

USCIB

UNITED STATES COUNCIL FOR INTERNATIONAL BUSINESS



Advancing Corporate Responsibility

A statement by the USCIB
Corporate Responsibility Committee

November 2002

1212 Avenue of the Americas, New York, NY 10036-1689
Tel: 212-354-4480 ~ Fax: 212-575-0327 ~ www.uscib.org

Advancing corporate responsibility

Executive Summary

As a member of society, business creates value for shareholders, employees, customers and society at large. Private enterprise is unmatched in its ability to assemble people, capital and innovation to create meaningful jobs and profitably produce goods and services that meet the needs and requirements of the world's people. Companies are an integral part of society and are committed to operating in a responsible and sustainable manner. A wide variety of corporate initiatives, all of which have benefited from a process of innovation and continuous improvement, have been developed to put that commitment into practice. As additional initiatives are developed by both public and private institutions, this process of innovation can only be maintained by assuring that corporate responsibility initiatives remain voluntary, flexible, and provide a role for companies in decision-making processes. Bureaucratizing or restricting these multi-faceted and innovative efforts will eliminate the very value they provide to companies and the commensurate benefits to a civil society: an incentive to exceed the norm.

Corporate responsibility is a commitment to manage diverse roles in society - as producer, employer, customer and citizen - in a responsible and sustainable manner.

Background and context

Corporate responsibility involves a commitment by a company to manage its roles in society – as producer, employer, marketer, customer and citizen – in a responsible and sustainable manner. That commitment can include a set of voluntary principles – over and above applicable legal requirements – that seek to ensure that the company has a positive impact on the societies in which it operates. Strategies related to production and marketing of goods and services, business ethics, environmental practices, treatment of employees, approach to human rights and community engagement are all inherent to a comprehensive corporate responsibility approach.

The evolution of management practices

Responsible and often progressive business practices in areas such as ethics, community engagement, philanthropy, procurement, employee satisfaction and environmental protection are well established. Implementing policies and practices in these areas has become part of what is generally considered sound management. Corporate responsibility integrates these activities into a single concept that can generate additional value by supporting business objectives, promoting dialogue with key stakeholders and responding to customer needs.

The value of corporate responsibility

Many companies that have integrated social and environmental aspects into their business plans have found that they can improve relations with legal and political entities, effectively address the concerns of external stakeholders, discover areas of strategic advantage and improve their management systems. Integrating such aspects into performance objectives can help companies align their business objectives with the societal expectations. Improved performance in these areas may generate intangible assets, such as employee commitment and customer brand loyalty, that may lead to improved financial performance. Companies that proactively address these issues may also be better able to improve relations with other key groups, such as investors, regulatory agencies, the financial community, local communities and the general public.

The changing global context

Corporate responsibility can help companies align their business objectives with societal expectations

The role of business in society is evolving in conjunction with global social and economic forces, constantly changing many aspects of how and where businesses operate. Business must respond to these changes while continuing to satisfy customers needs and to provide a reasonable rate of return to shareholders. Globalization – the combined processes of faster communications, lower trade barriers, increased capital flows and greater individual mobility – is integrating economies and societies around the world. This has coincided with a global shift toward democratic market-based economies to the point where more than ever before, people live under governments of their own choosing. While quality of life has improved for many, sustained poverty reduction will require continued global economic integration, which leads to faster and more widespread economic growth.

The essential role of national governance

The current debate surrounding globalization includes concerns that the authority of governments is being undermined. However, commercial activity and private enterprise depend on national governments to set a level playing field so that competitive markets can flourish for the benefit of consumer and society. This requires both the establishment and implementation of appropriate legal frameworks in areas such as corporate governance, financial disclosure, bribery and corruption, environmental protection and labor rights. In countries with ineffective domestic governance, companies and organizations have contributed by promoting good business practices. However, such efforts should not divert attention from the strong need for national governments to establish effective, appropriate legal frameworks to foster economic growth, environmental protection and social progress.

Maintaining the process of innovation

Voluntary commitments – those that go beyond legal requirements – can set challenging objectives, test new approaches, and include a variety of stakeholders

Corporate responsibility is a dynamic and multi-dimensional concept, with business policies and practices evolving to adapt to variable economic, social and environmental circumstances. This process of innovation is a critical aspect in the development and implementation of corporate responsibility programs and initiatives around the world. Such efforts should be voluntary, flexible, adaptable and participatory, as this approach will yield the best overall results for businesses and their stakeholders.

1) Voluntary commitments

Business conduct must comply with applicable laws and regulations, including those on competition, corporate governance, financial disclosure, employee rights and environmental protection. In many cases, however, companies and organizations choose to exceed legal requirements to voluntarily advance their own corporate responsibility programs and practices, particularly where local law is absent or insufficient. The benefits of setting challenging goals and objectives, testing a variety of approaches or techniques, and engaging broad participation are only possible through voluntary commitments. By contrast, imposing mandatory approaches to advancing company principles would likely limit innovation in business practices and reduce the overall impact of corporate responsibility efforts.

2) Flexible initiatives

Corporate responsibility programs are most effective when tailored to the unique circumstances of a given company and the different countries in which it operates. A one-size-fits-all approach limits creativity and innovation in the development of effective corporate responsibility programs. To be relevant to a company's specific circumstances, business principles should be developed and implemented by the companies themselves to reflect their individual circumstances and the priorities of their stakeholders. This approach does not prohibit collective action, as companies in similar industries have developed initiatives to advance issues of common interest. Flexible programs also have the benefit of changing with fluctuations of markets and the expectations of stakeholders.

3) Company participation in decision-making

Business will continue advancing corporate responsibility and engaging the broader community in its efforts.

Corporate responsibility initiatives should reflect direct company participation in the decision-making process. This will ensure that they reflect the experiences and business realities of a wide range of industry. Multilateral initiatives on corporate responsibility should allow for company participation in the development, decision-making and governance processes, and should be open to participation or membership of all companies. Longstanding initiatives such as the OECD *Guidelines for Multinational Enterprises* and the ILO *Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy* have benefited from active and ongoing business participation in their design and implementation.

Advancing leadership

The commitment by business to operate in a responsible and sustainable manner will provide greater overall benefit if a cooperative, flexible and open working environment between companies and their stakeholders is created and maintained. This approach will encourage business to continue advancing corporate responsibility and engaging the broader community in its efforts to contribute to economic growth, environmental protection and social progress.

* * *

About USCIB

The United States Council for International Business (USCIB) promotes an open system of global commerce in which business can flourish and contribute to economic growth, human welfare and protection of the environment. Its membership includes some 300 leading U.S. companies, professional services firms and associations. USCIB provides business views to policy makers and regulatory authorities worldwide and works to facilitate international trade, as the American affiliate of the International Chamber of Commerce, International Organization of Employers and the Business and Industry Advisory Committee to the OECD.

Annex: Implementing corporate responsibility

What is corporate responsibility?

A business definition

Many meanings have been attributed to the term “corporate responsibility,” but it generally refers to the role of business in society. Corporate citizenship, social responsibility, sustainability and triple-bottom-line management are terms that have also been used in this context and convey similar meanings. Corporate responsibility involves a commitment by a company to manage its various roles in society, as producer, employer, customer, and citizen, in a responsible manner. The commitment is usually in the form of a set of voluntary principles and policies – over and above applicable local legal requirements – that seek to ensure that a company has a positive impact on the societies in which it operates. The production and marketing of goods and services, business ethics, environmental practices, treatment of employees, approach to human rights, and community engagement are all examples of such impacts.

While it enjoys growing public interest, corporate responsibility is not a new concept. Key aspects of what is now referred to as corporate responsibility have been identified and managed by the business community and other organizations for some time. Policies and business practices have been developed in the areas of corporate philanthropy, procurement guidelines, codes of conduct, ethics and compliance, community engagement, employee satisfaction and environmental protection. Indeed, developing and implementing policies and strategies in these areas have become part of what is generally considered sound management. Corporate responsibility typically involves the company integrating these activities into a single concept that supports the company’s business objectives, promotes dialogue with its key stakeholders, and can result in real benefits in the communities where companies operate.

Why do companies pursue corporate responsibility?

The business case

Many companies that have integrated social and environmental strategies into their business plans have found that they can improve relations with legal and political entities, effectively address the concerns of external stakeholders, discover areas of strategic advantage and improve their management systems. Integrating such aspects into performance objectives has also helped businesses focus on a central issue for every company: improving the lives of the people involved in its business operations. Improved performance in these areas is frequently cited as generating intangible assets, such as employee commitment and customer brand loyalty, that may lead to improved financial performance. Companies that actively manage these issues may also be better able to improve relations with other key stakeholders such as regulatory agencies, the financial community, local communities and the general public.

Setting objectives

How a company organizes itself to meet its corporate responsibility objectives is influenced by its history, experience, culture, philosophy, business sector and the laws and regulations of the countries in which it operates. These factors have led companies to adopt a wide range of approaches designed to best meet their needs or those of various stakeholders.

What guides a company's corporate responsibility objectives?

Working with business partners

Companies have also benefited from doing business with suppliers and other business partners that embrace high standards of ethical business behavior and demonstrate commitment to those standards through their business practices. Business partners are expected to be in compliance with all relevant laws and regulations. Some companies are going further and asking suppliers to commit to terms regarding their legal, ethical, environmental and employment standards. Such voluntary initiatives by companies have been very useful in supporting a business culture that minimizes corruption and unethical behavior, and encourages full compliance with all relevant laws and regulations. While there are practical limits to the ability of business to influence all aspects of the supply chain, companies can partner with others to develop and advance solutions both up and down the supply chain.

Engaging stakeholders

Externally, businesses have important relationships with the communities in which they operate, providing employment opportunities, wages, benefits and a good work environment. Cooperation between companies and other external stakeholder groups—such as customers, investors, governments and neighbors—has also been a constructive way to implement corporate responsibility programs. Companies have established external programs and activities to work closely with key stakeholders to strengthen human resource development, sustainable environmental practices and social services. However, companies should determine the best method and partners for such stakeholder dialogue to ensure shared values and common objectives.

Engaging in an external initiative

Some companies have adopted external corporate responsibility initiatives to supplement internal policies. The decision to engage in an external initiative and if so, which one, will depend on the objectives of the individual company and the relative added value that each code or initiative provides the company. External corporate responsibility initiatives vary according to the issues they cover. Key areas might include fair business practices, legal compliance, fair employment and employee rights, environmental stewardship and human rights. While many early initiatives were designed to address a single particular issue such as labor standards or environmental protection, more recent corporate responsibility initiatives have sought to address a range of social and environmental issues in a single framework.

How do various corporate responsibility initiatives differ?

External corporate responsibility initiatives also vary according to the sponsoring organization or partnership. Most existing policies have been developed by companies for use in internal management systems. Business associations and groups of companies have also developed initiatives to advance a common interest, including the Global Sullivan Principles and the Caux Principles for Business. In some instances, companies in similar industries have found competitive advantage in following a single initiative. A growing number of initiatives are being developed by other interest groups, including trade unions, environmental groups and human rights organizations. And finally, governments and multilateral institutions have developed corporate responsibility initiatives both individually and as part of intergovernmental negotiations, examples of which include the OECD *Guidelines for Multinational Enterprises*, the UN Global Compact, and the U.K.-U.S. *Voluntary Principles on Security and Human Rights*. A comprehensive overview of these and other initiatives can be found in the USCIB *Compendium of Corporate Responsibility Initiatives* (2002).

How does a company determine the primary audience?

Identifying the audience

A key audience for corporate responsibility initiatives remains the company itself, namely its business units, managers, employees and shareholders. Companies may adopt an initiative to signal their sound business practices to current or potential host governments, thereby maintaining or enhancing the company's license to operate. Additionally, when initiatives are used to communicate a company's involvement with the communities in which it operates, local or national frameworks may be best suited. Finally, initiatives are targeted to a company's customers or suppliers, enhancing brand image and engaging the supply chain, respectively.

Communicating the commitment

The way companies communicate their commitment to corporate responsibility also varies from company to company. While some companies make their corporate responsibility policies very public and/or subscribe to outside corporate responsibility initiatives, others develop their corporate responsibility policies and programs internally and disseminate the policies throughout the company without making them widely available outside the company. Different public reporting approaches are also used, including issuing corporate responsibility-specific reports, incorporating corporate responsibility into annual reports, posting information on company Web sites, and/or publicizing corporate responsibility practices through business associations. Some companies also develop corporate responsibility reports as a means to promote greater transparency and interaction with key stakeholders.

* * *