Global Corporate Citizenship

Corporate citizenship means putting a commitment to social and environmental responsibility into practice. It involves building positive relationships with stakeholders, discovering business opportunities in serving society, and transforming a concern for financial performance into a vision of integrated financial *and* social and environmental performance. Establishing effective structures and processes to meet a company's social responsibilities, assess results, and report them to the public is an important part of job of today's managers.

This chapter focuses on these key learning objectives:

- Defining corporate citizenship and global corporate citizenship.
- Contrasting the structures and processes businesses use to manage their social responsibilities.
- Evaluating how the multiple dimensions of corporate citizenship progress through a series of stages.
- Assessing how corporate citizenship differs among various countries and regions of the world.
- Understanding how a business or social groups can audit corporate citizenship activities and report their findings to stakeholders.
- Recognizing the leading-edge corporate citizenship companies and how they carry out their corporate citizenship mission.

Under the headline, "How Barbie Is Making Business a Little Better," *USA Today* reported on how the Mattel toy company, maker of the famous Barbie doll, had undertaken a series of initiatives to improve conditions in its overseas factories. Mattel was one of the world's leading toy companies, with such well-known brands as Hot Wheels, Fisher-Price, and Matchbox. In the late 1990s, Mattel first began monitoring practices at its worldwide manufacturing facilities. The company brought in outside auditors from academia and nonprofit organizations to investigate their operations in Mexico, China, Indonesia, Malaysia, and Thailand. The auditors examined the company's working conditions, on-site medical facilities, worker training, wages, and overtime hours. If a particular supplier did not meet Mattel's standards, it was dropped. For example, the company ended its contract with a sewing factory in Mexico where audits revealed the presence of underage workers, forced overtime, and noxious chemical fumes, after factory owners missed a deadline to fix the problems. "We call it zero tolerance," said Mattel's senior vice president.[1]

Novo Nordisk is a multinational health care company, based in Denmark, dedicated to the treatment of diabetes. It conducts research and markets a range of products, including synthetic insulin and delivery devices—such as a "pen" that diabetics can use to inject medicine more comfortably. Novo Nordisk has publicly committed "to conduct its activities in a financially, environmentally and socially responsible way." The company is publicly owned, and it seeks to produce high returns for investors. But it is equally committed to social and environmental responsibility. Many of the company's citizenship initiatives are linked to its core mission of fighting diabetes. For example, as part of its "Take Action!" project, Novo Nordisk employees visit schools around the world to work with teachers to promote exercise and healthy eating—practices that can cut down the incident of adult-onset diabetes. The company constantly monitors its environmental impacts; for example, a recent initiative was designed to reduce the adverse effects of pharmaceuticals excreted in the urine—potentially a -danger to aquatic life when these chemicals enter the sewage system and are eventually discharged into waterways. The company calls its holistic approach the "Novo Nordisk Way of Management."[2]

Cemex, a large Mexican firm that supplies cement to the construction industry in 50 countries, found an innovative way to act as a global citizen. Many Mexican citizens work temporarily in the United States to earn money they hope to use to build a home for the benefit of their families in Mexico. However, these immigrants face a "Catch-22." The problem is that most U.S. banks will not loan money for home construction outside the United States, while most Mexican banks will not loan money to people who are not living in Mexico. Cemex addressed this problem through a program called Construmex, which offered home construction loans of up to $50,000, under flexible terms, to Mexicans in the United States for home construction in their homeland—enough money, in most cases, to build a dwelling comfortable by local standards. In Mexico, the company developed an initiative called *Patrimonio Hoy* which combined grants of construction materials, technical assistance, and small loans to enable the very poor to build homes. "We are granting credit to those who apparently are not creditworthy," said Luis Enrique' Martinez, a Cemex representative. "But the most important thing is that we are providing people an opportunity to start building some wealth, to participate in the formal economy and, of course, to help make their dreams a reality."[3]

Chapter 3 presented reasons why more and more businesses today have embraced the idea of corporate social responsibility. This chapter introduces the related concept of corporate citizenship and explains how companies around the world, such as Mattel, Novo Nordisk, and Cemex, have organized themselves to carry out their citizenship responsibilities. It provides examples of what leading-edge companies are doing to put social and environmental responsibility into practice. This chapter also addresses the emerging practice of social auditing, a method for measuring and assessing corporate social performance and reporting results to the public.

Corporate Citizenship

The term **corporate citizenship** came into widespread use in the 1990s. The term broadly refers to putting corporate social responsibility into practice. It entails proactively building stakeholder partnerships, discovering business opportunities in serving society, and transforming a concern for financial performance into a vision of integrated financial *and* social performance.[4] Roberto Civita, chairman and chief executive officer of the Brazilian Abril Group, has defined corporate citizenship as "capitalism with a social conscience." According to many business leaders, corporate citizenship used to be simple and optional. Now, in the mid-2000s, it has become complicated and mandatory. This is because global markets, lightning-quick access to information, and heightened stakeholder expectations have compelled organizations of all sizes to establish an "integrated corporate citizenship strategy" as part of their overall business plan.[5]

What are the core elements of corporate citizenship? One scholar's answer to this question is shown in Exhibit 4.A.

When businesses invest time, money, and effort in citizenship activities, they often reap rewards in the form of enhanced reputation and legitimacy. Recent research by Naomi A. Gardberg and Charles J. Fombrun argues that corporate citizenship programs, particularly those of global firms, should be viewed as "strategic investments comparable to R&D [research and development] and advertising." This is because such programs "create intangible assets for companies that help them overcome nationalistic barriers, facilitate globalization, and build local advantage." (A *tangible* asset is something that can be seen and counted, such as machinery, buildings, or money. An *intangible* asset, by contrast, is something that cannot be seen or counted, but that nevertheless has value—such as a good reputation, trusting relationships, or customer loyalty.) In this respect, corporate citizenship activities can be considered important contributors to "a reinforcing cycle through which global companies create legitimacy, reputation, and competitive advantage." Gardberg and Fombrun suggest this effect is most likely where companies choose a configuration of citizenship activities—they call this a **citizenship profile**—that fits the setting in which the company is working. For example, the public's expectations of corporate philanthropy, management of environmental risk, and worker rights vary across nations and regions. Companies whose citizenship profile best matches public expectations are most likely to benefit from strategic investments in corporate citizenship.[6]

[illegible][7]

Examples of corporate commitment to citizenship, central to the organization's mission and strategic plan, are shown in Exhibit 4.B.

Global Corporate Citizenship

As companies expand their sphere of commercial activity around the world, expectations grow that they will behave in ways that enhance the benefits and minimize the risk to all stakeholders, wherever they are. This is the essence of legitimacy in a global economy. A company must earn—and maintain—its "license to operate" in every country in which it does business through its efforts to meet stakeholder expectations. (This concept is further explained in Chapter 17.)

When a company is doing business in more than one country, the idea of citizenship must be translated into the concept of **global corporate citizenship**. A research report from a leading academic center defines the concept in these terms:

> Global corporate citizenship is the process of identifying, analyzing, and responding to the company's social, political, and economic responsibilities as defined through law and public policy, stakeholder expectations, and voluntary acts flowing from corporate values and business strategies. Corporate citizenship involves actual results (what corporations do) and the processes through which they are achieved (how they do it).[8]

This definition of global corporate citizenship is consistent with several major themes discussed throughout this book:

- Managers and companies have responsibilities to all of their stakeholders.
- Corporate citizenship involves more than just meeting legal requirements.
- Corporate citizenship requires that a company focus on, and respond to, stakeholder expectations and undertake those voluntary acts that are consistent with its values and business mission.
- Corporate citizenship involves both what the corporation does and the processes and structures through which it engages stakeholders and makes decisions, a subject to which this chapter next turns.

Management Systems for Corporate Citizenship

Global corporate citizenship is more than espoused values; it requires action. In order to become leading citizens of the world, companies such as those profiled in Exhibit 4.B must establish management processes and structures to carry out their citizenship commitments. This section describes some of the ways forward-thinking companies are changing to improve their ability to act in a socially responsible way.

In 2004, Business for Social Responsibility surveyed how companies had organized to carry out their citizenship functions. They observed great variation in what they termed CSR (corporate social responsibility) management systems:

> The goal of a CSR management system is to integrate corporate responsibility concerns into a company's values, culture, operations, and business decisions at all levels of the organization. Many companies have taken steps to create such a system by assigning responsibility to a committee of the board, an executive level committee, or a single executive or group of executives who can identify key CSR issues and evaluate and develop a structure for long-term integration of social values throughout the organization. One important observation is that there is no single universally accepted method for designing a CSR management structure. This is definitely not a "one-size-fits-all" exercise.[9]

Corporate citizenship, as this study recognized, is a rapidly evolving area of managerial practice in many organizations. As discussed in Chapter 2, in some cases companies have broadened the job of the public affairs office to include a wider range of tasks. Others have created a **department of corporate citizenship** to centralize under common leadership wide-ranging corporate citizenship functions.

> For example, in 2001 Hewlett-Packard (HP) consolidated many of its corporate social responsibility citizenship initiatives in a single office. The

company named Debra Dunn to a new position as senior vice president of corporate affairs and global citizenship. She was given a broad portfolio, including social and environmental responsibility, government and public affairs, corporate philanthropy, and "e-inclusion" (bringing technology to underserved markets). The company published its first corporate social and environmental responsibility report the following year. It also undertook a series of initiatives, including developing a supply chain code of conduct, establishing a privacy policy, recycling electronic products, and launching "digital village" projects in many communities. In 2005, Dunn commented in HP's global citizenship report, "What we have learned over time is that the work we are doing around the world to advance social and economic development and environmental sustainability is not separate from our long-term business goals, but fundamental to them."[10]

An emerging trend is the creation of separate departments of corporate citizenship, like the one at HP, which may encompass community relations, philanthropy, stakeholder engagement, social auditing and reporting, and other functions. The heads of many of these departments are senior vice presidents or vice presidents. Some report directly to the CEO, while others are one level below this in the organizational hierarchy. A number of companies support the work of these officers by appointing a committee of board members and a steering committee of top managers to direct and monitor the firms' citizenship efforts.

As businesses have become more committed to citizenship, specialized consultancies and professional associations for managers with responsibility in this area have emerged. Three of these organizations—including Business for Social Responsibility, whose study was cited above—are profiled in Exhibit 4.C.

Stages of Corporate Citizenship

Companies do not become good corporate citizens overnight. The process takes time. New attitudes have to be developed, new routines learned, new policies and action programs designed, and new relationships formed. Many obstacles must be overcome. What process do companies go through as they proceed down this path? What factors push and pull them along?

In 2006, Philip H. Mirvis and Bradley K. Googins of the Center for Global Citizenship at Boston College proposed a five-stage model of corporate citizenship, based on their work with hundreds of practitioners in a wide range of companies.[11] In their view, [illegible]zens. Each stage is characterized by a distinctive pattern of concepts, strategic intent, leadership, structure, issues management, stakeholder relationships, and transparency, as illustrated in Figure 4.1.

Elementary Stage. At this stage, citizenship is undeveloped. Managers are uninterested and uninvolved in social issues. Although companies at this stage obey the law, they do not move beyond compliance. Companies tend to be defensive; they react only when threatened. Communication with stakeholders is one-way: from the company to the stakeholder. In the mid-1990s, Nike, Inc., discussed in a case study at the end of this book, was at this first stage.

Engaged Stage. At this second stage, companies typically become aware of changing public expectations and see the need to maintain their license to operate. Engaged companies may adopt formal policies, for example governing labor standards or human rights. They begin to interact with and listen to stakeholders, although engagement occurs mainly through established departments. Top managers become involved. Often, a company at this stage will step up its philanthropic giving or commit to specific environmental objectives. When Home

Depot announced that after 2002 it would sell only environmentally certified wood products, this was an example of a company at the engaged stage of corporate citizenship.

Innovative Stage. At this third stage, organizations may become aware that they lack the capacity to carry out new commitments, prompting a wave of structural innovation. Departments begin to coordinate, new programs are launched, and many companies begin reporting their efforts to stakeholders. (Social auditing and reporting are further discussed later in this chapter.) External groups become more influential. Companies begin to understand more fully the business reasons for engaging in citizenship. Various actions taken by Shell during the late 1990s, described in the case "The Transformation of Shell" at the end of this book, illustrate a company at this stage.

Integrated Stage. As they move into the fourth stage, companies see the need to build more coherent initiatives. Mirvis and Googins cite the example of Asea Brown Boveri (ABB), a Switzerland-based multinational producer of power plants and automation systems, which carefully coordinates its many sustainability programs from the CEO level down to line officers in more than 50 countries where the company has a presence. Integrated companies may adopt triple-bottom line measures (explained later in this chapter), turn to external audits (as Mattel has done, as explained in the opening example of this chapter), and enter into ongoing partnerships with stakeholders.

Transforming Stage. This is the fifth and highest stage in the model. Companies at this stage have visionary leaders and are motivated by a higher sense of corporate purpose. They partner extensively with other organizations and individuals across business, industry, and national borders to address broad social problems and reach underserved markets. Hewlett-Packard's "e-inclusion" initiative, mentioned earlier in this chapter, is an example of a company that is working hard to spread the benefits of technology, both to help alleviate poverty and to build future markets.

> HP has partnered with other organizations around the world to make computers available to people who would not otherwise have access to them. Slavutych, Ukraine, is a town populated almost entirely by people working to decommission the Chernobyl nuclear power plant, site of the worst nuclear accident in history, and their families. Working with a nearby university, HP established a 3-room computer center in the town library and furnished it with computers, printers, and other equipment. Vocational training offered at the center helps prepare the young people of Slavutych, including disabled children and orphans, for a better future after the reactor is fully decommissioned. This project is part of a global effort by HP to build "digital communities."[12]

The model's authors emphasize that individual companies can be at more than one stage at once, if their development progresses faster in some areas than in others. For example, a company might audit their activities and disclose the findings to the public in social reports (transparency, stage 5), but still be interacting with stakeholders in a pattern of mutual influence (stakeholder relationships, stage 3). This is normal, the authors point out, because each organization evolves in a way that reflects the particular challenges it faces. Nevertheless, because the dimensions of corporate citizenship are linked, they tend to become more closely aligned over time.

As corporate citizenship commitments have become more widespread in the global business community, they have attracted critics as well as admirers. Citizenship initiatives have been challenged on the grounds either that they represent superficial attempts to enhance reputation, without real substance, or that they are inherently limited by the corporation's profit-maximizing imperative, or both. Excerpts from several recent commentaries on the limits of corporate citizenship are presented in Exhibit 4.D.

Corporate Citizenship in Comparative Perspective

Businesses in many different countries now practice active citizenship. Corporate citizenship programs and partnerships have spread to every corner of the world map. At the same time, however, how businesses interpret and act on their citizenship commitments varies in important ways among and within regions. Consider the following recent research findings:

- A 2004 survey of companies in 15 countries in Europe, North America, and Asia found significant variations among regions, reflecting differences in laws, public expectation, and local practices. Companies in North America and Europe were more likely than ones in Asia to have written policies on most aspects of corporate citizenship (including human rights, freedom of association, and equal opportunity). However, Asian companies were more likely to have written policies on ethics (bribery and corruption), inspection of suppliers, and labor standards than were countries in the other two regions surveyed. This may reflect the fact that these were issues that many Asian companies experience directly and therefore identify as problems that need to be addressed.[13]
- However, corporate citizenship varied considerably among Asian countries as a 2005 study found. For example, Indian firms were 3 times more likely to engage in and report their social programs than firms in Indonesia, 72 to 24 percent. Rather than attributing numerous variations to economic development factors, the researchers found that national factors, such as government public policies supporting corporate social action or public assistance replacing the need for private, corporate programs, account for the variations across Asia.[14]
- A comparative study of corporate citizenship in Latin America and the Caribbean found what the author called “a huge gap” between the practices of companies in Canada and the United States and those elsewhere in the Americas. The study found four levels of CSR activity, which it characterized as “running” (Canada and the United States), “catching up” (most developed Latin American countries, including Chile, Argentina, and Mexico), “walking” (the rest of South America), and “stalled” (Central America and the Caribbean). A standout in South America was Brazil, where companies such as Petrobras, the state-run oil company, had exemplary citizenship practices.[15]
- Overall, corporate citizenship initiatives are more advanced in northern than in southern Europe. The idea of CSR has been slow to gain a foothold in the former communist nations of eastern and central Europe, where it is often associated with the paternalistic practices of discredited state-owned enterprises. In Hungary, for example, most major companies report regularly to shareholders but rarely provide public information about human rights, codes of conduct, social responsibilities, or compliance.[16]
- A comparison of company behavior in the United States and Europe found that governments in Europe played a much more important role in promoting CSR than in the United States, where citizenship activities were mostly voluntary (that is, not mandated by law). The European Commission, the executive body of the European Union, has strongly encouraged businesses to adopt CSR (although it has rejected mandatory rules). Shareholder activism was more pronounced in the United States; consumer activism was more pronounced in Europe.[17]

These studies suggest that corporate citizenship, while worldwide, varies across nations and regions. These differences are driven by variations in regulatory requirements, governmental involvement, stakeholder activism, and cultural traditions.

Social Performance Auditing

As companies around the world expand their commitment to corporate citizenship, they have also improved their capacity to measure performance and assess results. A **social performance audit** is a systematic evaluation of an organization's social, ethical, and environmental performance. Typically, it examines the impact of a business against two benchmarks: a company's own mission statement or policies and the behavior of other organizations and social norms often taking the form of global standards.[18]

[illegible][19]

In the United States, attention to social auditing lags behind Europe, but the gap may diminish soon. Although not legally mandated to do so, many U.S.-based companies now carry out social and environmental audits. According to 89 percent of the executives surveyed by PricewaterhouseCoopers in 2002, socially acceptable behavior, environmentally sensitive policies, and sound economic performance were all likely to become important measures of corporate performance in the next five years. About 73 percent surveyed said they planned to begin issuing reports that measured corporate citizenship in the next five years, up from the 32 percent of the firms that already did so.

In response to the emerging interest shown by corporate executives, researchers have developed various ideal corporate citizenship scales against which a firm's citizenship activities can be compared. (One such list of principles appears in Exhibit 4.A, presented earlier in this chapter.) Social performance audits look not only at what an organization does, but also at the results of these actions. For example, if a company supports a tutorial program at a local school, the performance audit might not only look at the number of hours of employee volunteerism, but also assess changes in student test scores as an indicator of the program's social impact. One company that has raised the bar for social auditing is Freeport-McMoran Copper and Gold, one of the world's largest metal mining companies.

> In Indonesia, Freeport-McMoran operates the largest gold mine and the third-largest copper mine in the world. The company's mines there have long been criticized by human rights, shareholder, and environmental activists for abuses ranging from cooperation with the repressive military government to dumping toxic mining waste into rivers. In the early 2000s, the company responded by developing social and human rights policies and hiring an independent organization, the International Center for Corporate Accountability (ICCA), to carry out an audit of its Indonesian operations. ICCA's report, issued in late 2005, revealed many problems—including some that surprised the company, such as the fact their security personnel were serving as drivers for the Indonesian military. What shocked many observers then was that the company—instead of hiding the auditor's report—posted it to the Web for all to see. Commented *BusinessWeek,* "The company's willingness to open up so wide is a major development in the corporate responsibility movement. Certainly, no other global mining or oil company has come close to such transparency, long a key demand by human-rights groups."[20]

Freeport's auditing efforts suffered a setback in 2006, however, when protests broke out after people living nearby were prevented from panning for gold in rivers carrying the mine's waste. Company officials put the audit on hold until order could be restored. This incident served as a reminder that the ultimate purpose of audits is to change company behavior toward stakeholders, not just measure and report it.[21]

Some companies' social audits have met with harsh criticism from critics who have charged them with being deceptive efforts to enhance a company's reputation, without real substance. For example, activists attacked a social report produced by British American Tobacco (BAT) as hypocritical. Clive Bates, director of Action on Smoking and Health (ASH), accused the company of smuggling, unethical marketing practices, and document shredding.[22] Other public health activists criticized BAT for its promotion of teenage smoking and contributing to the harmful effects of smoking upon the general public. Paul Adams, managing director at BAT, acknowledged this criticism:

> I have readily accepted the role of championing CSR and social reporting throughout the Group. I see it as an opportunity, like our aspiration to launch potentially reduced exposure products, or our move to marketing with less mass media and more one-to-one relationships with adult smokers, that will help us further in taking accounting of society's concerns. . . . We recognised that some stakeholders would be unwilling to engage with us at all. We understand that trust can be fragile and difficult to build. . . . However, I feel that we . . . [need] to build more mutual understanding and that some stakeholders may even have been surprised by positive actions our companies are already taking.[23]

In another example, The Body Shop, a beauty products retailer, commissioned a social audit to provide an independent assessment of the company's social and ethical achievements, in response to concerns raised by some stakeholders. In the report, high marks were given to The Body Shop in areas such as the quality of its mission statement, corporate philanthropy, and environmental and animal welfare. But according to Kirk Hanson, who conducted the audit, the company was resistant to outside criticism and had a poor relationship with the public and the media.

Global Social Audit Standards

Standards to judge corporate performance have been developed by a number of organizations. These include the International Organisation for Standards (ISO 14001, 14063, and 26000), the Global Reporting Initiative, Social Accountability 8000, and the Institute of Social and Ethical Accountability's (ISEA)Accountability, or AA 1000, and the more general guidelines promulgated in the United Nations Global Compact (discussed in Chapter 7). The major characteristics of these global audit standards are summarized in Figure 4.2.

The acceptance and use of all of these audit standards by companies have grown since their inception. Each standard recognizes and concentrates on a combination of internally focused economic benefits for the firm, as well as externally focused social benefits for the environment and key stakeholders. The standards utilize a multiple stakeholder governance structure so that the firm interacts with many of the stakeholders it seeks to serve through its multiple performance targets. Many companies committed to socially responsive practices have used these and other standards and have made their reports available online for their stakeholders and the general public. While most of the standards are voluntary, some businesses have incorporated the standards into their strategic plans and more stakeholders are expecting firms to adhere to these global standards. A discussion case of an innovative corporate social audit is provided at the end of this chapter, featuring Gap Inc.

Social and Environmental Reporting

In addition to conducting extensive social performance measurement, some organizations have undertaken the additional action of reporting their efforts through corporate **social** [illegible] reporting has been steadily rising since 1993 and it has increased substantially in the past three years since 2002, as shown in Figure 4.3.

[illegible]

According to the firms with social responsibility reports, economic drivers (74 percent) and ethical drivers (53 percent) were primary motivators for publishing the reports. Stakeholder dialogue was mentioned in almost 40 percent of the reports. Firms focused on various social issues, such as labor standards, working conditions, community involvement, and philanthropy, as well as economic issues. One of the most pressing issues of 2005—climate change—was discussed in about 85 percent of the reports.

When analyzed by geographic region, the survey found that social responsibility reporting was growing in many areas of the world. Companies in Japan (80 percent) and the United Kingdom ([illegible] percent) had the highest percent age of stand-alone social reports. The largest increases in social reporting since 2002 have been in Italy, Spain, Canada, and France. In South Africa, the number of social reports rose from only 1 in 2002 to 18 reports issued in 2005.[25]

However, progress has been slower in some regions.

> In Mexico, only 10 out of 75 companies studied by a research team in the early 2000s engaged in significant public reporting on their CSR practices. They were mostly situated in industries—such as petroleum, mining, tobacco, and cement—that were particularly vulnerable to criticism for their social and environmental impacts. Interestingly, multinational corporations that were themselves doing a good job of reporting were often not doing a good job of communicating their expectations in this regard to their Mexican business partners and subsidiaries.[26]

Balanced Scorecard

In addition to formal social responsibility reports, organizations have turned to other social reporting methods to communicate with their stakeholders. The **balanced scorecard** system emerged on the scene in 1992. Introduced by two professors, Robert Kaplan and David Norton, the balanced scorecard is a focused set of key financial and nonfinancial indicators, with four quadrants or perspectives—people and knowledge, internal, customer, and financial. Balanced, in this case, does not necessarily mean equal; rather, it is a tool to encourage managers to develop and use performance metrics that cover all aspects of performance.

According to Kaplan and Norton, traditional financial measures are necessary, but no longer sufficient. Financial measures tell the story of past events, an adequate story for industrial-age companies for which investments in long-term capabilities and customer relations were not critical for success. These measures are inadequate, however, for guiding and evaluating the journey that information-age companies must take to create future value through investment in customers, suppliers, employees, processes, technology, and innovation.[27]

Organizations report several motivations for adopting a balanced scorecard approach. These include economic considerations, ethical considerations, innovation and learning, employee motivation, risk management or risk reduction, access to capital or increased shareholder value, reputation or brand, market position or share, strengthened supplier relationships, and cost savings. In a survey of nearly 200 firms that use the balanced scorecard system, four primary reasons were cited for adopting this system: the need to track progress toward achieving organizational goals, the need to align employee behavior with an organization's strategic objectives, the need to communicate strategy to everyone in a clear and simple manner, and the need to measure performance at different levels in an organization's strategies.[28]

Triple Bottom Line

Another approach to reporting corporate social performance is captured by the term **triple**

bottom line.[29] Bottom line refers, of course, to the figure at the end of a company's financial statement that summarizes its earnings, after expenses. Triple bottom line reporting is when companies report to stakeholders not just their financial results—as in the traditional annual report to shareholders—but also their environmental and social impacts. Financial, social, and environmental results, taken together as an integrated whole, constitute a company's *triple* bottom line. Novo Nordisk, described in an opening example in this chapter, is one company that has adopted this approach.

As in the trend toward social reporting, firms in Europe have more quickly accepted triple bottom line than have those in the United States. European executives have seized on this notion as both a proactive way to provide stakeholders with increased transparency and a broader framework for decision making. A few American executives have also begun to see the appeal of the idea. "Triple bottom line reporting as it currently stands has its limitations but it's a great way for companies to disclose meaningful nonfinancial information that impacts their financial results," said Sunny Misser, global and U.S. leader of PricewaterhouseCoopers' sustainability practice. "This is the time for companies, especially in the U.S., to seize the opportunity."[30] Exhibit 4.E presents examples of U.S. and New Zealand-based businesses that have adopted a triple bottom line approach.

Businesses have recognized, either through adherence to their values and mission or from externally imposed pressures, that stakeholders demand greater **transparency**, that is, clear public reporting of an organization's performance to various stakeholders, and full reporting of not only financial but also social and environmental data. As firms accept the importance of stakeholders in their quest for financial viability, companies have discovered and welcomed new approaches for disclosure of information such as social auditing, use of the balanced scorecard, and triple bottom line reporting.

Awards for Corporate Citizenship

Recognition of corporate citizenship by business has increased dramatically. Since 2000, academic scholars have teamed with KLD Research and Analytics to assess and score businesses' stakeholder relations to create a list of the "100 Best Corporate Citizens." In 2006, the highest scores were achieved by Green Mountain Coffee, Hewlett-Packard, Advanced Micro Devices, Motorola, and Agilent Technologies.[31] Some firms have demonstrated sustained citizenship performance since the *Business Ethics* rankings began; these companies are shown in Exhibit 4.F.

Company reputation was the basis for the rankings developed through an online Harris Interactive and Reputation Institute–sponsored survey. The assessment focused on how people perceive the reputation of companies. For the seventh year in a row, Johnson & Johnson was rated number one by the public, maintaining its "caring company" image. People cited Johnson & Johnson's strong financial performance coupled with its customer service, vision and leadership, positive workplace environment, and social responsibility as contributing to its lasting reputation. Other firms among the leaders were Coca-Cola and Google (which made the list for the first time). Technology companies had the strongest reputation of any industry, with Sony, Microsoft, Intel, IBM, and Apple Computer contributing to this ranking along with Google. Perhaps reflecting the effects of the corporate scandals of the early 2000s (further discussed in Chapter 15), the overall reputation of American businesses continued to slip, despite the growing commitment of many companies to ethics and social responsibility. In 2005, 71 percent of the respondents rated American businesses' reputation as "not good" or "terrible," compared with 68 percent in 2004.[32]

In addition to the rankings calculated by academics and reported from public opinion polls, business managers conducted their own assessment of corporate reputation and citizenship performance. *Fortune* magazine's America's Most Admired list annually identifies companies that are admired by their peers for social responsibility.

> UPS topped the list in 2005 for the third consecutive year. The company was recognized for its sustainability and philanthropy. UPS strives to increase fuel efficiency and decrease emissions of its massive transportation fleet, utilizing alternative fuel vehicles. In addition, the company donated $43 million in 2005 to charities focusing on hunger and literacy. Publix Super Markets was also recognized on *Fortune*'s list. The company's founder, George W. Jenkins, believed in customer service, charitable giving and sharing the wealth of his business with his workers, known as associates, from 1930 until his death in 1996. These values are still the mainstay of company practices of corporate citizenship. Starbucks was acknowledged by business executives as a pioneer in corporate responsibility by offering health care benefits and stock, called bean stock, even to its part-time employees. The company also forged partnerships with coffee growers around the world designed to provide growers with a fair price for their beans, often higher than the fair market price. Herman Miller, a manufacturer of stylish furniture based in Zeeland, Michigan, another admired company, has a tradition of social and environmental responsibility that dates back to the 1920s. The company has received prizes for the environmental design of its products and buildings.[33]

These companies exemplify some of the best of corporate citizenship practice in an era when firms are increasingly being called upon to move beyond rhetoric and put their commitment to social and environmental responsibility into action.

- Corporate citizenship refers to putting social responsibility into practice by building stakeholder partnerships, discovering business opportunities in serving society, and transforming a concern for financial performance into a vision of integrated financial *and* social performance. When a company does business in more than one country in this way, it is practicing global corporate citizenship. Corporate citizenship programs can be considered a strategic investment by the firm.
- Leading-edge companies have developed a variety of structures and processes to manage their citizenship responsibilities, including creating departments of corporate citizenship.
- Companies progress through five distinct stages as they develop as corporate citizens; these are termed the elementary, engaged, innovative, integrated, and transforming stages. A particular company may be at more than one stage at once, as it may progress more quickly on some dimensions than on others.
- Corporate citizenship differs among various countries and regions of the world, according to variations in regulatory requirements, stakeholder expectations, and historical and cultural patterns of behavior.

- Many companies have experimented with systemic audits of their social, ethical, and environmental performance, measured against company policies as well as auditing standards developed by global standard-setting organizations. An emerging trend is the practice of communicating social, environmental, and financial results to stakeholders through a balanced scorecard system or in an integrated, triple bottom line report.
- Recent awards for corporate citizenship illustrate best practices against which other firms may benchmark their own programs.

Discussion Case:-*The Gap Inc.'s Social Responsibility Report*

In 2004, Gap Inc. issued a Social Responsibility Report that was widely seen as -unprecedented in the annals of social auditing. “This report is historic,” said Nikki Bas, executive director of Sweatshop Watch, an activist organization. “It really raises the bar,” commented David Schilling of the Interfaith Center on Corporate Responsibility. “It’s in the category of pioneer work.”

Gap Inc., based in San Francisco, was one of the world’s largest specialty retailers of clothing, accessories, and personal care products. Under the brands The Gap, Banana Republic, Old Navy, and Forth & Towne, the company operated more than 3,000 stores in the United States, the United Kingdom, Canada, France, and Japan, earning $16 billion in revenue in 2004.

In the 1990s and early 2000s, the company became the target of repeated protests by human rights groups, charging that Gap products were often made in sweatshops—factories where underage, underpaid workers performed 16-hour or longer days in abhorrent, unsafe conditions. Activist investors filed a shareholder resolution demanding greater transparency. United Students Against Sweatshops organized rallies at colleges and universities, claiming that Gap was more concerned about profits than the well-being of workers.

Rather than deny these allegations, Gap Inc. stepped up by developing one of the most comprehensive factory-monitoring programs in the apparel industry. The company pledged to undertake a thorough assessment of its operations around the world. Gap Inc. turned to Social Accountability International (SAI), discussed earlier in this chapter, to help it develop a Code of Vendor Conduct. The company pledged to do business only with vendors (contractors) that agreed to a high set of standards, including the following:

- No discrimination in employment.
- Support for internationally recognized human rights.
- Protection of freedom of association and the right to collective bargaining.
- No child labor.
- No forced or compulsory labor.
- No corruption, including extortion and bribery.

To make sure that contractors were abiding by the code, the company hired more than 90 vendor compliance officers, or VCOs. These individuals came from the communities where they worked, so they would be able to communicate well and understand the culture of the contractors they audited. In preparing the 2004 social responsibility report, these VCOs made 8,500 visits to more than 3,000 factories in 50 countries.

What was extraordinary about the resulting report, which the company released publicly, was that it did not pull its punches. The audit acknowledged that forced labor, child labor, pay below the minimum wage, physical punishment, and coercion of workers had occurred at factories where contractors produced Gap products. The most common issues flagged were health and safety problems, breaches of local laws, faulty age documentation, excessive hours, and unclear wage statements. Problems were particularly serious in China, the report noted.

Gap recognized that it was taking a risk by releasing its findings—negative as well as positive. "For us to be transparent, we had to be willing to live with bad reactions to the report," said Anne Gust, Gap's chief compliance officer. "We knew it was not going to be strictly, 'Gap is good.' It's more complicated than that."

In a departure from usual apparel industry practice, the company acted on its findings by actually terminating its contracts with 70 factories that did not meet its standards. In a letter to shareholders, Paul Pressler, Gap's president and CEO, declared his intention to correct these problems. "I'm optimistic," he said, "[that] progress in our industry over the next decade will be more profound than anything we've seen, including improved labor standards, factory conditions and business practices—because ethical sourcing represents a better way of doing business in a global - economy."

In another unusual move, Gap invited Social Accountability International to audit its auditing effort, and brought in another nongovernmental organization, Verité, to help provide additional training for its vendor compliance officers.

Going forward, the company set out to forge partnerships with local governments, civil society groups, trade unions, and businesses to address the underlying causes of poor working conditions. The idea was to work collaboratively with external stakeholders to address systemic issues that had made poor working conditions common in the garment industry. For example, the company participated in a Vendor Summit to forge better relationships with its suppliers, and held "outreach" sessions with stakeholders in the United States, the United Kingdom, and Central America. It worked with the International Labour Organization to improve working conditions in Cambodia.

The company also committed to improving its ability to record, analyze and report compliance data in meaningful ways. More complete data would help it work with contractors to better their performance and to track improvements over time, it said.

Claiming that Gap Inc. has completely turned the corner, and that activists should look elsewhere for targets for their concerns, may be premature. But there certainly appears to be a new way of doing business at Gap Inc. Said CEO Pressler, "We've learned the power of collective engagement, and of open, honest discussion about the issues that we and many other companies face."

Source: The Gap Inc. 2004 Social Responsibility Report may be found at *www.gapinc.com/public/documents/CSR_Report_04.pdf*. All quotations are from this document, except as noted. Other information is drawn from Fighting Against Gap Sweatshops, *www.service.emory.edu/~mpovari/fightingagainst.htm*; Fresno GAP Anti-sweatshop Campaign, *www.fresnoalliance.com/home/gap%20article.htm;* and "Gap's New Look: See-Through," *Fast Company,* September 2004.

[1] "How Barbie Is Making Business a Little Better," *USA Today,* March 27, 2006, pp. 1B, 2B. Mattel's global manufacturing principles, audits, and corporate social responsibility report are available online at the company's Web site: *www.mattel.com/about_us/Corp_Responsibility*.

[2] More information about Novo Nordisk's Way of Management is available online at: *www.novonordisk.com*.

[3] "CEMEX's Construmex Celebrates Five Years of Service to the Mexican Community in the U.S.," press release, June 6, 2006; "Work in the States, Build a Life in Mexico," *BusinessWeek,* July 18, 2005, p. 64; "Block by Block: How One of Mexico's Largest Companies Builds Loyalty among the Poor," *Stanford Social Innovation Review* 3, no. 2 (Summer 2005), pp. 34–37; and Bryan Husted and David B. Allen, "Creating Competitive Advantage through Corporate Social Strategy," paper presented at the international annual meeting of the Academy of Management, Honolulu, Hawaii, August 2005. We are grateful to Bryan Husted for bringing this example to our attention.

[4] See Barbara W. Altman and Deborah Vidaver-Cohen, "A Framework for Understanding Corporate Citizenship," *Business and Society Review*, Spring 2000, pp. 1–7. An understanding of corporate citizenship as embedded in a "liberal view of citizenship" is presented by Dirk Matten and Andrew Crane in "Corporate Citizenship: Toward an Extended Theoretical Conceptualization," *Academy of Management Review*, 2005, pp. 166–79. The concept of global citizenship grounded in voluntary codes of conduct is developed by Jeanne M. Logsdon and Donna J. Wood in "Global Business Citizenship and Voluntary Codes of Ethical Conduct," *Journal of Business Ethics*, 2005, vol. 59, pp. 55–67.

[5] "Corporate Citizenship on the Rise," New Futures Media, *www.NewFuturesMedia.com.*

Good corporate citizens strive to conduct all business dealings in an ethical manner, make a concerned effort to balance the needs of all stakeholders, and work to protect the environment. The principles of corporate citizenship include:

Ethical Business Behavior

1. Engages in fair and honest business practices in its relationship with stakeholders.
2. Sets high standards of behavior for all employees.
3. Exercises ethical oversight of the executive and board levels.

Stakeholder Commitment

4. Strives to manage the company for the benefit of all stakeholders.
5. Initiates and engages in genuine dialogue with stakeholders.
6. Values and implements dialogue.

Community

7. Fosters a reciprocal relationship between the corporation and community.
8. Invests in the communities in which the corporation operates.

Consumers

9. Respects the rights of consumers.
10. Offers quality products and services.
11. Provides information that is truthful and useful.

Employees

12. Provides a family-friendly work environment.
13. Engages in responsible human-resource management.
14. Provides an equitable reward and wage system for employees.
15. Engages in open and flexible communication with employees.
16. Invests in employee development.

Investors

17. Strives for a competitive return on investment.

Suppliers

18. Engages in fair trading practices with suppliers.

Environment Commitment

19. Demonstrates a commitment to the environment.

20. Demonstrates a commitment to sustainable development.

Source: Kimberly Davenport, "Corporate Citizenship: A Stakeholder Approach for Defining Corporate Social Performance and Identifying Measures for Assessment," 1998, doctoral dissertation, Fielding Graduate University, *http://wwww.fielding.edu/library/dissertations/default.asp*.

Toyota—"With the aim of becoming a corporate citizen respected by international society, Toyota is conducting a wide range of philanthropic activities around the world. Its activities cover five major areas: education, the environment, culture and the arts, international exchange and local communities." (*www.toyota.co.jp*)

Source: These quotations first appeared in Dirk Matten and Andrew Crane, "Corporate Citizenship: Toward an Extended Theoretical Conceptualization," *Academy of Management Review*, 2005, Table 1, p. 167.

[6] Naomi A. Gardberg and Charles Fombrun, "Corporate Citizenship: Creating Intangible Assets across Institutional Environments," *Academy of Management Review* 3, no. 2 (2006), pp. 329–46.

[7] "Americans' Corporate Citizenship Expectations Continue to Rise," *Ethics News*, Institute for Global Ethics, October 11, 2004, *www.globalethics.org*.

[8] James E. Post, "Meeting the Challenge of Global Corporate Citizenship," *Center Research Report* (Chestnut Hill, MA: Boston College Center for Corporate Community Relations, 2000), p. 8. The document is available through the center Web site: *http://www.bc.edu/cccr*.

[9] Business for Social Responsibility, Issue Brief: "Overview of Corporate Social Responsibility," available online at: *www.bsr.org*. See also: *Designing a CSR Structure: A Step-by-Step Guide Including Leadership Examples and Decision-Making Tools* (San Francisco: Business for Social Responsibility, 2002).

[10] HP's Global Citizenship Reports are available online at: *www.hp.com/go/report*.

[11] Philip Mirvis and Bradley Googins, "Stages of Corporate Citizenship," California Management Review, vol. 48, no. 2, Winter 2006, pp. 104–26. For a contrasting stage model, based on the experience of Nike, see Simon Zadek, "The Path to Corporate Responsibility," *Harvard Business Review,* December 2004, pp. 125–32.

As the practice of corporate citizenship has spread, so have professional associations and consultancies serving managers active in this arena. Among the leading organizations are these:

- In the United States, Business for Social Responsibility, based in San Francisco, functions as a membership organization for companies and provides consulting services to its members and others. The organization, which was founded in 1992, describes itself as a "global resource for companies seeking to sustain their commercial success in ways that demonstrate respect for ethical values, people, communities, and the environment." The organization provides hands-on guidance in setting up social programs, as well as providing useful research and best-practices examples for its member organizations.
- Corporate Social Responsibility Europe's mission is to promote the integration of corporate social responsibility into the mainstream of European business. Based in Brussels, Belgium, the organization's Web site provides a database of best practices in the areas of human rights, cause-related marketing, ethical principles, and community involvement. CSR Europe was founded in 1996 by former European Commission president Jacques Delors.
- Asian Forum on Corporate Social Responsibility, based in the Philippines, sponsors conferences to provide CSR practitioners in Asia an opportunity to learn, collaborate, and share insights. The organization also gives awards for excellence in environmental management, education, poverty alleviation, workplace practices, and health care.

Source: More information about these organizations is available online at *www.bsr.org, www.csreurope.org*, and *www.asianforumcsr.com*.

FIGURE 4.1 Stages of Corporate Citizenship

	Stage 1. Elementary Transforming	**Stage 2. Engaged**	**Stage 3. Innovative**	**Stage 4. Integrated**	**Stage 5.**
Citizenship Line	Jobs, Profits, Change **Concept** the Game	Philanthropy, and Taxes	Stakeholder Environmental Protection	Sustainability Management	or Triple Bottom
Strategic Creation **Intent** Change	Legal Compliance	License to Operate	Business Case	Value Proposition	Market or Social
Leadership Pack	Lip Service, Out of Touch	Supporter, in the Loop	Steward, On Top of It	Champion, in Front of It	Visionary, Ahead of the
Structure Driven	Marginal: Staff Driven	Functional Ownership	Cross-Functional Coordination	Organizational Alignment	Mainstream: Business
Issues Management	Defensive	Reactive, Policies	Responsive, Programs	Pro-Active, Systems	Defining
Stakeholder Organization **Relationships**	Unilateral	Interactitve	Mutual Influence	Partnership	Multi- Alliances
Transparency	Flank Protection	Public Relations	Public Reporting	Assurance	Full Disclosure

Source: Philip Mirvis and Bradley Googins, "Stages of Corporate Citizenship," *California Management Review,* vol. 48, no. 2, Winter 2006, pp. 104–26. Adapted from Figure 1, p. 108. Copyright © 2006, The Regents of the University of California. Reprinted from *California Management Review.* vol. 48, no. 2. By permission of the Regents.

[12] More information about HP's e-inclusion initiative is available online at: *www.hp.com/e-inclusion/en*.

[13] Richard Welford, "Corporate Social Responsibility in Europe, North America, and Asia: 2004 Survey Results," *Journal of Corporate* Citizenship 17 (Spring 2005), pp. 33–42.

[14] Wendy Chapple and Jeremy Moon, "Corporate Social Responsibility (CSR) in Asia," *Business & Society* 44, no. 4 (December 2005), pp. 415–41.

"For most companies, CSR [corporate social responsibility] does not go very deep. There are many interesting exceptions—companies that have modeled themselves in ways different from the norm; often, particular practices that work well enough in business terms to be genuinely embraced; charitable endeavors that happen to be doing real good, and on a meaningful scale. But for most conventionally organized public companies—which means almost all of the big ones—CSR is little more than a cosmetic treatment. The human face that CSR applies to capitalism goes on each morning, gets increasingly smeared by day and washes off at night."

Source: "The Good Company: A Survey of Corporate Social Responsibility," *The Economist,* January 22, 2005, p. 4. Used by permission.

"CSR . . . is now a big, growing industry, seen as a vital tool in promoting and improving the public image of some of the world's largest corporations. In simple terms, companies make a public commitment to principles of ethical behavior and undertake 'good works' in the communities in which they operate. . . . The problem is that companies frequently use such initiatives to defend operations or ways of working which come in for public criticism . . . CSR, in other words, can become merely a branch of PR [public relations]. . . . Christian Aid is saying that CSR is a completely inadequate response to the sometimes devastating impact that multinational companies can have in an ever-more globalized world—and that is actually used to mask that impact."

Source: "Behind the Mask: The Real Face of Corporate Social Responsibility," *Christian Aid*, *www.christian-aid.org.uk* (released January 2004). Used by permission.

"Business leaders today say their companies care about more than profit and loss, that they feel responsible to society as a whole, not just to their shareholders. Corporate social responsibility is their new creed, a self-conscious corrective to earlier greed-inspired visions of the corporation. Despite this shift, the corporation itself has not changed. . . . Corporate social responsibility . . . holds out promises of help, reassures people, and sometimes works. We should not, however, expect very much from it. A corporation can do good only to help itself do well, a profound limit on just how much good it can do."

Source: Joel Bakan, *The Corporation: The Pathological Pursuit of Profit and Power* (New York: The Free Press, 2004), pp. 28, 50. Used by permission.

"[P]recisely because CSR is voluntary and market-driven, companies will engage in CSR only to the extent that it makes business sense for them to do so. . . . Unlike government regulation, it cannot force companies to make unprofitable but socially beneficial decisions. In most cases, CSR only makes business sense if the costs of more virtuous behavior remain modest. This imposes important constraints on the resources that companies can spend on CSR, and limits the improvements in corporate social and environmental performance that voluntary regulation can produce."

Source: David J. Vogel, *The Market for Virtue: The Potential and Limits of Corporate Social Responsibility* (Washington, DC: The Brookings Institution, 2005), p. 4. Used by permission.

[15] Paul Alexander Haslam, *The CSR System in Latin America and the Caribbean* (Ottawa: Canadian Foundation for the Americas, March 2004).

[16] East-West Management Institute, *Report on a Survey of Corporate Social Responsibility of the Largest Listed Companies in Hungary* (Budapest, Hungary, March 2004).

[17] David J. Vogel, "Corporate Social Responsibility: A European Perspective," presentation to the Business and Organizational Ethics Partnership, Santa Clara University, July 22, 2003.

[18] The concept of a social audit was first introduced in Howard R. Bowen, *Social Responsibilities of the Businessman* (New York: Harper, 1953).

[19] "New French Law Mandates Corporate Social and Environmental Reporting," SocialFunds.com, *www.socialfunds.com/news*; "Environmental, Social Policies Pierce Companies," *The Wall Street Journal*, August 28, 2002, p. A5; and "Mandated Risk Reporting Begins in UK," Business Ethics magazine, Spring 2005, p. 13.

[20] "Freeport's Hard Look at Itself: The Mining Giant's Gutsy Human-Rights Audit May Set a Standard for Multinationals," *BusinessWeek*, October 24, 2005, pp. 108 ff. The audit report may be found at ICCA's Web site at *www.icca-corporateaccountability.org*.

[21] "So Much Gold, So Much Risk," *BusinessWeek*, May 29, 2006, pp. 52 ff.

[22] "Ethical Performance—Company Focus: British American Tobacco," *Ethical Performance, www.ethicalperformance.com.*

[23] "Social Report 2001/2002," British American Tobacco Web site, *www.bat.com/socialreport.*

FIGURE 4.2 Summary of Global Social Audit Standards

	ISO 14001	**Global Reporting Initiative**	**SA 8000**
Origin	1996	1997	1997
Scope conditions	Environmental management standards	Economic, environmental, and social performance	Improved labor for verification and public ...
Governance multistakeholder experts	ISO council, technical management board, technical committees	Multistakeholder board of directors, technical advisors, stakeholder councils	SAI advisory board— from business,

NGOs, trade			government, and unions
Participants their unions, NGOs,	ISO member countries, environmental NGOs, technical experts	Businesses; United Nations; human rights, environmental, labor groups; industry associations; governments	Businesses and suppliers, trade associations, auditing firms, government
Funding government from programs	ISO member dues, document sales, volunteer efforts	Foundations, companies, Dutch government	Foundations, grants, income services and

Compact	**ISO 14063**	**United Nations ISO 26000**	**ISEA AA 1000**	**Global**
Origin 2008	1999 Implementation	1999	2001	target:
Scope	Social/ethical accounting, auditing, responsibility communication environment	Business operating principles: human and reporting standards	Guidance on environmental rights, labor,	Social
Governance technical	ISEA; business members; nonprofits, management board, working organizations	UN Secretary General, Global academic, and consultancy groups	ISO technical committee, working Issues Network, ILO, stakeholder	ISO group group
Participants member private	Multistakeholder membership consultants	Businesses, labor organizations, NGOs	ISO member countries experts: business, NGOs, standards organizations,	ISO countries public and sectors
Funding member document volunteer	Membership income, commissioned research, foundations	Voluntary government and foundation contributions	ISO member dues, document sales, volunteer efforts	ISO dues, sales, efforts

Sources: International Organisation for Standards, ISO 14001, *http://www.iso.org*; Global Reporting Initiative, *www.globalreporting.org*; Social Accountability International, SA 8000, *www.sa-intl.org*; Accountability, AA 1000, *www.accounability.org.uk*; United Nations Global Compact, *www.unglobalcompact.org*; International Organisation for Standards, ISO 14063, *www.iso14000.org*; International Organisation for Standards, ISO 26000, *isotc.iso.org*.

FIGURE 4.3

Trend in Corporate Social Reporting, 1993–Present

Source: KPMG's International Survey of Corporate Responsibility Reporting 2005 at *www.kpmg.com*.

[24] "Socially Responsible Investment Analysts Find More Large U.S. Companies Reporting on Social and Environmental Issues," Social Investment Research Analysts Network report, *www.kld.com*.

[25] Data found in KPMG's International Survey of Corporate Responsibility Reporting 2005 at *www.kpmg.com*.

[26] Karen Paul et al., "Corporate Social Reporting in Mexico," *Journal of Corporate Citizenship* 22 (2006), pp. 67–80.

[27] Adapted from the Balanced Scorecard Institute Web site at *www.balancedscorecard.org*.

[28] Raef Lawson, William Stratton, and Toby Hatch, "Scorecard Goes Global," *Strategic Finance*, March 2006, pp. 34–41.

[29] One of the more popular books on this topic is John Elkington, *Cannibals with Forks: The Triple Bottom Line of 21st Century Business—Conscientious Commerce* (Gabriola Island, British Columbia: New Society Publishers, 1998). For a critique of triple bottom line accounting, see Wayne Norman and

Chris MacDonald, "Getting to the Bottom of 'Triple Bottom Line,' " *Business Ethics Quarterly*, 2004, pp. 243–62.

"We believe the real success of a business enterprise is measured by a 'triple bottom line': its impact on people, profits, and the planet," according to Rolltronics' annual triple bottom line report. Rolltronics, a Silicon Valley technology company, uses many innovative approaches to produce profits while protecting the environment. For example, an innovative manufacturing process enabled the firm to produce more electronic devices with less expensive equipment, while simultaneously saving on materials, energy, and labor costs.

"Our people create our success. Accordingly, all who work in our company share in our success," the company reported. Rolltronics includes those who live in the local communities and the global community in their quest to serve "their people." The concern for "the plant" is demonstrated in the firm's focus on sustainability, referring to the firm's ability to meet the needs of the current generation without compromising the ability of future generations to meet their needs. "Rolltronics will be one of the leaders in the transition to more sustainable industry. We believe that this is both good citizenship and good business practice."

Traveling halfway around the globe, we discover Sanford Limited, a large and long-established fishing company devoted to the harvesting, farming, processing, storage, and marketing of quality New Zealand seafood. Although Sanford Limited may be miles away from Rolltronics, it shares in the same triple bottom line considerations and reporting practices.

Sanford's first triple bottom line report made the following commitments: "to ensure that our operations are sustainable, to maximize positive social outcomes from both the employee and general community perspectives, and to maximize the economic growth and prosperity of the company for the benefits of shareholders, staff, customers, suppliers, and the general community." To further elaborate, Sanford provides an extensive performance scorecard emphasizing its commitments to areas of corporate governance, shareholder value, stakeholder satisfaction, employee orientation, and environmental performance. Sanford has "adopted a wider meaning to the term sustainability—achieving economic growth in an environmentally and socially responsible manner."

Both Rolltronics and Sanford Limited acknowledge and practice the interconnection between a concern for people, a pursuit of profitability, and sensitivity to the natural environment and report on their performance in the quest to balance these three business objectives.

Source: All quotations and other information were taken from the firms' respective Web sites at *www.rolltronics.com* and *www.sanford.co.nz*.

[30] "Europe Leads International Trend in 'Triple Bottom Line' Reporting," *Ethics Newsline*, Institute for Global Ethics, October 7, 2002, *www.globalethics.org*.

These organizations have made *Business Ethics'* The 100 Best Corporate Citizens list since the list began in 2000.

Brady Corporation	Hewlett-Packard	Southwest Airlines
Cisco Systems	Intel	Starbucks
Cummins Engine	Modine Manufacturing	Timberland
Ecolab	Pitney Bowes	Whirlpool
Graco	Procter & Gamble	
Herman Miller	St. Paul Travelers Cos.	

Source: "100 Best Corporate Citizens 2006," *Business Ethics*, Spring 2006, p. 26.

[31] For a complete list of the 100 best corporate citizens and an explanation of the methodology used to develop the list, see *Business Ethics*, Spring 2006, pp. 20–28.

[32] "Ranking Corporate Reputations," *The Wall Street Journal*, December 6, 2005, *www.wsj.com*.

[33] "How UPS, Starbucks, Disney Do Good," *Fortune,* February 25, 2006, *www.money.cnn.com.*

Key Terms

balanced scorecard, *79*
citizenship profile, *66*
corporate citizenship, *65*
department of corporate citizenship, *69*
global corporate citizenship, *68*
social and environmental reports, *76*
social performance

audit, *74* transparency, *80*
triple bottom line, *79*

www.accountability.org.uk	-AccountAbility: Institute for Social and Ethical Accountability
www.bsr.org	Businesses for Social Responsibility
www.globalreporting.org	Global Reporting Initiative
www.iso14000.org	International Organization for Standardization
www.sa-intl.org	Social Accountability International

Internet Resources

Discussion Questions

1. Do you think Gap Inc. has demonstrated global corporate citizenship, as defined in this chapter? Why or why not?
2. In its response to problems in its contractor factories, do you think Gap Inc. moved through the stages of corporate citizenship presented in this chapter? Why or why not?
3. Compare Gap Inc.'s social audit and reporting practices with those of other companies described in this chapter. In what ways is Gap's effort different, and in what ways is it similar? Do you think Gap's social auditing and reporting is better or worse than those of other companies, and why?
4. What are the costs and benefits to Gap Inc. of its approach?