THE 7TH BENTLEY GLOBAL BUSINESS ETHICS SYMPOSIUM

sponsored by State Street Foundation

in partnership with Euromed Management

Proceedings

BENTLEY UNIVERSITY

EUROMED MANAGEMENT

STATE STREET.

A PRME Principles for Responsible Management Education Co-Sponsored Event

The 2011 Bentley-State Street Symposium, the seventh in a multi-year relationship, was held in partnership with Euromed Management in Marseille, France. The program, which was supported by the UN Global Compact Principles for Responsible Management (PRME) initiative and the U.S. Consulate of Marseille, 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 constituencies and communities. Once again, this year's event brought 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 was to both learn and inform by:

Euromed Management

- 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 280 academic, civil society, and corporate participants, the May 21, 2011 Symposium provided the opportunity to explore a wide range of issues related to the challenges of stakeholder engagement in the current, global environment.


7e Symposium sur l'éthique des Affaires

LA TRIBUNE

PARTIES PRENANTES, CES AMIS « CRITIQUES » QUI VOUS VEULENT DU BIEN ?

IMPACTS

PERFORMANCES

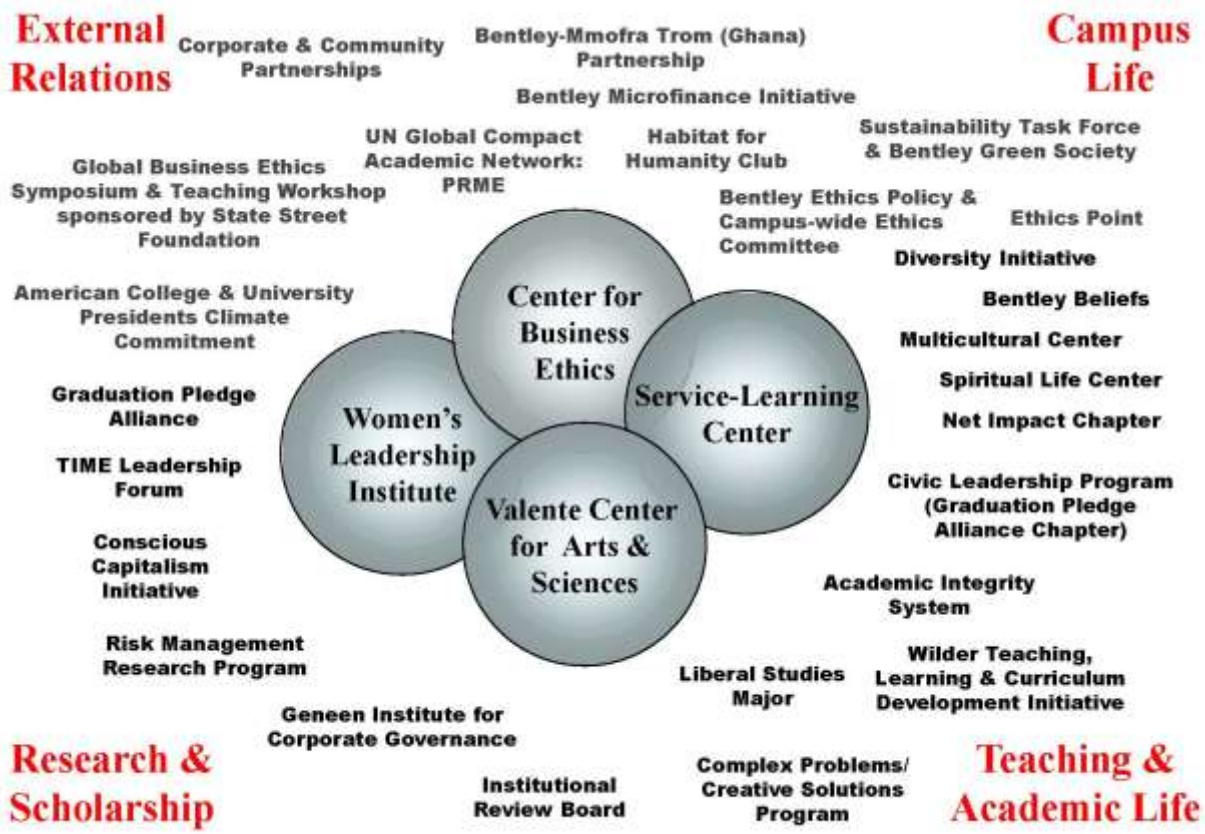
ÉDITO DES ACTEURS DÉSORMAIS INCONTOURNABLES

As a lead-in to the program, *La Tribune*, one of France's leading economic newspapers, with a circulation of over 95,000 copies, printed an 8-page overview of the issues, challenges, and possibilities inherent in stakeholder engagement and management.

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 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.



The 2010-11 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 2010-11 BAESR initiative is built on four "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/)

- ***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****:* Newly 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 our outreach to the academic, corporate and not-for-profit worlds.

SYMPOSIUM HIGHLIGHTS

STAKEHOLDER ENGAGEMENT IN PRACTICE:
GLOBAL CHALLENGES, POSSIBILITIES, AND LIMITATIONS

Bernard Belletante, *Dean of Euromed Management*, began the program by emphasizing Euromed Management's commitment to diversity and sustainable development. Noting that the school's vision is built on two pillars, he underscored that as there is no singular way to manage companies, students must be educated to understand and act in all kinds of diverse situations. Companies must also be viewed as entities within the ecosystem and to survive and develop they must take care of that system. The school's mission is to develop individuals to become responsible managers, capable of creating sustainable value in an increasingly complex world. As he continued, as the host for this year's Global Business Ethics Symposium, "our partnership with Bentley reflects the ways in which Euromed Management has aligned itself with the UN Global Compact and its Principles for Responsible Management Education (PRME) initiative."

Bernard Belletante
Euromed Management

Bernard Belletante, *Euromed Management*, **Tony Buono**, *Bentley University*, **Lisle Ferreira**, *UN Global Compact, and* **Jean-Pierre Bugada**, *UN Regional Information Center*

Belletante continued with a discussion of people's changing perspectives, increasingly demanding that companies are answerable for their actions. As a result, "we must realize that the long-term is not simply a succession and addition of short-terms…. and working for the benefit of individual interests does not necessarily benefit collective interests." Belletante concluded his introduction with the challenge that in today's changing world, everyone must work together to construct "diverse systems in which the interests of the corporate world are once again connected to those of society at large."

Jean-Pierre Bugada, currently the *Desk Officer for France and Monaco with the UN Regional Information Center*, cited UN Secretary General Ban Ki-moon who called for a "united effort to achieve a new phase of globalization," to create sustainable markets and development as well as international cooperation. He noted that the PRME initiative provides "a new step to give concrete meaning to the UNGC, bringing ethics into business and also to business education." Thanking Euromed Management, Bentley and State Street for their support of these ideals, Bugada concluded by underscoring the Symposium's theme and its importance as "one of the year's major international events."

Jean-Pierre Bugada
UNRIC

Lisle Ferreira
UNGC

Lisle Ferreira, *Manager, PRME Secretariat at the UN Global Compact*, thanked the State Street Foundation for its generous support and underscored how proud PRME is to support the Symposium as stakeholder engagement is a key dimension of the values of the UNGC and PRME. She then turned to the ways in which exchanges like the one going on today are an important part of growing the PRME initiative. Congratulating Bentley and Euromed for making the Symposium become a reality, she pointed to the ongoing evolution of the PRME initiative and the 3rd PRME Global Forum that will be held in conjunction with the RIO + 20 Summit in June 2012.

Anthony F. Buono, *Professor of Management and Sociology and Executive Director, Bentley Alliance for Ethics and Social Responsibility*, welcomed the panel and thanked the organizations sponsoring the Symposium this year – State Street Foundation, La Tribune, and the UNGC and the PRME initiative. Stressing the value in having these organizations come together to raise awareness of the importance of stakeholder engagement in a responsible and responsive manner, he lauded "everyone at Euromed Management for their gracious hospitality and warm welcome." As he continued, "Although the issue of stakeholder engagement and managing stakeholder relations have always been part of the conversation during previous Symposia, the time had come to centralize our focus on this issue. Bringing together voices from academia, the corporate world, civil society and NGOs to discuss and debate these issues in a highly collaborative exchange captures the spirit of PRME and the long-term goal of the symposium series."

Tony Buono
Bentley University

Buono then emphasized the support the Symposium and Faculty Development Teaching Workshop have received from State Street Foundation, helping to extend the program well beyond Bentley to include faculty from across the globe. "This

year, due to State Street Foundation's support, we have faculty from Australia, France, Ghana, Spain, Turkey, Taiwan and Uganda, and from the U.S. – California, Florida, Massachusetts, and Texas – joining Bentley faculty in examining the ways in which these concerns can be integrated throughout our curricula." The Symposium series is held in honor of Tim Harbert, a Bentley alumnus and trustee and Chairman and Chief Executive Officer of State Street Global Advisors. Reflecting on Harbert's role with State Street, he remarked that Tim's "colleagues have long noted that under Tim's leadership State Street Global Advisors had become one of the world's premier asset managers… Throughout his tenure Tim was a major supporter of the firm's community outreach and engagement programs… and he would be very proud of this Symposium and the focus of our discussion today." As he concluded, "none of this would be possible without the long-term support and commitment of the State Street Foundation."

Stakeholder Engagement at State Street

The opening keynote address was given by **Richard Lacaille**, *Global Chief Investment Officer at State Street Global Advisors (SSgA)*. He began by underscoring Tim Harbert's legacy at State Street, noting "He was a great leader at SSgA as CEO and… a great leader in terms of his commitment to stakeholder engagement." Pointing to the ongoing work that SSgA and State Street do in their local communities, he emphasized that "Tim was a powerful driving force… the Foundation decided that one of the ways to commemorate his career was by sponsoring this Symposium series in his name… and we are very proud of that connection."

Framing his comments on the program's theme, Lacaille explained it was useful to look at State Street's three core business functions: to look after people's assets from a custody perspective, to administer people's funds, and to manage assets as investment advisors. Given these roles, he pointed to State Street's four main stakeholder groups – "those who finance the business, such as our shareholders and creditors, our clients, employees, and, importantly, the communities in which we operate." As he explained, "there is quite a lot of interplay between our stakeholders, particularly our clients and the communities in which our clients live."

Rick Lacaille
State Street Global Advisors

Noting that all four groups have "increased the level of interest they've shown with respect to corporate responsibility issues," Lacaille underscored that State Street's shareholders cover a variety of institutions, including "those who are very interested in the way that we operate as a business in terms of our corporate social responsibility (CSR)." As he explained, "They are interested in how we vote our own shares when we're managing money for our clients. They expect that we

will pay attention to the extra-financial issues in the management of the business." In parallel, "our clients have changed significantly since I've been in the business, and you increasingly find that clients ask quite penetrating questions about the way we're managing our business before they entrust us with their money… they want to know the kind of company they are dealing with and to ensure that, from a reputational perspective, they will be in safe hands."

Turning to State Street's employees, he noted that they are also "placing greater emphasis on working for a strong company from a CSR perspective." Commenting on State Street's 28,000 employees in 28 different countries, Lacaille argued that the company needs to be mindful of employee opinions, making sure "that we attract the best possible cadre of staff and we engage with those staff in order to retain them…. The issue of how you act as a partner within the community has become much more significant. For a financial institution, in particular, I think there's a lot of focus on us at the moment—on how we're operating, the ethical issues that have surrounded the financial industry, and how we might give back to the communities in which we operate."

Outlining State Street's approach to stakeholder engagement, Lacaille touched on the company's commitment to reporting, emphasizing that "corporate responsibility reporting has been something that we've paid attention to since we started publishing our report in 2003. Our reporting is based on the Global Reporting Initiative… and we are one of the few organizations that has external auditing of our reporting system by a verification organization (DNV)." Extolling the importance of reporting this information, he argued that it further facilitates State Street's ability to respond effectively in a number of areas. "In terms of the reporting of companies in which we invest, we were one of the early signatories to the Carbon Disclosure Project, which attempted to extract information from companies about their exposure in this important area." State Street also convenes an external stakeholder group, consisting of clients, shareholders, suppliers, environmentalists, academics and community representatives, in order to receive feedback on its Corporate Responsibility Report at various stages of its production. Lacaille is part of this Corporate Responsibility Working Group as well as a member of the Executive Committee of State Street's Corporate Responsibility Group, which provides insight into and oversight of the company's CSR activities. As an example, he pointed to the process used to decide whether State Street should use international standards for its impact on the environment. As he explained, "we oversaw that process and steered the organization to the point where we could obtain international accreditation and reach the ISO standard." As these committees report back to the management committee, the most senior executive committee of the bank, it is important that "they have the right level of visibility to make sure if they see action is required, it will be taken… as an organization we want to make sure that we are a responsible citizen from a CSR perspective."

Lacaille then turned to SSgA, the division of State Street that manages money for clients, stressing its dissimilarity to other large investors, which actually own the money they are investing. “None of the money that we invest is our own. It belongs to our clients. We’re advisors to those clients… At any point in time, they can decide they want a different advisor. In a sense, it’s not discretionary money – it’s conditionally discretionary. Our role is to invest our client’s money in the best possible way to obtain the maximum return consistent with the objectives that they’ve set out.”

Returning to the discussion of CSR, he advised that “we should keep in mind that the financial services industry has disappointed many people over the last several years. Most of the problems can be ascribed to lending, either directly or indirectly, against real estate,” particularly to those organizations or individuals who could not repay that money. As he continued, “this pattern is as old as finance itself. Equally, there were many periods when the financial industry was accused of withholding capital from those who were most in need.”

Lacaille argued that the lack of trust of the financial industry does not necessarily stem from that singular real estate event, but rather “stems from promises made that may have not been fulfilled,” in addition to a “lack of alignment between employees, investors, and shareholders. This is not just an ethical issue but it certainly has an ethical dimension in some cases.

“At SSgA our size and global footprint give us a leading role in the re-building of the reputation and credibility of the financial industry. In contrast to some other parties in the

financial chain, we act as fiduciaries and have a hard-wired commitment to put our clients first in the design of our investment strategies, our transparency, and our remuneration policies. We manage approximately $2.1 trillion on behalf of our clients. Although in absolute terms it is a large amount, as a percentage share of all investable assets it is a handful of percentage points. Investment management is not a very concentrated industry. Our clients are heterogeneous, to say the least, and our approach to both investing and engagement needs to reflect this reality. There are different views on basic investment issues such as currency risk, and there are also different beliefs about the approach to take with respect to ESG issues. As examples, in the UK animal rights is a driving force, in North Europe emphasis is placed on human rights and the environment, in the U.S. we manage union-related funds, for example, the so-called Taft-Hartley fund. These are funds raised by union members as their long-term savings vehicles, but as the ultimate asset owners they have very strong views on particular issues."

Reflecting on changes in the industry, Lacaille argued that ESG is evolving rapidly. **"**When we first started ESG investing, it was all about negative screening. It was about which companies we would not invest in in order to fulfill our obligations… You could call that the first generation approach." The second generation encompassed the idea that financial performance of companies would be positively influenced by a more enlightened approach to these issues. Yet, Lacaille noted that although there are many assertions linking CSR policies with improved financial performance, "the evidence from a shareholder perspective is illusive… When we are preparing our investment strategies we are actively seeking to outperform the index, and we have a number of hurdles that we need to jump before we allow ourselves to put a new factor in a quantitative model… we have to look for empirical evidence … The pact that SSgA has with our clients is that, when forecasting performance, we will adhere to a set of standards of proof that are universal, rather than applying a varying standard of proof."

"He argued that this pact is where the challenges for CSR lay. SSgA has carried out an enormous amount of research, gathering data from all of the major providers of research in the areas of ESG. As he explained, "we have created super-factors, factors that encompass all of the different metrics that people have looked at… and frankly speaking, the results are inconclusive… I think there is enough evidence to give encouragement that there is a positive relationship, but the hurdle that one has to jump in order to have absolute proof, in most cases, has not been proven." As he continued, at SSgA we have been using these factors as a risk management tool. "We don't want to find that our portfolios have an unexpected exposure to companies with a very poor environmental track record because the market response is changing with respect to these factors… and that reaction is becoming more intense ... But we're not yet at a point where the proof is so clear that we can absolutely bet on that as a factor on an unconditional basis for clients all over the world, who may have no particular interest in the issue."

When thinking about stakeholder engagement, Lacaille also stressed the importance of engagement with management. As he explained, “We have many people, many of our clients in different parts of the world, who expect us to act not as absentee landlords but to… engage with the management and the boards of the companies that we invest in, in order to adopt good policies.” As a service provider, delivering for example index funds, this may include screens that reflect the preferences or beliefs of the investor, which enables investors to align their portfolio with their beliefs. As he noted, “We do not make value judgments on those beliefs, but provide an effective way of implementing them.” Yet, he continued “our stance, particularly as index fund managers, is very different on some of these engagement issues. Clearly, if you only own five companies in your portfolio, your approach to risk and the way in which you engage with companies is very different compared to an investor who owns 3,000 or 5,000 companies. There is a sense that a more liberal approach, in which you allow the management to make choices about how they’re going to run the company, particularly, as it relates to risk, can be different depending on the types of investor.”

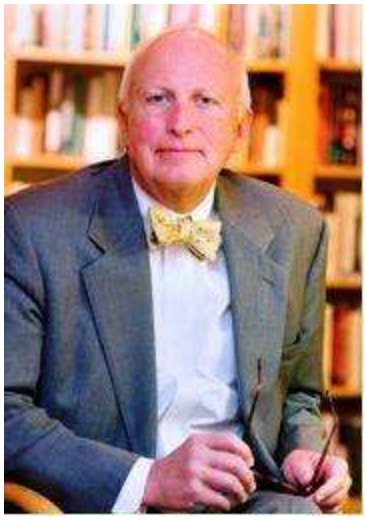
Most public attention is drawn to our activity in this area. We have a general obligation to maximize the financial returns of our clients, bearing in mind the constraints and objectives we are given. Some argue that we should do this by influencing public policy in ways that improve the functioning of the system. The potential for conflict of interest, however, may be substantial. It may also be in our clients’ interests that system-wide risks are reduced, and our engagement with regulators post-GFC [Global Financial Conference] is part of this, as we do not have the same motivations as those acting primarily as investment banks or banks.”

“Our role as an active discretionary investment advisor typically involves the application of a well-defined investment process – either quantitative or fundamental. In the former case, we look for a burden of proof….in the latter case we use a well-defined screening and evaluation process. In either case, we need to ensure that any decision we make is supported by theoretical and/or empirical evidence. Although this may sound overly cautious, our clients have a set of expectations about how we operate.”

Concluding his remarks, Lacaille once again expressed his gratitude for being invited to speak at the Symposium. “By outlining some of the conflict of interests and issues we face in our work and complexity of our role as an asset manager, I hope that I have conveyed the commitment of State Street to be a responsible actor, both in the financial community and in the community at large… rather than creating the impression that we are not able to play a proactive role in improving the investing environment.”

PARAMETRS OF STAKEHOLDER ENGAGEMENT:
STATE OF THE ART

The opening plenary panel was moderated by **W. Michael Hoffman**, *Founder and Executive Director of the Center for Business Ethics at Bentley University*. He began the panel by laying out a framework to guide the discussion, focusing on four core challenges: the *identification problem* (who are the stakeholders of a corporation, how are they identified?), *prioritization problem* (should corporations prioritize groups of stakeholders; if so, how should that be done?), *engagement problem* (how do stakeholder groups become actively engaged with corporations; should corporations be proactive in seeking and facilitating such engagement?), and what he referred to as the *partial success problem* (focusing on success models that demonstrate what has worked with stakeholder engagement; could these frameworks serve as models for future practical success in stakeholder engagement?).



Mike Hoffman
Bentley University

Elisabeth Laville, *Founder and Director of Utopies*, an 18-year old think-tank and consultancy specializing in sustainable development, focused her initial comments on the evolution of CSR strategies over the past 20 years. The first era, which started generally in Western countries in the early 1980s and ended in the mid-90s, was basically about corporate philanthropy. At the time, CSR was mostly about "corporate giving" because "companies understood that they would not be able to thrive in the long term in non-thriving environments." Laville argued that although this was a positive development, it did not affect daily corporate practices. Consequently, when companies met with nongovernmental organizations (NGOs) they were faced with challenges and questions regarding the impact on the same issues from their daily activities.

Companies therefore were "forced" into a second era, which she referred to as "*CSR 1.0*, which is basically what we call CSR today," focusing on industrial practices, internal processes, and management systems. While companies began to develop more robust CSR strategies, she argued that on a more in-depth level it is clear that "their business strategies did not include a lot of CSR and their CSR strategies did not contain business issues." *CSR 1.0* was mostly put in place as a defensive approach, to anticipate new, more stringent social and environmental regulations, and to prevent potential damage to image and reputation.

Noting that these efforts do not go far enough, she argued that companies are now being forced into the next era – *CSR 2.0*. This approach goes "way beyond risk management, to seize the potential for innovation and brand differentiation that [places CSR] at the heart of the business model, at the heart of the innovation strategy." This new approach is no longer

Elisabeth Laville
Utopies

defensive, but rather a more proactive one. As an example, Laville mentioned Phillips, which in 2007 committed to have one third of its 2012 revenues come from "green products. As she concluded, with this approach, CSR is no longer about changing daily practices, products or services. Rather it is about taking market opportunities related to sustainability and proactively and progressively changing the business model of the company."

In terms of engaging stakeholders, Laville noted that early on best practice was when corporations tried to monitor what stakeholders were thinking and doing, in essence "stakeholder mapping." The common practice within *CSR 1.0* is similarly to map stakeholder expectations and but also to commit to partnerships and dialogue with "friendly stakeholders." The emerging best practice, in contrast, is to engage in discussions with panels of "critical friends," NGOs or other stakeholders that are not necessarily friends, but entities that are challenging to the company. Emphasis will increasingly be placed on co-production and engaging in joint-efforts with stakeholders to "create new standards in the market," to work on "co-innovation, co-lobbying, co-governance."

Neil Barrett, *Vice President of Global Operations, Sustainability and CSR at Sodexo*, began by underscoring that Sodexo has "an enormous stake in engaging the company's 380,000 employees to be CSR ambassadors for the organization." Dating back to the 1960s, Pierre Bellon, the founder and current chairman of Sodexo, wrote that the purpose of the company was to improve the quality of daily life for client, consumers, employees and its stakeholders, and contributing to the development of the socio-economic conditions of the communities in which the company operates. Barrett noted that this long-term view of business is still the mission of the organization today and this commitment within sustainability, diversity and ethics is externally awarded and recognized. Although the company had developed numerous best practices, they were isolated around the world in its various operations. If the firm was going to take a true leadership position in sustainability, it had to leverage its global presence and take its performance to the next level, to get to the *CSR 2.0* position referred to by Laville.

Neil Barrett
Sodexo

In 2009, Sodexo launched a new company sustainability roadmap, the "Better Tomorrow Plan," which was the result of extensive internal and external stakeholder engagement and dialogue. Based on feedback from clients and employees regarding their expectations, Sodexo built a global plan for the future, which contains: milestones for 2012, 2015, and 2020; 14 publicly-announced commitments; around three priorities— (1) nutrition, health, and wellness,

(2) the development of local communities, and (3) the protection of the environment. In constructing this plan, Sodexo genuinely recognized stakeholder engagement as a vital, key element of the plan, rather than an add-on.

In the first 12 months after the plan was launched, the focus was on appropriation, ensuring that sufficient knowledge and understanding was disseminated to people throughout the company, enabling them to be the firm's "ambassadors for delivering sustainable development initiatives." The second phase of the launch was directed at governance—how to engage, build local plans, and communicate that plan. Country roadmaps were created, in which every one of the 80 countries included in Sodexo's network developed its own country roadmap with actions relevant to its particular needs. The company also created what it refers to as a "Better Tomorrow Champions Network," in addition to a corporate citizenship steering committee that meets on a regular basis. Barrett also mentioned that the company brings in experts from around the world to meet regularly to review important developments in various subject matter areas, such as energy, water, waste, nutrition, health, and wellness, and local community development. Stakeholder engagement forums were also created in different countries, which is part of Sodexo's plan to engage senior leadership at the local level with representatives from the stakeholder community, at least in the top 15 countries in which the company operates.

Finally, Barrett mentioned that in 2011, Sodexo's focus is mainly on performance, driving initiatives in stakeholder engagement and emphasizing the need for continuous improvement. Identifying Sodexo's stakeholders, he revealed that the company is committed to engage in dialogue, not only to influence its practices at its sites, but beyond its sites into the wider community. As he concluded, "For every stakeholder group we have a plan on how we get there,

how we transform our actions and plans into outcomes… It's a huge challenge only surpassed by our determination to succeed."

Continuing the discussion, **Isabelle Autissier,** *Chair of WWF France*, the leading international organization on protecting nature and the environment, began by outlining the general context for thinking about the role of NGOs. As she noted, for years NGOs focused on mobilizing people by sharing their goals with the public, lobbying public authorities to enforce our laws, and raising awareness about company wrongdoing. However, roughly a decade ago, and even more so during the past 5 years, NGOs have taken a more proactive approach – moving away from demonstrating against corporations to forming partnerships with them, reflecting a "genuine change of attitude" that has allowed NGOs and corporations to become better connected.

Isabelle Autissier
WWF France

Nonetheless, Autissier stated that although NGOs have adopted a more collaborative posture, they still desire to change the strategy and point of view of companies, based on their understanding of the detrimental impacts that companies can have on society. Going beyond simply receiving money from corporations, their goal is to work closely with them to reshape their practices. As an example, she noted that WWF France's Market Transformation Initiatives have attempted to engage with all the companies in the supply chain involved with core commodities, such as fisheries and forests, to create and support sustainable best practices. Due to the long and difficult nature of the job – as she argued it is not in "NGOs' DNA" to take this approach – NGOs must "focus on what they can actually achieve, what they need to achieve, and how they can work with large, international companies."

As part of this trend, there is also growing awareness that the ideal of corporate citizenship reflects the recognition that companies are not only here to generate profits, but also to be "a real part of the global society." While there have been a lot of "cosmetic actions" by companies in the past, NGOs do feel that they are dealing with more professional, accurate and numerous people in the CSR field. As she noted, she was very pleased to see CSR moving from the communication department to the CEO directly, resulting in greater progress throughout the corporation.

Autissier argued that the time has come for NGOs to work toward "new deals with companies that create win-win situations." While NGOs need sponsorship to pay their employees and look after the environment, they also need to advance their goals and create new business models.

While companies need to maintain their public image, they also need new ideas, new processes, networks, and indicators. In this latter area, NGOs can help or, at least, be present as part of the process, since they have expertise in these fields and are recognized by the public for being independent – as she noted, "Being experts and independents, that's our capital."

She concluded with the caution that such change is far from a simple process. The current challenges and underlying tensions include the ways in which NGOs can (1) combine partnerships with independence, (2) maintain their ability to criticize while collaborating, and (3) face and avoid the risk of green-washing. As a first step, she argued that NGOs need to limit the amount of their resources that come from companies. As part of their independence, NGOs also need to think about the potential of creating blacklists, that is, lists of companies that they do not want to work with – though, as she pointed out, there are "quite different opinions among NGOs." Questions also remain as to how NGOs should establish rules of partnership, including guidelines for how they should work with companies, focusing on what they should and should not do. Moreover, they need to develop indicators that can enable them to assess whether progress is being made. Finally, NGOs must also ensure transparency to protect their capital, which are its people and their image. Using WWF as an example, she argued that NGOs can accomplish this by "distributing an annual statement about everything they are doing with their partners and companies, their goals in 3 years and the current year, and what they have and have not accomplished." Reflecting on Laville's opening framework, Autissier concluded that "we are now in *CSR 2.0*" – NGOs truly want to be "the best stakeholders as possible."

The final panelist, **Sybille Sachs,** *Founding Head of the Institute for Strategic Management Stakeholder View at the University of Applied Sciences Zurich and Professor at the University of Zurich,* focused on her case study work in strategic management, drawing on the perspective of stakeholders in the pharmaceutical, financial, telecommunication, and energy industries. Based on her recently published book (with E. Rühli) – *Stakeholders Matter: A New Paradigm for Strategy in Society* (Cambridge University Press, 2011) – she described the "Network View," which characterizes the firm as embedded within a stakeholder network rather than at its center. She also argued that we should look at the "Mutuality Principle," which sees value creation resulting from the mutual interaction between a firm and its stakeholders. She reflected that our experience over the last 10 years amply demonstrates that the "invisible hand is not going to coordinate overall societal welfare as we previously believed." Sachs described the purpose of the firm as "creating value by improving and sustaining the quality of life of human beings and nature," instead of only creating shareholder value.

Sybille Sachs
University of Applied Sciences Zurich
and
University of Zurich

To demonstrate how such value creation takes place, Sachs explained that the process begins with the identification of a strategically relevant issue, which then leads to the identification of relevant stakeholders. She then showed a chart depicting the complex and interwoven nature of the stakeholder network, explaining the need for understanding the similarities and differences across stakeholders regarding the issues. The resulting process should start by building on similarities to find common ground, focusing on how to interact with each other in order to find new, innovative solutions across stakeholders. After developing the methods of interaction, she argued that dialogue can then be expanded to include more controversial aspects.

Sachs underscored that this integrated understanding of value creation should be utilized by both companies and stakeholder organizations in their business models, and is operationalized by the concept of three licenses. The *license to operate* provides organizations with the normative entitlement to create value for society as a whole. Drawing on her cross-industry research, she drew the analogy that "while there isn't a specific cake that needs to be divided, there is the possibility of baking a bigger cake, which means that organizations can sustain and improve the quality of life and also that of nature." Thereby, innovation in product development, establishing services or resolving "wicked issues" is based on the pooling and development of the resources owned by the firm and all engaged stakeholders. This, in essence, is the *license to innovate*. Furthermore, she argued that the *license to compete*, which deals with meaningful competition, focusing much more on motivation and benchmarking, can lead to sustainable value creation. Superior value is achieved through mutual value creation, emphasizing quality of life concerns. The approach companies take, she argued, should be more of "an interactive one, rather than being proactive."

Opening plenary panelists **Elisabeth Laville**, *Utopies,* Mike **Hoffman**, *Bentley University*, **Sybille Sachs**, *University of Zurich*, **Neil Barrett**, *Sodexo*, and **Isabelle Autissier**, *WWF France*

In terms of measuring the success of outcomes, companies have to not only identify their impacts, which they do for the financial bottom line, but they also have to look at the process itself, the different perceptions, the objectives of the process, and the context of the interactions. As she explained, is a company already at a stage where it can find meaningful solutions – or is it where "it still needs to find common ground? Is a company being reactive, proactive or interactive?"

Sachs concluded by noting that companies must seek out new forms of governance that look at the company and its stakeholders, from both a process and outcome perspective. Drawing on Chandler's 1970s vision, which called for a shift in management thinking from the "invisible hand" to the "visible hand," she emphasized that the process is not only about markets and corporations, but also about a stakeholder network of mutual value creation, where "corporations are an important part, but not the only part" of the system.

SUCCESSFUL STAKEHOLDER ENGAGEMENT

Session moderator **Ann Buchholtz**, *Research Director of the Institute for Ethical Leadership and Professor of Leadership and Ethics at Rutgers University,* set the stage for the panel's discussion of stakeholder engagement. **Dorothée Briaumont**, *Executive Director of Comité 21,* began the discussion with an introduction of Comité 21, a non-profit organization whose mission is to create conditions for exchanging and creating partnerships to implement sustainable development. With its three main objectives of networking, dialogue, and exchanging ideas, the organization has developed an expertise in the stakeholder dialogue process, with a tested methodology evidenced by strong partnerships with its members since 2004.

Ann Buchholtz
Rutgers University

Dorothée Briaumont
Comité 21

Comité 21's vision of stakeholder engagement starts with dialogue, in which a company's decision makers first ask for feedback on a specific project, "remaining at every stage free to decide on their own." The organization's methodology, based on the AA1000 standard, is based on the principles of *inclusivit*y, including stakeholders in CSR, *materiality*, consulting them about strategic concerns, and *responsiveness*, committing to take into account their recommendations and to act responsibly. Briaumont explained that this process requires courage on the part of the company – to take a step to acknowledge this formal attitude, in

essence saying that it is ready to listen to stakeholders and to consider their recommendations. Although there is potential for conflict in this process, "the purpose of the dialogue is to meet stakeholder expectations, and through cooperation and listening, the results could entail co-decisions to implement sustainable practices in an effective way."

Briaumont described Comité 21 as a facilitating third party, which organizes dialogues between the company and its stakeholders, and guarantees neutrality and mutual benefits for both parties. It selects a panel of key stakeholders connected to the company's activities as well as an executive board of company representatives on a cross-functional basis. While chairing and moderating the meeting, the organization tries to find a common language between the parties by proposing a clear, shared framework of principles. Briaumont emphasized that Comité 21 does not define at the beginning of the meeting the precise agenda, and instead focuses on ensuring that all suggestions are considered. As she explained, "as a continuous, progress-based approach, the client company must realize that is can be a long process." The methodology consists of two initial meetings, spaced 6 months apart. The first meeting allows stakeholders to express their opinions freely on a large spectrum while company representatives listen. Then at the second meeting, having digested the information shared at the first meeting, the company validates key challenges with stakeholders and presents a project in response to their concerns. The process then becomes more interactive and in subsequent meetings Comité 21 assesses the progress and provides the stakeholders with reports. Briaumont concluded by stressing the importance of transparency throughout the process, being careful not to deceive stakeholders, "which is the main risk in these situations."

Jacob Park, *Associate Professor of Business Strategy and Sustainability at Green Mountain College*, focused his comments on gender as a stakeholder concern. Looking at gender in the

context of two specific areas – entrepreneurship and private sector development – he explored the implications of three underlying narratives. Stressing that his comments concerned the U.S. and "were not an over-sweeping theory that could be applied across countries," he began with the "successful" narrative. This view encompasses the idea that, with the exception that women still have not made much progress in terms of their membership on board of directors, they have far exceeded any expectations of success in the economic arena. Despite some achievements, the "unfulfilled promise" narrative, in contrast, acknowledges that there are significant gaps in education, health, work, wages, and political participation between women and men in both developed and developing countries.

Jacob Park
Green Mountain College

Pointing to *Half the Sky*, a Goldman Sachs report stating that the degree of women's economic empowerment will be a measure of a country's development in the future, Park argued that the "underutilized economic opportunity" narrative asserts that a country needs to utilize its female population to take full advantage of its economic opportunities. Although the past few decades may have witnessed improvements in the health and education levels of women in developing countries, similar progress has not been seen in economic opportunity. Women trail men in labor force participation, access to credit, entrepreneurship rates, income levels, and inheritance and ownership rights. Park concluded by asserting that for the "success" narrative to become a reality, especially in the developing world, investments in women needs to increase, encouraging development, poverty reduction, and economic growth.

Myriam Maestroni, *CEO of Primagaz*, began her comments by noting that to engage stakeholders in a sustainable and lasting way it is critical to "address their minds and hearts." With current challenges such as climate change, changes in regulations, and introduction of new ideas such as eco-efficiency and energy savings, Primagaz had to reposition itself in its industry, which a major challenge, "especially for a company that was not accustomed to change." Management needed to think about how to reconcile the needs people have for comfort with the need to respect the planet. As a result, the firm established an energy advisor segment, drastically changing the company's value proposition and concurrently providing customers with energy products as well as sustainable energy solutions.

Myriam Maestroni
Primagaz

Maestroni emphasized that her company was able to come to a sustainable approach in terms of innovation, creating solutions, such as Primasoleil and Primawatt, which were made possible by

close cooperation with former as well as new partners. The company also established Economy d'Energie, whose purpose was to use the internet to explore concrete ways to find more energy-efficient solutions for everyone. The repositioning of the company also brought a change in image, which Maestroni argued "helped us to find meaningful, win-win relationships among our stakeholders." As she noted, in France we never talk about a "solid consensus" because it signifies "a weak compromise, satisfying no one."

She underscored that the firm was able to create a lasting condition for engagement, which they refer to as the "R point," a point where all stakeholders can come together to find a "reasonable common solution." The conditions for this "R point" are developed through talent and trust. As she explained, to develop talent the company had to grow leadership… "building on emotional intelligence and ideas of leadership among our employees." In terms of trust, Maestroni emphasized that it does not develop simply by discussing it. Referring back to Briaumont's presentation, she stated that it "must be a day-to-day engagement, which progresses and eventually become a part of the culture." Turning back to her opening comment, she emphasized that sustainable and lasting stakeholders engagement can only be achieved by "addressing the mind and addressing the heart, focusing on both reason and emotion."

Christophe Alliot, *Administrator of Fair Trade International*, began his comments by stating that the vision of the Global South – the nations of Africa, Central and Latin America, and most of Asia – can be captured by stakeholder engagement. He argued that one of the main challenges with respect to stakeholder engagement and CSR is not whether it is helping companies and organizations to do less harm, but whether it can "create good that is public and not merely private." To do this, he introduced the basis of the Fair Trade movement, which believes that poverty reduction is not something that can be solved by Europeans or Americans, but rather by the people in the Global South themselves. Although those in the Western world have responsibility in the more developed world, "we do not have the solutions for the Global South, and ultimately, it is up to the people there to decide their future, to take their lives into their own hands." The problem, however, is that technology and market forces are not naturally driving in the right direction. Alliot introduced his vision of trade justice and sustainability, the key idea being *empowerment*, which he noted is a time-consuming process. To attain empowerment, one must know what one's power or potential can be. One must also possess the capacity to assert it and to get value for it, "to claim it and make it happen so that one's self can take control of [one's] political, social, and economic life."

Christophe Alliot
Fair Trade International

He continued to discuss the three sides of empowerment. First, in the North, empowerment encompasses the vision that when "people know the impact of their daily choices and the

significant changes they can make, then, with this knowledge, they can finally put their principles and values into their daily life." Second, the vision for the South is that if producers are given the chance to organize themselves with collective grassroots organizations and democratic organizations, they can develop the power to negotiate, and thus be at the forefront of sustainable and democratic development. Lastly, Alliot spoke of a need for demanding and comprehensive engagement rules, criteria that need to be established from a negotiation by the actors themselves, not imposed upon them by an NGO.

Concluding his remarks, he turned to the basic components that he sees as being the essence of stakeholder engagement. First, when deliberating these rules of engagement, one must discuss things that may be difficult and costly, but will ultimately make a difference. If even a small number of companies can show that this is happening, they can develop the ability to drive change and influence the rest of the industry. Second, Alliot described the need for a strong civil society movement, arguing that significant changes cannot happen unless they are driven, ultimately, by consumers and citizens. NGOs cannot push for change "unless we have the pressure of the citizens who believe in it and want it." Third, expertise can only be created in organizations by "having faith that the real expertise is in the actors themselves. Everyone must be around the same table to discuss and make decisions, using a collective mindset and collective knowledge." Lastly, Alliot stressed the importance of moving from stakeholder engagement to stakeholder governance. As he noted, "Producers are not passive receivers, but co-owners and co-decision makers." He wrapped up his presentation by stressing the importance of being part of the democratic process in the regions we operate in, where we can define new rules of engagement, "doing good not only for an organization, but also for society."

MANAGING STAKEHOLDER RELATIONS:
TRENDS, GOVERNANCE, CHALLENGES AND NEXT STEPS

Session moderator, **Pascale Besses-Boumard**, *Editor in Chief of La Tribune,* introduced the panel, focusing on the management of relationships between all stakeholders and the methods of governance needed for a successful strategy. **Mitch Leventhal,** *Vice Chancellor for Global Affairs at the State University of New York (SUNY) System,* and *Senior Advisor on Academic Affairs, United Nations Global Compact (UNGC),* began the discussion by focusing on the UNGC framework of ten principles around human rights, labor, anti-corruption, and the environment. Companies, once committed to the UNGC, are requested to produce annually a communication on the progress they have made in these areas. Leventhal noted that although many academic institutions around the world have signed the UNGC, there has never been a

Pascale Besses-Boumard
La Tribune

formal framework for universities to report in the manner that corporations are required to report. As part of his introduction, he also described the Principles for Responsible Management Education (PRME) initiative, a network of business schools around the world that have made a commitment to incorporating the ideals of the Global Compact into their curricula, research, and campus culture. The underlying goal is to produce future business leaders who are committed to creating sustainable value for all stakeholders as part of a more inclusive global economy.

As a senior administrator at the largest university system in the world, Leventhal explained that while universities have dramatically expanded their global operations over the past two decades, their sophistication in managing activities in diverse contexts has lagged. Often operating in a vacuum, institutions can unintentionally neglect local conditions – which can result in significant backlash. New York University (NYU) had the foresight to establish its own labor standards for its Abu Dhabi campus construction, but many institutions lack both the experience and a framework to anticipate their responsibilities in differing local contexts. Leventhal proposed to UNGC that guidelines for higher education universities should be developed so that institutions could participate in and benefit from the UNGC, just as do corporations.

Leventhal commended PRME's focus on integrating corporate social responsibility and sustainability into the business school curriculum, with the aim of producing future business leaders attuned to these issues. But he also noted two underlying problems. First, many business leaders fall into business unexpectedly, never having attended business school – so how do we reach these people? Second, the most significant influencers of business behavior are consumers, whose daily purchasing decisions have immediate impact on corporate practice. This implies the need for a more generalized emphasis on corporate social responsibility and sustainability for *all* students, no matter what their course of study. Thus, the key challenges are to influence universities to: 1) think of themselves as business entities within the context of the UNGC, internalizing these principles in their own operations; and 2) instill these values into the general education program that is offered to all students, no matter what they are studying.

Mitch Leventhal
SUNY

This concern led to the creation of the UNGC Academic Working Group, chaired by Leventhal, which was created with universities around the globe that have committed to the UNGC and/or PRME. With representatives from every continent, the Working Group has been developing a framework for implementation of the UNGC principles in university operations. The hope is that, over time, educational institutions signed onto the UNGC will be held to the same standards as corporate participants, in which they will have to demonstrate that they operate as "good corporate citizens." The challenge for universities is to consider how they will instill the

principles of stakeholder relations, awareness of social responsibilities and sustainability, and the 10 principles of the UNGC to all students, regardless of their course of study. The potential outcome is a more globally inclusive, sustainable mindset held by millions of people entering the workforce.

Concluding his comments, Leventhal underscored that he realizes that presidents and deans in the global educational system could very well view these ideas as bureaucratic, requiring more assessment and paperwork. Yet, rather than increasing a school's workload, the goal is a "change of consciousness that will have real, long-term value." Though he was unsure of the potential success of this initiative within the SUNY system, especially given its breadth and diversity, he believes "that if enough institutions around the world commit to this, it will make a profound change in the mindsets of young people, helping to create a more inclusive and sustainable world."

Philippe Lévêque, *Executive Director of CARE France*, focused his comments on the relationships between CARE and the large corporations it collaborates with and the challenges that emerge from those relationships. As an NGO, CARE's dual role is to respond to considerable need – in the wake of such events as tsunamis or the crisis in Darfur – and develop sustainable programs – such as micro-financing, access to water, and education – led specifically by women. Noting that it had been unusual for an NGO to work closely with very large corporations, Lévêque argued that a new trend started in the early 2000s. "The general population started to irrevocably notice the huge failures and scandalous behaviors of big, multinational firms… combined with a weakening role of governments in influencing corporate governance, corruption, and their frightening indifference with regard to the environment, human rights, or even the development of their own country." In an attempt to limit these problems, CARE started partnering with leading and influential companies to search for solutions. These corporations were carefully chosen, focusing on leading and influential firms that had the potential to "contaminate other companies with their good actions."

One of the initial challenges CARE faced was criticisms about "green-washing," which often resulted from good intentions on the companies' part but whose actions were usually done very poorly. As an example, Lévêque pointed to Lafarge, the large French construction group, which edited its annual report with a front page picture of its *only* windmill farm, with the goal of positioning the firm as committed to sustainability. CARE immediately responded, underscoring that this tactic was unacceptable, as the firm "… created more CO_2 than the entire country of Switzerland… and could not promote itself as a green company."

Philippe Lévêque
CARE France

Some companies also chose to partner with CARE "… for the wrong reasons… generally to portray a good image" of the firm. Lévêque illustrated the problem with an example of a CEO of a collaborating company, who came to a committee meeting to have his picture taken and then left before the discussion. As he argued, "We have to be very careful in choosing our partnering companies, avoiding those who might be manipulative or partnering for the wrong reasons." In order to really make change, working hand in hand with large corporations, "there needs to be trust between the two entities, something that does not occur from one day to the next but takes years to develop."

Drawing on the trust issue, Lévêque argued that NGOs such as CARE rely principally on the trust of is donators and the funds they provide. A challenge is that the majority of these donators is against partnerships with large multinationals. "Most of them," he argued, "ask *why* CARE works with [these companies]." Since the NGO is putting its credibility at risk, "we have to be extremely careful with our engagements," in choosing which firms we should collaborate with, and what that collaboration would be like in practice.

As a related challenge Lévêque focused on the "schizophrenic speech" of the CEOs and representatives of multinational companies. He argued that these individuals typically use the same language in terms of commitment to the environment, human rights, and other social issues. Yet, they are under extreme pressure to respect certain performance criteria, creating a gap between their verbal commitments and company behavior. As he suggested, "their bonuses should be based on the social responsibility they are leading… based on their respect for the commitments" they have made to the causes CARE sustains.

Concluding, he underscored that change needs to occur "on a larger scale, globally and principally through education in order to change the mentality of the general population and our future leaders to come to power with all these important concerns in mind… An NGO does not have the power to do everything. Government must also play a role, making sure these issues are examined on an industry scale."

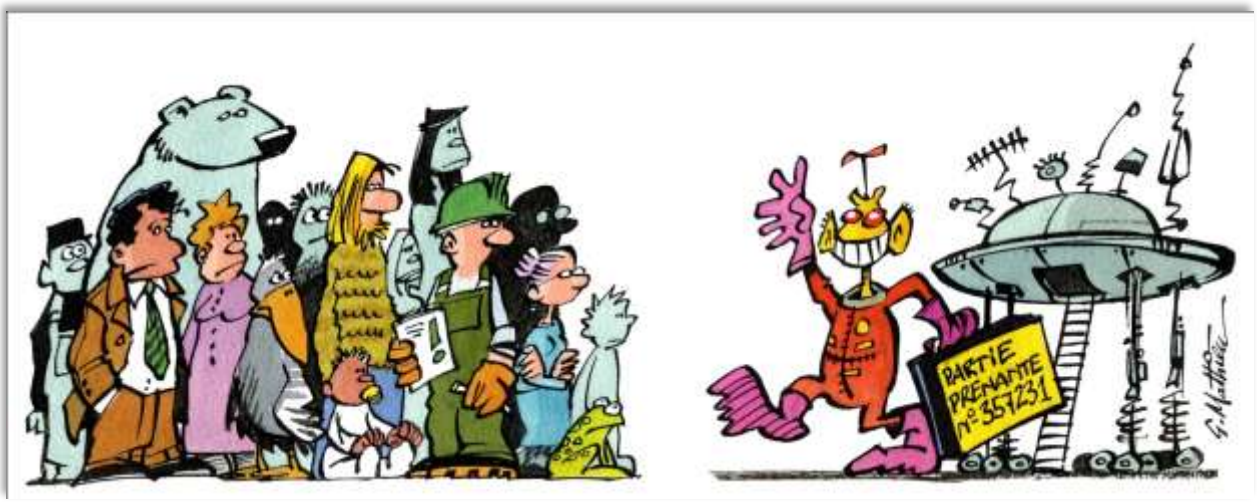
Nicolas Mounard, *General Manager of Alter Eco*, an organization dedicated to fair trade and organic products, began his presentation with a brief overview of his company, introducing its main stakeholders – producers and consumers. He noted that the company's mission is to serve as a trusted link between these stakeholders. Alter Eco is committed to pure origin products by utilizing single sourcing, unlike other firms in the industry. Working with 50 small farm cooperatives in the south of France, a major challenge is when a single cooperative is unable to fulfill the demand by the company's distributors, in terms of quantity, timing, and pricing. Quality is a key competitive advantage

Nicolas Mounard
Alter Eco

for Alter Eco, as the company uses one origin, which results in a single, specific, and highly characteristic taste.

To ensure that this single sourcing approach remains "a powerful force for the company," Mounard offered three directions – to reassure the cooperatives, to achieve full knowledge of the supply chain, and to emphasize product quality. First, to reassure the cooperatives, Alter Eco commits to them by contracting for fixed periods of time, for certain amounts of quantity and quality, and defining a minimum price, which can increase but still creates a basis for partnership. The company also engages in pre-financing, which adds value for the cooperatives but does make it difficult for the company's cash flow.

Second, as supply chain awareness is relatively weak at most other companies due to outsourcing, Alter Eco is committed to achieving full knowledge of its supply chain. The firm has developed its own audit methodology to measure its impact in terms of economic, social, and environmental added-value. This audit allows the company to thoroughly understand the operations within the supply chain, enabling it to better balance the timing logistics between the long-term processes in the South (producers) and the short-term, rapid processes in the North (supermarkets). This approach is achieved by sending its employees into the field, so that knowledge is shared by everyone on the team. Of Alter Eco's 46 employees, 70 - 80% are in the field on a regular basis.



Lastly, to emphasize product quality, the company invested heavily in researching how quality should be measured—such things as how coffee should be roasted and how to pick the right cocoa—by engaging mainly with the producers themselves. Mounard stressed that "the whole issue is to prove that a better produced product has a better taste… I'm part of one of the rare companies that is able to say on every single product that we have, I know the people behind my product… I know them, their reality, their story, and that's a huge asset for us."

Concluding, Mounard argued that although Alter Eco's role is to strengthen the link between stakeholders, "it is ultimately the stakeholders who sustain the project." Citing the company's blog as well as its new fair trade product branch which aims for full transparency, he noted that while the company needs to build the brand, at the end the brand needs to step back and "allow stakeholders to speak about their products." As an example, the company often brings consumers with them into the field, who then talk about their experiences on the company's blog. "Believe me, it's much more powerful when the producer or the consumer is talking about our brand than when I do it."

Rajendra S. Sisodia, *Professor of Marketing at Bentley University and Co-Founder and Chairman of the Conscious Capitalism Institute,* continued the discussion by introducing Conscious Capitalism, a transformation of our way of thinking about the role of business as well as non-profit organizations. As he noted, these ideas are not exclusive to business, but rather apply to any organization attempting to achieve a higher purpose by collectively harnessing the energies of multiple stakeholders. Drawing an analogy, he conjectured that human beings and corporations, like caterpillars, can operate at a pure level of consumption and self-interest, or they can transform and operate at a higher level of consciousness, like butterflies, with a much greater, positive impact on the world.

Raj Sisodia
Bentley University

Noting the tremendous value produced by capitalism over the last two centuries, he argued "and yet, mistrust of big businesses today is extraordinarily high… one of the least trusted entities in the U.S." Conversely, he pointed out that 65% of Americans trust small businesses – yet since all big businesses were once small, Sisodia asked, as businesses grow "is it inevitable that there has to be a divergence between the corporate interest and the public interest? It is not inevitable but empirically it seems to be true." Thus, he argued that there must be something fundamentally wrong with the way in which business has evolved. "Businesses are becoming more narrowly focused, rather than increasing their positive impact on the world and harnessing human energy, they make it difficult for employees to be engaged in their work, decreasing productivity and creativity."

Sisodia suggests that the reason for this disparity is that society has evolved dramatically in the last 20 years while business has continued to operate in the same manner. First, as he explained, the aging of the population has shifted society's value system to become more future-oriented and other-centered, as opposed to shot terms and self-centered. Second, in a phenomenon called the "Flynn Effect," the population is becoming more intelligent, making us more capable of processing information. The access to education is also much greater, dramatically so in the case of women. The evolution of technology has also made us more informed, resulting in a transparent world. Third, we are witnessing a feminization of culture as

the dominant paradigm, even in business, as winning and short-term results are being traded for ideas centered on nurturing, compassion, and relationships. As he continued, "Last and, perhaps, most significant, we are on a journey of rising consciousness," in which we are "developing a heightened sense of what is right, becoming more concerned with the meaning and purpose of life." Due to all these dramatic changes, Sisodia argued that the time has come for businesses to adapt.

Drawing on his research from his award-winning book *Firms of Endearment* (Wharton, 2007), he argued that there are a growing number of companies that represent a conscious way of being, which is congruous to how the world is changing. Sisodia found that these companies were paying their employees much better than the industry average, providing healthcare coverage, being fair to their suppliers, paying taxes at a higher rate, investing in communities, and having a positive impact on the environment. Though these companies spent such additional money, during the 10-year period that was studied, they still outperformed the market by 9 to 1, highlighting the fact that they are producing multiple kinds of wealth in addition to, not as a substitute for, financial wealth. "Business is the ultimate win-win-win-win game—if it is done right. The power of capitalism is that it can indeed be harnessed in order to achieve results like this."

Businesses need to reject the idea that there will be trade-offs and instead look for synergies, to create a mechanism that is actually simultaneously beneficial for all stakeholders. As we are part of an interdependent, interconnected ecosystem, the job of management and leadership is to create a system that is "self-organizing, self-managing, self-healing, and self-motivating. And that is the power of business." He argued that *Conscious Capitalism* can be captured in four core tenets. First, businesses need to pursue a higher purpose not simply maximizing profit – "something that inspires, motivates, and energizes society, something that the world needs." Second, there is an inclusive stakeholder orientation, focused on aligning, joining, and integrating the interests of all stakeholders rather than simply trying to balance them. Third, these firms are led by conscious leaders, committed individuals "who care about the purpose of their organizations, inspiring employees to realize this meaning in their work." Lastly, a conscious culture needs to be embedded in the business, building off the

Raj Sisodia
Bentley University

tremendous need of human beings to care about others, “which is as powerful, if not more, than the drive for self-interest.”

In these ways, businesses can improve the quality of their employees’ work, treat society as their most important stakeholder, and handle conflicts with their stakeholders through not domination or compromise, but integration. Sisodia emphasizes that this way of thinking goes well beyond CSR, which “can often be a narrow construal of societal obligations with unclear performance implications.” As he pointed out, the performance implications of Conscious Capitalism are dramatically clear. Multiple studies are confirming that this approach does positively impact companies’ financial performance, although it seems to require more direct costs. “Though such companies operate with low gross margins, they possess higher net margins. The reason for this is that as 85% of value creation is actually accomplished by suppliers… treating suppliers well and thus retaining the best ones result in more long-term gains. Employee turnover, marketing costs, and executive compensation are all much lower, though wages of lower-level employees are higher, improving employee motivation.”

Sisodia concluded his presentation by stating that we all have a tremendous opportunity to lead the most meaningful lives ever led by human beings. “Though our challenges are greater than ever, with the world being on the edge of so many disasters, our consciousness and awareness of those challenges have never been more important. Every challenge we face can become an opportunity for a fully empowered human being to use a conscious approach to business… with the potential to arrive at extraordinary solutions.”

CONCURRENT PANELS

Unfortunately, due to technical difficulties three of the symposium panels were not captured on videotape:

- Strategies for Identifying and Engaging Stakeholders
- Engaging Stakeholders: Benefits and Possibilities
- Critical Challenges in Stakeholder Engagement: Tensions and Limitations

The composition of these panels is noted below. We apologize for this omission.

CRITICAL CHALLENGES IN STAKEHOLDER ENGAGEMENT: TENSIONS AND LIMITATIONS

Claude Fussler
UN Global Compact

Francois Davy
Adecco Groupe France

Benjamin Kabouche
Ligue pour la Protection des Oiseaux (LPO)

Monica Winn
University of Victoria

Stephen Young
Caux Round Table

STRATEGIES FOR IDENTIFYING AND ENGAGING STAKEHOLDERS

Robert Frederick
Bentley University

Christian Brodhag
Ecole des Mines
de Saint-Etienne

Anne-Catherine Husson-Traore
Novethic

Thierry Dedieu
Confédération Française
Démocratique du Travail (CFDT)

PatrickWidloecher
La Poste

ENGAGING STAKEHOLDERS:

BENEFITS AND POSSIBILITIES

Zannie Voss
Euromed Management and
Southern Methodist University

Daniel Baumgarten
Seché Environnement

Francois Fatoux
ORSE
(Study Center for Corporate Social Responsibility)

Thierry Marneffe
E&H
(des Enjeux et des Hommes)

Andrew Millington
University of Bath

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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 seventh symposium for their willingness to share their work in the realm of stakeholder engagement, and, most of all, for their good-natured colleagueship and support.

Special thanks and appreciation go to our partners at Euromed Management, especially Bernard Belletante, Dean at Euromed, and Jean-Christophe Carteron, Director of Corporate Social Responsibility. Without their ongoing work and colleagueship, gracious hospitality and support, this year's program would truly not have happened. Tashina Giraud also provided invaluable assistance – as well as being a magnificent translator – throughout our time in Marseille, not to mention all the work she put in both before and after the program. This year's symposium was also a UN PRME (Principles of Responsible Management Education) co-sponsored event, thanks to support by Jonas Haertle (*Head, PRME Secretariat*) and Lisle Ferreira (*UN Global Compact and PRME Secretariat*). Lisle also served on the panel opening the Symposium program.

Jean-Christophe Carteron
Euromed Management

Among my many Bentley colleagues, without whose effort and support the symposium series and follow-on teaching workshop would not have been possible, I would, once again, particularly like to thank Michael Hoffman, Robert Frederick, Mike Page, Cynthia Clark, Mary Chiasson, Michele Walsh, Joanna Howarth, Terry Tierney, and Gail Sands. Special thanks also go to Bentley University's president Gloria Larson for her ongoing support and commitment to our efforts.

As has been the case with all of our past symposia, we were faced with a number of difficult choices in capturing the essence of the ideas exchanged during the program. Unfortunately, we also experienced some technical difficulties this year when videotaping three of the concurrent panels, which further limited our ability to capture much of the discussion. As we have done 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), "Ethics, Governance and Enterprise Risk Management: A Global Perspective" (2008), "Building Responsible Global Cultures: The Role of Ethics, Corporate Social Responsibility and Sustainability" (2009), and "What is Sustainability? Differing Perspectives on Sustainable

Business Practice in the Global Context" (2010) – we chose to focus on the remarks made by and exchanges between our panelists, unfortunately bypassing a wealth of ideas that were raised during interaction with the audience. Seoyun (Sam) Yoon, 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. Alison Gillot, a Bentley undergraduate student and language tutor, assisted with the translation. This year's *Proceedings* are enhanced by the wonderful art work of G. Mathieu, the noted French cartoonist who captured the essence of the panels in a unique and creative way.

2011 Business Ethics Teaching Workshop Participants

I would also like to note the wonderful colleagueship and thoughtful participation of the faculty who stayed for the remainder of the week, taking part in our Teaching Business Ethics Faculty Development Workshop – Kajsa Adu (*Ashesi University, Ghana*), Serap Atakan (*Istanbul Bilgi University, Turkey*), Breeda Comyns (*Euromed Management, France*), Ignacio Ferrero (*University of Navarre, Spain*), Fred Kakaire (*Multitech Business School, Uganda*), Larry Kalbers *(Loyola Marymount University, California*), Elizabeth Franklin-Johnson (*Euromed Management, France*), Jolene Lampton (*Park University Austin, Texas*), Virginia Maurer (*University of Florida*), Isabelle Pignatel (*Euromed Management, France*), Prem Ramburuth (*University of New South Wales, Australia*), Ben Shaw (*Bond University, Australia*), and Hui Yun Yu (*National Yunlin University, Taiwan*) – and Bentley University colleagues Samir Dayal, Patricia Flynn, Shaun Hauserman, Aaron Nurick and Joni Seager. Mary Gentile (*Babson College*) continued her support of the workshop series for the fourth consecutive year with a presentation on the "Giving Voice to Values" initiative.

Mary Gentile
Babson College

Finally the 2011 program also continued our third Next Generation ESG Scholars initiative. Due to the pioneering efforts of Bentley colleague Cynthia Clark Williams, we built on our successful 2009 and 2010 workshops, offering a companion program focused on enhancing doctoral student research in the environment, society, and governance arena. In addition to serving as panelists during the symposium, Anne Buchholtz (*Rutgers University*), Andrew Millington (*University of Bath*) and Monica Winn (*University of Victoria*) served as mentors in

the Next Generation ESG Scholars Program. Our third cohort of Next Generation Scholars included Sébastien Fosse (*IE Business School, Spain*), Patricia Kanashiro (*George Washington University*) and Yipeng Liu (*Mannheim University, Germany*).

2011 Next Generation ESG Scholars: Sébastien Fosse, **Patricia Kanashiro**, **Tony Buono** and **Yipeng Liu**

Planning is in progress for our 2012 Global Business Ethics Symposium and Teaching Workshop, focused on "The Future of Capitalism: Ethics, Sustainable Practice, and the Global Economy." I am looking forward to, once again, sharing many of the thoughts and ideas that will be exchanged during the 2012 program. The program will be held back in the U.S., on the Bentley campus – and I hope that you will be able to join us for what promises to be another thought-provoking program.

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/events/symposium

SPEAKERS AND PANELISTS

KEYNOTE SPEAKER

Richard Lacaille, *Global Chief Investment Officer, State Street Global Advisors*

WELCOME PANEL

Bernard Belletante, *Dean, Euromed Management*

Jean-Pierre Bugada, *Desk Officer for France and Monaco, UN Regional Information Center*

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

Lisle Ferreira, *Manager, PRME Secretariat, UN Global Compact*

THE PARAMETERS OF STAKEHOLDER ENGAGEMENT: STATE OF THE ART

Moderator:

W. Michael Hoffman, *Executive Director, Center for Business Ethics and Hieken Professor of Business & Professional Ethics, Bentley University*

Panelists:

Isabelle Autissier, *Chair, WWF France*

Neil Barrett, *Vice President Global CSR, Sodexo*

Elisabeth Laville, *CEO, Utopies*

Sybille Sachs, *Head, Institute of Strategic Management: Stakeholder View, University of Applied Sciences Zurich, and Professor, University of Zurich*

STRATEGIES FOR IDENTIFYING AND ENGAGING STAKEHOLDERS

Moderator:

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

Panelists:

Christian Brodhag, *Director for Research, Ecole des Mines de Saint-Etienne*

Anne-Catherine Husson-Traore, *Director, Novethic*

Thierry Dedieu, *National Officer, Confédération Française Démocratique du Travail (CFDT)*

Patrick Widloecher, *Compliance Officer, La Poste*

ENGAGING STAKEHOLDERS: BENEFITS AND POSSIBILITIES

Moderator:

Zannie Voss, *Professor, Euromed Management & Southern Methodist University*

Panelists:

Daniel Baumgarten, *Director of Sustainable Development, Seché Environnement*

Theirry Marneffe, *Co-founder and Associate Director, des Enjeux et des Hommes (E&H)*

Francois Fatoux, *Director, ORSE (Study Center for Corporate Social Responsibility)*

Andrew Millington, *Director, Centre for Business, Organizations and Society, University of Bath*

CRITICAL CHALLENGES IN STAKEHOLDER ENGAGEMENT: TENSIONS AND LIMITATIONS

Moderator:

Claude Fussler, *Special Advisor, UN Global Compact*

Panelists:

Francois Davy, *Regional Head (France, India, Switzerland, Africa, Middle-East), Adecco Groupe France*

Benjamin Kabouche, *Director, Ligue pour la Protection des Oiseaux (LPO)*

Stephen Young, *Global Executive Director, Caux Round Table*

Monika Winn, *Associate Professor of Business Strategy & Sustainability, Francis G. Winspear Scholar and Interim Director, Business Centre for Social and Sustainable Innovation, University of Victoria*

SUCCESSFUL STAKEHOLDER ENGAGEMENT

Moderator:

Ann Buchholtz, *Professor of Leadership and Ethics, and Research Director, Institute for Ethical Leadership, Rutgers University*

Panelists:

Dorothée Briaumont, *CEO, Comité 21*

Myriam Maestroni, *CEO, Primagaz*

Christophe Allio, *Administrator, Fair Trade International*

Jacob Park, *Associate Professor of Business Strategy and Sustainability, Green Mountain College*

MANAGING STAKEHOLDER RELATIONS: TRENDS, GOVERNANCE, CHALLENGES AND NEXT STEPS

Moderator:

Olivier Provost, *Deputy Editorial Director, La Tribune*

Panelists:

Mitch Leventhal, *Vice Chancellor for Global Affairs, State University of New York (SUNY) System, and Senior Advisor on Academic Affairs, United Nations Global Compact (UNGC)*

Philippe Lévêque, *Executive Director, CARE France*

Nicolas Mounard, *General Manager, Alter Eco*

Rajendra S. Sisodia, *Professor of Marketing, Bentley University, and Co-founder and Chairman, Conscious Capitalism Institute*

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