of the 18th century, the East India Company, Robins argues the corporation’s capacity for genuine wealth creation continues to be marred by design flaws. To remedy these, Robins proposes that the corporate privilege of limited liability needs to be matched by a legal duty of care to do no harm to people or the environment in the pursuit of profits for shareholders.

Work In Progress

“I believe that the inequality between the rich and the poor is what causes the ills of the world – environmental deterioration, crime, drugs, terrorism.”So spoke the billionaire founder of eBay. It might have been April 1st, but Jeff Skoll was dead serious during his speech at Oxford University.[117] He continued that “social entrepreneurs work to decrease that inequity, bringing in new ideas to leverage small amounts of resources into something that creates a great amount of good. A great social entrepreneur is someone who makes a difference at scale, who doesn't just affect a small number of people, but who shifts the entire landscape." Skoll was speaking at an event that carries his name - the 2005 Skoll World Forum on Social Entrepreneurship, which was organised by Saïd Business School's new 'Skoll Centre for Social Entrepreneurship'.[118]

The centre is backed by the Skoll Foundation, whose mission is to advance systemic change to benefit communities around the world by investing in, connecting and celebrating social entrepreneurs. Along with the Ashoka, Schwab and Avina foundations, it is helping to promote the 'new heroes' that are making the world a better place. They use the term 'social entrepreneur' to describe professionals in private or nongovernmental sectors who are

Jeff Skoll

pioneering new approaches to social and environmental problems. The Schwab Foundation describes social entrepreneurship as "about applying practical, innovative and sustainable approaches to benefit society in general, with an emphasis on those who are marginalized and poor." It defines a social entrepreneur as "a pragmatic visionary who achieves large scale, systemic and sustainable social change through a new invention, a different approach, a more rigorous application of known technologies or strategies, or a

Anthony Hopwood

combination of these."[119] Such social entrepreneurs can work within and transform large organizations to make them more socially beneficial, or create their own organizations that provide solutions to social challenges. The Dean of Oxford University's Saïd Business School, Anthony Hopwood explains that "just as entrepreneurs have changed the face of business, social entrepreneurs act as the change agents for society, seizing opportunities others miss and improving systems, inventing new approaches and creating sustainable solutions to change society for the better."[120]

At the conference the recipients of the 2005 Skoll Awards for Social Entrepreneurship were announced. One of these was the Rugmark Foundation USA, which has been working since 1994 to eliminate child labor in carpet manufacturing.[121] In Nepal, Pakistan and India, the organization monitors factories, certifies carpets made without child labor, and rescues and educates child laborers. In consumer countries, it seeks to create market preference for certified rugs. Imports of certified rugs now represent 1 percent of the U.S. market, and with help from Skoll, Rugmark Foundation USA hopes to increase the market share of certified rugs to 5 percent by 2007. Another recipient is the Appropriate Technologies for Enterprise Creation (ApproTEC) which since 1991 has been developing and promoting technologies that can be used to run profitable small-scale enterprises.[122] Working in developing countries in Africa, ApproTEC introduced low-cost, people-powered irrigation pumps that enable farmers to grow more crops and sell produce in the dry season, when prices are high and supply is low. Since its inception, ApproTEC reports it has helped farmers start 36,000 new businesses in Kenya, Tanzania and Mali that collectively generate more than $38 million in new profits and wages per year.

Ashoka Foundation's Olivier Kayser, argues that one of the most powerful things they do for people, beyond providing financial support, is giving them with a sense of common identity as social entrepreneurs.[123] This reminds us how concepts are powerful in shaping our lived realities. The way the concept of 'social entrepreneurship' is defined is therefore an important process. Some understand it in a more narrow sense, to describe the practice of those involved in 'social enterprise', which are viewed as "those businesses with primarily social objectives whose surpluses are principally re-invested for that purpose in the business or in the community." That is the definition offered by the Sustainable Enterprise Research Group (SERG) at the Management School of Liverpool John Moores' University in the UK. They continue that it is "an umbrella term for a range of alternative business models, which combine civic engagement and public service with wealth creation."[124] It is certain that the burgeoning activity of alternative companies involved in fairtrade, community-based or organic production warrants more research, and that larger corporations that seek to be more responsible should not be grouped together with them as 'social enterprises'. However, individuals with the attitude and skills to successfully innovate and implement new approaches to social challenges, can work in all social and organizational settings, and their common characteristics invite definition, investigation and support.

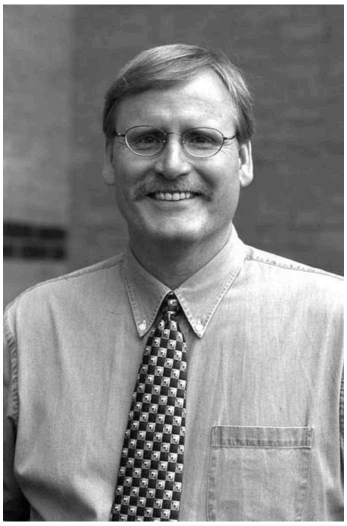
'individuals with the attitude and skills to successfully innovate and implement new approaches to social challenges, can work in all social and organizational settings, and their common characteristics invite definition, investigation and support.'

How is the management academe responding to this phenomenon? "Social entrepreneurship is a growing international trend and increasingly business educators are incorporating the discipline into their core curricula" argues Anthony Hopwood. Yet his university is one of the few that have made research and teaching on social entrepreneurship a priority. The US is where management academe have engaged most with social entrepreneurship, although in many cases it has meant a rebranding of existing work on the nonprofit sector. For example, emerging out of its work on non-profit sector management, Harvard University has established the Social Enterprise Initiative, which regards 'social enterprise' as encompassing "the contributions any individual or organization can make toward social improvement, regardless of its legal form (nonprofit, private, or public-sector)."[125] The Association to Advance Collegiate Schools of Business, an international accrediting agency, lists 28 other schools that report programs in social entrepreneurship, including Columbia, Stanford, Duke and Yale.[126] Much impetus for work in this area is coming from students themselves.

Students of the National University of Singapore, for example, have created the Social Entrepreneurship Forum, which convenes every year.[127] In New Zealand the student-led University of Auckland Entrepreneurship Challenge 2005, called for applications from social entrepreneurship projects.[128] The largest example of a student led initiative is 'Net Impact', which seeks to "shape the future of business by fostering a network of new-generation leaders who are committed to using the power of business to improve the world." Headquartered in San Francisco, with more than 100 local groups in cities and graduate schools around the world, it now involves more than 11,000 members.[129] Amlan Saha, co-founder of the Net Impact chapter in the Haute Ecole de Commerce (HEC) in France, told the JCC that "if a business school is lagging behind in providing education on social entrepreneurship, it is often students affiliated to the Net Impact network who organize seminars, which once tried, are often incorporated into the curriculum. It's a student movement for more powerful and progressive business education."

Intellectual development in this area is limited, perhaps those most interested in it want to do something rather than just write about it. Ashoka publishes the journal Change Makers[130] which provides useful information in a journalistic style. The Schwab Foundation collaborates with the Spanish business school IESE to publish a case studies series; although useful they focus on describing success and therefore serve as advocacy material.[131] In 2003 Stanford started the first academic journal dedicated to the subject, *The Stanford Social Innovation Review*, which also presents fairly functional and uncritical analysis of the area.[132] The Liverpool University researchers are editing a special issue of the Journal of Social Economics which will also add to thinking in this area.[133] However, despite a few papers describing the development of this concept[134], it remains under-researched and under-theorized. One reason may be because it poses a challenge to the traditional research disciplines in management studies. There is certainly valuable interdisciplinary research, theorizing, publishing and educating to be done on social entrepreneurship in general.

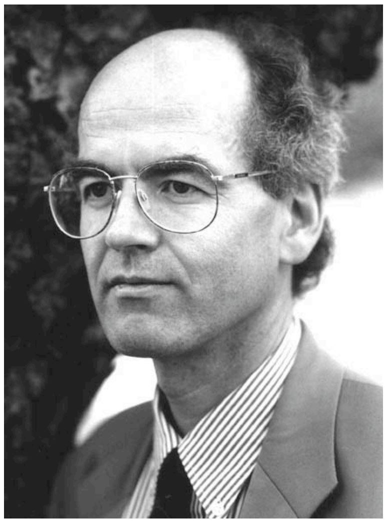
The growing interest in social entrepreneurship is driven by a questioning of traditional business practices, on the one hand, and traditional forms of charity, on the other. Changes to their funding environment have pushed some non-profit organisations to look at potential market-based models of social change. Growing interest in the potential commercial opportunities to be found in providing products and services to the world's poor is another factor. In 2005 the Shell Foundation made a splash on this topic with their report 'Enterprise Solutions to Poverty'. Using a series of case studies in Africa and India, the Shell Foundation explains how multinationals operating in developing countries can apply non financial assets - such as their convening



Stuart Hart

power, networks and management acumen - to the problems of poverty.[135] A new book by Stuart Hart, broadened this 'base of pyramid' the concept, to suggest that business leaders should engage with the world's really difficult problems as they could find profitable business models in providing practical solutions.[136] The rise of this concept in the management studies academe was illustrated by IESE's development of learning laboratory on the base of the pyramid concept.[137]

IESE's focus is on large international corporations. However, John Elkington, who is writing a book on social entrepreneurship, told the JCC that the old economy of large consuming and controlling organizations will eventually die off and the seeds of the future economy are being planted by socially and environmentally conscious entrepreneurs who are starting their own companies. This view recalls the concept of 'creative destruction' first articulated by Joseph Schumpeter in 1942. "Capitalism... is by nature a form or method of economic change and not only never is but never can be stationary..." wrote Schumpeter. "The fundamental impulse that sets and keeps the capitalist engine in motion comes from the new consumers, goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalist enterprise creates."[138] An example of this process comes from personal computing. The industry, led by Microsoft and Intel, destroyed many mainframe computer companies--but in doing so, entrepreneurs created one of the most important inventions of this century.



John Elkington

Evolutionary biologist and social commentator Elisabet Sahtouris uses the metaphor of the butterfly to reflect the hope that the coming transformation will create something more beautiful than the current economic order. "In metamorphosis, within the body of the caterpillar little things that biologists call imaginal discs or imaginal cells begin to crop up in the body of the caterpillar. They aren't recognized by the immune system so the caterpillar's immune system wipes them out as they pop up. It isn't until they begin to link forces and join up with each other that they get stronger and are able to resist the onslaught of the immune system, until the immune system itself breaks down and the imaginal cells form the body of the butterfly.” Sahtoris says this “is a beautiful metaphor for what is happening in our times. The old body is going into meltdown while the new one develops. It isn't that you end one thing and then start another. So everybody engaged in recycling, in alternative projects, in communal living, in developing healthier systems for themselves and each other is engaged in building the new world while the old one collapses. Its collapse is inevitable. There is no way around that.”[139]

This social butterfly takes Schumpeter’s view of creative destruction to a new level, for if its cells are new types of entrepreneur, its body will be a new form of economic system.

‘This social butterfly takes Schumpeter’s view of creative destruction to a new level, for if its cells are new types of entrepreneur, its body will be a new form of economic system.’

Third Quarter - July to September 2005

Money talks... but will it listen?

Since 1998, when up to 60,000 people formed a human chain in Birmingham during the G8 meeting in England that year, the mass mobilizations of people protesting at international summits have helped to make capitalism a point of popular political debate. This 'counter-globalization' movement has prompted us to question whether our economic system is functioning for the collective good or creating such inequality and ecological destruction that it is leading humanity to ruin. Since 1998 inter-governmental summits have been organized in more secure locations, where the protesters have little chance of disrupting the meeting. Consequently the question for many people interested in mass public mobilization, as part of a counter-globalization movement, has been 'where to go from here'?

In July, the 'Make Poverty History' campaign and associated 'Live 8' musical events marked a new stage in social activism around these summits. Coordinated NGO action in the build up to the summit, combined with initiative by UK Chancellor Gordon Brown, meant that the world's media expected an announcement on what the G8 leaders would do to improve their role in the aid, trade and debt situation of the global South.

The way that celebrity involvement dominated the message broadcast around the world was a concern for some. The message became one of charity not justice, with the powerful men of the world asked to help the unfortunate rather than being

Gordon Brown

challenged to correct their own countries' involvement in oppressive trading and financial relations with poor countries. The movement on trade issues was non-existent, and the debt cancellation deal was not comprehensive.

Nevertheless, the G8 leaders did agree to write off 100% of the debts of 18 countries that were owed to the IMF and World Bank, and to require those countries to agree to measures that would reduce corruption, but not require them to adopt other reforms that would amount to interference in their domestic political processes. This achievement represented the culmination of a number of forces, including the seven years of protests at these international summits.

The agreement does not, however, end the rich countries abuse of the South through its odious debt claims. It is still to be seen whether some countries will fund debt cancellation by diverting money from their aid budgets – robbing Peter to pay Paul. Debt still stands at US$2.5 trillion, much of which has been paid for many times over, in cash, as well as in the lives of children denied medical care and education as a result. The West's moral debt remains unpaid.

The biggest problem with the debt cancellation agreement, one that development NGOs did not highlight clearly at the time, but which is relevant to the corporate citizenship agenda, is that the majority of the developing country debts are owed to private financial institutions and are therefore not covered by the G8 agreement. In Latin America, for example, 63% of their external debts are to the private sector, and only four of the continents countries will benefit from the G8 debt cancellation initiative.[140]

These bonds of poverty and exploitation are known in the financial world as "emerging market debt", and have been one of the best-performing asset classes since 2000. When Switzerland and other countries cancelled their government held debts in the 1990s the net debt repayments from developing countries didn't actually fall, as those countries were then in a better position to service other debts, owed to creditors like the World Bank and private institutions. So although the G8 politicians could express their joy that thousands of children in Sub-Saharan Africa will be able to get an education because of debt cancellation, it is shareholders and fundholders that are the immediate winners of government debt cancellation, as poor countries will be better able to service their private debts. No wonder then that emerging market debt prices spiked in the weeks following announcements about deals on debt, along with the shares of banks like UBS.

So what have these 'secret winners' of the G8 actually done to help alleviate the debt crisis? Through the 'London Club' process they have rescheduled debts, reactively, when a country has reached such difficulty they have to suspend payments, and then on really expensive terms. Worse, the private financial institutions and their associations, such as the Washington-based Institute of International Finance (IIF) have blocked efforts to get an arbitration process set up for all debts to be looked at in terms of their legitimacy. We should remember that a quarter of the loans making up the current debt stock were lent to dictators. Not encumbering new democracies with the debts of the regime they have replaced was a good enough argument for the US and UK to cancel Iraq's debts accrued during Saddam Hussein; but they do not wish to recognize this as a matter of principle.

'The lack of leadership from the banks on the debt crisis is understandable when you consider their role in lubricating the processes that led to it.'

The lack of leadership from the banks on the debt crisis is understandable when you consider their role in lubricating the processes that led to it. Capital flight from developing countries has been a key factor in balance of payments problems. An estimated US$11 trillion US is held in tax haven banks by highly wealthy individuals, costing the world's governments about US$255 billion a year in lost tax revenue. Currency speculation at over a trillion dollars a day is also a major problem, destabilizing currencies so that there is a mismatch between loans priced in rich country currencies, and repayments in domestic currencies. The world's top twenty banks account for 80% of this currency speculation, making a huge profit from a trade that helps no one and contributes to debt crises.

In 2005 the private financial sector in rich countries lobbied hard for regulatory changes in poor countries that would do little to address these problems, and their own culpability in the current and future odious debts of the developing world. Their efforts lead to a declaration from the G8 on the importance of progress in the developing world liberalizing its financial sector, and a commitment to attaining commitments by the Hong Kong ministerial of the World Trade Organization. There is no proven development benefit from such liberalization, and many developing countries doubt the benefits of capital liberalization. In fact, countries who have not liberalized their financial sectors, like Malaysia, China and Chile, have managed to ride out financial crises affecting their regions. Corporate lobbying for blanket liberalization of financial sectors is, therefore, irresponsible.

With the message of the 2005 G8 protests having been so managed by celebrities and mainstream NGOs, protesters may now consider that protesting at these summits has run its course, and turn their attention elsewhere. Many of the people who protested on the streets at the Birmingham G8 summit saw G8 governments and institutions like the World Bank and IMF to be mere servants of a system of unfettered profit-seeking. The system itself has to change, not its functionaries. This thinking was illustrated by the mass protest in the UK that followed the 1998 G8, which was called 'Stop the City' and targeted London's financial district. With recent debt cancellations the banks are now in the hot seat on debt. Therefore, in answering the question 'where to next' the counter-globalization movement may once again turn its attention to the private financial institutions. Reports on the conclusions of the counter-Summit suggested that such a shift in focus is likely.[141]

A report in September from Christian Aid gave an indication of this shift in focus toward the questionable impact of private banks in international development. The charity attacked offshore tax havens and the banks that use them, estimating that tax evasion and offshore banking secrecy costs third-world governments up to US$500 billion a year in lost revenues. The report's author, Andrew Pendleton, said the UK government had a particular responsibility. "Of the world's 72 tax havens, 35 are British territories or Commonwealth members. Tackling global evasion will take a lot of international co-operation, but it would be fitting for Britain to take the lead."[142]

Are the banks and investors ready for growing critical attention from civil society? Many currently consider their social responsibility is sufficiently addressed by having a recycling programme in headquarters, employee volunteering, more sophisticated risk assessments, and a few extra product lines for niche markets, called ethical or socially responsible investment funds. HSBC has gone further than most in addressing its own in house impacts on the environment, committing itself to carbon neutrality.

Some have also begun to address issues more central to their core business of providing financial services. For example, Barclays has given an account of its efforts to improve its consumer and corporate lending practices, and promote financial inclusion, in its Corporate Responsibility Report for 2004.[143] A number of banks have also begun addressing the impacts of their lending practices, through the Equator Principles. HSBC's Corporate Social Responsibility Report for 2004 reported for first time the number and value of transactions approved and the number of transactions declined through applying the Equator Principles.[144] A number of initiatives in the institutional investment arena, reported in the section Changing Money, are also indicating that the sustainable development dimension to normal fund management practices are beginning to be looked at. However, some of the greatest impacts of the financial sector on sustainable development could involve Southern country debts, capital flight and tax avoidance, hedge funds, and currency speculation. It is not surprising that these areas are left unaddressed by most financial institutions, because finding socially and environmentally beneficial ways of conducting these activities appears to be a difficult challenge, perhaps impossible. Some prodding from activists may make this challenge an unavoidable one, and usher in a new paradigm in responsible finance, that addresses the core activities on banks and investors.

The power of the private financial institutions in shaping the policies of the G8 reminds us clearly that money talks. As the counter-globalization moves its attention towards those same financial institutions, we will find out whether money can listen.

Feeling Peaky about Oil?

One thing the G8 did manage to agree was a common statement on climate change, which was recognised as a “serious long-term challenge” for the entire planet. The original draft communique had said “our world is warming”, reflecting the fact that global ambient temperatures have risen 0.6C in the past 60 years, and each of the last 25 years have been the hottest on record.[145] However, this reality was uncomfortable for the administration of US President G. W Bush, and they had the G8 text watered down, in similar ways to their influence on the UN summit in September.[146]

Despite the ostrich-impression of some world leaders, the realities of climate change demanded attention during 2005, with spiraling demand for oil, increasing oil prices, severe weather events, droughts and economic implications being felt worldwide.

In August the price of oil bumped up against $70 a barrel. This was not just an anomaly due to political instability or speculation, with Goldman Sachs predicting that oil prices could move to $100 a barrel in the near future. Instead, major changes in supply and demand have been affected the price of oil. Key to growing demand has been the industrialization of large countries such as China. It had already increased its oil consumption by 11 percent in 2004, becoming the second largest oil consumer after the United States. The other side to the price equation is supply. Overall discoveries of oil peaked in the 1960s, with just one new barrel of oil being discovered today for every four that is consumed. New extraction techniques and new discoveries may keep things going, but estimates of the oil peak, when supply wont keep up with demand, range from between 2006 and 2020. A global peak in production is not the same thing as oil running out, as large amounts of oil will still be pumped after that point, but on an unavoidably declining basis. Although debates about the end-of-oil may have a 70's retro feel to them, given the last time an oil shock hit the world, this time the evidence suggests that we are arriving at the beginning of that end.[147]

The impact of past and present consumption of oil continued to be felt during 2005, but this time in ways that made the global media. Changing weather and seasons had already been disrupting people's lives from China, the Pacific, and Peru.[148] Poor monsoon rains had hit agriculture in India, reducing economic growth.[149] However, the hurricanes in the United States were broadcast to the world, and led many to discuss the implications of climate change. It was the regions' worst hurricane season in history, with the weather authorities running out of names for the number of storms. Although meteorology is complex, this upturn in storm activity was consistent with predictions based on current patterns of climate change. The impact of Hurricane Katrina on the thinking of some in the US was clear. Wal-Mart CEO Lee Scott said he had an epiphany on climate change and the wider environmental challenge. "We should view the environment as Katrina in slow motion," he said."This used to be controversial, but the science is in and it is overwhelming." Wal-Mart announced it will invest $500 million a year in new environmental technologies, including renewable energy systems.[150]

The business implications of climate change continued to unfold during 2005. Lloyds Insurers announced that Katrina would probably cost it over US$2 billion. Allianz, the giant German financial services group, released a report jointly with WWF, which reported that weather related disaster costs are currently rising at 2-4% a year, with premiums rising to meet the costs. It called for a 60-80% reductions in global emissions by 2050. Meanwhile, prices for carbon allowances rose sharply in the middle of the year, up from 12 euros a tonne in April to almost 29 euros by July. One reason is the EU's reduction of allowances to some countries, but another important reason is the rising price of natural gas, which has led more electricity companies to source energy from coal, which is proving cheaper, despite the carbon charges due to its greater production of CO_2.[151] This again raises concerns that the carbon trading system may do little to reduce carbon emissions. The limited geographical application of the system to Europe also raises questions about its effectiveness: some companies, including Norsk Hydro and Corus have said they may move their factories abroad to mitigate high fuel costs and carbon charges.[152]

Despite concern about the competitiveness implications of action on climate change, Nick Robins of Henderson Global Investors argues that there are many opportunities "for those who understand the dynamics of the coming carbon crunch and invest in industries of the future".[153] In light of this KLD Research and Analytics Inc has launched the Global Climate 100 Index, the first investor index comprising companies focusing on solutions to global warming. The CEO of the world's largest company GE, Jeff Immelt, announced his conviction that "green is green", making reference to the colour of the US dollar, and that his company "plan to make money" from investing $1.5 billion in environmental technologies. It is estimated that the world market for environmental goods and services is already worth around £270 billion.[154]

Not all companies can find easy win-win solutions to the carbon crunch. The airline industry faces a particular challenge. In July a coalition of UK airlines, airports, aircraft manufacturers and air navigation operators began working on the 'Sustainable Aviation' initiative to increase fuel efficiency by 50% by 2020 compared with 2000 levels, and seek to enter the EU's Emissions Trading System. Environmental groups pointed out that a threefold increase in the volume of air flights in the next 30 years is being planned for by the industry. It is difficult to see how voluntary corporate action on reducing the volume of passenger sales is possible, and so the challenge appears to be one for government.

The inevitability of major changes arising from the carbon crunch is making more investors hungry for good information on the risks and opportunities faced by their portfolios. Henderson Global Investors has worked with Trucost to create a way of measuring companies' carbon emissions relative to their earnings.[155] Henderson's Nick Robins, said that if companies had to pay the UK government estimate of the economic damage done by a tonne of carbon, about 20 pounds a tonne, then more than 12% of the FTSE 100's earnings would be at risk. He explained that more disclosure of carbon emissions is essential for investors. "Carbon is set to become a critical factor in business strategy, influencing the pattern of corporate acquisitions and divestments, for example. There should be no surprise when the first carbon-driven profits warning is issued. For investors, getting standardized comparable carbon data from companies is now imperative".[156]

In a new book on the future of capitalism, Jonathon Porritt called for

Jonathon Porritt

concerted action between government, business and civil society to address the systemic challenge of climate change and sustainable development more broadly. "It is critical that politicians the world over stop flirting with renewables as 'an interesting little niche' and start investing in them as if our future depended upon them – which, indeed, it does."[157] Porritt notes that renewables will not substitute oil like for like, and so societies will need to adapt in more profound ways. Agriculture, energy, manufacturing and transportation will all be impacted in ways that require shifts in how we understand and meet our needs. For example, although more hybrid cars will be useful, they will not play a role in meeting personal mobility needs, without a major change in those needs, and options to fulfill them through non-carbon emitting forms of transport. A fundamental questioning of current concepts of personal and societal progress is necessitated by the environmental challenge. In the past decade many environmentally aware people have become skilled professionals in government, business and elsewhere, and focused on achieving incremental or small-scale ‘with environmental problems moving from prediction to reality, a renewed moral conviction and transformative vision may arise from the environmental movement in the coming years’

changes. This has lead to a death of vision, according to Michael Schellenberger and Ted Norhaus in Grist Magazine. “Those of us who call ourselves environmentalists have a responsibility to examine our role and close the gap between the problems we know and the solutions we propose,” they wrote. It appears that with environmental problems moving from prediction to reality, a renewed moral conviction and transformative vision may arise from the environmental movement in the coming years, with implications for the corporate citizenship agenda, and beyond.[158]

Ten Years On

At the other end of the hydrocarbon value chain, oil companies were having a mixed press for their impact on the communities under which much of their resources are drawn. In Nigeria, communities in the oil producing Niger delta went to court to try and stop ‘gas flaring’ – the burning off gas during the production of crude oil. Natural gas is released during the extraction of crude oil, and it is estimated that this flared gas from Nigeria could be pumping 35 million tonnes of carbon dioxide and 12 million tonnes of methane into the atmosphere annually. The gas flaring has been linked to local acid rain, and poor health in the region. Shell announced earlier in the year that it would not be able to capture the gas so as to stop the flaring by 2008, as required by the government. Meanwhile, accusations continued that oil companies in the region are supporting local militia in order to quell an uprising and protect their oil operations.[159]

This is reminiscent of the situation 10 years previously, which brought Shell’s operations in Nigeria into the international spotlight. On November 10th 1995 nine Nigerians who claimed that the regime of dictator Sani Abacha and Royal Dutch/Shell were complicit in oppressing the Ogoni tribe, were executed. Their leader was the charismatic writer and activist Ken Saro-Wiwa, and at the trial before his death, he pointed the finger at Shell, and called for an international boycott of the company. That boycott spread to three different continents, and the

‘10 years on, the jury is still out on Shell, the oil industry, and the usefulness of voluntary corporate responsibility more generally.’

impact on the company helped spark the contemporary corporate responsibility movement. It demonstrated that civil society had grown and become internationally connected, had turned its attention to the malpractices of companies, that consumers had become aware of the power and therefore responsibility of large corporations, and that their abuses in the global South would no longer go unnoticed.

Ken Saro-Wiwa

Nevertheless, 10 years on, the jury is still out on Shell, the oil industry, and the usefulness of voluntary corporate responsibility more generally. At its 2005 annual meeting activist shareholders circulated the third alternative Shell report, called "Lessons Not Learned", which argues that despite commitments made in previous years, Shell still disregards the environment and the rights of the people living near its operations in many parts of the world.[160]
Amnesty International published a report that focused on a number of other oil companies operating in Africa. Amnesty argued that agreements signed ExxonMobil and other companies with the governments of Chad and Cameron requires these governments to give priority to the oil company interests over and above those living in the vicinity. The organisation said that there had already been abuses in these areas with farmers displaced and refused compensation, and the agreement threatened further human rights problems for the local population.[161]

Meanwhile the government of Chad has taken steps to report on its anti-corruption efforts in the oil industry. An Oversight Committee (Collège de Contrôle et de Surveillance des Revenues Pétroliers) appointed by the Chadian government has detailed the findings of its first inspection of the implementation of projects financed by Chad's 2004 oil revenues. According to the World Bank, 'publication of this report is a demonstration of the Chadian government's commitment to the transparency of its oil revenue management'. However, the World Bank also expressed its concern with some of the report's findings, which suggest there is some way to go.[162]
This effort toward greater transparency of the use of revenues derived from the oil industry is one response to the outcry in 1995 about Saro-Wiwa, as it attempts to address the financial incentives that have fuelled government corruption and oppression.

The Extractive Industries Transparency Initiative (EITI) is the broad intergovernmental effort tackling this challenge. It has now gained the support of most major multinationals, and the government of Nigeria is playing a leading role. At the G8 Business Action for Africa Summit, African firms also expressed their support for EITI and other initiatives that fight against corruption in their home countries.[163] If EITI is successful, regimes like the Abacha dictatorship will be far more difficult to maintain, and the allure of dictatorial power in such countries could wane.

The current government of Nigeria points to increasing foreign investment, such as US$150 million from Coca-Cola, as a sign that it has turned away from its past of corruption and mismanagement. Although that particular investment came in for some criticism from some Nigerian NGOs in July, due to various concerns about water, pollution, labour rights, and nutrition, the argument that Africa needs investment not just charity was made clearly by a range of corporate leaders, the G8 and the New Partnership for Africa's Development (NEPAD).

Interestingly, given the history described above, a foundation established by Shell, has been taking a lead in this arena. The Shell Foundation announced a new $100 million fund to address the lack of finance and business skills for small African businesses. In addition, the Foundation announced a project with retailer Marks and Spencer, where the Foundation will invest US$ 1 million in local flower and fruit growing enterprises that are involved in the retailer's supply chain.[164] The Chief Executive of the Royal Dutch/Shell Group, Jeroen van der Veer, said that it is important for the company, and others like it, to explore how to tackle poverty in Africa through their everyday business operations, although he argued that government has a key role to play in providing a context for local economic development.[165]

Jeroen van der Veer

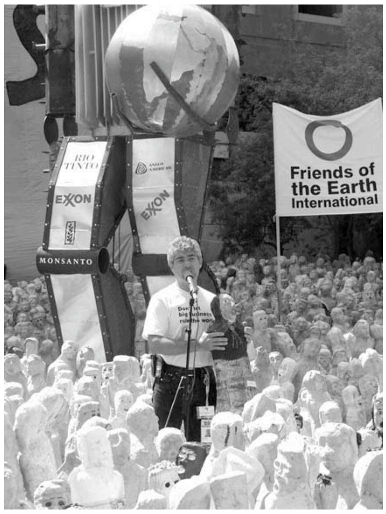
The Political Bottom Line

Oil companies were also in the spotlight in 2005 for lobbying on climate change. Exxon Mobil, for example, was criticized for influencing US energy policy in ways that undermine action of carbon emissions.[166] Corporate influence over political processes is a key concern of critics of globalization, and has featured in previous annual reviews. The scale of lobbying is significant. In 2004 alone, the collective invoices of Washington lobbyists were likely to have exceeded $3 billion. In Europe an estimated 15,000 lobbyists represent a 60-90 million euro industry, but no comprehensive figures are available as disclosure only takes place on a voluntary basis.[167] The Alliance for Lobbying Transparency and Ethics Regulation-EU has argued that "The enormous influence of corporate lobbyists undermines democracy and all too frequently results in postponing, weakening or blocking urgently needed progress in EU social, environmental and consumer protections."

In addition to corporate lobbying, corporate political contributions became a growing concern for investors during 2005. Responding to pressure from faith-based shareholders prior to their Annual General Meetings, pharmaceutical companies Johnson & Johnson and Schering-Plough agreed that they will account for and publicly disclose on their websites an annual list of corporate political contributions. This was a success for the Interfaith Center on Corporate Responsibility (ICCR), which coordinated a series of resolutions on this issue at Merck & Co., Abbott Laboratories, Wyeth, and Eli Lilly. Major funds backed the resolutions, including The New York

State Common Retirement Fund, the US's second-largest public pension fund. Margaret Weber of the Adrian Dominican Sisters, who filed primary filer with Schering-Plough explained that "companies need to be held accountable to their shareholders for their political activism".[168]

Meanwhile, in the UK, the issue of corporate lobbying became central to corporate responsibility debate in the late summer. Friends of the Earth UK published a report in July that condemned the UK's largest trade association, the Confederation of British Industry (CBI), for routinely exaggerating the costs of environmental regulation and falsely presenting its anti-regulatory position as if it has consensus support across the business community.[169] The report, "Easy Listening", details instances such as CBI lobbying on the EU's Emissions Trading Scheme leading to the Government increasing the UK's greenhouse gas allocation by 20 million tonnes per year. The report challenges the CBI's negative view of regulation and says good legislation would drive innovation and investment.[170] The environmental group's Executive Director, Tony Juniper, said "there is little evidence to back up the CBI's mantra that regulation damages UK competitiveness. Time and again, they have exaggerated the costs of regulation and ignored the benefits. It's time the Government started to demand hard evidence from the CBI and started listening to other, more progressive business voices." His argument was endorsed by the Chairman of the Environmental Industries Commission, representing almost 280 companies working in the environment sector, Adrian Wilkes. He said "scare-mongering by polluting industries regularly exaggerates the costs of pollution control, making the Government back-pedal on environmental protection."[171]



Tony Juniper

Historically trade associations have pursued the collective interests of their members either by restricting government involvement in their member's affairs, or encouraging intervention where it could create or protect markets. The sustainable development challenge requires a new paradigm from trade associations, where they pursue the longer-term strategic interests of their members by attending to the problems of free riders. Unfortunately the level of dialogue at an International Labour Organisation conference of employers organisations in Geneva in October did not suggest that this new paradigm is imminent, with negative implications for the ability of this world body to play an effective role on the corporate citizenship agenda.

Consequently, some companies have been breaking ranks with the reactionary positions of many trade associations, and lobbied the political process for socially beneficial innovations. Examples include Electrolux supporting producer responsibility on electrical goods, and Marks & Spencer's support for more legislation on the use of chemicals.[172] Companies are also taking collective action where there is none from traditional trade associations. A group of large corporations including BAA, BP, Cisco Systems and HSBC have publicly petitioned governments for more action on climate change. In a letter arguing for more government leadership, they wrote that ‘the private sector and governments are caught in a “Catch 22” situation ... Governments tend to feel limited in their ability to introduce new policies for reducing emissions because they fear business resistance, while companies are unable to take their investments in low carbon solutions to scale because of lack of long-term policies.’[173]

In the September issue of the *Journal of Business Strategy and the Environment*, three key reasons were identified for this broadening of the corporate citizenship agenda to include political action. First, the growing criticism of the ability of voluntary corporate responsibility initiatives to deliver social and environmental benefits; second, the increasing awareness and targeting of corporate political activities by NGOs; and third, a realisation amongst certain corporate executives and financiers that, without changes to public policies, an individual company’s own voluntary responsibility may not deliver sufficient commercial returns and government may need to intervene to punish the laggards.[174] That the voluntary corporate responsibility policy community in the UK is grappling with the implications of this shift of attention to the ‘political bottom line’ was illustrated by three new publications.

The Institute of Business Ethics published their analysis of the issue[175] and then SustainAbility and WWF published results of their analysis of how 100 of the world’s largest companies report on their lobbying practices. In September the Institute of Social and Ethical Accountability followed up with a publication that suggested a framework for corporate management of this issue.[176] Each of the reports discussed issues of the transparency of political influence, stakeholder consultation and communication in the development of political positions, the level of coherence between political influence and espoused business policies, and the content of the political influence in relation to wider social or environmental standards.

Transparency is a key focus for Sustainability and WWF. “Until this ‘black box’ of lobbying is comprehensively opened up, allowing the interface between private business and governments to be more transparent and better understood, trust — which has been flagging for many years — will remain elusive” (p. 11). However, Accountability was ambiguous on the importance of greater transparency. One of its arguments against transparency relates to practicality. It noted that “lobbying is by its very nature an informal process and thus often opaque” (p. 45). As c illustrated in a column on the topic, “the quiet word at a charity event, the brief conversation in the Wimbledon enclosure... will always take place and be unrecorded.”[177] This is not, however, reason for not making more political influence transparent where possible to do so. Another argument put forward against transparency was that lobbyists do not want it: “many lobbyists argue that transparency and effectiveness in

Mallen Baker

lobbying are sometimes incompatible, given the variable timescales, informality and inherent confidentiality of their profession," they wrote (p. 45). Some might question the reasoning that because a profession does not want something it is not worth pursuing. The third reason was that transparency was not, in itself, enough. "Transparency and responsibility are not the same thing. For example, many people would disapprove of a company lobbying against restrictions on tobacco sales to minors, even if done openly and acceptably within a country's legal framework" (p. 45). Oddly, this is exactly the reason why transparency is important, to allow such conflict to be surfaced, and hopefully, eventually resolved through various process of engagement. Nevertheless, Accountability did propose transparency as an important part of its framework for responsible lobbying.

WWF, Sustainability and Accountability highlighted the importance of engaging stakeholders on corporate lobbying positions. The aggregates company Lafarge, is one large corporation that engages stakeholders in public policy discussions.

Accountability, however, also expressed doubts that stakeholder consultation would prove effective in this area. "There is an inherent difficulty in defining a process standard which would make both corporate lobbyists and their clients happy, while at the same time assuaging the concerns of those with opposing viewpoints on substantive issues." Given that Accountability's main work in the last 10 years has been the proposition of best practice for stakeholder dialogue, through AA1000, this suggestion that a process standard involving transparency and consultation is not a sufficient solution is notable.

The Accountability report moves beyond these caveats to make the argument that the consistency between a company's political activities and its expressed values is the most important issue. This responds to the fact that a key reputational risk for corporations arise from claims of hypocrisy. The easiest target for campaigners is where a company's stated values are directly contravened by the objectives and conduct of its lobbying. This consistency could not be judged by external audiences, including auditors, if there is no transparency. SustainAbility and WWF therefore propose a framework that integrates transparency and consistency. They rated companies from the provision of no information, through to basic, developing, systematic and integrated reporting. Over 51 companies achieved at least a basic rating and a handful of corporate reports, including BASF, BP, Chevron, Dow, Ford, General Motors, GlaxoSmithKline and HP provided more detailed information. However, the report still identified what was considered inconsistency between lobbying positions and corporate policies on sustainable development. For instance, “while Ford and General Motors may have high levels of transparency and a growing sophistication in reporting their lobbying activities, they still actively resist controls on greenhouse gas emissions via sponsorship of their industry trade group.”

Accountability noted that consistency is not a sufficient criterion for making lobbying ‘responsible’, as highlighted by their mention of tobacco lobbying, above. The involvement of the United Nations Global Compact in co-publishing the report meant that the role of international standards on human rights and the environment would have to be addressed. Therefore within the concept of consistency or coherence, Accountability includes consistency with ‘universal values’ as well as internal policies and codes. Similarly, implicit in the Sustainability/WWF position is that some objectives of corporate lobbying are better or worse – they favour lobbying which they consider supports governments protecting human rights and the environment. What neither report considered was who decides what is the best way of enacting a ‘universal value’, realising human rights, or protecting the environment. To return to the issue discussed at the beginning of this column, who should decide that financial sector liberalisation is the best way to increase the realisation of the universal values embodied in the convenant on economic, social and cultural rights? Or that water privatization is the best solution for watershed management?

This brings us to the question of why particular views are held, arguments are made, and whose views and arguments become the rules of society. These are questions of democratic governance. The meaning of democracy was not discussed in detail in any of the 3 reports, with only short comments that lobbying is one aspect of freedom of expression, and therefore central to democracy, but that some consider the growing volume of corporate lobbying is a threat to democracy. A key reason why corporate political activities are more contentious today is because of concerns about the abuse of power. Therefore, the challenge is how to ensure the democratic governance of markets for the public interest, and any serious discussion of corporate lobbying must engage with concepts and mechanisms of democracy.

It is a fundamental misunderstanding of democracy to defend corporate lobbying on the grounds of freedom of expression. Powerful organisations have freely expressed their opinions throughout the ages in systems of feudalism, monarchy, corporatism and fascism. Democracy is about self-governance, and therefore communication by the governed with the mechanisms of governance needs to be equitable. The problem is that organisations with large resources have more opportunity to influence; to craft

‘A key reason why corporate political activities are more contentious today is because of concerns about the abuse of power. Therefore, the challenge is how to ensure the democratic governance of markets for the public interest, and any serious discussion of corporate lobbying must engage with concepts and mechanisms of democracy.’

their messages in ways that resonate, and communicate them at the right times, more often. This means that people with more resources have their interests more effectively put to government, which is a challenge to democratic governance. Arguments for lobbying to be more internally consistent will not address this problem. Instead, the challenge is to find ways of ensuring more diverse communications with government.

These reports illustrate how the epistemic community of corporate responsibility consultants and promoters usually looks at social challenges in a way that puts companies at the centre of the analysis, and in terms of what is possible to be done voluntarily by individual companies. Although it is useful to explore potential management tools or define what constitutes voluntary best practice, if this establishes a paradigm where the notion of democratic governance or the role of regulation are not appreciated, then the process can be counter-productive.

The ignoring, or active dismissing, of the role of regulation in addressing the challenge of corporate lobbying ignores the impacts of one the most significant regulatory moves on transparent government in the recent history of the UK. The Freedom of Information of Act came into force in 2004, and in the first six months, one in ten voluntary organisations surveyed reported that they had already used the Act. Ashridge Management School and the National Council of Voluntary Organisations (NCVO) reported that "more than 20,000 organisations have plans to make requests about government relationships with companies.[178] The Act could therefore have an enormous impact on the political lobbying activities of companies." The level of enquiries for information may mean that all communications will be routinely logged on the internet, leading to an unprecedented new level of transparency.

Currently the debate within the corporate responsibility community has not seriously questioned why we should look at responsible lobbying. There exists a confusion between identifying a financial argument as a mechanism for achieving a principled goal, and the financial argument being seen as the goal. Some have assumed

'There exists a confusion between identifying a financial argument as a mechanism for achieving a principled goal, and the financial argument being seen as the goal.'

that the reason to promote 'responsible' lobbying is to protect business from reputational damage. Others have listed a range of public policy issues they wish to see action on as the objective, such as moves on climate change or international trade negotiations. However, the goal of the responsible lobbying agenda needs to become broader: to be the promotion of democratic governance. This would involve the creation of more democratic patterns of lobbying rather than a few more strands of lobbying we like, and less of that which we don't like, depending on who 'we' happen to be. This perspective suggests that most responsible forms of corporate lobbying would be that aimed at encouraging governments to adopt new regulations on the conduct of politicians and civil servants, to ensure that policy processes are less influenced by corporate lobbying, and instead to invest in mechanisms of active pluralism where the voices of the underrepresented and weaker groups in society are sought out. The Freedom of Information Act is one example.

Key to this notion of responsible lobbying is the use of one's power to help empower others, and ultimately to address systemic power imbalances. Currently very few companies are actually lobbying for systemic changes. One example is the Cooperate Financial Services (CFS) in the UK. It has worked with the CORE campaign, a coalition of NGOs, to advocate mandatory ethical and environmental reporting in the UK, and has called for the establishment of key performance indicators as the basis of materiality questions in the UK's Operating Financial Review (OFR). By supporting mechanisms that would provide various stakeholders with more rights to information and more requirements on managers to respect those stakeholders, CFS is addressing a systemic issue.

This is a small step towards addressing broader power imbalances through corporate lobbying. As Professors Kate Kearins and Jem Bendell contended in *The Political Bottom Line*, managers will need to "address the systemic problems of the global economy and the compromised independence of communities and governments. If this happens then broader issues may appear on the horizon of management —the independence of democratic processes and the media, and the negative social impacts of currency speculation, tax management and evasion."[179]

Professor Kate Kearins

Fourth Quarter: October – December 2005

The Living Dead

The popular depiction of today's office worker as highly stressed, struggling to get ahead in the rat race of today's cut-throat corporate world, is a familiar one. Yet the key concepts in a book at the top of the UK business list in November 2005 were boredom, time-wasting and apathy. *The Living Dead,* by *Times* columnist David Bolchover, turns notions of time-management and striving to maintain a work-life balance inside out — its aim is to 'unearth the last taboo', that a large proportion of office workers do not actually do very much work at all. Offices across the public and private sectors around the world are argued to be filled with workers whose talents and energies are being wasted, as employees spend their time pretending to work hard instead of actually doing so.

> 'a large proportion of office workers do not actually do very much work at all.'

Statistics such as '14.6% of US workers admit to surfing the internet for non-work related items *constantly*', presented in support of this perturbing phenomenon, may elicit a nod of identification from those workers who while away their employer's time playing internet games at their desk. The international popularity of Dilbert cartoons[180] and The Office, a UK 'mockumentary' parodying workplace dynamics, reflects the element of identification that many people feel with their own working lives — work is not a meaningful activity which engages our skills and motivation, but a often a façade of productivity that must be paid lip-service to between the hours of 9am and 5pm.

Research by the Chartered Institute of Personnel and Development (CIPD)[181] in the UK uses the concept of a 'psychological contract' between individual employees and organisations to describe the unspoken agreement based on mutual trust and fairness that exists in addition to legal contracts. Good quality supervisory leadership and appropriate Human Resources policies are considered key to ensuring that this contract is upheld, bringing about high levels of employee satisfaction and performance. A survey published in November 2005[182] studied the 'organisational DNA' of 50,000 companies worldwide and came to the conclusion that around 70% of businesses have 'unhealthy' organisational cultures, where poor relations between staff led to low levels of efficiency. It also found that low-level employees were more able to diagnose unhealthy practices than senior management. Bolchover's book aims to catalyse an improvement in middle-management practices, to bridge the gap between the rosy vision of efficiency held by senior management and the reality at many office desks.

The issue of effective leadership is important, but problems undermining meaningful employment and work satisfaction can run deeper than being undervalued and overlooked by an 'invisible' manager. A survey[183] of 15,000 workers worldwide found that one quarter of US and Brazilian, one third of British and 40% of French employees are indifferent to their work and the success of their employer. A job pays the bills for these people, but disengagement from the goals of their efforts means that the activity that consumes one third to one half of their waking life is compartmentalised, separated from pursuits which bring meaning and value into our existence. Consequentially, low energy levels, depression and reliance on alcohol and other drugs are on the increase. A 2004/2005 study by the British Health and Safety Executive[184] suggests that depression or anxiety caused by stress, or perhaps underwork, account for an estimated 12.8 million reported lost working days per year in the UK — more than double the levels of 1990.

Neil Crofts, founder of the website and www.authenticbusiness.co.uk author, argues that this dissatisfaction with our working lives is a symptom of the disharmony between the objectives of the current individualistic, hard-hearted form of capitalism in which we operate in and the well-being of the planet and its people. In the Authentic Business November 2005 newsletter, Crofts presents health problems associated with work, smoking and overeating, and also social and ecological degradation on a community and global level, as *self* harm carried out on an individual and collective scale. Whether they keel over from working 70-hour weeks or sit idly playing computer Solitaire, millions of people are conforming to society's expectations regarding the acquisition of increasing levels of material wealth, even if the process is at direct odds with self-fulfilment, maintaining close family relationships and the ecological well-being of the planet. Cycles of self-harm are argued by Crofts to be propelled by a lack of confidence in ourselves and each other, resulting from a false separation between what we value and what we feel we must do with our lives.

'Our blinkered system of material wealth-chasing has successfully taught us how to be employees, bosses and shoppers. Those who want to live, work, eat and travel without harm to others or the environment have to step out of this cushioned comfort zone and simply be *human* again.'

Mohandas Gandhi famously said that 'you must be the change you want to see in the world'. The 'authentic self', to use Croft's term, is argued to be the building block of a more just, safer, happier global existence. Central to the concept is our confidence in our own judgements of the world we perceive around us — if the factors influencing our decision-making are based mainly on norms and expectations shaped by families, communities and the media, we may not be following paths that promote our psychological and physical well-being and consequently, the well-being of the planet. Accepting that all that glitters is not gold is easy. But stepping back and realising that even if it is gold, it is no big deal, requires a good deal of confidence in your own judgement and in your capabilities to find happiness elsewhere. Our blinkered system of material wealth-chasing has successfully taught us how to be employees, bosses and shoppers. Those who want to live, work, eat and travel without harm to others or the environment have to step out of this cushioned comfort zone and simply be *human* again.

The suggestion that uncovering our 'authentic' selves will enable us to both be happier and also interact more harmoniously with each-other and the planet invites us to believe that the 'true' human nature is cooperative and loving. This essential 'human nature' has been debated for centuries by different religious traditions, with many Oriental philosophies suggesting that our spiritual nature is an evolving one, from one reincarnation to the next, whilst Abrahamic religions include a concept of 'original sin'. However, Oriental philosophies suggest that our true nature, once freed from the illusions of the material world that creates a sense of separation in individuals, is a connected expression of the whole. For some the implication of this is that there is no separate self, and we are inventing one, whereas others consider the authentic self is a 'higher' self, where all physical, mental and spiritual aspects of our existence are harmonious with the whole. Some strands of thought in Abrahamic religions, such as some Sufism, also stress the oneness of humans with a universal God as the original situation. In this sense, an authentic self would have a relationship with 'God'. Therefore both Oriental and Abrahamic traditions provide some encouragement for the view that we have a natural capacity for being 'good' towards each-other. Other insights into human nature, from evolutionary biology to post-structural sociology, raise some difficult questions. Mainstream evolutionary biologists' assumptions about the inevitable spread of selfish genes is problematic if we consider how cooperative and even altruistic behaviour may have helped communities outperform others.[185] Sociological and psycho-sociological insights into the social construction of identities raise the possibility that there is no 'un-socialised' self that can be discovered, just different socially constructed views of who we tell our 'selves' we are. However, such theoretical positions are difficult to test, and instead some focus attention on helping people to recognise processes of socialisation that may be influencing their own sense of self and who this helps or hinders, as by doing this, helping them to free themselves from those processes - if they so decide. Efforts by Crofts and others to help people discover their authentic selves resonates with efforts at 'consciencisation' pioneered with the poor in Latin America some decades ago[186], and their work can be regarded as developing a 'pedagogy of the oppressed oppressor'.

Some will be suspicious of the notion that work within a capitalist system characterised by exploitation in order to generate profits can allow the expression of the authentic self at all. In an attempt to bridge the gulf between the authentic self and meaningful work centred on the 'bottom-line', Croft's book *Authentic Business* (2005) defines such an organisation as built on a purpose *beyond* profit, that is 'profoundly held' and that is socially and/or environmentally positive. The decision-makers in such a business still aim to generate profit, but must foster integrity between communication and action and act on the basis of principles, not just jumping on bandwagons. It is argued that these businesses will boast high levels of efficiency and employee motivation; 'everyone working in an authentic business lives and breathes what the company stands for'. British companies Innocent Drinks and Yeo Valley Organic are two of the given examples of successful 'authentic' businesses. These are also described as social enterprises by some commentators, indicating some overlap in the concepts, and the search for appropriate terminology to describe and understand people who seek to make a positive difference through working in the private sector. ‘Corporate social responsibility’ and ‘corporate citizenship’ are often discussed in terms of issue areas like child labour or deforestation, or business functions such as marketing or public affairs. However, at the root of the movement of professionals that coax companies to perform better in these areas is people’s search for a more meaningful way of work – as part of a more meaningful way of life. By engaging this system in order to change it, these professionals risk imbibing its values as our own and beginning to see their work merely in terms of reports, projects, and promotions, and becoming a new breed of ‘living dead’. This means the development and implementation of effective processes for re-awakening and reaffirming the values of professionals working in this area will be essential to the success of voluntary corporate responses to sustainable development.

‘at the root of the movement of professionals that coax companies to perform better in these areas is people’s search for a more meaningful way of work – as part of a more meaningful way of life.’

Las Noticias

The first week of November 2005 saw riots and protests at the Argentine coastal town of Mar del Plata, host to the fourth Summit of Americas. Negotiations for the creation of a Free Trade Area of the Americas (FTAA), which would establish a free trade bloc covering 34 countries stretching from Alaska to Tierra del Fuego in southern Argentina, collapsed as a trend of increasing political assertiveness in the region meant that key players such as Argentina and Brazil refused to agree to the conditions.

The economic and political landscapes of the region are already shaped by important sub-regional groupings such as NAFTA (North American Free Trade Area), the recently negotiated CAFTA (Central American Free Trade Area), MercoSur, a grouping of Argentina, Brazil, Chile, Uruguay and Paraguay and a number of bilateral agreements with the US. Those who protested against the proposed FTAA argue that the majority of these existing free trade mechanisms have largely worsened socio-economic conditions in many countries in the region, often to the benefit of the US economy. This indicates the views of a significant proportion of the population, according to a survey by the regional polling organisation Latinobarometro that was reported by Business Week in November, showing that 61% of Latin Americans have little or no trust in the U.S. government's intentions toward the region.[187]

Latin American countries account for nine of the top 20 of the latest United Nations (UN) Human Income and Poverty Index[188], suggesting the region is becoming increasingly affluent. However, such statistics conceal the huge inequalities existing between the countries, and within them, as decades of colonial legacies, civil war, financial instability and positioning as the US’ 'back yard' during the Cold War, have left scars on the resource-rich nations. According to the UN[189], 43% of the population of Latin America are poor, with approximately half of that number living in slums, and a quarter living on less than a dollar a day. The region's forests provide nearly one quarter of the world forest cover and protect systems rich in biodiversity, but the rate of deforestation, often at the hands of business, is one of the highest in the world at an annual 0.48%.

Well publicised cases such as Coca-Cola in Colombia, Parmalat in Brazil and sweatshop labour in Mexican export processing zones have highlighted problems of worsening job security, lower wages and poor health and safety conditions for workers. As in many low-income regions, key aspects of voluntary corporate responsibility, such as regular reporting on non-financial activities, stakeholder engagement and codes of conduct, are not widely-recognised or engaged with. However, according to Antonio Vives, head of the Inter-American Development Bank's (IADB) Corporate Responsibility programme, in corporate responsibility in Latin America is 'on the verge of take-off.'[190]

Over 400 business representatives, academics, government representatives and members of civil society from 22 different countries attended the IADB's third annual conference, held in Santiago, Chile. Discussions based around the main theme of 'Who is responsible for responsibility?' explored the roles of the private sector and other actors in developing a more formal, integrated model of CSR for Latin America. A recent rating of the eight largest countries in the region found Chile to be the most 'ethical' place for business, while poorer countries like Peru and Colombia scored much lower.[191] An OECD report released in November, detailing case studies of good corporate governance practices in Latin America hailed Peruvian mining company Buenaventura and Brazilian electricity company CPFL Energia amongst those who have been found to be complying with CSR standards issued by the OECD and other international organisations.[192]

Participants at the IADB conference argued that these examples of best practice were not indicative of the real status of CSR across a region in which small and medium-sized enterprises (SMEs) account for 95% of firms, employing 40 - 60% of the population of each country.[193] Religion and altruism were argued to be the main drivers of a more mainstream tradition of ad hoc corporate philanthropy and ethics in these smaller indigenous businesses. Now demand for more embedded, strategic CSR practices, based on the Anglo-American 'business-case' model is being voiced.

Some civil society organisations are sceptical of the applicability of a CSR model created in the West. The region is home to the World Social Forum (WSF) movement, founded to help forge more horizontal links between social movements across the world. The annual meetings of the WSF are held as an alternative to the World Economic Forum (WEF) meetings in Davos, Switzerland. The instrumental rationale of CSR as strategic management practice, limits the the scope for addressing concerns and critiques of many social movements and is unlikely to be welcomed by vocal NGOs that are wary of big business, but supportive of the principles of participatory democracy and social justice.

The Red Puentes network, comprising 31 voluntary organisations working to catalyse an improvement in corporate governance in Latin America, argues that any CSR model for the region must be based on the 'perspectives, visions, rights and needs of the civil societies in which the corporations operate.'[194] They argue that SMEs largely have good local knowledge and links with the communities in which they operate. The call upon large, and often foreign-owned, corporations to maintain international standards of social and environmental protection and also to involve civil society in their decision-making to help develop a model of CSR that is genuinely suited to the needs of this vast, diverse region.

Beyond Barriers

The UNDP Human Development report for 2005[195] reported the continual marginalisation of low-income countries in the international trading system. Of the $9 trillion that is generated from world exports, the amount that goes to sub-Saharan Africa, with a population of 689 million, is less that half of that which goes to Belgium, which has a population of 10 million. This skewed trading system supports sizeable profits for corporations at the top of the value chain, who control access to high-value markets. Such corporations have an interest the rules guiding the international trade, as do anti-poverty campaigners who see current rules as barriers to systemic change. After failing to achieve a significant commitment on the issue of trade from the G8 in July, the attention of campaigners and lower-income countries turned to the sixth World Trade Organisation (WTO) ministerial in Hong Kong, in December.

2005 marked the 10th anniversary of the WTO. Its creation was originally promoted at a meeting of the World Economic Forum (WEF) and the agreements on services and intellectual property were drafted at the behest of international telecommunications and pharmaceutical industries.[196] This history, ongoing corporate lobbying, and the questionable impacts of trade liberalisation on sustainable development over the past decade, lead many to question the WTO's role. One argument made in favour of the WTO is that it allows multilateral negotiation of trade rules, which gives low-income countries more power than in bilateral or plurilateral negotiations with rich countries. Another is that those negotiations should take into consideration the specific needs of low income countries so that trade agreements give them "more time to adjust, greater flexibility, and special privileges."[197] However, the disparity in both participation in negotiations and ability to use permitted economic sanctions upon dispute resolution, means that the WTO can reinforce existing power differentials. A lack of progress in delivering significant changes to richer country subsidies and barriers that are called for by many lower-income countries undermines the claim for the WTO to have a 'development' agenda. Although the deadline for negotiations of this Doha 'development' round was the end of 2005, a conclusive decision — which requires the unanimity of all 149 member states — was not arrived at, ensuring that the round continues during 2006.

During the WTO meeting, Hong Kong witnessed scenes typical of recent international trade summits, such as the previous month's FTAA, with street battles between protestors and police, as barriers protected the conference goers. This Ministerial was considered by those within the barriers to be a greater success than the Cancun meeting 2 years previously, which had ended without agreement. Pascal Lamy, the director-general of the WTO, said that an agreement to end rich countries' subsidizing of agricultural exports by 2013 would help with concluding the round and moving negotiations forward.[198] However, some activists called the agreement a failure for the poor. Steve Tibbett from Action Aid, said: "the WTO has served up a diet of peanuts, waffle and fudge"[199] as richer countries continued to push for access to low-income country markets and stronger rights for their companies whilst refusing to rapidly reduce their subsidizing of agricultural exports. Some commentators argued that the new economic heavyweights India and Brazil helped ensure a resolution to the talks by putting pressure on low-income countries. In addition, a new procedure of plurilateral negotiations was agreed, whereby groups of countries would enter into future negotiations. This is an attempt to speed along future negotiations, in a way that may further undermine the multilateral character of the process.

The agreement reached in Hong Kong was perhaps most important for the staff of the WTO themselves. Due to greater scrutiny from global civil society and better bargaining power from low income countries their organisation was in gridlock, and faced with becoming the slow-lane of liberalisation, as bilateral and regional trade agreements proceeded at pace. With new allies emerging in the big economies of Brazil, Russia, India and China, the agricultural subsidies issue set aside, for now, and the difficulties of multilateral negotiating reduced through the adoption of new procedures, the WTO is now back in business, to coordinate new agreements on areas like the liberalising of financial services.

‘To begin new rounds of liberalisation when existing experience of liberalisation has been so mixed is not a sensible form of international cooperation.’

To begin new rounds of liberalisation when existing experience of liberalisation has been so mixed is not a sensible form of international cooperation. A paper by the Trade Union Advisory Committee to the Organisation for Economic Co-operation and Development (OECD)[200] published in the build up to the Hong Kong ministerial argued that the agreements under discussion would add to greater income insecurity and lower opportunities for decent work in low-income countries. Some barriers, it appears, are useful. As discussed in the previous annual reviews, the development effects of liberalising financial services is questionable, and so it is not responsible for private financial institutions to lobby for it. If agreements are reached in finance, tourism and other sectors, it will further the imbalance between internationally agreed and protected rights and freedoms of large corporations and their obligations to the people they affect through their operations. Voluntary initiatives such as the UN Global Compact and the OECD Guidelines for Multinational Enterprises are pointed to by some as an effective response to this imbalance. However, the absence of independent monitoring of corporate activity and the ineffective means for those affected by poor conduct to raise their concerns and secure change have rendered these initiatives insufficient in the eyes of some civil society groups. A 2005 report by an international coalition of NGOs monitoring the effectiveness of the OECD guidelines[201] found that 'there is no conclusive evidence that the Guidelines have had a positive, conclusive impact' on large corporations' operations.

'Just as corporations once called for the creation of an organisation like the WTO, so responsible corporations could today join a call for intergovernmental organisations with the necessary bite to protect the social and environmental sub-structure of functioning markets - people's rights and resources'

Meanwhile the WEF's latest report on global governance reported that although some progress was being made on poverty alleviation, the environmental situation is bad and getting worse, noting that "no serious frameworks are in place to ensure the integrity of ecosystems", while there has been a "retreat on human rights" during the year, with growing "restrictions on freedom from torture and freedom of expression."[202]

Taken together these findings remind us how the world urgently needs more effective mechanisms to protect people and their environments. This must involve intergovernmental organisations that can enforce both corporate and governmental compliance with existing human rights, labour rights and environmental standards, and ensure these are not overridden by trade rules agreed by government delegations that respond mostly to the interests of their export lobbies. Just as corporations once called for the creation of an organisation like the WTO, so responsible corporations could today join a call for intergovernmental organisations with the necessary bite to protect the social and environmental sub-structure of functioning markets - people's rights and resources. To support this vision of a new phase of intergovernmental cooperation will require a new leadership consciousness in business executives. This involves seeing across the barriers of one's company, sector, country and culture, and seeing the system within which one exists, how one contributes to systemic flaws, and how to begin helping change those flaws. Enacting this 'transcending leadership', described above in 'Nike says its time to team up', in the area of trade rules, poses a challenge for corporate responsibility executives, as it requires engaging with public affairs and government relations departments, to promote more intelligent and responsible lobbying, as described in the section 'The political bottom line'. Breaking down the internal barriers within large companies is a key skill for this form of leadership.

Responsible Competitiveness

The domestic policy implications of falling trade barriers are that a country and its people must seek to be 'competitive' in international markets. In some countries this has created a downward pressure on environmental and social regulations, as well as on taxation, leading to reduced government provision of basic welfare services. In December the election of the left-wing Evo Morales in Bolivia illustrated a growing trend across Latin America to reject the competition-driven vision advanced by most centrist and right wing politicians. Continuing protests at intergovernmental summits, and growing attendance at the world and regional Social Forums that advance a different approach to national and international governance, suggest that those who advocate the current trajectory of globalisation are in need of a new story to convince the masses of its merits. That story may emerge with the concept of 'Responsible Competitiveness', advocated by AccountAbility.

'those who advocate the current trajectory of globalisation are in need of a new story to convince the masses of its merits'

Accepting that seeking international competitiveness is the dominant policy orientation of many governments, AccountAbility states that "the challenge is to evolve a responsible basis on which competitiveness is achieved." Responsible competitiveness "means markets where businesses are systematically and comprehensively rewarded for more responsible practices, and penalised for the converse."[203] The role of government in guiding the achievement of responsible competitiveness is recognised, as "being responsible sometimes does and sometimes does not pay... While the growing significance of intangible assets has created opportunities for leveraging responsible business practices, the intensification of competition and the short-termism of investors constrain such practices."[204] The challenge they therefore identify is how governments can intervene to improve business social and environmental performance in a way that adds to rather than reducing international competitiveness.

In a report launched at the Global Compact event in Shanghai, in November, AccountAbility pointed to instances where governments are promoting corporate responsibility as an international competitiveness issue. The report highlights the challenge of the end of the textiles quota system, the Multi-Fibre Arrangement, to countries from Cambodia to Lesotho that cannot compete internationally on price with China. This challenge has led them to explore whether adherence to labour and environmental standards might offer an effective non-price competitive advantage. As a result, Cambodia has signed an agreement between producers, 'brand' customers, labour unions and international agencies like the World Bank to help its achievement of labour standards. Meanwhile Chile is reported as actively exploring whether raised social and environmental standards might offer their fruit and wine exports an edge in international markets. The Canadian government is aiming to make 'brand Canada' one of quality, including social and environmental quality, in order to develop agricultural exports.

The idea that nations have reputations that are important to market demand for products or services from their nations is not new, and illustrated by

Singapore construction firms advertising their national origin at building sites across South East Asia.[205] Could social responsibility be important enough a factor for reputation to influence competitiveness, and therefore, government policy? Is so, could it be important enough in enough countries to influence sustainable development? The report tackles the first question with the introduction of two indices.

The ‘National Corporate Responsibility Index (NCRI)’ is an attempt to measure the state of corporate responsibility across eighty countries, covering key factors such as levels of corruption, businesses' adoption of environmental management, and the state of corporate governance. Nordic countries rank highest, with four appearing in the top five and Finland scoring highest. South Africa is the highest-ranking emerging economy (excluding east-central Europe), followed by Korea, Chile, Malaysia, Costa Rica and Thailand. The second index, the Responsible Competitiveness Index (RCI) incorporates the NCRI as one more variable in the World Economic Forum's Growth Competitiveness Index’ (GCI).

Ranking people, organisations or countries is always a useful way of stimulating debate, and these indices also offer a way of testing the proposition that widespread corporate responsibility in a country adds to that country’s competitiveness. “There is a significant correlation between the competitiveness of a country and its corporate responsibility level. This might indicate that... corporate responsibility can fuel country competitiveness” states the report.[206] Press releases on the report did not use the conditional tense, yet methodological difficulties may make this a premature claim. The validity of some of the regression analysis can be questioned, as when one index partially incorporates another there is a likely correlation between the two. This is the case with correlations between the RCI and either the NCRI or GCI, as the RCI incorporates the others, to a degree decided by the researchers.

As the report notes, correlation does not mean causation. Correlations can be influenced by other factors such as the cultural assumptions of researchers and the data they use. This is especially the case in an area like this, where researchers are quantifying intangible issues. Deciding what constitutes ‘corporate responsibility’ is as much a cultural and political challenge as it is a technical one. For example, the existence of a corporate sustainability report could be regarded as evidence of a negative impact on sustainable development as much as an indicator of corporate responsibility, given that companies with large-scale environmental or social impacts are more likely to publish this information. An indicator such as the number of IS014001 certifications may depend on the international connectedness of a country, and the availability of assurance services, both of which may be due to the level of economic development of a country rather than the state of its business-society relations.

Indicators of corporate performance on issues of public importance, rather than processes of voluntary engagement with those issues, is important if we are to explore any relationship between beneficial business-society relations in a country and its competitiveness, and the NCRI could be improved in this area. The NCRI includes the factors comprising the context for business-society relations, such as regulations and the vibrancy of civil society. However, a researcher's culture influences what they consider indicative of this external context, such as the number of 'NGOs' in a country. This figure may be as much an indicator of a liberal political system, formalized social economy and retreating state as one of healthy community organizing, and so the number of NGOs may correlate directly with economic development, not business responsibility. In addition, the weighting given to various issues from freedom of association to carbon emissions is a subjective one. For instance, some may argue Costa Rica should not rate so highly given that trade unionism has been effectively undermined in that country. Both the issues and the way one assesses performance on them are political as much as scientific endeavours.

Aside from these methodological challenges, what potential might responsible competitiveness have for encouraging government leadership on corporate responsibility? This may depend on the relationship between country-branding and practice, and the importance to a country's economy of those trades sensitive to responsibility issues in comparison to those that are not. On the former, there is sometimes a tenuous link between a country's brand and its performance on related issues. Returning to the example of Costa Rica highlights this. The award winning "Costa Rica - no artificial ingredients" campaign to promote tourism occurred at a time when it was the highest per capita importer of agrochemicals in the world. If a publics' perception is that the existence of wilderness constitutes a country's 'greenness', rather than ecologically conscious forms of production and human settlement, then the potential of a country's green branding to influence government promotion of sustainable business may be limited. Another example of the disjuncture between rhetoric and reality is the Canadian agricultural ministry marketing the country as a source of high environmental quality products, whereas unlike many countries it allows genetically modified crops to be grown and does not require product labeling of GM content. In Europe 3500 municipalities are no-grow zones for GM, with only 2 in Canada in 2005.[207] This example raises the question of whether a concern for the value of a 'responsibility brand' in some product areas is enough to drive changes in government policy.

The answer to this question will depend on which commercial sectors have the most influence over government policy. A country's environmental services industry could benefit immeasurably in both domestic market size and international branding from more government intervention on greenhouse gas emissions, for example, but other energy-heavy sectors can actively resist such action. This situation reminds us that as industries are so different it may not be possible to argue that a whole country's economy can be more or less competitive due to overall corporate responsibility. The varying importance of different social responsibility issues to consumer behaviour also undermines any general claim about responsible competitiveness. An issue such as pesticide residues in food may be much more important to a consumer than social aspects of the product, due to their own health concerns. If performance on a responsibility issue has an impact on the quality of the product or service then it is likely to be a more important factor influencing market demand than those issues that do not. This also makes any generalized claims about the impact of corporate responsibility on market demand difficult to justify.

Greenwashing Globalisation?

What are the implications for global sustainable development? Sean de Cleene, of the African Institute of Corporate Citizenship suggests that "the future for countries like Malawi is in niche markets, and perhaps improved social and environmental performance can be value added – the market will pay a premium for something that meets people's values".[208] This highlights the opportunities that are can be seized by some, but also the limitedness of niche responsible markets, so that only some countries will be able to serve such markets.

As responsible competitiveness depends on differentiating one country from another as being more or less responsible, it is not something that all governments can aspire to. The international branding opportunity for Costa Rica and Canada may be one that resonates with an interest in sustainability, but what of the brand opportunity for Mexico or China? The limitedness of 'responsible markets', especially those that pay premiums rather than requiring responsible production for no extra cost, means that a 'responsibility race' is improbable. Given that many social and environmental issues, such as climate change, disease and terrorism, can not be addressed without action in all parts of the world, the moves of some governments to seek and secure trade with responsible markets may be beneficial for those involved in the near to medium term, but not deliver the scale of changes required.

'As responsible competitiveness depends on differentiating one country from another as being more or less responsible, it is not something that all' governments can aspire to.'

To accept the 'competitiveness' discourse as a starting point for government policy to promote sustainable development is problematic, for three reasons. First is the environmental cost of increasing transportation and associated pollution if increasing international trade. For example, the Canadian agricultural ministry's encouragement of a perceived green brand for its products in places such as Mexico will not have a net positive environmental impact when we consider the transportation involved. Second is the issue of risk. Managing risk to incomes and resource flows is an important aspect of sustainable development. To the degree that international trade diversifies income and resource flows it can reduce the potential damage from disruption to specific flows, such as a failed harvest, but if it leads to increased dependence on specific markets, as well as cheap energy for transportation, then it increases the risk to the dependent community. The third problem with the competitiveness discourse concerns scale, in that it overplays the importance of international trade to the wellbeing of a people and their economy. The majority of trade in most countries is domestic, not foreign. That the interests of a minority of economic actors in a country involved in exports should determine government policy is questionable.

Despite these theoretical and methodological weaknesses of the proposition that global sustainable development can be enhanced by country-level responsible competitiveness strategies, the popularity of the concept grew in 2005 and is likely to in the coming years. This is because it offers a more refined story for proponents of current patterns of economic globalization.

Until now the 'political brand proposition' of the dominant players in the global economy has been that more trade is good for all, and can be promoted by removing trade barriers, protecting foreign-owned property, liberalizing financial markets, restricting government policy freedoms, and privatizing public assets. This 'Washington Consensus' is increasingly seen to have failed to deliver sustainable development. A new story is being sought to give a social justification for global capitalism. Therefore responsible competitiveness may become global capitalism's new brand proposition, telling us - the consumer of political ideas - that a neo-liberal free trade agenda will not eat us up in a competitiveness race, but that it is compatible with our wellbeing, so long as governments help companies become more responsible and market themselves as such.

'Has the market mentality become so omnipotent that we must now conceive of public goals in terms of marketing?'

Some may question what it says of our moral character that our integrity and welfare, as communities and nations, has to become the stuff of sales pitch to others. At the heart of responsible competitiveness is a capitulation to the idea that our welfare must be commodified and commercialized so it is functional to selling ourselves, in order for us to have the means to continue looking after our welfare. Has the market mentality become so omnipotent that we must now conceive of public goals in terms of marketing?

Responsible competitiveness is not a sufficient conceptual framework for government action on business-society relations, and could greenwash globalization. Rather than the wellbeing of humanity being pursued only through market logics, another approach is required: one that recognizes how a global market requires global rules on matters of human dignity and welfare. Just as some companies no longer assert that their social responsibility is helping them to compete, and are beginning to call for government regulation, so governments need to recognize the dilemma posed by competitiveness pressures, and work towards more effective intergovernmental regulation.

'another approach is required: one that recognizes how a global market requires global rules on matters of human dignity and welfare.'

Whatever one's perspective on the global economy in general, and responsible competitiveness in particular, this discussion highlights that the field of corporate citizenship is a political one. As a site of what sociologist Ulrich Beck calls 'sub politics' the debates and initiatives in this field constitute a battleground of ideas that is shaping the ideology of our time. Some professionals that work in this field may understand these political processes and engage to counter the historical forces of capital, race and gender that shape the current hegemonic view. Whether their efforts are counter-hegemonic depends on the effects of their work as much as their motivations. Other professionals may not be so aware and act as channels for the re-production of hegemonic discourse. In explaining their rationale for responsible competitiveness, AccountAbility appeals to those with power by pointing to threats to their hegemony, identifying as "two risks": "corporate responsibility being discredited for delivering too little" and "the drive for international competitiveness being challenged for creating unacceptable negative externalities."[209] On paper, therefore, the authors of the AccountAbility report act in defense of hegemony. Whether this is the personal intention, or will prove to be the effect, is in question. Many professionals engaged in corporate responsibility are seeking to engage with the centres and flows of power in society to direct them towards progressive outcomes. This raises the question of whether a progressive outcome necessarily involves reducing that power, or whether a more responsible, perhaps more 'authentic' or 'civil' exercise of power is possible. The goal of 'transcending leadership' discussed at different points during this annual review requires actualizing this more responsible form of power. Understanding power and its responsible use is probably the bedrock question underlying much work on corporate citizenship today.

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Contributors

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Endnotes

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