

## Corporate Social Responsibility

*Washington-area professionals gathered on March 20 for the fifth session of the IRG Discussion Forum, "Corporate Social Responsibility." Gil Friend of Natural Logic and Jeff Seabright of Green Strategies discussed trends and initiatives at the round-table, which was moderated by IRG President Asif Shaikh.*

Corporations are powerhouses of economic and cultural influence in every corner of the world. They forge the leading edge of technology development. International laws and regulations race to catch up with their progress. Some wield more assets—and authority—than national governments, and, as such, they can sway political processes.

But along with that influence, is there an obligation for corporations to act in a socially responsible manner? Do companies have a duty to the stakeholders—not just the stockholders, but also the employees, local communities, and host governments?

### Trends

For a long time corporate social responsibility has been merely a synonym for a company's elective philanthropy. But that definition began to change in recent years to respond to the increasing economic and social disparity among countries, prominent cases of corporate malfeasance, high-profile protests against globalization, and greater public awareness of environmental threats.

Corporate social responsibility models have evolved significantly over the past ten years. Today's models, varying greatly from company to company, encompass vari-

ous facets of business, including community relations, environmental initiatives, the supply chain, ethics, governance, human and labor rights, and workplace diversity. Although they have largely been efforts fomented by crises, they have often resulted in significant competitive advantages for the businesses that implement them. In the end, they are established to be business-driven, strategic tools for corporate growth.

However, increasingly, company initiatives in the social and environmental fields are also created in response to market drivers, not government regulations. Customers, governments, employees, and investors increasingly demand a "triple bottom line" from companies—financial, social, and environmental performance. Many corporations are now acting on the realization that a better product at a better price with a better market profile and better environmental results will create demand on its own.

For example, the decreasing cost of new technology and the increasing demand for smart, sustainable energy alternatives has resulted in steady growth in the use of renewable and non-traditional sources. The use of wind power is increasing at a rate of 20 percent a year. The fastest growing of the world's energy sources, wind is quickly becoming a viable alternative to other traditional, high-polluting sources.

Looking to future markets, businesses have also begun to recognize the potential that exists among the world's poorest. Creating and supporting sustainable livelihoods for the poor—also called B24B, or "business to four billion"—is a model that is starting to be explored by companies who traditionally served higher-income markets. These companies believe that by providing the seeds for economic development today they are growing the markets of the future.

*Jeff Seabright, Asif Shaikh, and Gil Friend spoke at the fifth session of the IRG Discussion Forum, "Corporate Social Responsibility."*



## For More Information...

UN Global Compact: [www.unglobalcompact.org](http://www.unglobalcompact.org)

CSR Newswire: [www.csrwire.com](http://www.csrwire.com)

CSR Forum: [www.iblf.org](http://www.iblf.org)

Business for Social Responsibility: [www.bsr.org](http://www.bsr.org)

University of Luneberg resources and discussion:  
[www.sustainablevalue.com](http://www.sustainablevalue.com)

World Business Council for Sustainable Development:  
[www.wbcsd.org](http://www.wbcsd.org)

Rather than competing for smaller and smaller slices of the existing market for the upper and middle classes, companies have begun to rethink their technology, investment, and distribution strategies so they can exploit the untapped opportunities in the developing world. Technology offers a “development leapfrog” opportunity. Less developed areas today can bypass traditional steps of technology acquisition—avoiding the cumbersome infrastructure redevelopment that has dominated the industrialized world’s path to modernity—and progress directly to the most modern solutions. China, for example, is largely bypassing copper and fiber telephone lines and going straight to cellular. Now the world’s largest mobile phone market, the number of mobile phone users in China will overtake the number of landline subscribers by next year—and the penetration rate of mobile phones is still only 10 percent.

## Challenges

But progress is slow. The voluntary nature that makes corporate social responsibility easy to tailor also makes it easy to neglect. For it to become a driving force in the

marketplace, companies and stakeholders need to take action in several areas, including:

*Transparency.* In an age of instantaneous communication, information drives the global economy, making it difficult for companies to obscure or manipulate facts. But transparency is also a challenging concept to measure and adapt to different regions and different business models. Also, internal transparency—equipping staff with accurate information, in context—may be as important as external transparency.

*Globalization.* While globalization has created new opportunities, it has also introduced new complexities into the process of doing business, and doing business responsibly. How can environmental safeguards and labor rights be protected and promulgated in a global marketplace? To what extent should the duty fall to corporations to choose which social responsibility measures they should export alongside their products?

*Markets.* Subsidies, artificial pricing, and “externalities” distort market efficiency. In turn, distorted markets make it more difficult to succeed with socially responsible business strategies, since many of the real costs and benefits can be hidden.

Although there is a growing body of work that attempts to measure results of corporate social responsibility initiatives, most remain more reactive than proactive. But coordinated with development agencies and efforts corporate social responsibility is emerging as a powerful global tool for positive change—one driven by the potential for future markets and a bottom line based on resource preservation and the voices and wallets of its customers.

*Gil Friend, the founder, president, and CEO of Natural Logic, Inc., is a systems ecologist and business strategist with 30 years experience in business development and environmental innovation. He has founded and managed companies in social marketing and sustainable development, and has developed management strategies and operating and marketing plans for a range of companies in a range of industries. Mr. Friend was co-founder and co-director of the Institute for Local Self-Reliance, a leading urban ecology and economic development “think-and-do tanks.” Jeff Seabright is the director of Green Strategies and a leading voice in energy and environmental sustainable development. As ChevronTexaco’s principal advisor for corporate social responsibility, Mr. Seabright has led enterprise-wide planning efforts on corporate responsibility and sustainable development. He joined Texaco as vice president for policy planning, with overall responsibility for key areas of public policy and corporate governance. Prior to that he was the executive director of the White House Climate Change Task Force, and he served as the director of energy, environment, and technology for USAID.*

## The Nine Principles of the UN Global Compact

Proposed in 1999 by UN Secretary General Kofi Annan, the Global Compact's nine principles seek to "advance corporate citizenship so that businesses can be part of the solution to the challenges of globalization." Concentrating on human and labor rights and the environment, the principles are derived from the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the Rio Declaration on Environment and Development:

### Human Rights

*Principle 1:* Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and

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

### Labor Standards

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

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

*Principle 5:* the effective abolition of child labor; and

*Principle 6:* eliminate discrimination in respect of employment and occupation.

### Environment

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

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

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

*The Nine Principles are quoted from [www.unglobalcompact.org](http://www.unglobalcompact.org).*

## Forum Feedback

- ◆ Do socially responsible projects create unexpected consequences? Do corporate initiatives that engage poor and rural communities create a culture of dependence? How can companies cultivate indigenous economic growth while still serving corporate goals? Should companies step in where governments have failed?
- ◆ Whereas multinational corporations often collaborate for related business ventures—oil and shipping, for example—they rarely collaborate on social responsibility projects. Is corporate cooperation on this front infeasible? Would a common economic interest focus efforts?
- ◆ Businesses large and small must demonstrate to employees their commitment to corporate social responsibility; it is an increasingly important part of attracting and retaining young recruits.
- ◆ What indicators are used to show whether a project has been successful? Stakeholder satisfaction is an important gauge, and sustainable development directed to stakeholders can result in local political risk management for the company.
- ◆ Do social and physical entropy prevent corporations and governments from initiating smart reforms? For instance, while solar energy is a promising option in places like Nevada, business interests are entrenched in the oil and gas industry. Changes in the status quo must have innate market value before they are initiated.
- ◆ Is there a value in international organizations setting up regulations and standards, rather than letting corporate social responsibility projects self-generate and self-regulate? While standards may help, corporations may begin to institute projects that only satisfy, never exceed, international regulations.

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## About the IRG Discussion Forum

The IRG Discussion Forum is a monthly roundtable for the Washington-area policy community. Building on the Central Asia Speaker Series held at IRG in spring 2002, the Discussion Forum focuses on public and private sector issues affecting international development—agriculture, energy, sustainability. Each session is informal, and off the record; guest speakers and attendees are participating in a personal capacity.

With the Discussion Forum, IRG hopes to foster an environment for sharing experiences, exchanging ideas, and creating new approaches to development.

Henri-Claude Bailly, chairman of the IRG Advisory Board and senior advisor to the president, moderates the IRG Discussion Forum. Mr. Bailly is the former chairman and CEO of Hagler Bailly, an international management and consulting firm to the energy and utility industries. He is a director of the Alliance to Save Energy and a member of the Advisory Council of the Energy Future Coalition.

### Schedule

Thursday, March 20      Corporate Social Responsibility

Thursday, April 24      Energy Efficiency

Thursday, May 22      Privatization in the Energy Sector

For more information, email [discussionforum@irgltd.com](mailto:discussionforum@irgltd.com) or call International Resources Group at 202-289-0100.

*International Resources Group (IRG) is an international professional services firm that helps governments, the private sector, communities, and households manage critical resources to build a cleaner, safer, and more prosperous world. Since its inception in 1978, IRG has completed more than 600 contracts in 120 countries, delivering high-quality, cost-effective services that promote positive economic growth, institutional and social change, and intelligent use of resources—human, physical, environmental, financial. IRG's ability to provide management, economic, and technical advice is enhanced by the diversity, cross-cultural experience, foreign language skills, and management capabilities of its expert staff, working from IRG's Washington, DC, headquarters and 20 offices around the world.*



INTERNATIONAL RESOURCES GROUP

1211 CONNECTICUT AVENUE, NW ♦ SUITE 700 ♦ WASHINGTON, DC 20036 ♦ UNITED STATES

TEL: 202-289-0100 ♦ FAX: 202-289-7601 ♦ WEB: [WWW.IRGLTD.COM](http://WWW.IRGLTD.COM)

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