

The Way Forward for Coalitions of Workers and Businesses for Sustainability



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A growing number of companies have come to realise that they cannot afford to neglect their wide circles of stakeholders. In our information society, news spreads fast, reputations turn out to be fragile. In a globalising world in which modern information and communication technologies play a central role, critical consumers and interest groups demand not only decent and responsible behaviour from businesses and their CEO's, but also transparency about their mission and the way it is implemented in daily practice. In this climate, the concept of Corporate Social Responsibility (CSR) has become the catch-all term. The key message of this concept is reflected in Principle 7 of the Earth Charter: "Adopt patterns of production, consumption, and reproduction that safeguard Earth's regenerative capacities, human rights, and community well-being."

What is the business of business? For Milton Friedman, the recipient of the 1976 Nobel Prize for economics, it was simple. In a market economy, the enterprise has one – and only one – social responsibility: "to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud. Similarly, the 'social responsibility' of labour leaders is to serve the interests of the members of their unions".¹

Society nowadays expects more from both business and trade unions in terms of corporate citizenship. Citizens and interest groups increasingly hold companies directly accountable for their social responsibilities. Public acceptance and a good reputation are important conditions for the continuation of many companies. The need for public acceptance is expressed in terms of a "license to operate," which must be earned and renewed from time to time.

In my view, a modern company is a co-operation of a number of different stakeholders.² One of the conditions for the proper functioning of such a partnership model is the ability to maintain a certain balance in the degree of control and influence exercised by the various stakeholders in the company. An imbalance in these relations can lead to poorer performance and, in the longer term, damage the credibility and reputation of the company. Employees and shareholders together represent the primary stakeholders in the company. It is crucial to the company's operations that it is able to create an effective bond with these stakeholders as well as with customers, suppliers, creditors, and others, including government bodies, non-governmental organisations (NGOs), and local residents. It is in the company's interest to invest in good relations with these stakeholders. It comes down to the conviction that, in the long run, optimising stakeholder value will best serve the interests of shareholders.

Corporate social responsibility encompasses the core business. This means that concern for the social effects of the company's actions is part of that core business. For the purpose of sustainable development, this entails consciously directing business activities towards creating value in three dimensions in the longer term, the Triple P bottom line: Profit, People, Planet: Profit refers to the creation of value through the production of goods and services and through the creation of employment and sources of income. The financial returns reflect the appreciation of consumers for the company's products and the efficiency with which factors of production are used. For investors, it is the criterion against which the company's performance is measured through shareholder value. People include not only the company's own staff, but also the outside community. Concern for this dimension starts with good labour relations and a stimulat-

ing social policy. And it certainly relates to respect for human rights and fundamental labour standards in other countries and the promotion of good labour relations in developing countries. Planet means that care for the natural environment – for the integrity of Earth’s ecological systems, as the Earth Charter puts it – is fully integrated into day-to-day business operations as well as the company’s strategic decision-making process.

In so far as the international capital market, under Anglo-Saxon influence, only looks at shareholder value, there is a tension with a balanced and coherent implementation of the three dimensions of corporate social responsibility. There are also counter forces: in the US, of all places, there has been a sharp rise in investment funds which concentrate specifically on ethical investing. In the Netherlands, the growth of specific “green” investment products has been greatly stimulated by a special tax scheme.

In addition, the financial services sector is showing growing concern for insufficient sustainability – because of the associated risks. Taking the performance of companies in the social and environmental areas into account when compiling an investment portfolio is not necessarily at the expense of investment performance. Research has shown that so long as the selection is sufficiently diversified, an investor can secure roughly the same results as with similar conventional stocks. It is encouraging to note the increasing popularity of the Dow Jones Sustainability Indexes (DJSI)³ – the world’s first global sustainability indexes launched in 1999. The growing amount of assets that investors are putting behind the DJSI, as well as the public recognition of these benchmarks, indicate that more and more companies perceive the indexes as an incentive for continuous sustainability improvements.

In the public arena, the individual enterprise is subject to a number of forces: what it must do because of legislation and regulation and public expectations, what it should do from personal conviction, and what it finds profitable to do. It is up to the individual company to decide exactly how it wants to position itself with respect to these forces.

The number of companies that voluntarily draw up a corporate code setting out their basic responsibilities towards their environment, and the core values, standards, or rules they observe, has rapidly increased. Corporate codes provide a strong institutional foundation for values to which the company attaches importance and for the standards which provide guidelines for the actions of management and employees and help in finding solutions to dilemmas or conflicts. Corporate codes commit managers and staff to making certain efforts. It is important that a corporate code is not imposed from the top down by the company’s management. The more the employees are involved in drafting the code, the better for its acceptance and implementation.

Corporate codes can build on various systems of standards in

which the international community has enshrined public expectations and values. Besides the Universal Declaration of Human Rights (1948) and the international treaties concerning civil and political rights and concerning economic, social and cultural rights (both 1966), these include the International Labour Organisation (ILO) Conventions and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

In 2000, the Secretary General of the United Nations, Kofi Annan, initiated a Global Compact for the New Century.⁴ The aim of this compact, which sets out nine principles, is to involve companies, trade unions, and non governmental organisations (NGOs) in the promotion of human rights, fundamental labour standards, and ecological sustainability. Although governments are primarily responsible for guaranteeing and protecting human rights and fundamental freedoms, enterprises can nevertheless also be expected to do everything in their power to promote compliance with these principles. Enterprises, trade union organisations, and NGOs have adopted the Global Compact.

What the Earth Charter adds to this variety of international standards and initiatives is, first and foremost, a comprehensive set of common principles and shared values that fully reflect our global interdependency. I strongly feel that the principles of the Earth Charter provide us – workers, business people, consumers, citizens – with a reliable compass to help us find the way forward towards sustainable development on this one world of ours. The need for such a compass is evident in an era of swift and profound changes in the world economy, increasing ecological pressures, continuous underdevelopment in big parts of the world, and a growing fear of international terrorism.

In our world-in-transition, traditional institutes are outdated and inadequate. The Earth Charter provides the ethical terms of reference for realising the ambitions of the twenty-first century such as the Millennium Development Goals, as an important step towards global sustainability. Transnational companies and the international division of labour are prime carriers of the globalisation of production and consumption. Safeguarding Earth’s regenerative capacities, human rights, and community well-being demands the conscious and active commitment of workers and businesses, as well as consumers. Captains of industry and trade unions can take an important step forward by paying tribute to the principles of the Earth Charter. May I invite you to endorse the Charter and act accordingly? ●

Notes

- 1 Friedman, M. (1962). *Capitalism and freedom*. Chicago: University of Chicago Press. p. 133.
- 2 SER (Social and Economic Council), *Corporate social responsibility - A Dutch approach*, Assen 2001.
- 3 See: www.sustainability-indexes.com
- 4 See: www.unglobalcompact.org