The 5th Bentley Global Business Ethics Symposium

sponsored by the State Street Foundation

May 2009

In Memory of Timothy B. Harbert '76

Chairman and CEO of State Street Global Advisors and

Trustee and Alumnus of Bentley College

BENTLEY

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This year's Bentley-State Street Symposium, the fifth in a multi-year partnership, was held on the Bentley University campus in Waltham, Massachusetts. The program continues in its objective to unite business and higher education in the common goal of building a strong ethical foundation from which to serve our many stakeholders and communities. Once again, this year's event brought together international experts and thought leaders from the academic, corporate, government 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 was to both learn and inform by:

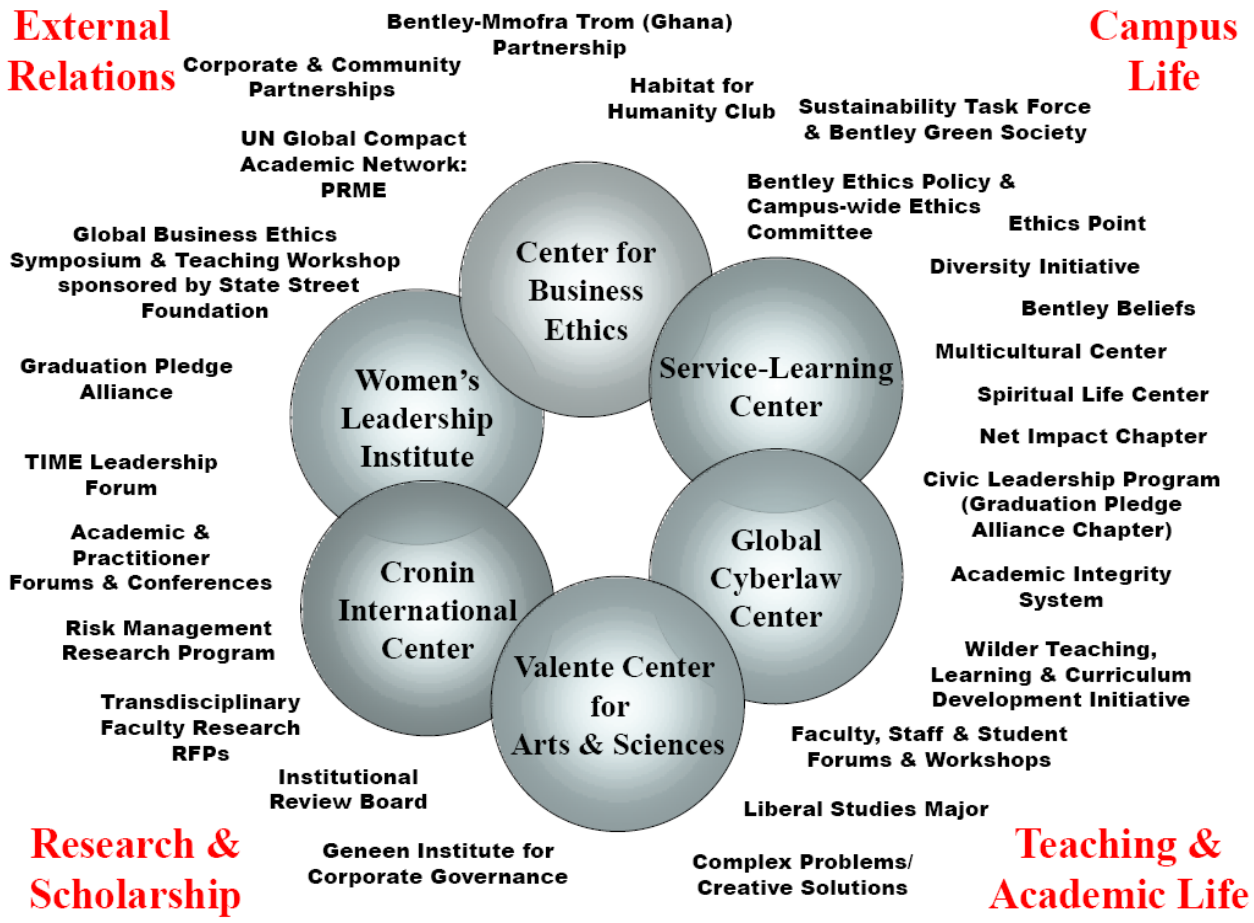
- exploring current practices in other institutions, countries and cultures;
- identifying ways to enhance issues of ethics and corporate responsibility in business education and in outreach to the corporate community; and
- disseminating this experience throughout the academic and practitioner worlds.

With over 30 speakers and panelists and an audience of approximately 130 academic, civil society and corporate participants, the May 18, 2009 Symposium provided the opportunity to explore a wide range of issues related to ethics, corporate social responsibility and sustainability in creating responsible global cultures.

The Symposium series is hosted by the Bentley Alliance for Ethics and 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, social responsibility and sustainability 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, civic engagement and sustainability.

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 and NGOs in pursuit of these goals.



THE AY 2008-09 BENTLEY ALLIANCE FOR ETHICS & SOCIAL RESPONSIBILITY

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 six "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. (http://www.bentley.edu/cbe/)

- ***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. (http://www.bentley.edu/international/)

- ***Global CyberLaw Center***: Established in 2002, the Center focuses on exploring the vast legal, social and ethical issues relevant to cyberstudies and e-commerce. (http://www.bentley.edu/cyberlaw/)

- ***Service-Learning Center***: Established in 1990, the Bentley Service-Learning Center (BSLC) 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. (http://www.bentley.edu/service-learning/)

- ***Valente Center for Arts & Sciences****:* Created in 2006, the Center's mission is to help make the arts and sciences a vital, integral and challenging aspect of undergraduate and graduate education at Bentley, promoting research at the intersection of arts, sciences and business. (http://www.bentley.edu/arts-sciences-center)

- ***Women's Leadership Institute:*** Founded 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)

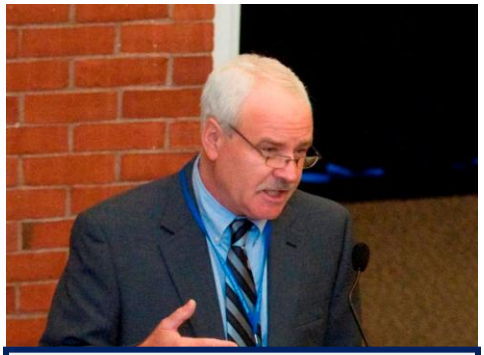
Combined with a series of programs and activities across the institution, this initiative has led to a four-part approach that attempts to shape and influence a sense of ethics, service, responsibility and sustainability throughout (1) the curriculum, (2) campus life, (3) the university's research agenda,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

SYMPOSIUM HIGHLIGHTS:

BUILDING RESPONSIBLE GLOBAL CULTURES –

THE ROLE OF ETHICS, CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Anthony F. Buono, *Executive Director of the Bentley Alliance for Ethics and Social Responsibility*, began the program by noting that the Symposium series is held in memory of Tim Harbert, a Bentley alumnus and trustee and Chairman and Chief Executive Officer of State Street Global Advisors. "As his colleagues at State Street have noted, under Tim's leadership, State Street Global Advisors became one of the world's premier asset managers, significantly expanding its portfolio of Socially Responsible Investment Funds… throughout his tenure with State Street, Tim was a major supporter of the firm's community outreach programs… and he would be very proud of this Symposium and the focus of our discussion today."



Tony Buono
Bentley University

Joining him in the welcoming remarks, **Robert Galliers**, *Provost and Vice President of Academic Affairs at Bentley*, thanked State Street for the long-term commitment the firm and its members have had in their support of the Symposium and Teaching Workshop series. Continuing his comments, he also noted the scholars from around the world – from Canada, Ghana, Iraq, Indonesia, and Turkey – who would be participating in Bentley's week-long Teaching Business Ethics Faculty Development Workshop following the Symposium.

Bob Galliers
Bentley University

ENVIRONMENTAL, SOCIAL AND GOVERNANCE-BASED INVESTMENT

As the morning keynote speaker, **Arlene Rockefeller**, *Executive Vice President and Head of Global Equities Management Group, State Street Global Advisors*, began her comments with a quote from Rachel Carson's *Silent Spring* – "Only within the moment of time represented by the past century has one species – man – acquired significant power to alter the nature of his world." Pointing to Carson's book as a precipitating event in the environmental movement, Rockefeller focused her comments on "how the concept of environmental sustainability combined with the concepts of social responsibility and corporate governance to become the ESG movement we have today, and how these ideas were gradually incorporated into the mainstream of quantitative investing."

She emphasized that these ideas were first used in investing in three ways – the socially responsible concept of tobacco free investing, the anti-apartheid stance of the Sullivan Principles, and the Domini Social Index Fund. As she noted, "Some investors at that time were willing to forgo optimal returns in order to be catalysts for change. Others were looking for better returns and adhered to the philosophy of

Arlene Rockefeller
State Street Global Advisors

'Pay me now or pay me later,' referring to a slogan that was used in the old FRAM commercial. They believed that better investment returns might not be immediate, but that ultimately companies would be paying high costs for poor environmental or social behavior." She noted that this belief became a reality in the tobacco industry as their "portfolios declined for years… as the tobacco companies began to lose lawsuits."

Rockefeller explained that "although State Street was an early participant in socially responsible investing, it was always at the request of our clients. As a quantitative investor, we could not put it into our mainstream processes until we had enough data to test that these concepts would add value to our investment portfolios. Early studies of the efficacy of socially responsible investing, however, were not rigorous enough for us to rely upon… as a quantitative investor we needed to demonstrate that these concepts added value based on their own merits." As she continued, "When I would ask data vendors whether they had historic information for us to test, they would reply 'Trust me, it's a forward looking concept.' While this argument was enough for clients who shared this vision, it wasn't enough for us to use for all of our clients."

"As Albert Einstein once noted," she continued, "'the significant problems we face cannot be solved at the same level of thinking we were at when we created them.' We continued to do socially responsible investing at our clients' request. We continued to look for new sources of information and review the history and breadth that the information covered. Over the past few years, corporate governance has also become a component of investor interest. Increasingly we were asked, 'How can the environmental, social and governance scorecard of a company be ignored when the goal is to capture the best economic investment results?' A company without regard for environmental pollution may achieve low-cost operations in the short term, but may do so at the risk of large future losses in connection with fines, litigation and expensive clean-up operations. A company with poor social responsibility may suffer product embargo or brand reputation loss by being caught exploiting child or native labor. The link between corporate governance and investor returns is particularly apparent when, for example, a company pays its executives overly large packages and bonuses without shareholder approval, while profits are falling and the business is floundering. Without data to show that data sources actually provide useful insight into corporate activity, it was necessary to take on faith that the data were accurate and that corporations would ultimately be held accountable for their actions. As the body of ESG data grew, the number of companies providing data also grew."

"When we think of innovations in investing, we often think of New York or London, but Australia is at the vanguard of the ESG movement. Australian has a very fragile environment, so Australians are the clients who are most committed to have ESG data as a mainstream component in investment portfolios. At State Street Global Advisors, we decided to embark on what we believe to be the most comprehensive quantitative study completed to date on the benefits of incorporating ESG information in active equity management… and we did that study in Sydney. Past studies have been either restricted to a single ESG element or have focused on one particular country or region for analysis. Data is sparse prior to 2003 and

coverage for emerging markets is minimal. We used 7 sources of environmental information, 5 social responsibility ratings and 8 governance feeds. We looked for predictive power at the global, regional and country levels, as well as within each of the GICS sector classifications inside these regional classifications."

Drawing on Albert Einstein once again, she quoted him as noting, "'everything should be as simple as it is, but not simpler.' The first thing we considered was a 'Super ESG' factor that used all information for all companies globally. The basic idea was 'If this stuff is good, let's use all of it everywhere!' This was disappointing. When comparing all companies to one another, the data suggested that good corporate behavior has not been rewarded. Painfully, the US and Canada are the worst, with Europe next and Asia/Pacific neutral. Perversely, both companies with very good ESG characteristics and companies with very poor ESG properties outperformed the average company. But we did find that using ESG properties as a discriminator between companies within the same sector works in 8 out of 10 sectors. As we went deeper into the data, we realized that the value was not in a one-size-fits-all approach, but in using data where it works best."

Reflecting on analysis on a country by country level, Rockefeller pointed out that "we found that companies with a good record on the environment can be expected to outperform in regions with stringent environmental regulations. The EU, which has mandatory carbon cap and trade schemes, is an example. The strongest positive connection to returns is in Japan, but also Canada, Germany, France, the Nordic countries, the UK and the US are areas where a good environmental record is positively correlated with better returns. The worst record is in Australia, where steel manufacturers have had strong returns due to demand from China in spite of a large carbon footprint. This connection will become stronger as more legislation is enacted, and should be used within, not across sectors – for example, it really doesn't work to compare a steel company with a bank."

Rockefeller further underscored that companies with good social responsibility records on measures such as turnover, human health and welfare are most rewarded in Japan and the Asia/Pacific arena. As she noted, "These characteristics seem to be of most importance in sectors with high social interaction (materials) and with high numbers of employees (industrials). Governance, measured by board accountability, financial disclosure, internal controls, and shareholder rights, works best in developed markets, with Australia and Japan being the strongest. There doesn't seem to be a strong tie for US companies, Hong Kong or emerging markets, and it does not work in every sector, at least not up to this point."

Arlene Rockefeller
State Street Global Advisors

Reflecting on the challenge of putting ESG to work, she quoted Yogi Berra, "In theory there is no difference between theory and practice, but in practice there is." As she continued, "So how do we put this to work in an actively managed quantitative portfolio? We look at our baseline process and add the ESG information to take positions where the information was the strongest. We have run portfolios that span the globe and have successfully added value using

ESG information at our clients' request… now we can use it in our mainstream portfolios to add return for all clients."

Noting that there is finally sufficient time series ESG data to answer the question as to whether good ESG behavior results in superior investment returns, she argued that "Recent studies show that the benefits of considering environmental criteria in the investment process can be substantial. Although ESG data used across the board does not add value to an investment portfolio, this information should not be ignored by any investors looking to improve returns. ESG data used as appropriate within country and sector does add value – and global ESG assets are estimated to be $2.6 trillion."

CREATING THE RESPONSIBLE GLOBAL ENTERPRISE:
CHALLENGES AND OPPORTUNITIES

As a reflection of the program theme, the opening plenary panel was composed of an ethics officer, a corporate social responsibility officer and a sustainability director. Moderated by **Anthony Buono**, the panel explored the role that each of these positions play in creating and sustaining a responsible global culture. **Richard Pearl**, *Vice President, Corporate Social Responsibility and Environmental Sustainability Officer at State Street Corporation*, began his comments reflecting on his role in State Street's reporting, which is based on the Global Reporting Initiative. Through the progress of sustainable development at State Street, which "evolved from our long-time traditional community support to our current environmental program," Pearl noted that "what began as a reputational enhancement for State Street has become fully entwined into our business case, as more and more of our clients and customers, especially those with large pension plans and retirement funds, are raising questions about sustainability, not just in the environmental area, but with respect to human rights, governance, and so forth. Shareholders are increasingly looking at companies' sustainability scorecards, as do employees and the communities where the firms operate."

Tony Buono, Rick Pearl, Blair Feltmate and Tom McCormick

Pearl underscored that the environmental component of corporate responsibility has been elevated in recent years to the senior level. "Our top executives hear from the folks on the front lines as well as from outside of the company and realize that our broader efforts with respect to the environment are increasingly a determinant as to whether people want do business with us, as well as our surrounding community's willingness to embrace us." As he concluded, "no investment in corporate social responsibility or sustainability is ill-served, and the return on investment is greater than the investment itself.

Rick Pearl
State Street

"We began our sustainability program to cut costs and create efficiencies… Today, sustainability programs are all about efficiency, to the point where ultimately there may come a day when the corporate social responsibility office will go away… when these endeavors are really seen as best practices that must be ingrained in a company in order for it to be successful over the long term."

Blair Feltmate, *Director of Sustainable Development for Ontario Power Generation***,** continued the panel by defining sustainable development as "working to minimize the environmental footprint of our corporations, while also working simultaneously to create value in the communities in which we operate, from both a social and economic perspective." His role is to "operationalize sustainable development, helping to ensure that the company is successful in its environmental, economic and social stewardship, functioning as an integrated whole." As he emphasized, "a failure in any area means total failure."

Referring to the challenge of ensuring that sustainable development is embedded in a company, Feltmate stressed the role of employees. "At the end of the day turning sustainable development into reality is to a large extent based on employee acceptance. If employees are not on board, you will not get anything positive. Employees are the key to success." Reflecting back on the progress made at Ontario Power Generation, Feltmate noted that he started the process with a sustainability education program for all 12,000 employees to make sure they understood what sustainability was, how it could be operationalized in the company, and, perhaps most importantly, why it was important for the company to practice sustainable development. As he explained, a critical reason comes from the business case, that as Ontario Power Generation applies for a license to operate a new facility it must demonstrate to the government and the public that it is able to minimize the environmental footprint of its operations, and that it cares about its employees and the communities in which it operates. A second reason comes from the ability to "attract the best and brightest people," noting that companies that have superior environmental and social practices are the ones chosen by prospective employees.

Feltmate continued by pointing out the importance of fit when bringing in people who will help develop the company's sustainability agenda. As he argued, people who have the potential to push sustainability programs must be able to articulate the concept and continually motivate others. He stressed, however, that to capture a high level of attention in an organization "you can't just talk about saving the planet, you have to talk in business terms – why it's good for the business – to get key people on board, like the CFO."

Blair Feltmate
Ontario Power Generation

Concluding his remarks, Feltmate pointed to an area of sustainable development that needs to be improved – "there is a problem in that many people in charge of operationalizing corporate social responsibility or sustainable development cannot explain concisely, within 30 seconds, what it is." As he argued, it is important to develop a "sustainable development elevator pitch" to be able to capture people's attention and convince employees at all levels about its importance." "Remember," he

concluded, "if you don't have employees on board, you are dead in the water."

Thomas R. McCormick, *Group Compliance and Ethics Officer at BP, London,* began his comments by briefly describing how BP approaches its compliance and ethics program. He noted that companies differ in the way in which they approach compliance and ethics, sustainability and reputational issues, pointing out that the function at BP is called "compliance and ethics" not "ethics and compliance." He argued that the underlying reason for BP's compliance focus stems primarily from the historical environmental issues in the company's refineries. He explained, however, that in achieving commitment to long-term sustainability, companies need to move beyond compliance, focusing "more on ethics," and the most effective way to do this is to focus on corporate culture.

Continuing his remarks, McCormick pointed out that companies can have a very strong tone at the top, but the challenge is to "get the tone into the middle of the organization, to the supervisor level and down at the line." As he explained, "at the top of the company, we worry about the company's reputation and sustainability, but as you start rewarding people down the line, their scorecards are not all that well aligned with the enterprise level, especially in terms of values and principle-based approaches."

Reflecting on the composition of the panel, McCormick concluded by focusing on how compliance and ethics, CSR and sustainability come together. Noting that BP's enterprise risk management assessments have helped the company more fully understand that "risks in ethical issues and compliance issues in the business planning process are the same as financial risks and other business related risks… All three roles are part of a holistic risk management process." As he concluded, there are ways in which these three areas can be brought together, the challenge – whether at the business unit level, the executive level or the board level – is to ensure that the concerns surrounding compliance and ethics, sustainability and corporate social responsibility are "all heard as part of the same discussion."

Tom McCormick
BP

THE LEADERSHIP CHALLENGE:
SETTING THE TONE AT THE TOP

The first morning concurrent panel, chaired by *Bentley philosophy professor* **Robert Frederick** focused on the leadership challenges involved in building a responsible organizational culture and the importance of setting the right tone at the top of the company. Starting the discussion, **John Hansen**, *Chair of the Executive Committee of the Kallman Executives Program, Center for Business Ethics,* began by pointing out both the critical nature of the topic as well as the fact that "tone at the top" is not particularly new territory. What is new, however, is the emerging realization that for too long "tone at the top" has been relegated to mere piety. "Too much of what passes for ethical leadership in business today is simply the appearance as opposed to the substance of ethics. An annual email that goes from the CEO to thousands

Bob Frederick
Bentley University

of employees globally which invokes a commitment to 'the highest standard of business ethics' may make for good sounding rhetoric, but alone cannot suffice."

Raising the question whether business leaders truly encourage their organizations to "do the right thing," Hansen underscored that there is a discernible gap between words and deeds. "Many of the failures in business ethics are not breaches of legal compliance. They are ethical failures." After pointing to a number of ethics lapses in diverse sectors including sports, religion, law enforcement, and elsewhere, Hansen focused on the recent financial services meltdown and argued that what was missing in each of the firms' businesses models was an essential ingredient – "a clear, measured embrace of business integrity."

Hansen pointed out three recurring factors that appear to be associated with ethics failures in business. One is "the illusory tone at the top," in which the organizational commitment to ethical business practices consists merely of words and not deeds. A second factor lies in conformity or "group-think," which impedes ethical decision-making. The final element is the lack of an effective governance structure that would reinforce an organizational commitment to "doing the right thing."

Jack Hansen
Bentley University

Expressing his skepticism that the solution to ethics failures lies in the enactment of another law, Hansen suggested a "prescription for what ails us." "First, we need to step outside our comfort zone and actually talk about the ethics issues we encounter in the organization; second, we need to emancipate ourselves from the groupthink that hinders an organization's ethical vision; and third, we need changes in governance," consisting of empowered ethics officers and greater board understanding of ethics and compliance management.

Hansen concluded his comments with the observation that fostering the notion of stewardship on the part of business leaders would help to lay the foundation for a genuine commitment to business ethics on the part of all stakeholders within the enterprise.

Linda Treviño, *Distinguished Professor of Organizational Behavior and Ethics at Pennsylvania State University*, continued the panel by exploring what it takes for the tone at the top to have a true effect in a company. She suggested that we should go beyond the phrase "tone at the top" because "what senior leaders really need to do is not to create a tone, but to create a symphony. There are a lot of pieces to be put together to create the real impact that you want to have." As she noted, "though tone at the top can be very important, it must mean developing a reputation for ethical leadership and devoting resources to ongoing development and sustenance of a strong ethical culture. Setting the tone at the top requires multi-level leadership, where executive ethical leadership flows to supervisors and others and sets the stage for an ethical culture, which includes influencing daily conversations and norms."

Tone at the top requires a sustained effort to develop a strong ethical culture, which Treviño defined as the "perceptions of how we do things around here every day in relation to ethics." Drawing on Treviño and Nelson's ethical culture model in which ethical culture is shaped by multiple formal and informal systems, she proposed that "The formal system includes executive leadership, the selection system, polices, the performance management system, organizational structure, decision processes and training, while the informal system is comprised of role models, norms, rituals, stories, and language." As she noted, "multiple cultural systems influence important outcomes such as employee willingness to seek advice, report problems, and reduce unethical conduct… all organizational systems have to work together to send a consistent message that we really do care about ethics around here."

Linda Treviño
Pennsylvania State University

She underscored that executive ethical leadership involves perceptions of the leader as person and manager. With regard to the person, Treviño turned her comments to the personal characteristics required for ethical leadership. A moral "person," she argued, is "a principled, trustworthy, and fair decision maker… one who is caring, open to input, and leading his or her personal life ethically." Describing the characteristics of a moral "manager," she noted that a moral manager "defines success not just by results but by how they are obtained," communicates the importance ethics and values, and holds ones' self and others accountable for their actions… which includes "discipline for violations of ethical standards and serving as an explicit role model for ethical behavior."

As she concluded, setting the tone at the top requires "a system of credibility, perceived fair treatment, the perception that ethical behavior is rewarded, not punished, and is part of the daily conversation." Treviño stressed that we must have a deep commitment to business ethics, noting "you have to believe in it… it's a choice, so you have to really believe that it works, that it is the only way to act… and everybody has to buy into that."

The final speaker on the panel, **Robert Ventura**, *General Counsel at Metso Automation USA Inc*., continued this theme, focusing his comments on the underlying challenges involved in attempting to make the tone at the top "real" throughout the organization. He argued that one of the biggest challenges is how managers communicate with the people throughout the organization – from the top to the bottom – without losing clarity or impact. As he continued, the tone at the top can get "diffused and diluted," noting that in many instances senior executives don't spend enough time "interacting on a frequent basis with people much below middle management." This limited focus is clearly problematic and he emphasized the "urgent need to get the tone down below."

Robert Ventura
Metso Automation USA Inc.

Drawing on his experience in multinational corporations involving multiple levels of management, Ventura emphasized that "you can experience all the training, seminars, announcements and regular

quarterly letters, but all of this only goes so far… most people would agree that ethical behaviors are required, but the problem is when human nature runs into ethical behavior – and human nature hasn't changed for thousands of years." As he concluded, "Actions speak louder than words, whether proclaiming compliance, fair play or ethics. People who make unethical business decisions often don't absorb enough of that tone to seek guidance… they just go ahead and conduct unfair business practices." The most effective way to address this shortcoming, Ventura suggested, is to ensure that the tone at the top is disseminated on a personal level, "down to the bottom of the organization by having enough senior managers interacting with people at all levels of an organization and demonstrating, through their actions and decisions, ethical behavior – a challenge, of course, that is not easily accomplished in larger organizations."

STRATEGIES FOR SUSTAINABLE GLOBAL BUSINESS PRACTICE

The other morning concurrent panel was moderated by **Rick Oches**, *Professor of Geology and Environmental Science at Bentley University*. The first panelist, **Susan Aaronson**, *an Associate Research Professor of International Affairs in the Graduate School of Business and Elliott School International Affairs at the George Washington University*, centered her presentation on human rights, which she argued is an often ignored part of the sustainability debate. Arguing that it is important to move human rights issues into the forefront of discussions about sustainability, she pointed out that in contrast with the environmental case human rights issues are not easily understood nor legally clear. She stressed that although international law does delineate exactly what should be done, there are other societal organizations that do have responsibility to protect and promote human rights.

Rick Oches
Bentley University

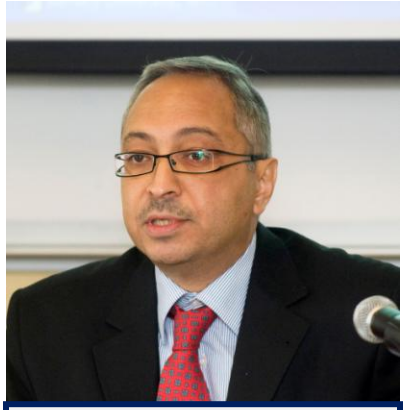
Aaronson further argued that although firms have human rights responsibilities, it is ultimately the responsibility of the state to ensure that its citizens have sufficient access to opportunities, credit and resources. She expressed concern, however, that many state governments are unwilling and unable to do so. As an example, she cited Shell in Nigeria, noting that Nigerian citizens called for Shell to provide healthcare and infrastructure improvements rather than the government. She argued that people appear to be "getting into the habit" of asking multinational corporations (MNCs) for such initiatives instead of their government.

Susan Aaronson
George Washington University

Although there is clearly a role that MNCs need to play, if these governments do not "learn to listen and respond" to their citizens, the citizens themselves will not have the opportunity to "learn to work together to try to make government more responsive to these concerns." As a result, a feedback loop, which is essential to good governance between policymakers and their citizens, may never be created. She also stressed there are ways that companies can partner with governments, civil society and other stakeholders that do not undermine the capacity of

governments to respond to their citizens. She concluded by urging executives concerned with CSR to find ways not only to meet sustainability concerns but also work to build governance capacity.

Abdelwehab A. Alwehab, *Professor and Director of Urban and Regional Planning for Post Graduate Studies at Baghdad University*, continued the discussion by noting that it is ironic for someone whose income derives indirectly from the sale of oil to speak about environmental sustainability. At the same time, however, he argued that because he comes from a country that depends on oil "it is that much more of an ethical obligation to prolong this natural resource as much as possible for future generations." When discussing sustainable global business strategies, however, Alwehab also pointed out that it is imperative to emphasize that "the globe is not uniform, the world is divided socially, economically, and ecologically into the developed, the developing and the least developing worlds with gray regions in between." Noting that the developed world has managed an important shift within the last two decades, he cautioned that the less developed regions, with few exceptions, have shown a lesser will to step into the new age of sustainability.



Abdelwehab Alwehab
Baghdad University

Alwehab continued by underscoring that the relative improvement of income and the standard of living in some of the developing countries have shown that the resulting pressures on financial resources further contribute to the already deteriorating states of the global environment. He suggested that it is beneficial to recall a simple, yet extremely critical, principle put forward in Agenda 21, which emanated from the 1992 Earth Summit – the need for international cooperation. The ethical dilemma of trying to reach a balance between the immediate needs of the population, while also attempting to convert scarce capacities to mitigate negative environmental consequences cannot be resolved without a helping hand. This help has to come inevitably from the developed world, at least for the foreseeable future. As he argued, "Sustainable global business cannot be sustained where goods and services flow in one direction, while capital and earnings flow in the other, nor can global business flourish where parts of the globe produce and other parts are merely markets for these products or reservoirs of natural resources."

As a way of addressing this issue, he referred to the World Trade Organization (WTO), which offers mechanisms "for trade to work as a two-way highway for spreading wealth." He further noted that the developing world has to adopt and adjust prevalent norms and practices to reap the full potential of WTO, especially through intellectual property protection, transparency in governance and trade, environmental friendly production processes, and a stronger work ethic.

Pointing to the challenge of structuring organizations in ways that promote integrity and ethical behavior, he turned, once again, to the WTO, noting that although the organization "poses a lot of restrictions on trade, its actions are based on removing all barriers and are actually liberalizing trade." As he continued, "If you really want to improve the environment, you have to improve wealth… and wealth is improved through trade… giving these countries, which constitute two thirds of the world's population, more opportunities to increase their wealth… giving them more access to global markets."

Alwehab encouraged nations, institutions and individuals to share knowledge and "the know-how of new innovation and technology" to advance the sustainability agenda. In relating this issue to human rights and CSR, Alwehab noted that in most, if not all, developing countries there is a prevalent conspiracy theory about the "diabolical goals behind what developed countries are doing in the developing world." The underlying obligation for those countries that deliver goods and services to the developing world is to transfer the knowledge and know-how to the local population. As he concluded, the developed world also has an "ethical responsibility to continue providing funding for scientific research focused on new environmentally sound technology, which will ultimately benefit all, providing hope of preventing pollution from an ecological edge."

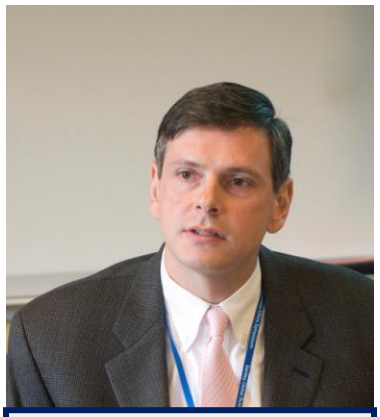
Joan Dubinsky, *the Chief Ethics Officer for the International Monetary Fund (IMF)*, described an assessment tool she recently developed to "help organizations discover, assess and understand their culture for ethics and integrity." The Global Ethics & Integrity Benchmarks offers organizations a consistent way to assess their continuing development towards a sustainable corporate culture. Describing the tool as "ultimately practical," she noted that without a documented commitment to ethics and integrity, an organization "cannot sustain at anything."

Joan Dubinsky
International Monetary Fund

The benchmarking tool is a system that reflects the level of commitment to ethics and integrity that exists in an organization, regardless of any single national legal system. Global Ethics & Integrity Benchmarks enables the organization and its leaders to "step back and ask 'how are we doing?'" The framework has twelve dimensions, including: vision and goals; leadership; infrastructure; legal compliance; organizational culture; discipline and rewards; whistle blowing; measurement, research and assessment; confidentiality; training and education; communication; and corporate social responsibility. Global Ethics & Integrity Benchmarks has been used successfully around the world, in countries as diverse as the U.K., the U.S., Mexico, Indonesia, and Madagascar.

The main result of using the tool is not a score, Dubinsky explained, but the conversations that it stimulates within an organization. The ensuing discussions – "How are we doing?", "How is our culture responding to questions about our environmental commitment?", "What progress are we making?" and "How transparent are we?" – reflect fundamental questions that highlight how a commitment to ethics and integrity contributes to long-term corporate sustainability and responsibility.

Closing the panel, **Steve Sacco**, *Vice President of Environmental Affairs and Sustainability at Invensys*, reflected on the lessons learned though "a several year journey embedding the concepts of sustainability" into his company, a global automation and controls company, with operations in more than 50 countries and businesses in more than 80 countries. Noting that Invensys learned some hard lessons spending millions of dollars annually to clean up historical contamination sites, Sacco began his comments by underscoring the importance of environmental stewardship within a manufacturing organization.



Steve Sacco
Invensys

Pointing to the different cultures that organizations have, Sacco emphasized the importance of cultural fit – determining what is right for a particular culture – in ensuring that organizational practices are sustainable. Another important consideration is the need to clearly articulate the return on the investment, not only for shareholders and management but for employees as well. Drawing on successful practices in his company, Sacco stressed the benefit of creating key business matrices around sustainability, integrating them into daily operations by emphasizing the importance of sustainability to the business itself. As an example, he argued that it was through the integration of sustainability with customer-driven values that enabled company employees to fulfill their agenda, not by management-oriented decisions per se. It also became an important aspect of Invensys' efforts to help its customers achieve their own sustainability activities.

Finally, with respect to the globe nature of his business, he argued that companies need to create an implementation framework that allows for flexibility and local variability. Concluding on a positive note, Sacco suggested that, "like any journey, being sustainable requires a step-by-step approach… as long as the company is making continuous improvement it will eventually get to where it is intending to go."

UNDERSTANDING AND CONFRONTING FRAUD

The luncheon speech was delivered by **Frank Piantidosi,** *Chief Executive Officer, Deloitte & Touche North American Financial Advisory Services*, who noted the topic of the symposium was "very near and dear" to him. Drawing on 38 years of experience in the field of forensic investigation disputes and analysis, ethics, corporate social responsibility, sustainability and global culture, he addressed the reality of fraud and the related problems it creates. Piantidosi noted that, for the past 20 years, he has "had the privilege of being at the forefront of the development of the forensic accounting business, dealing daily with the issue of fraud and corruption around the world." He explained that the "genesis" of forensic accounting was based on "finding out the *what, when, how* and *by whom* major corporate failures of all fraud incidents happened." He also noted that "there is very little today that shocks me with respect to issues of fraud and corruption. It is not just about what criminals are capable of doing, but more importantly what normal people can do and what they were thinking."

Frank Piantidosi
Deloitte & Touche

To further explore the relationship between human nature and fraud, Piantidosi cited a common rule of thumb that says "among one hundred randomly selected normal people… who were put in a corporate setting with no clear ethical direction, 25% would never do anything wrong, another 25% would make unethical decisions, and another 50% could go either way." He underscored that losses due to fraud are approaching one trillion dollars a year. As to the frequently asked question "what is

driving fraud," he pointed out that there are many more opportunities. "Today and tomorrow, in good times and in hard times, there are two principle forces driving this dynamic of crime and corruption – opportunity and scrutiny."

Piantidosi argued that there seven factors that are creating more and more opportunities for such wrongdoing. "First, technology not only infiltrates and penetrates organizations as never before, but it allows organizations to connect and mobilize resources as never before, for good and for bad. The second driver is globalization, which means more places to hide money. The forces of globalization and technology allow organizations to quickly and easily move money around the world. Third, the pressure on earnings… at a time of downsizing, especially in financial departments… can seriously compromise the control needed to prevent fraud. Fourth, we have experienced server losses in personal finances. Since the recession began in December 2007, roughly tens of millions of jobs have been lost, stock portfolios went down 30 to 40 % … and more and more people have become desperate. Fifth, there are fewer checks and balances in today's organizations, and correspondingly more opportunities to commit fraud. Sixth, although every organization has control systems, those systems may or may not be adequate to detect fraud. Finally the seventh force, which to me is the most important, is the tone at the top. People need to know from the top that there is zero tolerance for fraud and unethical behavior. Unfortunately, in many organizations, this policy is not often communicated very effectively."

Piantidosi then turned to the issue of scrutiny, the second principle force that drives crime and corruption. He suggested that new standards, new transparency, and increased enforcement are three trends that promise hope. Reflecting on possible regulatory responses in light of recent events, he noted "Responsibility and accountability are big themes for the new administration. Another stated goal of the new administration is transparency… to expose more fraud and activity early in the cycle… Finally, there is increased enforcement by the U.S government, which is characterized by greater vigilance and aggressiveness in seeking out fraud."

As he continued, "Organizations will never be fraud proof, but organizations are becoming more resilient against fraud. Achieving such resilience involves basically three measures: first, reducing

Mahendra Gujarathi
Bentley University

vulnerability, by focusing on and dealing with fraud's early warning signals; second, limiting impacts by establishing policies and procedures prior to the event that are designed to bring a quick return to business as usual (for example, using internal investigation and self reporting to identify potential problems in advance); and finally, the single most important factor in achieving organizational resilience, is, once again, the tone at the top… It is the chairman, the CEO and other top leaders who must all constantly remind people how vital it is to do what is right, no matter what and no matter what it costs."

"Tone at the top, may sound rudimentary, but I can assure you, it's not. In every investigation that I have been involved in, without exception, once we got below the surface it was obvious that the tone at the top was inappropriate, inadequate, and, in many situations, nearly non-existent."

Concluding his comments, he turned to the challenge of fraud prevention, noting the importance of resilience. "Fraud is typically uncovered by an unusual event and an unexpected action. Achieving organizational resilience to prevent fraud means cultivating a skeptical attitude. It is not to be confused with a climate of blame and suspicion. It means being willing to take off the blinders, so that when and if an unusual event does surface, you will be able to see it objectively for what it is or might be." Piantidosi closed his remarks by noting, "Resilience also enables a corporation to create a culture of trust within the organization and with the public – beginning with the tone at the top. It means building and maintaining a strong system of controls; it means taking off the blinders and acting decisively when fraud is exposed; it means remembering that trust can vanish in an instance. It is not something that we own, on the contrary, trust is the state, on any given day, of our morality and our decency. An organization that continually acts on this premise is the kind of institution that merits the public trust."

ASSESSING AND REPORTING PROGRESS

Cynthia Clark Williams, *Assistant Professor of Management and Director of the Harold S. Geneen Institute of Corporate Governance at Bentley University*, moderated the afternoon concurrent panel, focusing on the development of best practices as well as the challenges and drawbacks of assessing and reporting ESG performance. **Veena Ramani**, *Manager of Corporate Programs for Ceres*, started the panel conversation with an overview of how corporate sustainability disclosure has evolved over the past 5 years. She began by briefly introducing Ceres, which she referred to as "the birthplace of the Global Reporting Initiative" (GRI). With a mission to improve corporate sustainability performance, Ceres is a coalition-based not-for-profit organization, working closely with a group of over 70 companies and focusing on sustainability reporting, stakeholder engagement, and performance improvement.

Highlighting Ceres' operating assumptions, she noted that "sustainability and corporate performance are strongly linked." She emphasized that continuous improvement in sustainability performance requires monitoring and reporting, in essence, "what gets measured gets managed, and what gets disclosed gets done." The resultant "disclosure and dialogue with stakeholders builds trust and enhances reputation… and drawing on multiple perspectives can create more innovative and longer lasting solutions."

Veena Ramani
Ceres

Ramani pointed out that an important driver of disclosure is the extended stakeholder community. As she continued, "the value of a company cannot be judged by the numbers you see in a company's financial statements alone, and there is growing understanding that judging how well a company is doing, and more importantly how well a company will continue to do, depends on an array of environmental, social and government factors. The firm's stakeholders are increasingly demanding reliable and comparable sources of information about company performance." Among these stakeholders, four critical groups that have driven sustainability disclosure are investors, NGOs and activists, employees, and consumers. "Investors are seeking investment products based on sustainability criteria. NGOs and activists are benchmarking companies, based on publicly available information, and disseminating their assessments to the public. Potential employees are increasingly making employment decisions based on the company's reputation, a good part of which is its sustainability performance. Finally, both institutional and individual consumers are making purchasing decision based on product sustainability performance and the company's sustainability reputation." As she argued, "sustainability reporting is no longer only what leading companies do… sustainability reporting is a core expectation for all companies worldwide, over 2,500 of which currently publish standalone sustainability reports."

Going beyond the disclosure itself, Ramani noted "it is fascinating that companies are beginning to look beyond sustainability reports per se to talk about sustainability performance." More and more companies are starting to include environmental and social assessments in their annual reports, especially focused on climate change, water and labor issues, using new media, such as blogs and podcasts, to reach out directly to the public, employees, and consumers. Concluding her comments, she argued that "stakeholders are looking for detailed assessments on issues that are relevant to a company's business and its impacts on society, disclosing not only what went right but also a frank assessment of what didn't go right." Stakeholders want to see the ways in which sustainability is integrated throughout an organization, "how sustainability links to the corporate DNA."

Ralph Huenemann, *Professor Emeritus of International Business at the University of Victoria*, focused on the technical topic of multi-criteria decision analysis, which applies directly to Triple Bottom Line (TBL) reporting. Drawing on his experience with the World Bank and Asian Development Bank, he underscored that he views TBL as, at best, an imperfect reporting template rather than a decision-making tool. As he argued, "transparency is difficult, more difficult than the enthusiasm of the Global Reporting Initiative might lead you to believe." Using Arthur Anderson as an example, he asserted that "fraud is subtle, persistent and not easy to get out of."

Ralph Huenemann
University of Victoria

Continuing his comments, Huenemann pointed out that the "naïve sophistication in corporate finance is incredibly elaborate and elegant, but not terribly robust." As an example, he noted that the late Bear Sterns lost $550 million in a single day in its hedge fund operations, despite a careful value at risk (VaR) calculation that their maximum exposure was only $35 million. "They didn't necessarily get the numbers wrong, but they forgot what the numbers meant," Huenemann explained as he illustrated what he meant by "naïve sophistication."

He also drew attention to the "true uncertainty" and paradigm shift with respect to technological change," lamenting, "the truth is that the future is always going to have nasty surprises, despite all the transparency we can achieve." To Huenemann, the question is not "whether we can make things more transparent," but "how we can ensure that the nasty surprises fall on the right people and get dealt with the right way." He argued that the answer lies beyond the corporation per se in the governmental arena. Governments have a broad social responsibility mandate, he argued, not just to the citizens of the countries, but to a much more extensive set of stakeholders. He pointed out that "Koreans, Japanese, Russians, and Chinese are stakeholders of the American government, not shareholders, but stakeholders," despite the fact that governments naturally favor their own citizens. As Huenemann concluded, "even if we have more corporate transparency, we will still face nasty surprises... and this reality points to the critical role that government must play."

Closing the panel, **Lori Verstegen Ryan**, *Professor of Management and Director of the Corporate Governance Institute at San Diego State University,* centered her presentation on the ethical issues related to corporate governance ratings. She began by explaining the role of these ratings as they relate to reporting progress. "Investors are responsible for monitoring and controlling their portfolio firms, but, given the number of firms in their portfolios, they can't do all of the research themselves. To help fill this need, third-party rating agencies – the 'corporate governance industry' – evaluate these firms and assign them corporate governance scores."

Ryan continued by explaining the types of ratings that the third-party agencies use to predict corporate performance. For example, the ISS "Corporate Governance Quotient" has 63 variables: "They pull 63 pieces of data on each of their 8,000 companies in 31 countries, and give each company a score, from 0 to 100. If I get an 83, I may not really know what it means, but, if I'm a competitive businessperson, I'm likely to want to raise that score." As she explained, some rating firms then consult with companies that want to increase their scores, perhaps advising them to separate the CEO and chairman roles or to change their corporate governance structure.

Drawing on a recent study, however, Ryan stressed that it appears that "only three of the variables out of the 63 have any impact." As an example, she noted that Audit Integrity, which is a unique rating agency that focuses on risk, is the only one whose scores were found to be correlated with future firm

performance. Researchers also found that typical third-party ratings do not necessarily relate to institutional investor trading decisions, institutional investor proxy votes, or ISS proxy recommendations. She underscored that "best practices" according to these ratings actually means "most common practices." "Institutions buy the ratings of portfolio firms, then, presuming that the institutions take action based on those scores, portfolio firms amend their corporate governance structures to raise their scores, making them more homogeneous with their peers, … in the end, firm-level competitive advantage and individual firm performance may be sacrificed." By attempting to raise these scores, "You're essentially worrying about whether you are like everyone else, rather than attempting to develop a true competitive advantage that can help your firm to outperform its industry."

Turning to the ethical issues underlying the ratings, Ryan first pointed to the rating services. They "throw everything into a pot," and their complex, proprietary formulae allow for unknown measurement error and data "spinning." The rating services also imply that the scores are related to profits, which has not been demonstrated. They publicize scores without sufficient explanation, and they have been known to publish incorrect ratings. Some, though not all, raters also disregard an apparent conflict of interest by selling rated firms their services to help raise their scores. She next called executives' behavior into question, given that they spend firm resources for products and services to learn how to raise their scores and may change their corporate governance structures accordingly, regardless of the potentially negative impact on firm performance. With respect to ethical issues related to investors, Ryan noted that institutional investors lend credibility to the ratings by paying significant sums for them. If investors rely heavily on these scores, they are doing so without any empirical foundation, and they are less likely to do their own analysis. Yet, if they purchase the ratings but do not give them significant weight, they are misusing beneficiaries' funds and leaving portfolio firms with a false impression of their importance.

Lori Ryan
San Diego State University

Ryan concluded by suggesting that rating service firms should stop issuing corporate governance "scores," instead following the lead of more qualitative assessments. Turning to corporate executives, she argued that they must "stand firm" and educate investors about the "fit" between their firms and their corporate governance structures and resist the urge to try to raise their scores without a strategic rationale. Finally, institutional investors should stop subscribing to these rating services or help their portfolio firms to understand the "relative lack of importance" of the scores in their investment decision-making.

Curtis C. Verschoor, *Emeritus Ledger and Quill Research Professor and Honorary Senior Wicklander Research Fellow, Institute for Business and Professional Ethics at DePaul University*, began his remarks by noting that over time companies that regarded ethics as important to their internal control system 20 years ago experienced superior financial performance. Reporting, he noted, is clearly important as people are rightly concerned with corporate performance. Looking back on the recent financial problems, he underscored, "People knew what they needed to do – they just didn't conform to what they thought was right." Verschoor pointed out that Japan and the UK have been socially responsible leaders

for many years, noting the variety of corporate responsibilities that can be covered in corporate reports, such as fair trade, green construction, human rights, philanthropy, sustainability, and volunteerism.

Curtis Verschoor
DePaul University

With respect to reporting practices, Verschoor noted that "reporting is tailor-made" and even though companies attempt to provide assurance as to what they are doing, ultimately the company determines "what it wishes to tell." According to recent KPMG reports, companies with global reporting initiatives all claim to have a strategy that is "integrated into their DNA," however, Verschoor pointed out that it is difficult for an outsider to really determine whether that it true. He regards companies setting goals as a good development, particularly using assurance-based management standards, such as the International Organization for Standardization (ISO) 14000, Accountability 1000 – Principles and Assurance 2008, and Social Accountability 8000. Yet, unlike accounting standards, which are clearly defined, social reporting is still fraught with ambiguity.

Drawing on a recent study on corporate responsibility, he pointed to several assurance providers, such as www.bureauveritas.com, described as the "world's leading certification body" and SGS, a "leading inspection, verification, testing, and certification organization." He concluded, we need to move in this direction – "There is no comparability across companies, and no verifiability subjects the reports to question. Is it any wonder why users do not necessarily rely on the information in these reports?"

ENGAGING AND ALIGNING STAKEHOLDERS

The second afternoon concurrent panel, moderated by **Will O'Brien,** *Adjunct Professor of Management at Bentley University*, was structured around a series of questions he posed to the panel, focusing on the challenges involved in engaging and aligning stakeholders around sustainability-related issues. The first panelist **Duane Windsor**, *Lynette S. Autrey Professor of Management at Rice University*, began by stressing the importance of understanding what sustainability means to different stakeholders. As an example, he noted that from his perspective sustainability means environmental issues or human rights issues as opposed to what it may mean to consumers.

Will O'Brien
Bentley University

Turning to the nature of organizational commitment to sustainability and corporate social responsibility, Windsor argued that two dimensions capture the "genuineness of commitment to CSR." "First, it depends on what the conditions are like … if the conditions are such that being in pragmatic compliance is sufficient, it doesn't matter whether that commitment is genuine or not… being genuine is tested by opportunity… it's not always the case that you must be genuine, but you must be able to interact with the external environment, being able to respond to opportunities and challenges… Second, once an

organization begins a CSR initiative, even though it might have been introduced due to pragmatic circumstances… the more the organization does the correct things even for pragmatic reasons, the more it is drawn into genuineness."

Duane Windsor
Rice University

As he continued, Windsor noted that genuineness is often shaped by the business case, the integrated business strategy that creates benefits for all stakeholders. "The advantage of a genuine commitment to CSR is that the organization will not permit any reversals, it is a critical aspect of reputation management." With respect to the role of NGOs in the process, he noted "suppose there is a genuine business case, one which is reasonably compelling, that would benefit a number of stakeholders… while this may be beneficial at the same time it is important that some NGOs maintain a critical perspective… providing checks and balances… in essence having two genuine value-added actors. Companies and NGOs have to collaborate and communicate with each others, while maintaining appropriate distance so that they don't become too close to each other."

Mark Buckley
Staples

Mark Buckley, *Vice President of Environmental Affairs at Staples*, continued the discussion, stressing the importance of understanding the "common language of sustainability." As he noted, without a common understanding it is difficult to align stakeholders with organizational goals and objectives. He also emphasized the importance of creating a culture of continuous improvement that integrates sustainability into the company as a core business strategy. "One would hope, of course, that sustainable environmental change in a company would provide a competitive advantage, creating even more awareness among stakeholders about significant global issues."

Responding to a question about the extent to which companies can create "win-win" relationships with their stakeholders, Buckley commented that "there is not a win in every relationship or every situation, although many times companies have the view that we need to have everyone on our side…. The key point is that organizations need to understand the situation from the stakeholders' perspectives, what they are looking for in each and every relationship." Looking at the relationships between NGOs and business, he underscored that the evolution of the NGO-corporation relationship over the past several years "poses a true danger" for NGOs in that they may stop being independent. On a more positive note, however, Buckley argued that there is an increasingly honest and open dialogue between NGOs and businesses… and more often than not the things that unite us are greater than those that separate us." There is the potential for "greater commonality than ever before – as long as there is true dialogue… NGOs should continue to play their role, continuing to create tension for being independent." What is needed, he concluded, is "transformational change, not only within the company but across the broader set of problems that are facing the value chain, involving all relevant stakeholders."

Continuing the discussion, **Henk Campher**, *Vice President in the CSR and Sustainability Practice at Edelman*, stressed the need to look at reputation from the "eye of the beholder." As he explained, "There

is literally nothing a company can do to directly shape its reputation… it's about engagement, how you engage with your stakeholders that shapes your reputation." In looking at how different parties might view sustainability, he argued it is critical to ensure that "what is important to you and what is important to your stakeholders is the same thing."

Henk Campher
Edelman

As to why organizations practice CSR, Campher raised two points. First, he argued that it is important to give credit to the impact that a company is having due to its CSR initiatives rather than trying to determine its underlying motives. Second, is that CSR activities should be embedded in the core of your business, understanding "your target and what you are trying to influence… in order to make a business sustainable, CSR is your point of engagement." A central challenge, Campher noted, is how the organization stays true to its values. Part of the process is developing the ability to be able to communicate and articulate each stakeholder's perspective. Concerning partnerships with NGOs, Campher noted that companies must be conscious about their identity and their goals in order to collaborate with a particular NGO. As he concluded, the key is the "power of transparency among stakeholders... Being open and honest about what you're trying to achieve, not trying to hide anything, is the best course of action to follow."

While noting the importance of external stakeholders, **Mette Morsing**, *Professor and Director of the CBS Center for Corporate Social Responsibility, Copenhagen Business School*, pointed to the lack of attention that companies give to their internal stakeholders – their employees and managers. As she argued, understanding sustainability from an employee perspective is critical, especially since research indicates that over the past few years organizational members are "literally attracted to a company based on its commitment to sustainability and sustainable business practices." An underlying challenge, she underscored, is that "communication about sustainability often takes more resources than the action itself." As she explained, "The decision as to whether a particular action is a win-win or a win-lose situation between an organization and its stakeholders is often decided by the media… An underlying question concerns the authority and expertise of the media to determine if it really is a win-win or win-lose situation."

As she continued, Morsing pointed to the need to focus the discussion on the reasons for the action from the beginning. "CSR should be embedded in the business strategy… however, there are concerns that organizations might lose sight of the true meaning of CSR when they place too much emphasis on living up to certain metrics and standards in reporting about their commitment to CSR. Filling out surveys is not a guarantee for CSR action." Turning her attention to the alignment between NGOs and businesses, she raised the challenge of maintaining collaboration while also maintaining the conflict that is inherent between companies and NGOs. As she explained, "when one party controls the situation, it loses the power of collaboration… but it is also important that NGOs do not compromise their

Mette Morsing
Copenhagen Business School

independence while maintaining their legitimacy as a partner… In this sense, civil society needs conflict in setting a critical tone… keeping the critical voice of NGOs intact." As she concluded, this does not mean that NGOs and businesses should "view each other as having evil intentions," but to show that both parties want to improve the climate, improve the environment, and stand up for human rights."

THE RESPONSIBLE GLOBAL CULTURE:
TRENDS, CHALLENGES AND NEXT STEPS

The concluding plenary panel was moderated by **Patricia Flynn**, *Trustee Professor of Economics and Management at Bentley University*. **Laura Hartman,** *Professor of Business Ethics and Legal Studies, and Research Director of the Institute for Business and Professional Ethics at DePaul University*, focused her comments on the need to change mindsets that focus, frame, organize and order what we experience, causing us to "leave out data and create biases in the way we think about problems and issues." Highlighting the role that such mindsets can play, she argued that "what you fail to see can hurt you," using the global response to poverty alleviation as an example. Specifically, by restraining poverty alleviation only to the concept of a responsibility, we prevent ourselves from seeing it as a potential strategy.

Manuel Escudero, Anne Marie Taylor and Laura Hartman

Noting that the first goal of the UN's Millennium Development Goals is to eradicate extreme poverty and hunger, Hartman proposed a number of changes of mindsets toward poverty alleviation. First, she explained that global poverty is not a condition explained exclusively by economics, which she referred to as the "two dollar per day metric." She cited the example of CEMEX in Mexico to illustrate the possibility that people living in poverty are able to barter and save for tomorrow, "and there are ways that we can help them." Hartman encouraged the audience to look at business opportunities in these areas "from a worm's eye view instead of a bird's eye view," a phrase coined by Mohammed Yunus. As she argued, "Global poverty is a condition that we can break, alleviate, and partner to respond to in a way that is beneficial to all the parties involved. It may be a wicked problem, but it is not insolvable," notwithstanding our mental models to the contrary.

Pat Flynn
Bentley University

Hartman further noted that business has a duty to strategically alleviate global poverty as a human rights issue. Underscoring possibilities and successes, she argued that "The strongest mental model we need to deal with is that the global poor are incapable of participating in the market… there is a presumption that they are incapable and in need of charity." As she continued, "Ethical businesses that participate in base of the pyramid

markets are worthy of praise, not condemnation for reaping a profit," stressing that "profitable partnerships have emerged that that should be held up as models." In conclusion, she noted that the *ability* of each one of the symposium attendees to work to alleviate poverty, in and of itself, does not need to create a sense of *responsibility*, per se. Instead, ability can serve as inspiration to our moral and economic imaginations. As such, she called for an "achievable united effort of collective wisdom" to address the critical challenge of global poverty, driven by appropriate incentives, reason and compassion.

Laura Hartman
DePaul University

Manuel Escudero, *Special Adviser to the United Nations Global Compact and Head Secretariat of the Principles for Responsible Management Education,* began by reflecting on the economic and financial crisis and the underlying challenges for reform. As he argued, the current scenario raises questions about the extent to which we will embrace multilateral approaches – in business, politics and international relations – in today's multi-polar world. Turning to business schools, he noted that "Certainly business schools are not going to solve all problems, but they can contribute greatly to the solutions of some of them." He underscored the necessity of bringing about change in the three basic roles of business educators – education itself, research, and thought leadership based on society's needs – noting, "There are thousands of global companies that are now changing, partly because of very pragmatic reasons, but also because of a commitment to responsibility and values-based principles."

Manuel Escudero
United Nations Global Compact

Citing a recent survey among over 200 companies and 200 business schools participating in the UN Global Compact, Escudero pointed out that although 78% of the respondents thought it is important for business professionals to understand and be able to deal with such issues as social responsibility, climate change and emerging markets, only 8% said that business schools prepare their students for these concerns. As such, he proposed that as business educators we have to incorporate these specific issues into our teaching and the curricula. "It means that it is no longer appropriate that business ethics is an isolated topic within the curriculum of our business schools. As professors, you are the ones who must integrate this perspective across all disciplines… to ensure our students are fully aware of the responsibility they will have in their careers." Concluding, Escudero noted that although such change presents a significant challenge for business schools, "we also have many opportunities to provide true leadership… and those among us who adjust to this change – the innovators – will become the leaders of tomorrow."

Anne Marie Taylor, *Chief Ethics Officer in the Office of Ethics and Business Conduct for the World Bank Group,* began with a brief introduction about the World Bank. As she explained, "The World Bank Group consists of five closely associated institutions, with the mission to fight poverty and improve living standards for people in the developing world… from the very beginning the organization was working toward a more sustainable peace." She then turned to the World Bank's six strategic priorities. The first –

overcoming poverty – is guided by the International Development Association (IDA), which is the core financing instrument for the 82 poorest countries in the world. The second priority is dealing with post-conflict states. The World Bank takes an integrated approach involving security, political frameworks, rebuilding local capacity with quick support, reintegration of refugees, and flexible development solutions, with the goal of developing global understanding and promoting country-level coordination. "Every day, it feels like two steps forward and one-step back," she noted, underscoring that "it's not an easy process. IDA's adaptability and quick disbursement has proven to be absolutely vital in post-conflict environments, and the World Bank is working with other development partners to increase the effectiveness of these tools."

Noting that the rapid economic growth experienced in much of the world has "failed to provide opportunities for all," she argued that social services remain underfunded and environmental and energy problems are acute. Recognizing these challenges, the World Bank's third priority is to remain engaged in these countries through a diversified menu of development solutions. A related goal is to play an active role in developing regional and global public goods, which requires close cooperation with other agencies. Taylor underscored that the World Bank promotes technology advances and adoption as a way of supporting increased resilience toward climate change. The fifth priority is to support development opportunities in the Arab world, citing the encouraging example that Egypt and Saudi Arabia have reformed their regulations to make it easier to do business. As she argued, "such inclusive globalization has to deliver benefits and a hospitable environment for business for everyone." Finally, the sixth strategic priority for the World Bank is to serve as a unique and special institution of knowledge and learning, where applied experience can help to address the other five strategic themes.

Anne Marie Taylor
World Bank Group

Taylor then turned her comments to the people who work for the World Bank, noting that as an organization they speak more than 140 languages. "It is this type of diversity that makes it possible to find solutions on the ground." As a global institution, she argued that transparency, accountability and integrity are fundamental aspects of how the Bank "attempts to translate inspiring words to actual actions." An underlying challenge is confronting the corruption that exists in many countries. Taylor explained that "the World Bank Group continues to address its own governance issues… and there is nothing like painful self-evaluation and learning to help us work through our own shared difficulties." To strengthen its integrity framework, independent advisory boards play an important role. As she concluded, "what we leverage is our phenomenal culture, one based on trust and transparency, and dedication to sustainable and inclusive development… We continue to have our own struggles and challenges, but we found that integrating integrity and transparency into our core business allows us to make it real and keep it real."

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As coordinator of the Bentley Alliance for Ethics and Social Responsibility, I wish to, once again, express my gratitude to the State Street Foundation for its continued support and multi-year commitment to this venture. I would also like to thank the speakers, panelists and moderators in our fifth symposium for their willingness to share their work in our ongoing challenge in building responsible global cultures, and, most of all, for their good-natured colleagueship and support. Among my many Bentley colleagues, without whose effort and support the symposium and follow-on teaching workshop would not have been possible, I would, once again, particularly like to thank Michael Hoffman, Robert Frederick, Robert Galliers, Cynthia Clark Williams, Mary Chiasson, Michele Walsh, Joanna Aven, Steven Salina, Terry Tierney and Gail Sands. Special thanks also go to Bentley University's president Gloria Larson for her ongoing support and Robert McNulty, program director for our Center for Business Ethics – his tireless "behind the scenes" effort made it possible for our colleagues from Iraq to join us for this year's symposium program and teaching workshop.

Heja Sindi, *University of Kurdistan*, Bob McNulty, *Bentley University* and Abdelwehab Alwehab, *Baghdad University*

Similar to previous years, a number of difficult choices were made in capturing the essence of the ideas exchanged during the program. As we did with the *Proceedings* for our earlier Symposia – "Ethics and Risk Management in a Global Environment" (2005), "Corporate Social Responsibility in the 21st Century: Coping with Globalization" (2006), "Business Ethics and Corporate Social Responsibility: Different Sides of the Same Coin? A Comparison of European and North American Perspectives" (2007), and "Ethics, Governance and Enterprise Risk Management: A Global Perspective" (2008) – 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. Isabelle Qinyi Ren, 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.

Finally I would also like to note the wonderful colleagueship and thoughtful participation of the faculty who stayed for the remainder of the week, working as part of our Teaching Business Ethics Faculty Development Workshop – Abdelwehab Alwehab (Baghdad University, Iraq), Semra Aşcigil (Middle East Technical University, Turkey), Rebecca Awuah (Ashesi University, Ghana), Andreas Budihardjo (Prasetiya Business School, Indonesia), Carol Cirka (Ursinus College, Pennsylvania), S. Elankumaran (TA Pai Management Institute, India), Ralph Huenemann (University of Victoria, Canada), Jacob Park (Green Mountain College, Vermont), Heja B. Sindi (University of Kurdistan, Iraq) and Bentley colleagues Jeff Aresty, Mike Bravo, Linda Edelman, Diane Kellogg, John Minor, and Effie

Stavrulaki. I would also like to thank Mary Gentile (Aspen Institute), who continued her support of the workshop with a presentation on the "Giving Voice to Values" initiative.

The 2009 program also had a new addition – our inaugural Next Generation ESG Scholars program. Due to the pioneering efforts of Cynthia Clark Williams, we launched a companion workshop program focused on enhancing doctoral student research in the environment, society and governance arena. In addition to serving as panelists during the symposium, Blair Feltmate (Ontario Power Generation), Lori Ryan (San Diego State University) and Duane Windsor (Rice University) also participated in our Teaching Business Ethics Faculty Development Workshop and served as mentors in the Next Generation ESG Scholars Program. Our inaugural Next Generation Scholars were Julia Dare (University of Southern California), Yuliya Shymko (Institute Empressa, Spain), Rieneke Slager (Nottingham University, England) and Thomas Thijssens (Maastricht University, Netherlands).

Looking ahead to next year's program, I look forward to sharing many of the thoughts and ideas that will be exchanged during the 2010 Symposium – "What is Sustainability: Differing Perspectives on Sustainable Business Practice in the Global Context" – which will be held on May 17, 2010 on the Bentley campus in Waltham, Massachusetts. I also hope that you will be able to join us for what promises to be another thought-provoking day.

Anthony F. Buono
Bentley University
Waltham, Massachusetts

Additional 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 the State Street Foundation can be found at:

http://www.bentley.edu/symposium

SPEAKERS AND PANELISTS

KEYNOTE SPEAKER:

Arlene Rockefeller, Executive Vice President, and Head of Global Equities Management Group, State Street Global Advisors (SSgA)

LUNCHEON SPEAKER:

Frank Piantidosi, Chief Executive Officer, Deloitte & Touche North American Financial Advisory Services

CREATING THE RESPONSIBLE GLOBAL ENTERPRISE: CHALLENGES AND OPPORTUNITIES

Moderator: **Anthony F. Buono**, Professor of Management and Sociology, Executive Director, Bentley Alliance for Ethics & Social Responsibility

Panelists: **Blair W. Feltmate**, Director of Sustainable Development, Ontario Power Generation

Thomas R. McCormick, Group Compliance & Ethics Officer, BP

Richard Pearl, Vice President, CSR & Environmental Sustainability Officer, Community Affairs Department, State Street Corporation

THE LEADERSHIP CHALLENGE: SETTING THE TONE AT THE TOP

Moderator: **Robert Frederick,** Professor and Chair, Department of Philosophy, Bentley University

Panelists: **John Hansen**, Chair, Executive Committee, Kallman Executive Fellows Program, Center for Business Ethics, Bentley University

Linda Treviño, Distinguished Professor of Organizational Behavior and Ethics, Pennsylvania State University

Robert Ventura, General Counsel, Metso Automation USA Inc.

STRATEGIES FOR SUSTAINABLE GLOBAL BUSINESS PRACTICE

Moderator: **Rick Oches**, *Associate Professor of Geology & Environmental Sciences Bentley University*

Panelists: **Susan Aaronson**, Associate Research Professor of International Affairs, Graduate School of Business and Elliott School of International Affairs, George Washington University

Abdelwehab Alwehab, Professor and Director, Urban and Regional Planning for Post Graduate Studies, Bagdad University

Joan Dubinsky, Ethics Officer, International Monetary Fund

Steve Sacco, Vice President, Environmental Affairs & Sustainability, Invensys

ASSESSING AND REPORTING PROGRESS

Moderator: **Cynthia Clark Williams**, Assistant Professor of Management and Director, Harold S. Geneen Institute of Corporate Governance, Bentley University

Panelists: **Ralph Huenemann**, Professor Emeritus of International Business, University of Victoria

Veena Ramani, Manager, Corporate Programs, CERES

Lori Verstegen Ryan, Professor of Management and Director, Corporate Governance Institute, San Diego State University

Curtis C. Verschoor, Emeritus Ledger & Quill Research Professor, and Honorary Senior Wicklander Research Fellow, Institute for Business and Professional Ethics, DePaul University

ENGAGING AND ALIGNING STAKEHOLDERS

Moderator: **Will O'Brien**, Adjunct Professor of Management, Bentley University

Panelists: **Mark Buckley**, Vice President, Environmental Affairs, Staples

Henk Campher, Vice President, CSR and Sustainability Practice, Edelman

Mette Morsing, Professor and Director of the CBS Center for Corporate Social Responsibility Copenhagen Business School

Duane Windsor, Lynette S. Autrey Professor of Management, Rice University

THE RESPONSIBLE GLOBAL CULTURE: TRENDS, CHALLENGES AND NEXT STEPS

Moderator: **Patricia Flynn**, Trustee Professor of Economics and Management, Bentley University

Panelists: **Manuel Escudero**, Special Adviser, United Nations Global Compact, and Head, Secretariat, Principles for Responsible Management Education

Laura Hartman, Professor of Business Ethics and Legal Studies, and Research Director, Institute for Business and Professional Ethics, DePaul University

Anne Marie Taylor, Chief Ethics Officer, Office of Ethics & Business Conduct, World Bank Group

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