

ECONOMIC REFORM

Issue Paper

No. 0410 December 27, 2004

The Business Case for Corporate Citizenship

Corporate citizenship is not just good business, it is a good business strategy. In today's global economy companies realize that they need to design more effective strategies for managing reputation risk and business ethics. The benefits of ethical business practices, the indivisibility of business and community, and the growing complexity of the socio-economic environments in which business operates are signaling a new era in corporate citizenship.

Corporate citizenship is much about helping countries build better economic environments. Globally competitive business can't exist in failed, unstable, corrupt, undemocratic countries. Competitive business can't operate in markets marred by the absence of property rights, inefficient legal systems, large underground economies, and weak enforcement mechanisms. And it certainly can't survive in societies that are hobbled by human rights violations, barriers to entrepreneurship, restrictions on freedom of speech, and abuse of the democratic process.

Being a good corporate citizen must go beyond philanthropy and cause marketing. Good corporate citizenship policies can lead business to prosperity, yet at the same time help develop better societies, protect human rights, and facilitate the development of nations.



published by the
Center for International Private Enterprise
an affiliate of the U.S. Chamber of Commerce
1155 Fifteenth Street NW • Suite 700 • Washington, DC 20005 • USA
ph: (202) 721-9200 • web: www.cipe.org • e-mail: cipe@cipe.org

CIPE Authors:

Aleksandr Shkolnikov, Global Program Officer

Josh Leachman, Research Assistant

John D. Sullivan, Ph.D., Executive Director

The Center for International Private Enterprise is a non-profit affiliate of the U.S. Chamber of Commerce and one of the four core institutes of the National Endowment for Democracy. CIPE has supported more than 800 local initiatives in over 90 developing countries, involving the private sector in policy advocacy, institutional reform, improving governance, and building understanding of market-based democratic systems. CIPE programs are also supported through the United States Agency for International Development.

For more information, contact:

Center for International Private Enterprise
1155 Fifteenth Street NW • Suite 700
Washington, DC 20005
USA

ph: (202) 721-9200 • fax: (202) 721-9250
web: www.cipe.org • e-mail: cipe@cipe.org

Executive Summary

Corporate citizenship is not just good business, it is a good business strategy. In today's global economy companies realize that they need to design more effective strategies for managing reputation risk and business ethics. The benefits of ethical business practices, the indivisibility of business and community, and the growing complexity of the socio-economic environments in which business operates are signaling a new era in corporate citizenship. For businesses, this era is defined by moving beyond showcasing corporate citizenship as a public affairs strategy and incorporating it as a part of their business strategy.

The benefits are real. Companies that have an active corporate citizenship strategy are able to improve access to capital, build up brand image and corporate reputation, increase customer loyalty, reduce business risk, and, most importantly, improve their bottom line. This increased competitiveness that companies gain in building corporate citizenship mechanisms continues to drive the reforms forward.

The conventional view of corporate citizenship is no longer valid – it is not just a handful of multinational corporations that display an interest in sustainable business practices. The trend cuts across the traditional business boundaries, as companies of all sizes, industries, and geographical locations discuss ways to become more transparent, responsible, and involved in the communities where they operate.

Corporate citizenship deals with a variety of issues and can be defined in a variety of ways. However, good business, above all, is about building internal and external structures that reward good behavior and punish careless actions. It stems from recognition that corporations don't operate in a vacuum – they operate in environments which they must protect and help develop. Corporate citizenship, therefore, deals with the business community's commitment to protect human rights, address global health issues such as HIV/AIDS, produce safe products and services, and help build better communities. Overall, good corporate citizenship means looking beyond short-term profits. It means taking into consideration the needs and concerns of various stakeholders, advancing ethical standards, and promoting a good business environment. It can be thought of as a good investment strategy – an investment in sustainability.

Corporate citizenship is not only about obligations, it is also about fundamental rights. The concept of corporate citizenship implies that companies are citizens of the communities in which they do business. This

means that business, just like other citizens, has certain rights, such as access to information and the right to participate in policymaking. Business can't be excluded from that process and left to deal with policies designed to impose social constraints. Instead, business should be given an opportunity to ensure that social concerns are not addressed to the detriment of business efficiency and productivity. Policies enacted under popular pressures without business input can backfire, because if business can't remain efficient economies can't grow.

In discussing approaches to corporate citizenship it is important not to think of business as a monolith, especially in emerging markets. One must distinguish between corporations and companies run by insiders and cronies. Businesses created and run by cronies in developing countries are often closed and opaque in nature and subject to favoritism in enforcement of rules and access to resources and markets.

Not thinking of business as "one size fits all" provides a valuable insight. It means that some companies – those that are a part of relationship capitalism – are primarily interested in short-term profits obtained through crony business deals. They often put profits before anything else, paying little attention to the social impact of their operations. The insider position they hold – privileged access to markets, capital, information, and favorable rules – allows them to avoid any liability for such actions.

Conversely, there are companies that take into account the social aspects of their operations. Such companies not only engage in philanthropy, but also display a genuine commitment to play by the rules and integrate corporate citizenship into their business strategy.

Introduction

Today's companies are not only purely economic, but also civic entities. They exist in complex socio-economic structures where they are a subject to economic efficiency pressures of owners and social responsibility pressures of governments, civil society groups, and consumers. And although the debate on social responsibility of business is not new, it has gained increased attention in recent years in light of anti-globalization movements, corporate scandals, and the continued plight of many developing countries.

The traditional view of business, summarized by economists such as Milton Friedman in the 1970s, is that the responsibility of business is accomplished by paying wages to workers in exchange for labor, providing goods and services to consumers in exchange for money,

Box 1. The U.N. Global Compact

The U.N. Global Compact is a collective initiative of business leaders to advance responsible corporate citizenship. Its aim is to mobilize the business community and put forth solutions to the challenges of globalization. It is a genuine effort on the part of business, as it does not function as a regulatory body. Rather, the Global Compact is a voluntary initiative, founded on values of accountability and transparency. Moreover, it is a network-based initiative, and in addition to business leaders, it draws together local governments, labor groups, academia, various U.N. agencies, and other civil society organizations.

The vision of the Global Compact is outlined in its ten principles. Companies that sign on to the Global Compact agree to uphold these principles in their operations in any country around the world.

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labor Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies

Anti-Corruption

Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.

*For more information, please visit
www.unglobalcompact.org*

paying taxes to governments which in turn provide public services to citizens, and obeying the rule of law by honoring contracts.

Yet that traditional view is no longer valid, as today's business is about much more than simply providing goods and services to the consumers and paying a fair share of taxes. While business's role and participation in development, governance, and society has evolved dramatically in the past decades, so have expectations.

Surveys reveal that consumers care about the ethical behavior of companies. The traditional response – that companies are only responsible to their owners – may no longer be valid in today's complex world, where consumers are presented with a variety of options, investors look for stability and security of their investment, and firms face significant legal fines and a myriad of social fears, concerns, and false beliefs. For firms, addressing the role of business in society is vital, because failure to do so can damage their reputation and corporate image, impose additional costs of doing business, and reduce competitiveness. In fact, numerous studies show that responsible business practices – attention to factors other than just maximizing short-term profits – help companies' bottom line and that responsible firms often outperform their competitors¹.

The benefits of good corporate citizenship are clear. It can be used as an effective tool to improve employee and community relations, and it should be closely monitored because it can help businesses mitigate risk, improve their reputation, and market, sell, and define their brand with consumers more effectively. In turn, ethical practices will reward business with higher profits.

While governments, consumers, communities, and the media pressure companies to be more socially responsible, the major motivating factors for good corporate citizenship programs are often internal. A recent survey of over 500 U.S. executives from companies of different size and from different industries conducted by the Center for Corporate Citizenship at Boston College and the U.S. Chamber of Commerce Center for Corporate Citizenship found that corporate citizenship is driven mostly by companies' internal traditions and values (75 percent) and concerns for reputation and image (59 percent).

Yet, despite increased attention paid to corporate citizenship by corporations, much work remains to be done. A Gallup International global survey, conducted in late 2002, revealed that citizens' trust in national corporations has dropped to 42 percent and trust in global companies was a mere 39 percent. Another Gallup survey, conducted in 2003, revealed that 90 percent of

Americans felt that the executives running corporations could not be trusted to look after the interests of their employees and 49 percent felt that the executives are there only for their personal benefit.²

These numbers demonstrate two issues. First, firms need to do a better job communicating the positive contributions of business to the economic and social development of countries. Second, it means that firms need to pay greater attention to the social consequences of their operations. If they fail to do so, they may become increasingly vulnerable in today's rapidly globalizing world, where consumers are ready to punish companies through market mechanisms for practices they deem unfair.

In fact, Environics International's recent Annual Corporate Social Responsibility (CSR) Monitor revealed that 27 percent of consumers in 25 countries have punished companies for irresponsible business practices and another 21 percent have considered doing so. Another survey by Taylor Nelson Sofres, an Australian marketing information company, revealed that 68% of Australian consumers have punished companies for unethical behavior. Often, consumer punishment is done in the form of switching to a competitor's products. And although consumers in developed countries seem to be more willing to do this, the trend is evident in some of the developing countries. The growing citizen discontent with large corporations should be a wake-up call for the business community to develop and implement effective strategies to make the environments in which they operate better and to regain the public's trust.

What is Good Corporate Citizenship?

What is corporate citizenship and what does it mean for a firm to be a good citizen? Being a good corporate citizen means going beyond responding to the

Box 2. What Does Corporate Citizenship Mean for Corporations?

- Operating with ethical business practices
- Treating employees well
- Making a profit, paying taxes, providing jobs
- Providing safe and reliable products/services
- Having a good environmental record
- Working to improve conditions in the community

Source: The Center for Corporate Citizenship at Boston College

financial concerns of shareholders and responding to the concerns of all stakeholders – customers, managers, employees, community, media, and society in general. But, it is more than simply engaging in philanthropy. Being a socially responsible corporation is going beyond charitable contributions – it means being actively involved in educational programs and committing to protecting the environment. Being a good corporate citizen means contributing time and effort at all levels of an organization to make communities better, operating transparently and responsibly, and creating safe, high-quality goods and services.

In the developing world, being a good corporate citizen means passing on know-how, creating business environments free of corruption, opening up societies by exposing them to democratic principles and the rule of law, and helping nations build institutions of governance and become prosperous. It also means looking beyond profits and helping people raise their standard of living, protecting human rights, assisting countries in the development of free markets, and bringing states on the path of sustainable economic growth and political stability.

Good corporate citizenship must be a habit, not a single occurrence of a noble deed. It must be embedded in a company's culture, as corporations should constantly strive for excellence beyond financial indicators. Responding to the concerns of customers, employees, and communities must be a part of any firm's decision-making process, as it can ultimately make a difference between commercial success and failure.

Ethics and Leadership

Much of being a good corporate citizen has to do with business ethics and moral leadership within companies. Conducting business ethically is often a difficult task for employees at any level of an organization. Top executives are under constant pressure from stockholders to improve the company's bottom line in the short term. Yet stakeholders often expect long-term, sustainable development strategies. At the other levels of organizations, employees and managers are often put in a difficult position, expected to be ethical while at the same time having to think about not damaging the company's reputation or putting their own job on the line.

The responsibility for designing principles of ethical conduct and monitoring their implementation lies in the hands of the top executives. Leadership, therefore, plays a crucial role in ethics. Effective leaders not only talk about ethical principles, but they also do what they say – they are an example of ethical business conduct

Box 3. The Business Principles for Countering Bribery

Bribery is one of the more complicated issues in business. The reality is that bribery hurts business by creating extra costs, barriers, and unfair competition. Yet it is a common practice simply because in many cases bribery expedites the favorable resolution of difficulties and is effective in obtaining contracts and business. But eliminating bribery altogether from business would create a better business environment and ultimately open markets, creating more wealth and business opportunities.

Created jointly with companies, NGOs, trade unions, and academe, the Business Principles for Countering Bribery, published by Transparency International (TI) and Social Accountability International (SAI), is a practical tool for companies to use when developing good internal control procedures. These guidelines provide a good starting point for companies to develop a trust-based and inclusive internal culture in which bribery is not tolerated, and the guidelines provide a measure against which companies can assess their own present anti-bribery system.

The most prevalent forms of bribery these principles seek to address are: political and philanthropic contributions, gifts, hospitality, expenses, and other types of unethical payments. Implementing these principles requires that a board of directors take formal responsibility for countering bribery, create effective whistle blowing channels with no penalties to the whistleblowers, create embedded internal control systems including formal accounting procedures that check for bribery, provide internal communication and training, and ensure that the company's external communication is effective.

The Business Principles

- The enterprise shall prohibit bribery in any form whether direct or indirect
- The enterprise shall commit to implementation of a Programme to counter bribery

Aims

Provide a framework for good business practices and risk management strategies for countering bribery. Assist enterprises to:

- a) eliminate bribery;
- b) demonstrate their commitment to countering bribery;
- c) make a positive contribution to improving business standards of integrity, transparency and accountability wherever they operate.

Development of a Programme for Countering Bribery

- An enterprise should develop a Programme reflecting its size, business sector, potential risks and locations of operation, which should, clearly and in reasonable detail, articulate values, policies and procedures to be used to prevent bribery from occurring in all activities under its effective control.
- The Programme should be consistent with all laws relevant to countering bribery in all the jurisdictions in which the enterprise operates, particularly laws that are directly relevant to specific business practices.
- The enterprise should develop the Programme in consultation with employees, trade unions or other employee representative bodies.
- The enterprise should ensure that it is informed of all matters material to the effective development of the Programme by communicating with relevant interested parties.

Scope of the Programme

- | | |
|---|------------------------------------|
| • Bribes | • Facilitation Payments |
| • Political Contributions | • Gifts, Hospitality, and Expenses |
| • Charitable Contributions and Sponsorships | |

Programme Implementation Requirements

- | | |
|-------------------------------------|---|
| • Organization and Responsibilities | • Raising Concerns and Seeking Guidance |
| • Business Relationships | • Communication |
| • Human Resources | • Internal Control and Audit |
| • Training | • Monitoring and Review |

For more information and the full text of the Business Principles, please visit www.transparency.org

for employees in their companies as well as for other firms in the industry. Effective leadership is even more crucial in building ethical companies from scratch - in companies that have little ethics experience and lack a good cultural and moral foundation. Leadership failures can have devastating effects for companies and internal and external stakeholders, as recent corporate scandals in the United States and Europe have illustrated. A business can lose the trust of investors and the general public overnight, but regaining that trust takes time. Good leadership also contributes to the overall good reputation of a firm – as recent studies indicate, the reputation of a CEO can be responsible for as much as 50 percent of an overall corporate reputation.³

Good leadership should also be assertive rather than reactive. Responding to current challenges is important, but good leaders are able to stay a step ahead and address potential problems before conflicts arise. This includes assessing the environmental record of business operations on a consistent basis before disasters occur, introducing ethics codes as a responsive as well as a preventative measure, setting up higher than minimum health and safety standards, constantly looking for ways to improve the safety and quality of products and services, focusing on new opportunities, encouraging responsible business practices in other companies in the industry, and communicating and involving others.

An integral part of business ethics, especially in the context of doing business in other countries, are efforts to combat corruption. Companies' refusal to participate in corruption is inseparable from good corporate citizenship. It is true for any environment, whether corruption is private sector or public sector driven. In countries where business is forced to participate in corruption by crooked government officials who extort bribes, companies should actively promote the development of a fair and transparent system. In building such a system, special attention needs to be paid not only to the development of accountability mechanisms, but also to the elimination of opaque and inconsistent rules and regulations that are often a source of corruption, as well as strengthening the rule of law so that rules are not only put on a paper but also thoroughly and fairly enforced.

In countries where business is a facilitator of corruption by providing bribes to gain access or receive preferential treatment, companies should make sure that internal integrity standards are thoroughly enforced, both in their structures and through the supply chain. Combating corruption in the context of corporate citizenship is extremely important because by engaging in corrupt practices, especially on a larger scale, while

conducting business overseas, corporations could help support oppressive regimes and closed societies that deny people their basic rights and liberties.

Human Rights

Good corporate citizenship also has a lot to do with the role of the business community in the protection of human rights. The link between responsible business and human rights has become more evident in recent years. As globalization becomes more widespread and multinational corporations are increasingly active in emerging markets worldwide, human rights evolve into a tangible part of responsible business operations. Addressing human rights issues while not endangering economic growth prospects is becoming one of the more serious challenges for the business community.

General labor standards and the use of child labor have also emerged as issues of acute concern in the corporate citizenship debate. Adhering to the labor standards of the countries in which they work and striving to improve those standards should lie within an organization's core strategies. This includes creating a safe working environment, paying competitive wages, establishing normal work hours, providing health benefits, assuring freedom of association, treating employees fairly, and prohibiting forced labor. Another important aspect is a commitment to not using child labor and instead helping children in developing countries receive an education and become the future economic and political leaders in their countries.

It should be stressed that most multinational corporations do favor higher labor standards, even in the context of globalization. A common misconception is that companies search for countries with low labor standards where they can obtain cheap labor force. However, data points in the opposite direction. An International Labor Organization (ILO) study of foreign direct investment among 127 countries suggests that the majority of investment goes to countries with higher civil liberties, even if the labor costs are higher.⁴ Moreover, in surveys of foreign investors, issues that play a key role in securing their investment, such as contract enforcement, corruption, and property rights, are often of greater importance than low labor costs.

Health Issues: HIV/AIDS

Once seen narrowly as a health issue, the effects of the unchecked spread of HIV/AIDS have now proven to be a major economic issue not only for countries but also for the companies that do business in those countries. The spread of the disease is a heavy tax on

the already weak health and social service infrastructures of many developing countries. Moreover, the spread of HIV/AIDS has also negatively impacted the private sector by raising the costs of doing business by reducing the availability and quality of the workforce. As death and disability create constant turnover in the workforce, corporations are faced with higher costs, as, in some parts of Africa, they must hire two people for each open position knowing that only one will be available for work.

The benefits of active corporate participation in programs combating the spread of HIV/AIDS are, therefore, twofold. By implementing effective education and health programs corporations help countries achieve political stability, as the depopulating effects of HIV/AIDS are now surfacing as a politically destabilizing force. The reasons lie within citizens' dissatisfaction with an ineffective government response to the health crisis itself and the crisis's economic effects. As governments are unable to effectively combat the spread of the disease or even unwilling to recognize the problem, political stability is threatened while people look elsewhere for better responsiveness and better strategies. In addition, companies help themselves by reducing training and other costs associated with high workforce turnover.

Some of the more active responses to the crisis have been employee health education programs run by corporations, especially those that include other members of the community. Another successful private sector response has been active corporate participation in fostering a healthy dialogue between the government, citizens, and the business community, and assistance to national institutional development efforts. Failure to prevent the spread of HIV/AIDS is partially attributable to the institutional weaknesses that exist in developing countries such as lack of a free press and lack of public forums for airing ideas and grievances. As the same institutional weaknesses impede the emergence of free-market democracies, the private sector plays an important role in helping countries achieve a more open society and healthy economy while helping to combat the spread of HIV/AIDS.

Safe Products and Services

Providing safe products and services also lies at the root of good corporate citizenship. Companies exist because there are consumers who buy their products and if consumers choose their competitors' products, companies, in turn, will cease to exist. Providing customers with products and services that they can trust is, therefore, crucial to the very existence of a business entity. Moreover, product safety and quality

are becoming even more important as the globalization process becomes more widespread. As markets open up and trade flows increase, prices are no longer the single factor of a purchasing decision. Increasing international trade results in more consistent pricing through different markets. As it becomes harder for consumers to differentiate products solely based on price, they turn to other aspects – such as product safety and quality, the environmental impact of a product or its production, and the human rights record of the company producing the good.

The emergence of this concept, known as “ethical consumerism,” can't be ignored. Studies show that although consumers are often unaware of the ethical features of products they buy, when provided with that information they will lean toward more responsible companies that provide safer, environment-friendly products. The negative publicity that civil society groups can generate compels companies to include ethical consumerism in their development strategy. Many companies are taking the lead and voluntarily provide product safety information to consumers and assume responsibility and take care of the accidents if they take place.

Community Involvement

The capacity to do good often depends on a company's social or economic position. This places corporations and their executives in the unique position of being able to promote good causes more easily than the average citizen. Philanthropic giving is in fact expected by many communities from those who are in a position to do so. Companies give to meet this expectation and to demonstrate their concern for society. While philanthropy is a great thing, companies should proceed with caution with regard to their donations, as simply donating to charities is often seen as a company's superficial effort to buy a good reputation. Consumers are also more aware today of what charities corporations support and will desist their business relations with a company if they find that it is donating to groups that are contrary to the consumer's political or ethical ideology. A company's philanthropic efforts need to have a connection with the communities in which the company works and its core business activities, reflect the values of their customers and employees, or add value to products or services. Without these connections much of the good intent and goodwill that philanthropy can create is lost.

MNCs, Small and Medium Companies, and Local Business

The case for corporate citizenship is often made for large multinational corporations, which have been the drivers of socially responsible business practices. In recent years, however, the case for corporate citizenship is increasingly made for small and medium enterprises (SMEs). Large corporations can be effective in improving business practices on the larger scale, setting up an overall climate of business responsibility, and promoting international standards and agreements, while smaller firms play a very important role in developing the local communities in which they operate. In many countries, SMEs constitute a large share of economic growth, and their participation in corporate citizenship programs is imperative. It is also important to make a case for responsible business practices within local companies in developing countries. Their adherence to fair, responsible, and transparent procedures is necessary for the advancement of corporate citizenship reforms worldwide. Multinational companies may try to remain transparent and responsible, but if their suppliers and partners in developing countries choose to ignore good corporate citizenship, these efforts are simply wasted.

SMEs are often focused on internal issues. They frequently address corporate citizenship issues indirectly by making efforts to create a better working environment and build company culture, but often lack the financial and technical resources to go beyond employment issues. Studies of corporate citizenship programs within the SME sector indicate that many firms indirectly implement some of the responsible business policies but they rarely tie them into a concept of corporate citizenship integral to their business strategy.⁵ However, business associations are increasingly viewed as one of the solutions to the lack of resources and technical expertise that many SMEs experience. By joining business associations and combining their resource SMEs can develop and successfully implement industry-wide corporate citizenship programs.

It can be argued that SMEs have historically recognized the importance of responsible business practices and good relations with the community. However, frequently SMEs, especially in a context of the broken policy environment of developing countries, have been unable to uphold responsible business practices because the institutional system of rewards in such environments does not function. The common excuse in such countries is that firms are bound to break the law in order to exist. The challenge, therefore, is to address the institutional deficiencies of countries from a business

perspective. By creating a business-friendly environment that provides proper incentives, companies can address good corporate citizenship from a business viewpoint. If such an approach is taken, corporate citizenship can be driven by long-term profits, not only by societal pressures and moral obligations. CIPE work with local partners in over 90 countries to reform local institutions, remove barriers to business, and create more efficient economic environments can be viewed as such a business-oriented approach to SME involvement in promoting good business practices.

Benefits of Corporate Citizenship Programs

Enhanced reputation and brand image

Responsible business practices strengthen brand image and enhance corporate reputation. In modern corporations reputation is a value creating mechanism and stakeholders pay close attention to it. There is little doubt that a CEO, manager, or employee would much rather work for a company with a good reputation than otherwise. But does reputation really make a difference and does good corporate image reward companies with increased sales and higher profits?

Corporate reputation is perceived as one of the leading measures of corporate success, according to the World Economic Forum "Voice of the Leaders Survey" conducted in late 2003.⁶ The results of the survey that was distributed to 1,500 executives of more than 1,000 leading global corporations show that almost 60 percent of those surveyed estimate that good reputation can contribute as much as 40 percent to market capitalization of companies. A good reputation also contributes to companies' ability to sustain profits and performance over time, as was revealed in the study of performance of Fortune 1000 companies during the 1980s and 1990s.⁷ Moreover, the same study showed that even in the environments where external stakeholders may not be able to directly observe the quality of reputation, corporate performance is still affected by it.

Economic theory makes a good case that, in markets with asymmetric information (inadequate information provided to consumers about a product), a good corporate reputation allows firms to not only attract new consumers but also keep the existing ones. In environments where consumers are unaware of the quality or other features of a product, they can rely on a trustworthy corporate image and a company's past history. If a company with a reputable name has delivered quality goods and fulfilled its promises in the past, consumers' purchasing decisions will be positively

affected. If a company is known for taking advantage of its customers, the opposite is true. Numerous surveys show that customers value their trust in firms and are willing to pay a premium for honesty and commitment to promises. The recognition of consumers' interest in corporate image can be seen in the fact that firms spend significant resources on not only building up a good reputation, but, more importantly, on sustaining it. Also, a company's good reputation is viewed as an asset in the case of mergers and acquisitions.

Improved access to capital

The importance of a good reputation for sustained corporate performance leads to another benefit of responsible business practices – improved position in the credit markets. Essentially, socially responsible companies can attract more capital and borrow at lower total cost. The growth of socially responsible investing (SRI) in the U.K. is a good example. SRI is based on the idea that investments are made not only on the basis of an investor's needs and concerns but also on the merit of the social contribution of that investment. One part of SRI is community investment – an investment strategy that is aimed at supporting development initiatives in underperforming communities in the home country as well as abroad. According to the Washington, D.C.-based Social Investment Forum, during the last year more than \$2 trillion of assets in professionally managed portfolios in the U.S. were of a SRI nature, which is an 80 percent increase since 1997 – a remarkable accomplishment considering a significant economic downturn during that period⁸.

A study of SRI in Europe⁹ reveals similar trends of SRI growth in the past years. A survey of European fund managers, financial analysts, and investor relations officers showed that 50 percent of investment leaders view social and environmental considerations as becoming significant features of the mainstream investment decisions of the next 2 years. Non-financial risks are increasingly viewed as important in the investment process, with slightly more than 50 percent stating that investment professionals already systematically take corporate governance and risk management as well as customer relations into account.

Investors and financial analysts are increasingly interested in the social aspects of corporate operations and are willing to invest in responsible companies. Also, responsible businesses have a key role in promoting corporate governance mechanisms, such as transparency, independent audit, and board oversight, which in turn help make investments more secure. Economists have

also highlighted the link between responsible companies and the interest rates on loans. In short, reputation is of a value to lenders, who provide credit to borrowers who do not default at lower interest rates and who are responsible in the financial management of their resources.

Greater ability to attract higher quality employees, improved morale and commitment

In addition to the external benefits of good corporate citizenship, firms benefit inherently from their improved standing. Socially responsible business practices can effectively enhance a company's ability to attract and retain higher quality workers. For example, a study by the Reputation Institute, an international private research institute, found that undergraduate students, when considering employment after finishing school, are more attracted to companies that have a good social reputation. Firms with strong corporate citizenship programs typically notice improved employee moral. Also, greater transparency and openness about the business process can change the dynamic of labor relations and union negotiations from antagonistic to a more cooperative relationship.

Reduced business risk and costs

Participation in corporate citizenship programs and environmental efforts yields more favorable fines and rulings for companies that have run into problems with the law. The fact is, a firm's exposure to fines in legal proceedings can be greatly reduced if it can demonstrate that it was making a concerted effort to avoid the problems it has been found guilty of. The public is more accepting of failures when it can be shown that a company was not irresponsible and did not attempt to cover up but rather did everything to prevent it from happening. Responsible business practices can also prevent many disasters from occurring in the first place.

Improved financial performance

Simply put, corporate citizenship makes sense from a financial standpoint. There are a number of studies that expose the link between responsible business practices and improved financial performance. The financial impact of corporate citizenship can be inferred from the benefits listed above; data analysis studies as well as various surveys of corporate executives support the theory. In fact, in a recent survey of the US firms, 82 percent of the surveyed executives stated that good corporate citizenship helps their bottom line¹⁰. Another study by the Australian Graduate School of Management¹¹ shows that companies with good corporate citizenship programs

are more likely to perform well financially.

Corporate Citizenship and International Development

Many international development organizations, civil society groups, citizens and governments are urging the private sector to take the lead in strengthening democratic institutions and designing sustainable solutions to poverty in the developing world. Both developed and developing countries increasingly recognize the effectiveness of the private sector in poverty alleviation and democracy building. The resources of the private sector also make a difference – in fact, the role of the private sector has changed dramatically in the past several decades, as today it is the largest supplier of foreign capital to developing countries. In contrast, three decades ago foreign assistance dominated capital flows to developing countries. Yet, while there are industry leaders that actively participate in international development, full, committed business participation is still lacking. To ensure active business involvement in sustainable development it is imperative to make a business case for such participation.

Simply put, globally competitive business can't exist in failed, unstable, corrupt, undemocratic countries. Competitive business can't operate in markets marred by the absence of property rights, inefficient legal systems, large underground economies, and weak enforcement mechanisms. And it certainly can't survive in societies that are hobbled by human rights violations, barriers to entrepreneurship, restrictions on freedom of speech, and abuse of the democratic process.

There is an abundance of business opportunities in the developing markets – by investing and expanding their operations to new countries, firms can gain access to new customers and suppliers and discover new trading partners and cost-saving technologies. But taking advantage of those opportunities is often a challenge due to system-wide economic and democratic deficiencies. Poor protection of property rights, corrupt political systems, and a lack of fair contract enforcement can deter business from entering markets. Economic and legal uncertainties can make even the highest rate of return unattractive. Hence, the institutional underdevelopment of countries limits growth opportunities for MNCs and at the same time threatens job creation and investment flows in developing countries. It is in the best interest of the business community to help countries build efficient markets and open political systems and it is in the best

interest of countries to welcome such initiatives.

Advancing corporate citizenship programs and ensuring fair labor practices, honest and transparent business contracts, environmental protection, and product safety and quality cannot be accomplished without functioning legal systems and strong enforcement mechanisms. The environment within which responsible business practices are implemented is often taken for granted – in developed countries the challenge is merely to put responsible business measures in place. In the developing world, on the other hand, designing proper codes of conduct or any other corporate citizenship program is problematic, and ensuring proper enforcement of such programs is an even a greater challenge. For example, while companies may try to establish responsible environmental operations in a certain country, opportunities for shirking the new framework may be abundant. Local managers may be tempted or encouraged to bribe public officials in exchange for less stringent requirements or fewer inspections. Even the best intentioned corporate citizenship efforts are put at risk in developing countries if the laws and regulations are opaque and contradictory and cannot be properly enforced.

Widespread institutionalized corruption may also jeopardize firms' efforts to become responsible. Corruption, recognized as one of the keys to why so many local reforms and international development efforts fail, is a serious impediment to business development, trade expansion, and the globalization process. It is also one of the primary barriers to ethical, effective business. Corruption may seem like a good strategy to get things done, but in reality it translates into higher costs, economic uncertainty, poor protection of property rights, lack of fairness and market competition, and foregone profits. After all, if you can pay a bribe and gain preferential treatment, how can you be sure that someone will not pay a bribe tomorrow and gain preferential treatment over you, leaving you on the sidelines?

Simply refusing to engage in corruption is not enough. While managers and employees will be able to uphold a company's internal ethical standards by not giving bribes and accepting favors in return, nothing prohibits less ethical competitors from taking advantage of the situation. Therefore, a sincere effort on the part of the private sector is required to curb corruption in developing countries. Doing so requires looking at corruption as a symptom of a problem not a problem in itself.

Corruption results from institutional deficiencies. It prospers in environments where the rule of law is

lacking, regulations are opaque, enforcement mechanisms are weak, government officials have excessive discretionary powers, accountability mechanisms are absent, and the media is heavily restricted. To remain ethical and to uphold industry standards, companies need to address the institutional deficiencies that sustain corruption and threaten the implementation of codes of conduct. The same institutions are responsible for strengthening free markets and creating democratic societies where citizens can enjoy the responsible initiatives of business.

The benefits of good corporate citizenship are not one-sided. In emerging markets, businesses, particularly factories and industries involved in western market supply chains, are realizing benefits from corporate citizenship-based initiatives, with quantified improvements in infrastructure and processes, market access, productivity, and risk management. As social responsibility can prove to be a barrier to development in regions that do not have the capital, technical ability, or the level of development to raise their standards to comply with international codes and guidelines regarding environment and labor practices, there are efforts to help the developing world raise their standards and become more competitive by supplying them with the funds and technical expertise to design and develop programs that address their corporate citizenship issues. For example, an initiative by the World Bank called the CSR Practice Work Program¹² implements a trust-funded technical assistance project.

Implementing Corporate Citizenship

Code of Ethics

Corporate citizenship starts with a corporate code of ethics. A code of corporate ethics outlines the values and beliefs of an organization and relates them to an organization's mission and objectives. A good code not only describes an operational process and regulates the behavior of managers and employees, but it also sets long-term goals, communicates the company's values to the outside stakeholders, and motivates employees and gives them pride in working for the right cause.

The value of the code of ethics is that it is more than simply a statement of a company's moral beliefs. A well-written code is a true commitment to responsible business practices in that it outlines specific procedures by which ethical failures must be handled. Codes of ethics address a variety of issues including work environment, gender relations, discrimination, communications and reporting, gift giving, product safety, employee-management relationships, involvement in the political sphere, financial practices, corruption, and responsible

advertising.

As business ethics have evolved and the scope of business issues has expanded in the past several decades, so have the codes. Originally seen as a set of policies that dealt with daily issues in the workplace, ethics codes have grown into extensive documents that address a variety of issues and serve as corporate complements to the extensive regulatory and societal pressures on business to behave in an ethical manner.

A code of ethics needs to define the purpose of an organization. Doing that is important because it allows a firm to communicate its mission and objectives as well as core values to its employees, customers, suppliers, and other stakeholders. Clearly defining organizational values helps create a corporate image that stakeholders can easily relate to and allows potential employees and shareholders to have a realistic view of a corporate identity.

To be effective, codes of ethics should be more than just a document on a shelf. They need to be created in a way that ethical behavior is encouraged and that employees take pride in making ethical decisions. Codes of ethics should provide guidance into relationships between stakeholders and corporate decision-making. More importantly, employees at any level of an organization must strive to uphold the standards put forth by the code of ethics and the top management should exemplify those standards, as codes of ethics are of a little benefit if the leadership ignores them.

Supply-chain codes

One of the greatest benefits of corporate citizenship is that it can rationalize and improve a company's relations with its supply chains overseas regarding the quality of the products, labor practices, and the environmental impact of their activities. The growth of supply chain codes is most evident in supply chains involving consumer goods in emerging markets with weak regulatory environments selling to consumers in developed markets. In countries where labor laws are less stringent than international norms, the codes have the effect of creating higher labor standards and serve as a self-governing mechanism for the enforcement of laws governing working conditions and production standards.

Supply Chain codes fall into several broad categories¹³:

Buyer codes

Major companies such as Wal-Mart and Target use these codes in their supply chain as a prerequisite for purchasing consideration. The system is such that the buyer pays for internal monitors and independent

auditors to review the supplier factories. Suppliers then must pay for any infrastructure upgrades or other improvements necessary to meet the code standards. The factories' labor standards are also taken into consideration. Once a supplier is selected they are continuously monitored to make sure they are maintaining that standard.

For buyers, the benefits of these codes are that they protect their brand from bad publicity and other civil attacks and higher quality goods often result from the upgrades to the quality of the infrastructure and the labor force.

Agent codes

Doing business abroad often requires the use of agents to facilitate everything from customs and shipping permission to finding business partners and arranging introductions with the proper authorities or business leaders. Corporations, governments, and non-governmental organizations working with or through intermediaries abroad know this can be an area of risk as they are held responsible either legally or in the court of public opinion for the activities of these agents. Shielding companies from this risk is increasingly expensive as it involves a great amount of due diligence on the part of the organizations researching the background of the agent and verifying the soundness of their business practices. At the same time, intermediaries seeking to do business with large international companies can find the approval process to be laborious and slow, creating extra costs to doing business and causing opportunities to be missed.

Transparent Agents and Contracting Entities¹⁴ (TRACE), an international organization that addresses the void in working with intermediaries abroad, seeks to meet the needs of both parties in this process while creating a more ethical business environment. Principals are better protected and intermediaries are better served by this independent, non-partisan organization that undertakes preliminary vetting of agents, consultants, and subcontractors.

The process is simple. First, agents apply for membership with TRACE. They are then subjected to an extensive due diligence review, including a lengthy questionnaire, three business references, a financial reference, and a media search. Candidates are also required to have or adopt a Code of Conduct addressing bribes, kickbacks, and conflicts of interest and agree to annual ethics training to be provided by TRACE or by approved lawyers in their country. Once their files are completed, they are made available to a large number of corporations – avoiding the need to replicate packages

for each company. The requirements are the same for every requesting company or organization, resolving the “best practices” concern that others are undertaking more extensive due diligence.

Companies that are TRACE members benefit by avoiding the timely documentation gathering process in support of an intermediary. Instead of months to vet a candidate, information is available upon request and updated annually. The process can be done in a day. TRACE is funded by member fees to cover the screening process and corporations pay an annual fee or a per-report fee to have access to the due diligence voluntarily submitted by the members. Governments and non-governmental organizations pay only the cost of copying and postage for each report requested.

Factory certification schemes

Factories seek certification to prove that they have been pro-active in addressing labor and infrastructure standards. The factory pays for the certification process, annual audits and any needed upgrades or actions required to remain certified. CERES Principles, the chemical industry's Responsible Care ISO 14001 is an example of such a process. These standards and certifications are typically sought out as a marketing and communication tool for factories to demonstrate their high level of standards and systems. Certification allows some factories to receive higher fees for their services as certification eliminates much of the risk for the buyer to work with them and often satisfies buyer codes, eliminating the buyer's oversight costs.

Other benefits to suppliers to certification or participation in buyers' codes would be more competitive contract bidding, higher productivity, innovation and quality, and declining employee turnover as health and quality of life issues improve for them. Examples include SA 8000 (labor), ISO 14001 (environment), and WRAP (labor). There are many others.

Other types of codes

The Base Code of the Ethical Trading Initiative (ETI), and codes from the OECD and other groups all serve as guidelines for companies and countries on appropriate standards. These codes typically do not have any monitoring or auditing programs, and their purpose is to provide guidance and best practices.

Most codes cover ten points and represent principles corresponding to the International Labor Organization's Core Conventions including: forced labor, child labor, freedom of association, and collective bargaining, discrimination, health and safety, wages and hours of work. Key challenges for the codes are that they can

produce inefficiencies and confusion for suppliers as each buyer has his own code of conduct and audit procedures. This confusion produces a barrier of entry for suppliers as it is unclear how to demonstrate high standards and compliance. The audit systems can vary from company to company and be very uneven in their rigor and application. This overlap and repetition can produce unnecessary burdens on both buyers and suppliers as buyers cover the cost of monitoring and suppliers have to allocate time and resources to ascertain and comply with the myriad of codes. A convergence of codes and procedures is needed to truly realize the benefits of the codes and certification programs.

Internal mechanisms and communication

Corporate citizenship has to be effectively implemented and thus requires resourceful management. Board involvement in the form of an ethics committee, ethics officers, and hotlines have all proven very beneficial to companies in creating a more ethical culture in their company and creating more open disclosure about corporate activities and shortcomings. The effect of all of these is that often problems and potential problems can be discovered and dealt with in-house, instead of under the pressure of the public eye, if they go undetected and develop into an expensive crisis.

Implementation of corporate citizenship programs and their management are increasingly regarded as a basic part of the “business as usual” rather than as an extra cost. Managing social and environmental programs, therefore, is just like managing any other strategic business issue. It is crucial to include everyone in the process of deciding how to develop the programs in a firm. Managers and employees at all levels of a firm need to be able to raise criticisms and concerns on the front end of the process in order for new policies to be successful.

Communication is also important. Internally, employees should be aware of their ethical responsibilities as well as the consequences of non-compliance. Regular training is essential. Training for employees that frequently travel or work in other countries is important, since corporate values should be upheld in any country and any culture and exceptions should not be made.

In many developing countries bribery is often regarded as a normal part of doing business and respect for the rule of law is lacking. In such environments, employees are most tempted to engage in unethical practices – a firm must anticipate this and implement measures to discourage straying from the firm’s ethics guidelines. External communication is also important. It is essential for companies to let their communities know

of the responsible initiatives and ethical programs, but they should be careful not to over-publicize these efforts to the point that they appear to be a marketing strategy.

Triple bottom line reporting

Large corporations and smaller firms increasingly use triple bottom line reporting, as they compete for customers and investment capital. It is derived from a notion that companies are not purely economic entities. It encourages the management to think of a business not only from economic but also from social and environmental perspectives. The paradigm of a triple bottom line is that in the evaluation of companies, financial performance is no longer the single determinant of market position or level of success – firms must answer calls for more information on the social and environmental impact of their operations.

The idea of the triple bottom line does not, however, suggest that the companies should break up accountability into economic, social, and environmental components and view each item as distinct. On the contrary, all the elements have to be thought of as a matrix, where each component contributes equally to an overall objective.

From the economic side, triple bottom line reporting provides transparent and timely financial information to investors, employees, customers, trading partners, and suppliers. From the social side, this kind of reporting pays heed to the welfare of the communities in which firms operate, and requires provision of information on ethical practices and standards, professional development, hiring practices, and philanthropic contributions, among other basic topics. Environmental-impact information outlines the effect of an organization’s operations on the larger environment, including details on product safety, use of resources in production, and standards and codes of production.

Providing information to various stakeholders is becoming burdensome for companies due to a wide range of requirements and involved parties. Given the number of different reporting demands on companies, market-based commercial services have begun to be developed. One example is “one-report”,¹⁵ which combines the AA1000 Assurance Standard (designed by AccountAbility to help assess company reports against key assurance principles) and the GRI Reporting Guidelines (Global Reporting Initiative’s framework for reporting a firm’s sustainability principles). A similar effort has been put forth by the London Stock Exchange, which now offers a service that allows companies to submit only one questionnaire on corporate citizenship issues

which is in turn available to interested investors. Such a service eliminates the need for companies to respond to individual requests for information and provides investors with a clearinghouse of information on various companies.

Associations: Creating guidelines

If competitors are getting ahead by cheating, it is difficult to ask your employees to match their efforts while refraining from the same behavior. Having strong associations that can influence the majority of companies in a sector by creating mandatory guidelines for members' ethical behavior is often an effective way of leveling the playing field while also waylaying the prospect of increased regulatory legislation – and the extra time and expense required to comply with such legislation.

Guidelines are most effective if done through an outside body focusing on a specific sector. That way, there is no conflict of interest and the guidelines are both current and relevant. Government regulations can be too broad and slow to develop to reflect the current state of a sector's affairs and technology.

Associations have within them a wealth of industry-specific knowledge. While they do have an interest in the success of member organizations, they can be considered largely independent, as they do not benefit directly from the success of those companies. Codes created by these industry associations and other groups are often more effective as they can adapt to changes in the business environment and information much faster than can the legislative process. In their position as industry advocates, these associations are also equipped to engage businesses in candid discussions on self-regulation and restraint. Companies can be open in these forums as their participation will not create public relations issues for them in the press or open them up to increased criticism.

The Apparel Industry's Worldwide Responsible Apparel Production (WRAP) Certification Program is an example of this industry self-regulation. Supported by the American Apparel Manufacturers Association, whose members produce more than 85 percent of the wholesale apparel sold in the United States, this certification program is a factory-based initiative to demonstrate that apparel factories are complying with international standards regarding labor, factory conditions, environmental, and customs practices. While WRAP certification has been criticized for not being as strict as SA8000 or ILO programs, it can be considered effective because it has managed to bring most of the major clothes manufacturers under the same standards. While not perfect, it is better to have 85 percent of

manufacturers participating in good system than only a handful participating in a flawless one.

Association guidelines and certification can also make compliance with international codes and laws easier and more efficient for companies. For example, an association's certification and audit process for membership is of great benefit to member companies as it can serve to verify a supplier for multiple buyers instead of each buyer having to do their own audit and the supplier having to prepare for and accommodate multiple audits. This lowers the dead weight associated with regulation and spreads the financial burden of due diligence and auditing.

Partnerships

Tri-sector partnerships between firms, governments, and NGOs can be an effective tool for the private sector to meet social obligations. At the same time, partnerships provide a forum where civil society groups can voice their concerns, and policy makers can consult with business on upcoming regulations to make them more efficient. These partnerships guide the integration of specific corporate citizenship objectives and the ideas, needs, and concerns of the different sectors into successful programs and efficient policies. Another important benefit of corporate citizenship partnerships, especially in developing countries, is that public sector companies can learn responsibility practices from the for-profit sector and seek guidance in implementing such practices.

The tri-sector approach is not without risk. For example, a company that plays a key role in a partnership that fails risks being more strongly associated with this failure than do their partners. NGOs risk losing their credibility as independent agents, and governments face political risks from ceding partial control of social services and receiving only limited credit for social improvements delivered through partnership.

Guaranteeing the continuity of the partnerships, sharing control, and using the core competencies of companies intelligently are challenges that still need to be overcome. Despite the difficulties inherent in tri-sector partnering, they can lead to more sustainable community development and increased transparency and accountability within the public sector. They benefit companies by more efficiently allocating resources to social programs and improving regional competitiveness and company reputation.

Conclusion

In today's competitive business environment, businesses are not solely economic entities. The success of today's business doesn't depend only on its ability to find the most efficient way of converting inputs into goods and services, but also its ability to address social concerns. And there are a number of studies that illustrate a direct link between a business's social record and its financial performance.

The need for good corporate citizenship systems applies to all firms. It doesn't matter if you are a multinational corporation or a small local company, if you operate in the developing markets or in the developed countries, if you manufacture toys or provide financial services. No matter what kind of company you are, to succeed you have to create a pleasant and fair working environment for your employees, address the concerns of your customers, be an active player in your community, and help governments and NGOs build better societies and stronger markets.

Being a good corporate citizen must go beyond philanthropy and cause marketing. To be successful in addressing the concerns of various stakeholders, systems and policies have to be internalized and must become part of company's culture and everyday operations. Good corporate citizenship policies can lead business to prosperity, yet at the same time help develop better societies, protect human rights, and facilitate the development of nations.

Globalization has redefined the rules of competition, behavior of markets, and communication strategies. But it has also redefined the way companies operate and the role business plays. Due to globalization, industries are no longer confined by the traditional boundaries. As markets spread and open up, competition evolves as well. Multinational companies increasingly play a key role in defining markets and influencing the behavior of a large number of consumers who buy their products, the localities where they do business, and the governments who desire their presence for creating jobs and investment. But just as the influence of corporations on consumers, environments, and governments has evolved, expectations of their responsibility to societies and governments have evolved as well. Corporations are expected to put forth measures to help countries build better markets and stable political environments that rest on a foundation of strong institutions.

BIBLIOGRAPHY

1. "1st Middle East Summit: Corporate Social Responsibility" Dubai Development and Investment Authority (DDIA) and United Nations Development Programme (UNDP), April 2004. <http://www.iirme.com/csr/index.cfm/Link=13/goSection=12>
2. "Business and Human Rights: A Progress Report" United Nations Human Rights-OHCHR, May 2004. <http://www.unhchr.ch/business.htm>
3. "Business and Society: Corporate Social Responsibility Report 2000" Department of Trade and Industry, May 2002 <http://www.dti.gov.uk>
4. "Business As Usual? Evolving from a Single to a Triple Bottom Line" inKNOWvate (R&D), May 2004. <http://www.inknowvate.com/inknowvate/TripleBottomLineMatrix.htm>
5. "Business Ethics: Corporate Social Responsibility Report—100 Best Corporate Citizens" Business Ethics Magazine, 2002. <http://www.business-ethics.com/NextStepforCSR.htm>
6. "Corporate Brand Reputation Outranks Financial Performance as Most Important Measure of Success" World Economic Forum, January 2004. <http://www.socialfunds.com/news/release.cgi/2424.html>
7. "Corporate Social Responsibility Monitor 2002—Executive Brief" Environics International Ltd. http://www.environicsinternational.com/sample_chapters/csr02_exec_brief.pdf
8. "Corporate Social Responsibility: Lessons Learned" Natural Resources Canada Sustainable Development Website, March, 2004 http://www.nrcan.gc.ca/sd-dd/pubs/csr-rse/toc_e.html
9. "CSR Project on Managing and Communicating CSR for Value—Final Report"
10. "Engaging SMEs in Community and Social Issues" Business in the Community Publication, February 2002. http://www.bitc.org.uk/resources/research/research_publications/bitc_research.html
11. "Free local Entrepreneurship to overcome poverty in developing countries, urges UN commission" United Nations Development Programme, March 2004. <http://www.undp.org/dpa/frontpagearchive/2004/march/2mar04/index.html>
12. "Gap Inc: Social Responsibility Report" San Francisco: Gap Inc., 2004
13. "Investing in Responsible Business—The 2003 Survey of European Fund Managers, Financial Analysts and Investor Relations Officers." A Deloitte, CSR Europe and Euronext Survey, November, 2003. <http://www.deloitte.com/dtt/research/0,1015,sid%253D29405%2526cid%253D29215,00.html>
14. "Overview of Corporate Social Responsibility" Business for Social Responsibility May 2004. <http://www.bsr.org/Print/PrintThisPage.cfm>
15. "Public Wants Business to Be Socially Responsible" Boston: The Center for Corporate Citizenship, Boston College, 2003.
16. "Scandals turn spotlight on company reputation" Hill and Knowlton: Press Information, 12 September 2002.
17. "The business case for social responsibility in small and

- medium-sized enterprises" <http://www.csreurope.org/uploadstore/cms/docs/Business_case.pdf>
18. "The Euro-RQ: A Multi-Country Study of Corporate Reputation" A Reputation Institute Project, October 20, 2000. <<http://www.reputationinstitute.com>>
 19. "The first ever survey of consumer attitudes in Ireland towards Corporate Responsibility, BITC Ireland" Business in the Community Ireland, CSR Europe: December 2002.
 20. "The SME Key—Unlocking responsible business"
 21. "The State of Corporate Citizenship in the United States: 2003" Boston: The Trustees of Boston College, 2003.
 22. "United Nations Commission on Sustainable Development—CSD 12 – 13 Freshwater, Sanitation and Human Settlements" International Chamber of Commerce, November 2003. <http://www.iccwbo.org/home/environment_and_energy/sdcharter/topics/water/docs/ICC%20discussion%20paper%20on%20water.doc>
 23. Arthur Fishman and Rafael Rob, "Is Bigger Better? Investing in Reputation" UCLA Department of Economics, Penn CARESS Working Papers Website, March 2002. <<http://netec.mcc.ac.uk/WoPEc/data/Papers/clapenntw40893328535d25cf3e69a981aa646d1a.html>>
 24. Auger et al. "Whither Ethical Consumerism? Consumers' Valuation of the Ethical Features of Products" Australia: Center for Corporate Change Australian Graduate School Management the University of New South Wales, 2000.
 25. IBER Interview. Creating an International Standard for Business Conduct International Business Ethics Institute By Lee Essrig, 10/1/2002. <<http://www.business-ethics.org/newdetail.asp?newsid=15>>
 26. Martens and Miller. "The Future of Global Business Ethics Programs" IBER, Volume 5, Issue 1, October 2002. <<http://www.business-ethics.org/newsdetail.asp?newsid=14>>
 27. Mitchell, A. James. "The Ethical Advantage: Why Ethical Leadership is Good Business" Minneapolis: Center for Ethical Business Cultures, 2001.
 28. Okuwaki, Kuniko "Corporate Social Responsibility in Japan: Which Model is the Best Fit?" All Things Corporate: The Worldwide Corporate Practice Quarterly Newsletter, 2004. <http://atc.netcomsus.com/index.php/newsletters_articles/13.html>
 29. Orlitzky, Marc. "Corporate social Performance: Developing Effective Strategies" Sydney: Center for Corporate Change, June 2000.
 30. Peter Roberts and Grahame R. Dowling. "Corporate Reputation and Sustained Superior Financial Performance" *Strategic Management Journal* 23 (2002):1077-1093.
 31. Radley Yeldar and CSRnetwork "The Top 10 Benefits of engaging in Corporate Social Responsibility: The Business Case" <<http://www.csrnetwork.com/images/pdf/Final%20Benefits%20of%20CSR.pdf>>
- Knowlton's Annual Global Survey "Corporate Reputation Watch 2004" available at <http://www.hillandknowlton.com>
- ⁴ Kucera, David. "The Effects Of Core Workers Rights On Labour Costs And Foreign Direct Investment: Evaluating The "Conventional Wisdom" ILO Discussion Paper DP/130/2001
- ⁵ "The Business Case for Social Responsibility in Small and Medium-Sized Enterprises." SME Key www.smekey.org
- ⁶
- ⁷ Roberts, Peter and Dowling, Grahame. "Corporate Reputation and Sustained Superior Performance."
- ⁸ For more please see www.socialinvest.org
- ⁹ CSR Europe, Deloitte, and Euronext "Investing in Responsible Business."
- ¹⁰ 2003 Survey by the Center for Corporate Citizenship, "The State of Corporate Citizenship in the US."
- ¹¹ Orlitzky, Marc, "Corporate Social Performance."
- ¹² www.worldbank.org/privatesector/csr/prac_work_prog.htm
- ¹³ Nigel Twose and Ziba Cranmer, *Responsibility Breeds Success*, Development Outreach; March 2003, page 21.
- ¹⁴ Information taken from the TRACE website: www.traceinternational.org/about.shtml
- ¹⁵ For more information please visit www.one-report.com

(Endnotes)

¹ See various *CSR Wire* reports on csrwire.com, Peter Roberts and Grahame R. Dowling. "Corporate Reputation and Sustained Superior Financial Performance" *Strategic Management Journal* 23 (2002):1077-1093, and performance of Dow Jones Sustainability Indexes <http://www.sustainability-index.com>.

² Handy, Charles. *What's a Business For?* Harvard Business Review on Corporate Responsibility: 2003.

³ Wirthlin Worldwide Australasia, "CEO/Corporate Reputation Research" available at <http://www.ceoforum.com.au> and Hill and