Corporate Social Responsibility in the 21st Century: Coping with Globalization

BENTLEY COLLEGE AND STATE STREET CORPORATION

The 2nd Bentley Global Business Ethics Symposium

Monday, May 22, 2006

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CORPORATE SOCIAL RESPONSIBILITY IN THE 21ST CENTURY: COPING WITH GLOBALIZATION

The Second Global Business Ethics Symposium sponsored by State Street Corporation

In Memory of Timothy B. Harbert '76
Chairman and CEO of State Street Global Advisors and
Trustee and Alumnus of Bentley College

The Bentley-State Street Symposium, the second in a multi-year partnership, is intended to unite business and higher education in the common goal of building a strong ethical foundation from which to serve our many constituencies and communities. The event brings together international experts and thought leaders from the academic, corporate and non-government organization (NGO) worlds for in-depth discussions of current practices and challenges in business ethics and corporate responsibility. The purpose of the day-long event is to both learn and inform by:

- exploring current practices in other institutions, countries and cultures;
- identifying ways to enhance issues of ethics and corporate responsibility in business education and in outreach to the corporate community; and
- disseminating this experience throughout the academic and practitioner worlds.

With over 30 speakers and panelists and an audience of approximately 120 academic and corporate participants, the May 22, 2006 Symposium provided the opportunity to explore a wide range of issues related to corporate social responsibility in the current, global environment.

The Symposium series is hosted by the Bentley Alliance for Ethics & Social Responsibility (BAESR). Formally launched in January 2004, the Alliance's mission is to *amplify and extend the work of the autonomous centers and initiatives on the Bentley campus, supporting and encouraging greater awareness of, respect for, and commitment to ethics, service and social responsibility in faculty research, curricula and campus culture*. Coordinated by **Anthony F. Buono**, *Professor of Management and Sociology at Bentley*, a unique feature of the Alliance is its integrative focus on ethics, social responsibility and civic engagement. In pursuit of its mission, BAESR's efforts focus on:

- Supporting and encouraging collaborative and applied transdisciplinary ***research*** that has the potential to significantly affect current practice.
- Influencing ***curriculum*** development and pedagogical innovations intended to make our students more ethically sensitive and socially aware.
- Ensuring a broad application of these principles and ideals in ***campus life***.
- Attempting to foster life-long ***civic engagement*** among our students.
- Seeking to work closely with external organizations – ***partnering*** with academic and professional associations, corporations and not-for-profit organizations in pursuit of these goals.

This collaborative effort is dependent on the commitment of a broad range of stakeholders, including Bentley faculty, staff, students and alumni, as well as business executives, corporate partners, and other relevant associations and colleges and universities.

The BAESR initiative is built on "five core pillars" in the Bentley community that continue to operate as autonomous entities, but collaborate under the aegis of the Alliance:

- ***Center for Business Ethics***: Founded in 1976, the Center for Business Ethics (CBE) is an internationally recognized Center that promotes ethical leadership, conduct and cultures as critical to an effective and legitimate role for business in society.

- ***Bentley Service-Learning Center***: Established in 1990, the Bentley Service-Learning Center (BSLC), which has built a national reputation (recognized by *US News & World Report* and the Campus Compact & Princeton Review's [2005] *81 College's with a Conscience*), seeks to promote academic learning, to develop socially responsible working professionals, and to assist community partners in serving the human needs and interests of their constituencies.

- ***Cronin International Center***: Created in 1987, the Cronin Center prepares students to be ethical and responsible participants in the global business environment, promotes faculty teaching and research in global issues, and fosters partnerships with universities, companies and governments around the world.

- ***CyberLaw Center***: Established in 2002, the Center focuses on exploring the vast legal, social and ethical issues relevant to cyberstudies and e-commerce.

- ***Women's Leadership Institute:*** Created in 2003, the Institute focuses on strengthening the presence of women in society and fostering partnerships with the business community that highlight and address issues on women in leadership. (http://www.bentley.edu/wli)

Combined with a series of programs and activities across the institution, this initiative has led to a four-part approach that attempts to shape and influence a sense of ethics, service and responsibility throughout (1) the curriculum, (2) campus life, (3) the university's research agenda, and (4) in outreach to the academic, corporate and not-for-profit worlds.

SYMPOSIUM HIGHLIGHTS:

CORPORATE SOCIAL RESPONSIBILITY IN THE 21ST CENTURY

Following welcoming comments by **Anthony F. Buono**, *Executive Director of the Bentley Alliance for Ethics & Social Responsibility*, and **Robert Galliers**, *Provost and Academic Vice President at Bentley*, **Richard Pearl,** *Vice President of Community Affairs at State Street Corporation*, gave the opening address on the role of corporate social responsibility at State Street. He began by acknowledging State Street's sponsorship of the Symposium in memory of Tim Harbert, CEO of State Street Global Advisors (SSgA), the firm's asset management group, and a trustee of Bentley College. As Pearl noted, "under Tim's leadership, SSgA became one of the world's largest asset managers, significantly expanding its portfolio of Socially Responsible Investment funds." As he continued, "Tim was a major supporter of our community outreach programs … and I'm sure he would be very proud of this Symposium and the focus of our discussion today… I think he might also have recognized the potential opportunities that they could afford State Street and other, like-minded companies."

Challenges in Corporate Social Responsibility

Pearl then turned to the challenges and opportunities presented by the ideal of corporate social responsibility. Starting with what he referred to as the "ultimate challenge," he argued that the underlying key is to make "corporate social responsibility an integral part of a company's everyday business, not just an adjunct component. It should be tied to business objectives. It should be more than a PR tool or reporting discipline, although reputational enhancement and accountability are certainly important components. CSR should help the company as well as the communities in which it does business."

As he continued, "An obvious challenge for a company that has been around as long as State Street is coming to grips with the fact that your concept of what it means to be 'socially responsible' has become outdated. I call this challenge 'Breaking Tradition.' State Street, which will be 214 years old next month, has established a strong tradition of civic leadership and community support – primarily through our philanthropic and community development

investment programs. Couple that with the fact that we've grown from a small regional bank to a global leader in investment servicing, investment research, and asset management – with more than $10 trillion in assets under custody and more than $1.5 trillion in assets under management – and you can see why there might have been some hesitancy about changing our approach."

Pearl argued, however, that "you do not survive in any industry without being able to acknowledge and accept change, and that is as much the case with CSR as it is with the rest of our business… and the lessons learned from corporate transgressions on the environmental, social, economic and governance fronts were not lost on us."

Once the decision about the need to change has been made, he noted that "the next challenge is educating others within your company about the necessity of implementing the program. In some cases, benchmark analyses of what competitors are doing … and why … can be quite effective. In others, a stated desire to be an industry leader is sufficient. I have found that both approaches have been effective at State Street. Of course, there is also customer or analyst demand – which trumps all."

The third challenge is documentation. Pearl suggested that the next step is to "find out what your company may already be doing in the areas of governance, environmental, social and economic impact. This was a major challenge for us, as State Street is a company with more than 21,000 employees and operations in 26 countries. Just pulling together basic human resource information, let alone greenhouse gas emission data, can be daunting. Data gathering remains a crucial step that must be taken in order to get a baseline assessment on the strength or weakness of a company's CSR position."

Once that assessment is made, "the next challenge is to plan and budget for those areas that need to be shored up or created from scratch. This requires that you align with others within the company who can help you to develop these programs." To illustrate his points, Pearl used some State Street programs as examples. "In 2003, we drafted our first Environmental Policy Statement. That Policy was updated and strengthened last fall to coincide with the implementation of our new Environmental Management System. The management system was developed by a small group of people from five different departments within State Street, under the guidance of an outside consultant. The system currently covers our Massachusetts' locations, where we house over 50 percent of our global workforce. It will be phased in to cover our other domestic U.S. offices … and ultimately rolled out to our non-U.S. offices."

"Our Environmental Management System has established goals for reducing our CO2 and other greenhouse gas emissions, water consumption, and paper and other waste materials, as well as for increasing our recycling of both paper and other office products, such as computer

equipment. The system will also help us to examine ways that we can better track and manage our corporate travel, both by plane and automobile."

"Last year, our Strategic Sourcing group established a Code of Conduct that we are asking all of our suppliers to sign. They have also implemented an on-line RFP program that captures CSR information from all prospective vendors."

Beyond the programs themselves, Pearl argued that it is "also important to report all of this information, which leads to an additional challenge – choosing a reporting protocol. There are many good ones, but which one is right for you? Do you report based on GRI or AA1000 criteria? Are you concerned with triple bottom line issues or ESG? My suggestion would be to study as many of them as you can, ask for guidance from others who have gone down the path before you, and then make a decision that you can live with for at least a few years. It is hard to develop an accurate assessment of a company's CSR impact if it is reporting on different things year-over-year."

He noted that State Street has issued a CSR Report the past three years, the last two based on Global Reporting Initiative (GRI) guidelines. The report, which outlines State Street's corporate governance policies and practices, also provides an overview of "our economic, environmental and social impact on our stakeholders, which we have identified as our stockholders, employees, customers, business partners, and the community."

"The last challenge is to constantly improve all of your CSR programs. The one thing I have found in the brief time that I have been working on these issues is that there is no end game. Companies need to constantly stay alert for greater demands for accountability on CSR issues."

Opportunities from CSR

While there are clearly a number of challenges related to CSR, which Pearl argued are "well worth the time, effort and money spent on them," there are a number of opportunities as well. "CSR can have a positive effect on all stakeholders, but I'm going to focus on the business benefits. I'm sure you are all familiar with Milton Friedman's famous quote:

> 'There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase profits so long as it stays within the rules of the game.'

Under the assumption that there are still a number of business people that adhere to that philosophy, the fact that CSR actually can *strengthen* a business's ability to generate profits would serve as the best counter-argument."

Drawing on the work of Simon Zadek, the founder of AccountAbility and a Senior Fellow at the Kennedy School of Government at Harvard, Pearl pointed out that "the first generation of corporate citizenship frames the question: 'Can corporations be responsible in ways that do not detract from and may add commercial values to their business?' The second generation frames a related question: 'Are responsible companies more likely to prosper in the future?' I would say that the answer is 'yes' to both questions."

As he continued, "One of the challenges I noted earlier was synching CSR with a company's business objectives. Let's take some of State Street's long-term goals as an example: to increase the percentage of our business outside the U.S., to make State Street stock more attractive to investors, and to realize cost savings in our operations without sacrificing service. How can CSR help State Street increase its share of business outside the U.S.?" Using Europe as an example, he suggested that "When competing for business, the minimum that any company wants and needs is a level playing field. In Europe, there are several countries that require indigenous publicly-traded companies to report on CSR impacts. State Street may need to compete with one or more of these local companies for a piece of business. All things being equal, and particularly if the RFP is issued by a government entity – for example, the management of a pension plan – wouldn't the local company have an advantage? By demonstrating our own CSR credentials, backed up by evidence of internal programs, State Street is back at the table."

Another example is the growing field of Socially Responsible Investments. Pearl noted that "Last year the SRI team at our asset management division, SSgA, managed $99.6 billion in SRI funds – 7 percent of all assets under management (as of Dec. 31, 2005). Obviously, they would like to increase those totals. Representing a corporation that has its internal CSR house in order can only enhance the SRI team's credibility and marketability. The release last fall of the Freshfields study gives additional credibility to SRI portfolios. It found that, rather than being legally constrained to assessing a company based only on financial data, asset managers may have a fiduciary responsibility to take all factors – including ESG – into consideration."

State Street's listing on several SRI indices – FTSE4Good, Oekom, Domini and others –"can only help us to sell more stock in our company. Before the implementation of several of our new CSR policies and programs, we may not have qualified for some of these indices."

Finally, as for cost savings attributable to CSR, Pearl drew on a recent initiative that "portends well for the future." As he noted, "State Street leases most of its office space; the exception is our Quincy campus, where we own three buildings. We began a major renovation project to reduce the use of energy in these offices… An example of energy consumption reduction is through the installation of high-efficiency, indirect lighting systems, which will reduce the energy usage for lighting by 192 percent. The installation of a new variable air volume system will reduce fan energy by another 40 percent. Changes to the central utility plant,

which includes a switch to a more efficient electric cooling system and more efficient hot water boilers, will add to the savings. It is estimated that the total amount of savings in energy costs upon project completion will be *10 to 15 percent annually.*

"Another example is our investment in videoconferencing equipment in recent years. At the end of 2005, State Street had over 70 new systems in offices around the world and, on average, we held 120 videoconferences a month – and the more videoconferences, the lower the transportation costs and the less GHG from air or vehicular traffic."

CSR has also helped to influence State Street's philanthropic focus. "Since technology is the backbone of our business and we need skilled workers at all levels of our operations, we believe that supporting job skills trainings programs in financial services and IT is an important part of our sustainability plan. Locally, programs such as YearUp and the Financial Services Academy at the New England College of Finance help to train young adults with the skills necessary to start careers at companies like State Street. In Europe, we recently joined a multiyear partnership with Microsoft and Cisco Systems called 'Skills for Employability.' It is designed to directly address the European Union's mandate to create 20 million new jobs by 2010."

What's Ahead

State Street recently became a member of UNEP FI – the United Nations Environment Program Finance Initiative. Pearl pointed out that the company will be sending representatives from several of State Street's offices to join various geographic working groups. "This will accomplish at least two key goals: to educate our personnel around the globe on the importance of CSR issues, and to position State Street as a company willing to sit at the table and discuss solutions to these issues with its peers."

As he concluded, "There is also a real benefit from sharing ideas with those from diverse backgrounds and professions. That is one of the reasons that we are so pleased to sponsor today's Symposium at Bentley. I know that I will certainly enjoy the discussions to follow and fully intend to learn from the experiences and ideas of others."

CHANGING PERSPECTIVES ON CORPORATE SOCIAL RESPONSIBILITY

The panel began with welcoming comments by **Michael Hoffman**, *Executive Director of the Center for Business Ethics and Hieken Professor of Business and Professional Ethics at Bentley College*. **David Vidal**, *Director of Research, Global Corporate Citizenship at The Conference Board*, began the discussion with a brief introduction to the Conference Board, noting "The Conference Board is an organization that helps American society to develop a better understanding of itself." Arguing that the "business case" for CSR is now closed, he suggested

that the market dynamics we are now faced with have shifted our emphasis from the notion of "*who* owns a company?" to "*what* does a company own?" In terms of the first question, he argued that we would automatically focus on the interests of the owner, especially in terms of profitability (i.e., profits go the owner following by the ownership model). For the second question, however, we would focus on such factors as financial assets, intangible assets, and human resource assets in terms of skills and tenure. This latter focus takes us beyond profit per se, leading to a "profit plus" orientation As a consequence, owners would not only care about what they own and earn but also about broader moral or ethical issues, such as "is the money we make clean? What are the consequences of the earning of this money?"

Drawing on the legal concept of fiduciary duty, Vidal asserted that the "default position" fiduciary duty gave us is no longer viable. As an example, he pointed to State Street, "I was thinking how many shareholders State Street has, and it is probably a couple of thousand. Then how many people a company like State Street would impact, for example, their customers, their suppliers and their employees and their families. The number would come out to be millions. As a manager, can I go by a legal right and obligation to ignore millions of people to favor just the thousand? The answer of this rhetorical question is clearly 'no.'" He argued that a corporation is a "state that is given by the public as a gift, so it cannot just favor a minority of that public."

In closing, he pointed to environmental policy statements at such companies as Goldman Sachs and General Electric, suggesting that companies should be judged by broader environmental, social and governance factors. As he argued, "if dominating companies like Goldman Sachs and GE do business in this manner, other companies would have to follow, which is definitely a favorable trend for the whole society."

S. Prakash Sethi, *Distinguished University Professor at Baruch College of CUNY* and *President of International Center of Corporate Accountability Inc.*, continued the discussion by noting "In the last 20 years, I've seen changes in the definition of CSR, all the way from charity and philanthropy to elaborate reports focused on literally everything a company does. There was a time when CSR was a simple concept. People talked about it as corporate philanthropy, corporate charity or corporate citizenship. The underlying problem was obvious in that CSR had little to do with the core business of the company. Yet, there is also a problem when a broader sense of CSR is introduced, which is how we relate ethics and CSR to all aspects of our business. It is clear that the time has come to move our sights away from charitable activities per se to those activities related to externalities, which are a second order effect, for example the emissions produced by a factory."

The challenge, he continued, is to seek a "middle-stage that bridges the core activities of the business and charity." An underlying problem is that corporations are increasingly engaged in rhetoric and public relations, "window-dressing their CSR reports." As he explained, "We

conducted a research project on the CSR reports of 150 leading corporations. The substance of these reports is indeed increasing. But can we say that these firms are really more ethical and responsible than they were 20 years ago? The answer is 'no,' because few companies actually take the next step toward accountability." In essence, most firms fall short of "providing the proof that would make us believe they do what they claim to be doing."

Building on this argument, Sethi pointed to two underlying problems with CSR's propagation. "First, it encourages 'adverse action,' in essence, economic jargon meaning if you don't have to prove what we are doing, the worst offender could have the loveliest voice." Using Wal-Mart as an example, he noted, "Following a serious scandal, companies tend to make claims, like Wal-Mart did when it said customers were their prime commitment. Can we really believe that?" The second problem is that "when we avoid accountability, good companies suffer." As he argued, "without accountability, we may not be able to distinguish the companies that are really ethical and those companies which never did what they claimed." In closing, he suggested that all companies should include their "measures and proof" to support their claims. "Once you make a claim, you have to deliver on the promise you made."

Timothy Smith, *Director of Socially Responsive Investing and Senior Vice President at Walden Asset Management and President of the Social Investment Forum*, talked from the "stand point of a practitioner" drawing on his experiences with the Interfaith Center on Corporate Responsibility (ICCR), Walden Asset Management, a social investment firm, and the Social Investment Forum. He noted that thousands of companies have increasingly "published reports talking about their commitment to and programs related to CSR… These reports range from detailed and thoughtful descriptions of CSR policies and practices all the way to some examples of greenwashing at worst." Getting behind the words on the page, he argued that analysts want to see "information on the major progress companies are making and the challenges they face." Using Nike as an example, he underscored that although the company was embroiled in scandals – for instance, its sweatshop practices a decade ago – now it was upfront and thorough in its social responsibility reporting, and the firm was "talking about how to address the real issues of the day, trying to make real change," a distinctly positive step. As he noted, "I believe we have come to the tipping point where more and more corporations are embracing CSR day to day, not just as a concept but as a reality that makes business sense."

Smith then turned to some of the key factors that he saw as significantly encouraging CSR. He began by talking about reputation, arguing that "Acting in an irresponsible way can have a tremendous negative impact on a corporation's reputation." Turning to legal liability, he suggested that "all of us should be reminded that Wal-Mart was faced with one and a half million women suing them in a class action for gender discrimination, which caught both Wal-Mart's attention and their investors' … if they lose the lawsuit, they are going to lose shareholders' money." He concluded unethical behavior is usually bad over the longer term, both for

companies and their shareholders. “Some companies talk about problems with recruiting if they are poor ethical actors. The reason why Exxon-Mobil can’t attract higher quality students to work for them compared to British Petroleum is due, in large part, to their bad image on the environment.”

In conclusion, Smith noted that “thirty-five years ago, the Episcopal Church made history when it filed the first shareholder resolution with GM on South Africa, the first official social response by a religious group. Yet, two weeks ago, U.N. Secretary General Kofi Annan and the Treasurer of the State of Connecticut together rang the bell at the New York Stock Exchange, announcing a set of Principles for Responsible Investing. Today, investors care about environmental, social and governmental factors because they believe these issues will have an impact on shareowner value.” These concerns and pressures are contributing to the “progress we are witnessing in CSR” in today’s business environment.

Stephen Young, *Global Executive Director of the CAUX Round Table*, briefly summarized the panelists’ comments and drew a commonly shared opinion – there has been change in CSR, but not enough. As he argued, “Our intentions and notions about CSR in 2006 are clearly stronger than they were in 1990s. But we still need to call for more awareness and actions.” Posing a series questions about the future, he posited “What will the next hundred years be like? What is going to happen in China, Islam and Africa? How are we going to deal with issues like the aging population, global warming, and natural resources consumption?” Looking at the role of business and its impact on the world, he noted that “The purpose of business is to make profit. However, profit is rarely the end point. Essentially, what is the end of a business is its value, its capital value, which is why investors cast their attention on the income statements.” He continued, “The purpose of getting income is to get a multiplier of capital value… and companies began to evaluate their goodwill as a way of increasing their value.” Young then pointed to a number of the 50 best performing companies and their “astonishing goodwill evaluation, from which we may conclude that goodwill sticks to company strategy and their industry.”

Since increasing capital value is fundamental to business and enterprise, Young underscored two underlying concepts of valuation. “First, there is a basic valuation of capital account. A company is supposed to have more than a financial capital account; in addition they should have accounts for social capital, human capital, and even reputation capital.” Young stressed that essentially when we talk about such capital accounts, we are talking about the substance of CSR, because “when you worry about your company’s capital account, you have to be concerned about the multiplier of that account, which has implications for estimated risk… and these risks, in turn, overlap with CSR concerns.”

Second, Young suggested that companies need to take a new look at their intangible assets because they add value to the firm’s financial statement and, as a portion of goodwill, would

ultimately increase the company's value. As he suggested, "if we are really concerned about intangible assets, we would be worried respectively about our customers, owners and investors, suppliers, our competitor's strategy and even our community environment… all these concerns are core issues of CSR."

CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE: TENSIONS AND POSSIBILITIES

The panel, moderated by **Robert Frederick**, *Professor of Philosophy and Chair of the Department of Philosophy at Bentley*, focused on CSR issues related to corporate governance. **Patricia M. Flynn**, *Bentley Trustee Professor of Economics and Management*, began the conversation by talking about the relative paucity of women on corporate boards. As she noted, "A recent 2005 survey indicated that in the U.S. slightly less than 10 percent of all board seats were held by women." Among Fortune 500 companies, it is closer to 15 percent, which is higher than the woman director rate in other countries – for instance, Canada with a rate of roughly 11 percent, the UK and Australia a bit higher than 8 percent, Switzerland and Japan at 3 percent, and Italy less than 1 percent.

Yet, given the critical role that women play in the economy – studies show that 83 percent of consumer purchasing is done by women – she raised the question as to why the woman director rate is so low. Flynn turned to a survey she co-authored for the Boston Club, which found that nearly one-half of the largest 100 public companies in Massachusetts do not have any women directors and only 9 percent of all board seats in these companies are held by women. As she noted, these findings strongly indicate that women remain "a significantly underutilized resource for corporate boards" in both Massachusetts and the country. What is ironic is that "although the boards of almost half of the 100 companies in the survey still operate with all-male boards, the bulk of their customers, investors, and employees are women."

Flynn pointed out that the presence of women on boards varies with firm size, noting "generally, the bigger the company, the more women directors." Finally, the rates also vary by industry, with more women directors in Massachusetts in the Consumer Service and Retail sectors, while the Financial Services and Technology sectors have the lowest representation of women in their boardrooms.

Flynn did, however, conclude on an optimistic note as the situation is "getting better." As she noted, there are a number of reasons for such optimism. First, corporate governance changes for greater independence and financial experts on boards, promote opportunities for women. In addition, CEOs and retired CEOs, who have traditionally served as directors, are now serving on

fewer boards as the time commitment of such service has risen. In addition, beyond executive search firms, groups such as the InterOrganization Network (ION), which was co-founded by the Boston Club in 2004 and consists of regional organizations in eight states, are working to increase the number of women in the boardroom.

Kathleen A. Lacey, *Professor of Legal Studies and Associate Director of the Ukleja Center for Ethical Leadership at California State University*, shifted the conversation to the "dark side of business," focusing her comments on domestic and international business corruption. Lacey started by pointing to two controversial requirements in Section 404 of the Sarbanes-Oxley Act, noting the difficulty that exists in attempting to evaluate whether companies actually fulfill them. As she argued, "How do we measure an increase in the financial confidence of our investors? How do we measure the impact of a possible fraud that has been avoided? " Focusing on the tensions resulting from the extraterritorial corporate governance requirements of section 404, she argued that "According to Section 404, the burdens and expense of compliance are asserted onto non-U.S. companies and foreign issuers of stocks in U.S., especially European companies. As a result, European companies now attempt to de-list from U.S. security exchanges." Moreover, besides any compliance accommodation made by the SEC for non-U.S. companies, the costs remain prohibitive and "it takes time to form an exact time frame for this compliance accommodation to take effect."

In her discussion about current U.S. enforcement of the Foreign Corrupt Practices Act (FCPA) and it potential impacts on international corporations, Lacey pointed to recent modifications in FCPA provisions, including the increased enforcement of FCPA violations and dramatically increased prosecutions. "If you look at the history of FCPA enforcement, there have not been a lot of cases that were prosecuted. Yet very recently, we see a dramatic increase. In 2005 alone, the prosecutions are four times the average of the preceding five years." In explaining this shift, she suggested that part of the reason lies in the growing number of laws in different countries that have criminalized bribery. As a result, "We are seeing cross-jurisdiction cooperation, providing each other with information, records and documents that are necessary to pursue cases."

Lacey concluded her remarks by using the 2003 Thompson Memorandum and 2001 Seaboard Report as examples of policy statements that encourage voluntary disclosure. "Both of them provide incentives to companies that uncover FCPA violations to disclose them voluntarily to the government." By disclosing in this manner, companies may either sign a non-prosecution agreement or defer or even forego their prosecution." As she noted, under these policy documents, companies "must voluntarily disclose, initiate disciplinary action against perpetrators, completely disclose results of internal investigations, prove continuing compliance, and waive attorney client and work product privilege."

Jeanne M. Logsdon, the Regents Professor and Rust Professor of Business Ethics at the University of New Mexico, began her comments by focusing on some of the underlying tensions in corporate governance and their possible resolutions. As she noted, "Though we have taken some effective actions in corporate governance, like Sarbanes-Oxley, we still have fundamental problems that need to be addressed." An underlying concern, according to Logsdon, is that we still rely on a traditional legal model of corporate governance but a basic premise of that model has virtually disappeared – that shareholders care about the companies in which they own shares. She argued that in the traditional governance model "shareholders or the real owners of a corporation *should* have the final saying in a company instead of the CEO, who is really only someone employed by the owners. Shareholders *should* be the source of power and authority, and in terms of governance, CEOs *should* be subject to what the directors decide." Drawing on a survey she conducts regularly in her classes, however, she noted that among all the students who own shares of companies, few of them even look at the proposals to be voted on at an annual meeting or send in the proxy form, which "shows that they don't really play the role of owners." Thus, the reality is that this legal model rarely works: "Today owners do not act like owners. As owners, they should care about their companies. They should care about whether resources are well used and whether decisions are well made. Instead, they appear much more like short-term investors."

As a solution, Logsdon argued that we must "adapt and change," either changing the current reality to reflect the traditional legal model or adapt the legal model to reflect current reality. Moving beyond Sarbanes-Oxley, she called for initiatives that would empower shareholders and make CEOs less powerful. She stressed that although this type of power shift would be threatening for some people, it "has to be implemented" if we want to return to the traditional model. As she concluded, however, "Trying to stop shareholders from acting like investors and enticing them to act like long-term owners could be a no-win situation." An underlying challenge is to sufficiently expand the interest in the conventional legal model that would help to fix our current governance problems or shift from the traditional legal model to an alternative that includes accountability to more stakeholders.

The concluding panelist for the session was **Adriana Perusin**, managing partner of Conexão Social (Social Connection), a firm that provides consultancy for NGOs and human rights movements in Brazil. Drawing on her experience in developing partnerships in this arena, she argued that "CSR can be only achieved if a well-balanced relationship is cultivated between government, corporations and NGOs." Noting that CSR is still a new concept in Brazil, she underscored its importance, "Social problems in Brazil are quite severe now. It is shocking that there are roughly 570 shanty towns throughout the country and approximately one eighth of the population live in them." She pointed to research and survey data that indicate that children in those areas are deprived of education and exposed to bad influences, such as drug dealing. But "since the government, corporations and NGOs have been isolated from each other, they have

not been able to fix the problem." Thus, social actions, which would govern such efforts, "must be based on close interaction between government, corporations and NGOs if Brazil is to effectively cope with these challenges."

To further illustrate her point, Perusin shared the results of a survey about the credibility of different organization that was conducted in these shanty towns. "Politicians and the police are not trusted, while NGOs top the credibility list. We may need to get NGOs into the shanty towns to implement government projects." Close supervision of such projects and how funds are utilized are critical as "corruption in Brazil is prevalent at all levels… transparency is crucial in any project." In closing, she talked about a pilot education project she will present to the Brazilian Congress, which "depends on the well-developed relationship between government, corporations and NGOs." As she explained, success is dependent on cross-institutional collaboration, "In this project, the curriculum for the children in shanty towns would be taken care of by the government. But for other projects, like sports and citizenship, NGOs would shoulder the implementation responsibility with money from corporations."

CORPORATE SOCIAL RESPONSIBILITY AND BUSINESS ETHICS

Moderated by **Mark Rowe**, *Senior Research Associate for the Center for Business Ethics*, the panel focused on the relationship between business ethics and corporate social responsibility. **Anil Chopra,** who was a *Senior Consultant, Management of Business Ethics for Tata Sons' group companies* in India, began by noting that "ethics in business has to be aligned with a human spark of spirit, compassion, tolerance and collaboration." Using this perspective, he noted that the key "value drivers" of business ethics are "people, integrity, commitment and excellence," while the "organization barriers are self-interest and complacency." Thus, it is critical that managers always engage in "self-evaluation to check their own behaviors."

Chopra emphasized "the primary need of establishing a process for managing business ethics." As he commented, "the management of business ethics is typically comprised of programs, practices and systems that are designed to motivate and monitor an organization's ethical performance. However, we need to place more of our attention on the issue of *how* to adopt and communicate these ethics initiatives, how to make them part of the reality in an organization. Ethics is something emotional, which needs to be communicated with feelings & care." As a way of ensuring this takes place, he suggested that business ethics and social responsibility should be embedded in an organization as its "guiding principles." Going beyond codes of business principles and conduct, business ethics and CSR should "provide the general guidance under which a company and its employees' operate and work on a daily basis."

Focusing on the future, Chopra suggested that as a way to further develop our sense of ethics and social responsibility, it is necessary to "ensure that managing business ethics is the responsibility of the CEO and leadership team. The core of ethics and CSR rests with the CEO and the Board… and these responsibilities include environmental sustainability, social inclusiveness, and returns to shareholders." It is also important for business schools, which need to teach business ethics, to "face the fundamental challenge of how to run a business competitively and successfully on the basis of integrity standards." As he concluded, "we need to develop a robust global education network, aided by large corporations, to contribute their resources, for such initiatives at business schools."

José Luis Fernández Fernández, *the Javier Benjumea Chair of Ethics for Economics and Business at the Universidad Pontificia Comillas de Madrid*, continued the discussion suggesting that the "21st century will require a new type of capitalism, in essence a new paradigm of the corporation in which corporate social responsibility and business ethics will be at the core." Turning to the issue of the corporation's role in society, he underscored that "Companies are facing growing pressure from critics and interest groups. They have to abide ethically, in a socially responsible manner, so that they may achieve sustainable development. This is the exact role a corporation should play in a society."

As Fernández Fernández continued, "Philosophically, when talking about ethics we focus on either the individual or system level. Thinking about organizations, however, we are dealing with the meso-level, larger than individuals but smaller than the overall system. For each level there are different ethical challenges." He proposed that business ethics can thus be conceptualized as the challenge of "managing values and creating a supportive culture," further noting that CSR provides direction for putting business ethics into practice.

He argued that CSR consists of four crucial parts: sustainability, strategy, activities that go beyond the law, and stakeholders. Focusing on sustainability and strategy, he noted that "Sustainability can be thought of as not making as much profit as possible at one time, but something that enables us to make money in the future. Companies should think over the long term, not simply confining their strategy for short-term gains." As he concluded, business ethics and CSR are not synonymous, but they must be connected – "CSR provides companies with the opportunity to improve their business ethics."

O.C. Ferrell, *Bill Daniels Distinguished Professor of Business Ethics at the University of Wyoming*, examined business ethics within the context of marketing. Arguing that although many companies today appear to have realized the importance of stakeholders – using AstraZeneca's slogan as an example, "Our reputation is built on the trust and confidence of all our stakeholders" – he stressed that few companies actually follow through with implementation.

Focusing on a firm's marketing orientation as a reflection of its strategy, Ferrell argued that a sole emphasis on customers is short-sighted because "the customer is not everything." Citing Wal-Mart's marketing strategy as an example, even though the company continued to lower the price of its goods – which enabled customers to save roughly 100 billion dollars a year – there were "high costs associated with these low prices." Wal-Mart hired illegal aliens without green cards, lowered wages, and have been accused of myriad human resources-related policy violations – all undertaken "under the name of low prices." As Ferrell noted, according to recent surveys, "their reputation has been going down along with the price of their goods."

As he continued, "Obviously this type of marketing orientation has its limitation." He asserted that companies should cast far more their attention on their stakeholders, including suppliers, employees, regulators, local communities and shareholders. "Business ethics is based on values and culture, and is especially dependent on the ethical culture within the company." Mapping out the stakeholder orientation construct, he suggested that "a stakeholder-oriented culture provides a shared pattern of beliefs that asserts the intrinsic importance of variety of stakeholders." Drawing on a recent survey of senior corporate executives, Ferrell underscored that a successful strategy is dependent on gathering and utilizing key information on stakeholder values, norms, artifacts and behaviors, as well as more traditional market and financial performance indicators. "The results show that a true stakeholder orientation is associated positively with marketing performance, financial performance, reputation and employee commitment."

Sanjoy Mukherjee, a *professor at the Management Centre for Human Values, Indian Institute of Management Calcutta*, concluded the panel with an examination of the "connectivity between CSR and business ethics," exploring the "deeper link" between individuals and organizations. To fully appreciate this connection, Mukherjee argued that we must develop three levels of competence. "The first competence is the ability to *see* the connectivity; second is to *think* about the connectivity, and last is to *feel* the connectivity, which is the faculty from eyes to mind and heart." As we complete this "journey, we can achieve the goal of enlightening our corporate governance and to seeing business in a new light."

As he continued, "as managers we should expand our self-interest to encompass the general interest. We must learn to distribute and share." In developing the idea of sharing through ethical evolution, Mukherjee suggested that we need to go through three stages. "First we need to turn the information we have into *compliance*; then we should turn tour compliance into *knowledge*; and at last we face the challenge of turning this knowledge into *permanent wisdom*." As he noted, "By the time we develop this wisdom, we will know how to share interests with others."

Although the ideal of sharing is a good idea and its intention is good, CSR and business ethics would still be ineffective and useless without effective communication. Drawing on an

example of different student reactions to a fable he uses in his classes, he noted that "essentially this means that what they perceive and what we try to deliver are not necessarily consistent and the communication failed." As he concluded, "only when we are able to capture and communicate the ideal of CSR and business ethics as to how business should be conducted, only then may we achieve to enlighten corporate governance."

FOUND IN TRANSLATION: ETHICS AND CORPORATE RESPONSIBILITY APPLIED TO A GLOBAL WORLD

The Symposium's luncheon speech was delivered by **Barry Salzberg**, *Managing Partner, Deloitte & Touche USA*, who focused his comments on the process of "translating ethics into action, values into best practices, and equality into opportunity." As he began, "translation – any translation – is a tricky business, especially for global firms operating in very different cultures."

Salzberg noted that marketers were the first to learn this lesson – "often, the hard way," as "these lessons came amid their attempts to translate brands into the complex needs of other languages and cultures." He turned to several examples to underscore his point, including the fiasco when GM released its Nova compact car in Latin America – Nova, a word that in Spanish means "no go." As he suggested, this move "was GM's answer to the Ford Edsel. Of course, it might have helped if GM had a Spanish-speaker on the team… something was lost in the translation."

As he continued, "I would like to challenge the assumption that something is always lost in the process of translation. Instead, I'd like to look at ethics and corporate responsibility as something that is *found* in the process of being translated to the needs of other cultures and social groups. As we have discovered at Deloitte, ethics live by being constantly interpreted and re-applied to complex real-world situations – situations that even the most elaborate code of conduct could never predict. Ethics cannot live as posters stuck on a wall. It's in *action* – in their interpretation and correct application – that ethics truly come to life."

To underscore this lesson, Salzberg drew on examples as to how Deloitte was translating ethics and corporate social responsibility in ways that "benefit our business and the communities in which we operate – translating ethics into action, translating values into best practices, and translating equality into opportunity."

Translating Ethics into Action

Salzberg noted that several years ago, a task force from Deloitte's member firms – with participants from the U.S., UK, France, Japan, The Netherlands, Canada, Germany, South Africa, and Columbia – convened a global meeting to create a global code of conduct. With three days to reach their objective, they quickly concluded that their mission was "Mission Impossible." As he reflected, "Instead, they began by creating broad ethical principles. Nine, to be precise: (1) honesty and integrity, (2) professional behavior, (3) professional competence, (4) objectivity, (5) confidentiality, (6) fair business practices, (7) responsibility to society, (8) respect and fair treatment, and, finally, (9) accountability and decision-making. These nine principles were the first translation – one that fits quite nicely on a single sheet of paper. To be applied unambiguously, however, a second, more detailed translation was required… but … it was clear that the final translation – the fine detail – could only be worked out at the local level. So the global team worked out a governance system, which enabled each business to turn the principles into a code that reflected local priorities and cultures – that is consistent with the overall global vision."

"The team wisely saw the need for a structure that, within clear parameters, would allow local variations. Think of it like wings of a jet. To withstand the speed and stresses of global travel, a jet's wings need to be flexible – at least within certain tolerances."

Salzberg then used two examples to illustrate variations of this thinking on the country level. "The small island community of Malta places great importance on community involvement. Its code of conduct specifically asks people to be good neighbors, directly contributing in the communities in which they work. Contrast this with the focus of our German firm. The Germans also feels a strong sense of responsibility to society, but they express it differently. Their priority is the quality, independence and objectivity of their judgment, in essence, what is required to sustain the public trust. 'One-Size-Fits-All' may work fine with baseball caps. But for a global code of conduct, it's about as practical as trying to convince the world to drive the same car."

"What translates, at least in our experience, are clear principles locally tailored into an explicit code, all within a strong system of governance. This isn't a guarantee against ethical missteps, but the result is an organization with wings strong and flexible enough to withstand the world's ethical stresses – and equally sudden bumps."

Translating Values into Best Practices

Over the past six years, as part of Deloitte's U.S. organization, the firm has established a substantial presence in India, one specifically designed to handle U.S.-based activity. As he continued, "As an extension of our U.S. business, for both legal and organizational reasons, we dubbed our Indian operation 'Region 10.' Thus, functionally, legally and professionally India remains an operational entity, much like our other American regions – except, of course, that it is located thousands of miles away."

"For us, India has been a rich learning experience. If it teaches us anything, it's that as you translate your values and practices from one culture to another, you should take nothing for granted as "normal" – meaning, *your* sense of normal. Our approach in 'Region 10' began by holding ourselves accountable – accountable in meeting same standards that we follow in the US. Specifically, we have the same expectation to deal ethically and responsibly with our clients and our clients' data. Today in India, there is every protection that we have in the U.S. We have the same responsibility to our people, no matter where they work. This responsibility does not change as you cross time-zones and borders. Finally, we have the same responsibility to support the local community in which we operate. Community involvement is an expectation for all our people in the US – and they respond enthusiastically. We were surprised to discover just how much this spirit was rewarded once translated to the needs of India."

"Today, in India, the competition for good people is only increasing. Accordingly, our reputation as an employer is vital. It certainly matters to the Indian workforce. For example, when you leave our Mumbai offices in the evening and go down to the basement on the way to the parking lot, you will see an evening school in progress. Local children come there for tutoring and study. The school came about because, each evening, as they were leaving, our employees noticed something. Children were gathering under the streetlights…. gathering to read, something they couldn't do after dusk at home. So our employees invited them in. Something that began spontaneously and informally is now well-established. We saw the correct translation and responded."

"On a wider scale, once each year, Deloitte encourages its member firms to have an *IMPACT Day*. *IMPACT Day* is a celebration of the different ways in which the firms and their professionals get involved within their local communities. Here in the U.S., we make a difference in literally dozens of ways, from tutoring to helping the elderly with their taxes. In India, however, our ability to make an impact is commensurately greater. In our two Indian cities – Mumbai and Hyderabad – more than 95 percent of our workforce participates in *IMPACT Day*. In a world where family is everything, this annual event is even noticed by the parents of our employees. Frequently, those parents write to tell us how proud they are of their son or daughter – and of Deloitte itself."

"Through efforts like these, our Indian employees can feel proud of where they work – proud in a way that translates into retention, and this in a highly competitive labor market. In turn, by strengthening the local community, we help support the business environment and skills base that we will need tomorrow. As a translation, it's a virtuous circle. And, it offers rewards today *and* tomorrow."

As he continued, "Deloitte's values are simple to express. There are four, to be precise: *integrity*, *providing exceptional value to our clients*, *commitment to each other*, and *strength*

through cultural diversity. Obviously, of these four, the capstone is *integrity*. You would expect nothing less from the organization that you ask to attest to the veracity of your accounting. Or, with whom you might share your deepest corporate secrets." Salzberg then reflected on how such values must be "reality tested."

Reflecting on when Deloitte had set up its Indian operation, he noted that "We had to ask ourselves a simple question. What would we do if – or when – we were asked to compromise our principles? The simple answer is 'we can't.' Still, as we knew going in, business practices can differ – often widely – in the translation, particularly within an unfamiliar culture. As an example, our landlord offered us the right to build on five plots of land… We were on our way … [and] we built on the first three plots. But, as we prepared to begin construction on the fourth plot, we sensed our landlord dragging his feet. Then we heard through another source in the building trade that a major American company was having a ground-breaking ceremony on the fifth plot in a few days. The reality was that the landlord only had rights to the first three plots … we were able to find the real owner of the fourth plot and get the land released to us but were not able to negotiate to get the fifth plot."

"Yes, we had listened, but we had listened with the wrong ears. The lesson: Take nothing for granted, especially in a new culture. Listen hard. And, until it happens, regularly verify what has been discussed or agreed upon."

Salzberg then reflected on another lesion – the "long-term power of sticking to values – even at the price of short-term consequences." As he explained, "we thought about ethical situations in which we would be faced with a choice – compromise our values or bend. Cut a corner. Take the easy way out. Well, when we don't go along, our principles cost us. By not going along, we have faced short-term delays. We also have encountered situations in which we had to do more work than we would have done otherwise. The collateral costs are real."

"Still, we have been pleasantly surprised. By sticking to principle, other businesses have taken stock of how we behave. In fact, with that encouragement, organizations new to the area have taken a similar point of view. In the process, business standards have risen. No, it's hardly a revolution. But it's certainly a trend in the right direction. Was it worth it? You bet."

"Studies show that foreign investment is lower in countries where corruption is seen as pervasive. Conversely, when governance improves and corruption eases, countries reap a 'development dividend,' especially where the poor are concerned. According to the World Bank Institute, this can include improved child mortality rates, higher per capita income and greater literacy."

"As I've said, what is most important to us in India is our reputation as an employer. By living our values – no more, no less – we are establishing and upholding that reputation. At the same time, we are helping our communities attract more investment – all by offering a more hospitable business climate. Again for us, it's all in the translation: clear goals, open eyes, and an honest, unstuffy approach."

Translating Equality into Opportunity

Salzberg then turned his comments to diversity and inclusion. "Since the early 1990s we have been working on [these issues] and much has been found in the translation, especially in taking ideas about fairness into the daily realities of our business. We began with the realization that we could do better in terms of gender equality. Too many talented women were not reaching their full potential with us. Even as early as 1980, we were hiring men and women professionals in equal numbers, and yet, in 1991, only four of our 50 new partners were women."

"This was the wake-up call that led to our women's initiative. I should add that we were the first professional services firm to tackle the issue. Today, we've eliminated the gender gap in turnover – we're not losing women any faster than we're losing men. And in 2005, 116 women made partner. Sure, we need to do better. But I hope you'll agree that 116 partners is a far cry from four!"

Deloitte's program has further expanded to focus on diversity and inclusion. As he explained, "With more focus, we knew we could do a much better job in terms of recruiting, developing and promoting good people from all racial and ethnic backgrounds. Again, we've had an effect: (1) between 1996 and 2006, the percentage of minorities promoted to manager level or above more than doubled, to 18 percent; (2) in 2005, 15 percent of our new partners were minorities, the most ever; (3) again in 2005, nearly 12.5 percent of all our partners and directors were minorities, again, the most ever; and (4) today, 40 percent of our new hires are minorities. I told you that we need to do better, and I meant it. Nevertheless, I am energized about the future. I feel this especially when I see what *has* changed in less than 15 years."

"Diversity is a major business issue for us. Consider that today, there are 76 million Baby Boomers in the workforce. In two years, that workforce will start to retire. It will be the biggest generational handoff in history. By 2010, minorities will make up 35 percent of the population. By 2010, women will make up 63 percent of the workforce – by far the majority."

Historical numbers also make a compelling *business case* for Diversity & Inclusion. Consider two examples. First, *DiversityInc's* analysis of the 43 publicly-traded companies that made the magazine's list of the "Top 50 Companies for Diversity." Between 1995 and 2005, those 43 companies delivered a return that was *23.5 percent* higher than the S&P 500. Does diversity pay or what? Second, *Catalyst* magazine, which focuses on women in business, tracked

the Return on Equity for 353 public companies that appeared in the Fortune 500 between 1996 and 2000. And those with the highest representation of women in leadership? They saw a return on equity that was *35 percent* higher than the norm. That's the power of women's equity."

Salzberg then turned his focus to Deloitte. "It's fair to ask what *we* at Deloitte have realized. What has been the result of our commitment to greater fairness and equity in the workplace? Frankly, this focus has brought us rewards beyond what any of us anticipated. Diverse companies operating in global markets avoid failures of translation. With more voices and perspectives, they are less likely to suffer the spectacular cultural wardrobe failures that I mentioned earlier in my remarks."

"At the same time, the changes we have made – and continue to make – for women and minorities have proved beneficial to *all* of our people. Take work-life balance, the notion of offering people greater flexibility in how they work. Today, work-life balance is a freedom that benefits women and men – everyone. In other words, our simple idea – the need for greater fairness – translated into an unexpectedly large business benefit. And again, not for some, but for all."

"What is common to these three stories about translation? First, the need for global organizations to translate their values to the needs of a complex world. Second, the ability of organizations to translate those values into *action* …and to *learn* from those actions, with frank and vigorous debate. Third, the ability to cultivate in organizations – at all levels – the ability to actively think about its relationship with society… today and tomorrow."

"We have seen what gets lost in translation when organizations ethically lose their way… they host the 'right' charity events … they make the 'right' donations – but with the wrong hearts and in the wrong frame of mind. Or they trumpet the good done by their donations, while drawing a veil over the way they generate those profits in the first place. And so there becomes a growing disconnect between how they behave in public, and what they say and do behind closed doors. Something is lost in the translation ... or was never translated in the first place."

As he concluded, "Today, as leaders and educators, it is our job to *insist* on such translations. We need to ask hard questions, expect real answers and demand excellence in our decisions. And then, taking the long view, we need to apply that collective judgment. Wisely and creatively, we need to translate that focus, honing in on the communities upon which our success depends."

CORPORATE SOCIAL RESPONSIBILITY AND STAKEHOLDER MANAGEMENT

The afternoon panel, moderated by **Marie Rock**, *Senior Lecturer in Management* at Bentley College, focused on CSR issues related to stakeholder management. **Maria Helena Moreira Alves**, a *professor at the University of the State of Rio de Janeiro* and an *International Representative for Viva Rio*, concluded the panel with a discussion of corporate-stakeholder conflict and the need for third party mediation. As she argued, "Respect, which includes integrity and honesty, is needed to fully understand stakeholders … and conflict is the source of that transformation. Here is where universities can play a critical role as they may be able to help turn these damaging conflicts into positive and effective policy making outcomes."

To illustrate her point, she drew on two of her experiences, one in Brazil and the other in Chile. As a researcher for companies in the automobile industry, she worked as a mediator in a difficult process of negotiation between Swedish management and Brazilian workers. The conflict involved the demand for state-of-the-art security technology, used in Sweden but not implemented at the Saab-Scania plant in Brazil (Sao Paulo). When Saab-Scania refused to implement the new security mechanisms in their Brazilian manufacturing plant, there was opposition by the local workforce. The Brazilian Trade Union insisted that such equipment had to be also established in Brazil to lower the high rate of accidents at the plant. To better understand the issues involved, she went to Sweden to learn about the new security measures, being better able to fully explain it to plant management and the workers. Through her investigation, she brought the two sides to the negotiating table and helped them reach consensus. Through informed discussion, the introduction of the new security mechanism was beneficial to both parties, creating a safer workplace, which "protected the workers and helped Saab-Scania to cultivate a good image. In the customer's eyes, Saab-Scania's cars, trucks and buses were also seen as safer because their manufacturing process is safe."

Alves' second example was drawn from her experience as a researcher in the fruit industry in Chile. Pesticides were becoming a major problem, in terms of both the product's quality and the health of labor force in that area as they were "severely affected by its excessive use." In her role, she worked with the fruit companies to raise awareness about the problem and to search for alternative techniques to control the insects. As she noted, "At the very beginning, the fruit industry was threatened and we are not welcomed. But eventually, by learning more about the situation and sharing our findings, we were gradually accepted. Now the land is fertile, once again, and productivity is high as well."

Drawing on her comments and examples, Alves closed with two key points. "First, conflict can be used to drive companies to improve their productivity, image and their relationship to nations and the labor force where they are located. It also helps them to achieve their interests.

Second, academic mediators are crucial to lead companies and their stakeholders through such conflict, bringing them together from negotiation to resolutions, because of the neutral role they can play."

Chris Deri, *Senior Vice President, Crisis and Issues Management, New York* for Edelman, began by noting that "Five years ago when companies started talking about CSR, it was a big challenge to have them understand that stakeholders matter, especially non-traditional stakeholders that go beyond employees, investors and trade unions." He explained that many companies began to realize the importance of stakeholder management in a reactive manner, suggesting that these firms did not care about these stakeholders until their interests were severely affected by them. In contrast, there are firms that take a much more proactive approach to stakeholder management – and clearly benefit from that orientation.

Over time, company misconception of stakeholder management has evolved into a view that they have the ability to pick their stakeholders. As Deri pointed out, however, "most of the time, you are not able to choose your stakeholders." An underlying problem is that "not all stakeholders are created equal." To a large extent, the priority given to a particular stakeholder is "intrinsically determined by that stakeholders' influence on the external environment within which your business operates."

As part of his role at Edelman, Deri explained that he attempts to help companies understand three critical principles about stakeholder management: "First, think about stakeholders proactively; second, think about them from a business prospective; and third, never disconnect the company's social agenda (with its stakeholders) from its business agenda." As he argued, "Through the process of stakeholder management, companies may earn credibility. As such, a company should address both its financial bottom line and its social and environmental bottom line." Unfortunately, he sees the current state of stakeholder management practice as "almost like chaotic and unsystematic…" as there are "different management approaches that are adapted at different companies or institutions." However, he emphasized that no matter what a company does, it should always bear in mind that stakeholder management is supposed to be integrated with – not disconnected from – its business. As he concluded, company-stakeholder interactions must be "honest and transparent" as that becomes the basis for true partnership.

Thomas Dunfee, *Kolodny Professor of Social Responsibility* at Wharton, focused his comments on the "voluntary, discretionary aspect" of CSR and stakeholder management. As he suggested, a "working definition" of this relationship is the "voluntary undertaking of a significant organizational endeavor based upon a primary social motive." As an example, he noted that "a drug company donates drugs or runs an education center," which in essence is a "voluntary discretionary resource allocation decision."

In deciding upon such resource allocation, Dunfee argued there are three guiding questions: "First, *how much* we should spend on this voluntary CSR activity? Second, *how should* the funds be spent? And third, *where* should the stakeholders count in this decision?" In response to the first question, he noted that each company has operates under a societal "social contract," which in the United States and Western Europe supports the idea that "it is appropriate to spend up to 5 percent of earnings on a regular basis on such voluntary CSR." As he stressed, however, such acts are "not mandatory but are discretionary. The key is to make the decision on the basis of the core values of the organization, being transparent about what you are doing."

As for how the money should be spent, Dunfee suggested that companies ask themselves "Why do we want to give the money? What do we want to make out of the donation?" In his eyes, even though companies voluntarily engage in such philanthropy, this approach to CSR should still be closely linked with the core values of firm and be used strategically to "create a comparative advantage" in improving social welfare.

Finally, Dunfee argued that companies should attempt to strike a balance between their core competencies and their stakeholders' needs, better using their resources to enhance the situation faced by their neediest stakeholders. As he concluded, "drug companies should stop donating money to the opera or a museum, placing instead more attention on people in Africa dying from pandemics."

Steven May, *Associate Professor of Organizational Communication* and *Ethics Fellow at the Parr Center for Ethics at the University of North Carolina at Chapel Hill*, concluded the panel with his insights into a communication-oriented prospective on stakeholder management. He argued that it was important to "shift our attention from stakeholder management to stakeholder communication." Reflecting on an edited volume on CSR he recently completed for Oxford University Press, he felt that many of the contributors' essays suggested that they were "highly suspicious about the reality of CSR." Similarly, turning to a recent MBA workshop, he noted that a recurring question by his MBA students – "why do we have to keep talking about Business Ethics?" – suggests that there is still much to be done about attitudes. As he noted, although CSR scholars and professors may be convinced that CSR is critical to current corporations, "it seems that students, employees and even citizens are still suspicious of it."

While stressing the importance of CSR, May argued that the CSR model should be changed from stakeholder management to "dialogic communication and collaboration." As he suggested, the "guiding question is how to create, sustain and transform the stakeholder relationship… the stakeholder model may offer a range of political and economical benefits, but stakeholder communication is still at an ineffective and fairly undeveloped level." This problem emerges from the limited inclusion of stakeholders and the lack of attention to corporate communication. To be effective, the underlying communication processes should be based on surfacing conflicts

rather than seeking consensus based on shared values and interests. As he concluded, "Accomplishing true benefits requires a new communication model that concentrates on stakeholders rather than shareholders, a new model that would enable productive discussion and decision processes… based on the belief that conflicts, disagreement and different point of views are a valuable part of business decision-making."

CORPORATE SOCIAL RESPONSIBILITY AND COMPETITIVE CHALLENGES

Moderated by **Joseph Weiss**, *Professor of Management at Bentley College*, the panelists shared their experiences, insights and thoughts on the competitive challenges inherent in CSR initiatives. **Luis Maria R. Calingo**, *Dean of the College of Business Administration and Director of the Ukleja Center for Ethical Leadership at California State University, Long Beach*, began the panel discussion by focusing on the "cultural and institutional antecedents of moral hazard," pointing to the 1998 Southeast Asian currency crisis. He argued that national cultures serve as the foundation for institutional, personal and organizational factors from which ethical standards and business conduct evolve. Drawing on his research, he noted that cultural characteristics are correlated with unethical conduct, but institutional factors appear to exert a greater influence on unethical behavior. In fact, "when controlled for culture and institutional factors, organizational and personal factors are not significant correlates of corruption."

Examining the ethical aspects of global outsourcing and offshoring and his efforts to develop a knowledge management system on global outsourcing, Calingo argued that a number of ethical and CSR-related issues are associated with global outsourcing. Pointing to the array of key stakeholders involved – ranging from the global community, nation-states and local communities, to corporations, suppliers, customers and employees – he suggested that industry-based ethical codes cannot guarantee sufficient guidance. As such, he called for a broad review of transnational codes of conduct, stressing their importance in our multicultural business environment. As he concluded, "We have found that the OECD and UN transnational codes emerged as having the most comprehensive coverage… in terms of providing guidance to ethical issues in global outsourcing, we found that the Caux Round Table Principles for business had the most comprehensive coverage. Codes differ in their ability to address a stakeholder group's requirements for ethical behavior."

Nikki Daruwala, *Director of the Socially Responsible Business Program at American Rights to Work*, continued the discussion by focusing on her program at American Rights at Work. She noted that the success of CSR lies in legitimacy and integrity. As an illustration of legitimacy, she pointed to recent talks between Cingular Wireless and its labor union – a key stakeholder – which was pleased that their "partnership with the corporation was verified." This type of interaction, which supports the legitimacy of the relationship, is vitally important for

corporations and their stakeholders. In terms of integrity, she noted three key aspects. "First, a company should maintain transparency and appropriate disclosure to the stakeholders for evaluation. Second, partnership with all relevant stakeholders is critical. The last, but not least, is that dissenting voices and opinions should be viewed as significant for the progress of a company. A sound venue ensuring that these dissents are heard is critical."

She also argued that it is wrong for companies to bring in stakeholders only after the onset of crisis. It is "wiser to take stakeholders into consideration early on, even when everything is running smoothly, because stakeholder input can lead to further progress and improvement." As she continued, "there is always a dichotomy about where the obligation for responsibility lies – the corporation or government?" Daruwala argued that CSR should be spread out to all three – government, corporation and key stakeholders – though in practice they rarely cooperate together.

Her final point was that "companies are bound to protect their fundamental labor rights." However, she argued that some businesses break this code without any precautions because there are no sanctions associated with such acts. As she noted, "The lack of CSR in these businesses sacrifices their workers, especially in highly-globalized environments." She closed by reminding the audience that "failing to protect workers' basic rights is far beyond wages and benefits, but, in essence, a primary violation of human rights."

Luis Angel Guerras-Martin, *Professor of Management at Universidad Rey Juan Carlos*, concluded the discussion by focusing on the strategic role of CSR in Spanish firms. Using Mercadona, Spain's largest food distribution company (in terms of industry market share), as an example, he looked at how CSR is related to the company's policies toward its suppliers and employees. As he explained, "Mercadona follows an 'inter-supplier' policy, which means they choose one supplier for each of their goods, creating life-long supply agreements. Since these suppliers create value, Mercadona counts them as key stakeholders, paying them on a 60-day basis, which is a far shorter time frame than what their counterparts do in this industry." Highlighting the firm's human resources policy, he noted "The key idea at Mercadona is that customers are the boss. The company feels it must take care of them though outstanding service, which makes its employees very important… all employees have a life-long contract, salaries are over average in the industry, all managers are promoted internally, the firms offers fair treatment and salary to pregnant women and young mothers, and they offer day nursery for babies in big centers." As he suggested, these policies reflect the significant care that Mercadona shows for its employees, which, in turn, contributes to the success of the company.

Guerras-Martin then turned to the VIPS Group, six restaurant chains with a strong market presence in Spain's food and beverage industry. Referring to the company's human resources policy, he emphasized that the VIPS Group "offers job opportunities to people in great need,

such as immigrants, physically and mentally disabled people, women victims of domestic violence or with family burdens, and even to prisoners who are on parole." The company, in essence, is trying to support its broader community.

He then pointed to key internal and external factors that influence CSR decisions. Two external factors are the legal environment and political forces. "The legal factor is comprised by laws, regulations and other regulatory pressures, while the political factor refers to stakeholder pressures that are imposed on companies." Company competitiveness, in contrast, is an internal factor, which can include "reducing conflicts with stakeholders, creating intangibles, and improving the larger competitive context." Finally, there is the ethical and moral factor, which reflects the basic values of the company and those of the society.

In the closing, Guerras-Martin talked about the hierarchy of CSR that is assumed by Spanish firms. As he noted, "CSR begins with legal factors, which are mandated and reflect the absolute minimum. The next level is the political factors, which reflects an acceptable level for stakeholders to achieve their objectives, but is counted as a strategic minimum. The third level pushes the organization closer to its strategic optimum as CSR can be understood as a long-term investment in intangible assets such as legitimacy and reputation, an investment that it hopes to recover reducing costs related to the conflicts arising with social groups. It can also be expected that there will be greater profits in the future that are derived from the confidence created by the company's relations with these groups. Thus, each company should decide to assume the level of social responsibility that will maximize its long-term profits arising from its investment in these intangibles, ultimately determining their optimum level." Finally, ethical and moral values "influence the level of social responsibility assumed by companies, raising the acceptable minimum beyond what was previously set by the demands of relevant interest groups. These values may form part of the existing organizational culture and be incorporated in the business goals in an explicit manner through the mission of the company… they bring with them the implicit assumption that responsible behavior leads, in the long run, to better business results."

SUSTAINABILITY AND GLOBALIZATION

The afternoon panel was moderated by **Lawrence Nichols,** *Professor of Sociology at West Virginia University*, and the panelists shared their insights on issues related to sustainability and globalization. **Donna Wood,** *David W. Wilson Chair in Business Ethics at the University of Northern Iowa*, started her presentation by declaring that sustainability is conceptually much broader than commonly accepted, differentiating between sustainability for a business and the sustainability of capitalism itself. Focusing on the latter and her work on global business citizenship, she pointed to a universal failure of governments in terms of their regulatory function. As she noted, "We've seen a fair amount of 'cowboy capitalism' leap into that gap… but this type of capitalism is not sustainable." The challenge is to move businesses from their current role as "cowboy capitalists" to true global citizens. Noting that companies that want to

become global citizens need to "adopt a set of global principles and turn them into their own codes," Wood pointed to some practical guidelines for global business citizenship, including understanding the principles in different codes, local implementation challenges, experimenting when those challenges thwart implementation, and systematic learning.

Wood then discussed two examples in which firms faced these challenges in their attempts to apply such global standards. Hindustan Sanitaryware, part of whose revenue comes from sales of porcelain bathroom fixtures, made a significant contribution to the Indian clean water project by conserving water through the introduction of a new standard of flushing toilet. As the largest supplier of bathroom fixtures in India, customers had to follow their standard. Through their business and lobbying efforts, the company influenced the Indian government to change the water-use standards for flush toilets, leading to an annual water savings of roughly 200 billion liters.

Beauty Essentials, a clothing manufacturer in Thailand, wanted to extend its ISO certification for quality and environment to ensure that its supply chain was free of oppressive labor processes. However, since this dimension of performance was not included in ISO, they incorporated the SA 8000 standard instead, which includes a labor protection standard. By complying with SA 8000 standards, they were able to upgrade their technology, helping to reduce the overtime required of their Thai workers without lowering their wages. As Wood concluded, "These cases illustrate how corporate social responsibility can work in the context of a firm's business model… they show that social responsibility can fit very well with a company's strategic processes." She was also optimistic that we will witness a continued transition away from "cowboy capitalism" to a more sustainable model of capitalism, as more businesses begin to seek stable profit opportunities worldwide.

Jonathan Doh, *Director of the Center for Responsible Leadership and Governance at Villanova University*, began the panel discussion by focusing on the relationship between corporations and non-governmental organizations (NGOs), exploring the importance of true partnership between the two players in the current global environment. As he noted, "Global production helps rich countries in terms of lower-costs and poor countries by creating jobs and advancing technology investment… globalization is fact of life, but I believe we underestimate its fragility." By quoting remarks from Harvard University's Jeffrey Sachs and the United Nation's Kofi Annan, Doh illustrated different understandings of globalization, pointing to our current misinterpretation and misunderstanding of NGOs and their roles. "NGOs and civil society go together and NGOs are a manifestation of the civil society… providing challenges, promises and opportunities." According to Doh, NGOs are maturing to the point where many of them have become large multinational entities with significant budgets, enabling them to "engage corporations in both adversarial and collaborative ways."

Doh presented two examples to illustrate his points. Roughly 20 years ago, governments went through a failed effort in their attempt to create a global agreement on deforestation among companies throughout the world. During this period, NGOs and corporations began to work together and formed the Forest Stewardship Council (FSC), a strategy that facilitated collaborative solutions to the problems. Through the FSC partnership, they were able to protect forests across the globe and promote sustainability. His second example involved cooperation between NGOs and Chiquita, the banana company with the largest market share in Latin America. The negative response to Chiquita's lack of CSR (e.g., exploitative working environment, labor rights violations) and bleak market condition in Europe led the company to declare bankruptcy. In the aftermath, the Rainforest Alliance (RFA) entered into the situation, and worked with Chiquita to reach an agreement on a better banana standard. Chiquita benefited from the resultant RFA Certification, helping them to enhance their reputation and recapture their market share. As Doh concluded, without such collaborative actions, it is unlikely that either issue would have been successfully resolved.

Dirk Matten, *Director of the Centre for Research into Sustainability at the University of London*, continued the discussion by drawing on the Baku-Tbilisi-Ceyhan pipeline project, which he suggested captures many of the issues related to sustainability and globalization. Noting that the project involves the largest petroleum pipe construction project in the world, linking the world's third largest oil reserves in the Caspian Sea through Turkey, Azerbaijan, and Georgia to the Mediterranean, he argued that the sustainability of the British Petroleum (BP) program has "many dimensions, ranging from environmental and social issues to economic issues." As he continued, in terms of "environmental issues, the pipeline goes through water reserves and its leakage and coating could potentially contaminate them… it will also inevitably lead to some disruption of the building and construction where the pipeline has to pass by. As for social issues, there is poverty and economic marginalization, civil war and terrorism in these areas, and the relocation of civilians along the pipeline will give rise to new problems. Moreover, there are economic issues involved, such as the distribution of wealth from the project and the compensation of local landowners." He stressed that these are the types of concerns that must be addressed "to maintain the sustainability of the project."

In its effort to be a "good corporate citizen," British Petroleum took on measures and actions to deal with these potential problems. "They spent a lot of money on their regional sustainability development program… and they implemented it according to the different governance structures across the different countries." Yet, despite these well-intended efforts related to BP's attempt to ensure the sustainability of the project, the pipeline still has it critics. As an example, he pointed to a recent documentary that focused on the problem of this project rather than presenting a more balanced perspective. "Inevitably, we have to us ask ourselves, 'what went wrong?'…," suggesting that companies like BP should "take on more of a political role" in governing its own citizenship behavior. As he concluded, "The BP case leads us to think about

the need for corporations to assume political responsibility for sustainable development on a global level, especially in areas where we have poor governance and corrupt political institutions and actors."

Thomas I. White, *Hilton Professor of Business Ethics at Loyola Marymount University*, concluded the panel by drawing on the key points raised by the other panelists, noting that it was clear that sustainability can be developed in many ways. Given these different views, he suggested a way of reframing the concept, arguing that "sustainability is ultimately about trying to provide for the conditions that promote the short and long-term survivability of the various species on our planet," which goes well beyond seeing sustainability as "an environmental issue." He argued that the way we do business globally today involves a number of unintended negative consequences. Part of this problem arises from the fact that managers often fail to recognize the consequence of their actions, and the "unintended effects of these actions put the short and long-term survivability of human beings at risk." Using energy as an example, he pointed to the U.S. auto industry and its move toward trucks and SUVs. This strategy made the U.S. more dependent on foreign oil and, he claimed, was a contributing factor in two oil wars. Similarly, the "growing love affair with the private auto in China will inevitably lead to a significantly greater demand for oil." These trends ultimately contribute to greater social and political instability.

As White continued, "it is important to remember that a single decision may have significant negative effects in the future, whether or not these outcomes are intended." Given this reality, corporate decision makers should ask themselves at least two questions: (1) "Are we doing something that potentially leads to harm?"; and (2) "Are we failing to do something that could reduce harm?" These basic questions should be at the core, rather than the fringe, of our decision-making. Within this context, the essence of CSR would lead to sustainability. In closing, White underscored that financial and marketing expertise from our business leaders are not enough. "We should expect more from them in their decision-making – specifically, the ability to consider the broader consequences of their actions."

CORPORATE SOCIAL RESPONSIBILITY AND EMERGING ECONOMIES

Panel moderator **Jacquie Kay**, *President of WPI Inc.*, began the discussion by drawing an analogy to CSR as "tectonic plates in motion in an upside-down world," noting that it is becoming increasingly important to balance the concomitant flows and shifts. Given that there are many "contradictions and ambiguities in the notion of CSR, especially in emerging economies," Kay indicated that the speakers would be introducing new viewpoints and perspectives on CSR, including fair trade, new paradigms from the south, and understanding donor agencies such as the IMF and their inclusion of CSR in projects for emerging economies.

Kay pointed to "three Os" that we should keep in mind when thinking about CSR. "The first one is about *ownership*," reflecting on David Vidal's comments earlier in the day, Kay argued that "we should start thinking about ownership in a whole new way." The second "O" is *order*, which reflects "a change of power." The third "O" is seeing all this as *opportunity*. As she argued, we are currently "at a time when modernity and tradition are colliding, and we need to be open to creating balance." In today's world, economies and power are shifting, from the north and west to the south and east, and, as a result, these "three Os must be considered as we seek balance in an increasingly chaotic world." As she concluded, "good governance, civic engagement and CSR can only be changed when we include, as baseline, the human and natural resource elements."

Joan Dubinsky, *Ethics Officer for the International Monetary Fund (IMF) and Founder of the Rosentreter Group*, began with a brief introduction about the IMF. As she noted, "Basically, the IMF does three things. First, the IMF is the lender of first resort to its member-governments who may face economic instability or encounter difficulty in obtaining loans from the private sector. As they establish a positive track record of good governance and fiscal accountability, member-governments are generally in a stronger position to secure private financing. Second, the IMF provides technical assistance to government officials and others in macroeconomic theory and practice. Third, the IMF works with its members, helping them figure out what their money should cost.

Dubinsky then used a brief video case study to highlight some of the ethical challenges that the IMF can face. The case study, derived from a sampling of real-life ethical dilemmas, focused on interactions between IMF staff and government officials, the donor community (NGOs and representatives of the donor community), and private financial investors. The IMF provides extensive, instructor-led training to its Resident Representatives, to help them recognize, appreciate, and resolve the ethical challenges that they will face when working in their assigned countries.

Rink Dickinson, *Co-founder and President of Equal Exchange*, a for-profit worker cooperative dedicated to "fair trade," concluded the panel by offering his insights into the "vicious cycle of poverty and debt" that exists in many emerging economies. He began with a brief introduction to Equal Exchange, explaining that the company "works with small-scale coffee farmers, tea farmers and sugar farmers, who are out in the countryside… and placed in an unfair economic position." Faced with pressures to sell their produce at a price under cost, he noted that the organization promotes a fair trade policy that guarantees a minimum price per pound. As he noted, "We provide hard-to-obtain affordable pre-harvest credit for orders, which allows the farmers to eventually get out of their poverty and debt cycle. We also commit to long-term relationships with them and work with them to increase their capacity."

By showing market and fair trade minimum prices for coffee over the years, Dickinson asserted that "most of the time, the market price is below the fair trade floor price. When this occurs, "we put money in the system to raise the price… about ten percent of our profit goes to farmers to help them get their 'fair' price." Turning to Equal Exchange's impact on their trade partner farmers, he noted that roughly $1 million in affordable credit was provide in 2004 and 2005, "supporting over 30 farmer co-ops around the world, helping democratize the economy of these rural communities." Although there is still a downside to these efforts, suggesting that in many instances farmers still "have less buying power and less leverage in the marketplace, with even greater environmental degradation," from a CSR perspective "farmers now have a seat at the table, which means they can have greater influence encouraging fair trade, and, over the long term, that is very important."

Miguel Olivas-Luján, *Professor of Management at Tecnológico de Monterrey (in Monterrey, Mexico)* and *Clarion University of Pennsylvania*, continued the discussion by sharing his research on decision-making in Mexico, especially as it relates to CSR. As he noted, "ethical decision-making is influenced by both individual and environmental factors." In Mexico, a "paternalistic" approach to business, while decreasing, still has a very strong presence, and his research found that an ethical orientation to the ecological environment is correlated strongly with corporate philanthropy and authority. Drawing on his research, Olivas-Lujan noted pointed out that "implementation of CSR in Mexico is different… and companies that do integrate CSR into their business truly distinguish themselves from other companies." The legal environment does play a significant role, as a focus on CSR is required by law in health, working conditions, and women employees."

In closing he suggested that although Mexican business is very similar to the U.S., the approach to ethical decision-making is very different. From the standpoint of the academic environment, he noted that Mexican business schools like *Tecnológico de Monterrey* or *IPADE* (another salient business school from Mexico), which have focused on CSR have successfully "distinguished themselves from other academic institutions around the world," to the point of receiving international recognition by publications like the Wall Street Journal and Financial Times. The continued challenge, however, is to balance the clash between "traditional business pattern that are being integrated with modernity… as paternalism still plays a significant role in Mexican business."

Arthur Shacklock, *Director of the Integrity and Anti-Corruption Program, Institute for Ethics, Governance and Law at Griffith University in Australia*, continued the discussion with a focus on attempts to "extend the transparency of national integrity." Beginning with a brief introduction of the work of their National Integrity System Assessment (NISA) methodology, he noted that "Our NISA work is based upon the view that without an effective integrity system, a

developing country is unlikely to achieve its full potential, since corruption and unethical practices will likely dominate and … in this climate, CSR is highly unlikely to exist."

NISA focuses on developing recommendations for reform through a comprehensive assessment of a country's national integrity system, its strengths and weaknesses. Shacklock underscored that "there is no 'silver bullet' and one has to be patient in conducting a process of reform, concentrating on setting priorities and sequencing reform activities accordingly." Such an integrity system involves what Professor Charles Sampford called a "Trinity" of reforms: legal regulation, institutional reform and setting ethical standards. Shacklock stressed that "An effective system of integrity institutions, rather than individuals, is the key to success at the national, state and even large organizational level." Using a "Rubik's cube" type analysis, he explained the multi-faceted complexity of such an integrity system, where the "Trinity" of reforms is on one face of the cube, on another face are the dimensions of government, business and civil society, and on the third face are the levels of potential assessment and intervention (from local to international in focus). NISA seeks to provide three key areas of assessment which he referred to as the "three Cs": *Capacity* (whether the institutions have the capacity to do their jobs in terms of human and financial resources, legal support, political will, etc.), *Coherence* (the extent to which the various integrity institutions interact in positive or negative ways, working collaboratively to support each other, or otherwise), and *Consequences* (the specific outcomes of their activities and the integrity system as a whole). As he concluded, the resulting complexity can also be thought of as a type of "bird's nest (of intertwining and mutually supporting twigs) consisting of core and distributed integrity institutions and their constitutional, policy and operational inter-relationships, which captures the "essence of an effective integrity system."

ACKNOWLEDGEMENTS

As Coordinator of the Bentley Alliance for Ethics and Social Responsibility, I wish to express my gratitude for State Street's continued support for and multi-year commitment to this venture. I would also like to thank the speakers, panelists and moderators in our second Symposium for their willingness to share their work in the corporate social responsibility arena, and, most of all, for their good natured colleagueship and support. Among my many Bentley colleagues, without whose effort and support the Symposium would not have been possible, I would, once again, particularly like to thank Michael Hoffman, Robert Frederick, Robert Galliers, Mark Rowe, Mary Chiasson, Carrie Richardson, Michele Walsh, Steven Salina, Terry Tierney and Gail Sands.

Some difficult choices were made in capturing the essence of the ideas exchanged during the Symposium. As we did with the Proceedings from the first Symposium on "Ethics and Risk Management in a Global Environment," we chose to focus on the remarks made by and exchanges between our panelists, unfortunately bypassing a wealth of ideas that were raised

during the interaction with the audience. Shen (Ivan) Li, my graduate research assistant, provided invaluable assistance in viewing tapes of the different sessions, culling key points and ideas, and helping to edit the proceedings.

With an eye toward next year's program, I look forward to sharing many of the thoughts and ideas that will be exchanged during the 2007 Symposium – Business Ethics and Corporate Social Responsibility: Different Sides of the Same Coin? A Comparison of European and North American Perspectives – which will be held on June 18, 2007 in Madrid, Spain at the Universidad Pontificia Comillas de Madrid. I also hope that you will be able to join us for what promises to be another thought provoking day.

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Further information on the Bentley Alliance for Ethics & Social Responsibility can be found at:
http://www.bentley.edu/alliance

Further information on the Bentley Global Business Ethics Symposium series sponsored by State Street Corporation can be found at:
http://www.bentley.edu/symposium

SPEAKERS AND PANELISTS

Keynote Speaker:

Richard W. Pearl, *Vice President, Community Affairs, State Street Corporation*

Luncheon Speaker:

Barry Salzberg, *Managing Partner, Deloitte & Touche USA LLC*

Changing Perspectives on Corporate Social Responsibility

Moderator:

Michael Hoffman, *Executive Director, Center for Business Ethics and Hieken Professor of Business and Professional Ethics, Bentley College*

Panelists:

S. Prakash Sethi, *Distinguished University Professor, Baruch College, CUNY,* and *President, International Center for Corporate Accountability, Inc.*

Timothy Smith, *Senior Vice President, Walden Asset Management*

David J. Vidal, *Director of Research, Global Corporate Citizenship, The Conference Board*

Stephen B. Young, *Global Executive Director, CAUX Round Table*

Corporate Social Responsibility and Corporate Governance: Tensions and Possibilities

Moderator:

Robert Frederick, *Professor and Chair, Department of Philosophy, Bentley College*

Panelists:

Patricia M. Flynn, *Trustee Professor of Economics and Management, Bentley College*

Kathleen A. Lacey, *Professor of Legal Studies and Associate Director, Ukleja Center for Ethical Leadership, California State University, Long Beach*

Jeanne M. Logsdon, *Regents Professor & Rust Professor of Business Ethics, University of New Mexico*

Adriana Perusin, *Managing Partner, Conexão Social, Brazil*

Corporate Social Responsibility and Business Ethics

Moderator:

Mark Rowe, *Senior Research Associate, Center for Business Ethics*

Panelists:

Anil Chopra, *Management Consultant, Enterprise Governance & Business Ethics and Former Senior Consultant, Tata Sons, India*

José Luis Fernández- Fernández, *Javier Benjumea Chair of Ethics for Economics and Business, Universidad Pontificia Comillas de Madrid*

OC Ferrell, *Bill Daniels Distinguished Professor of Business Ethics, University of Wyoming*

Sanjoy Mukherjee, *Management Centre for Human Values, Indian Institute of Management Calcutta*

Corporate Social Responsibility and Stakeholder Management

Moderator:

Marie Rock, *Senior Lecturer in Management, Bentley College*

Panelists:

Maria Helena Moreira Alves, *University of the State of Rio de Janeiro and International Representative, Viva Rio*

Chris Deri, Senior Vice President, Stakeholder Strategies Practice, Edleman

Thomas Dunfee, *Kolodny Professor of Social Responsibility, Wharton*

Steven K. May, *Associate Professor of Organizational Communication and Ethics Fellow, Parr Center for Ethics, University of North Carolina at Chapel Hill*

Corporate Social Responsibility and Competitive Challenges

Moderator:

Joseph Weiss, *Professor of Management, Bentley College*

Panelists:

Luís María R. Calingo, *Dean, College of Business Administration and Director, Ukleja Center for Ethical Leadership, California State University, Long Beach*

Nikki Daruwala, *Director, Socially Responsible Business Program, American Rights at Work*

Luis Ángel Guerras Martín, *Professor of Management, Catedrático de Organización de Empresas, Universidad Rey Juan Carlos*

Sustainability and Globalization

Moderator:

Lawrence T. Nichols, *Professor of Sociology, West Virginia University*

Panelists:

Jonathan Doh, *Director, Center for Responsible Leadership and Governance, Villanova University*

Dirk Matten, *Director, Centre for Research into Sustainability, University of London*

Thomas I. White, *Hilton Professor of Business Ethics, Loyola Marymount University*

Donna J. Wood, *David W. Wilson Chair in Business Ethics, University of Northern Iowa*

Corporate Social Responsibility and Emerging Economies

Moderator:

Jacquie Kay, *President, WPI, Inc.*

Panelists:

Rink Dickinson, *Co-founder and President, Equal Exchange*

Joan Dubinsky, *Ethics Officer, International Monetary Fund, and Founder Rosentreter Group*

Miguel Olivas-Lujan, *Professor of Management, Tecnológico de Monterrey and Clarion University*

Arthur Shacklock, *Director, International Projects and Director, Integrity & Anti-Corruption Program, Institute for Ethics, Governance and Law, Key Centre for Ethics, Law, Justice and Governance, Griffith University*