

Common corporate principles:

An instrument for change

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■ The Caux Round Table (CRT) is an international association of executives who believe that business organizations can be a powerful force for positive change in the quality of life for many in this world. While the traditional role of business as a creator of wealth (and employment) continues as its most obvious and important contribution, an option exists for business to exercise leadership in areas beyond the narrow confines of its financial interests.

In response to the growing friction arising from world trading conflicts, the CRT was first convened in 1986 by Frederik J. Philips of the Netherlands, former President of Philips Electrical Industries, and Olivier Giscard d'Estaing of France. European, Japanese and American business executives were invited to join in a dialogue to search for what is right rather than who is right. Implicit in the discussions was the understanding that each nation must put its own house in order before asking others to do the same.

In later years, under the leadership of Ryuzaburo Kaku, Chairman of Canon Inc., the CRT has increasingly focused on the issue of responsible corporate behaviour in our interdependent world.

The CRT meets twice yearly, with its plenary meeting held in Caux, Switzerland, an historic site of international reconciliation. A mid-year meeting alternates between Europe, Asia and North America. Local meetings are held periodically in each region.

The CRT is sensitive to the accelerating pace of change and the impact of these changes on all countries due to the globalization of our world. As such, the agenda of the CRT is subject to continuing review and modification. The views set forth in this article are part of that process.

Current agenda

While maintaining focus upon the original issue of trading conflicts, the CRT has added to its agenda other macro-economic conditions which threaten world harmony. The CRT is currently concerned with the following four issues:

- The growing economic friction arising from enduring trade imbalances which, if unaddressed, can lead to political strife.

- An increasing gap between the fortunate and the unfortunate in the developed nations, fuelled by the rapid growth in unemployment, and which is made painfully evident by the growing number of those living below the poverty line.

(The issue of jobs is the principal agenda item at the 1994 spring meeting in Berlin.)

- The gulf between the increasing affluence of the developed world and the continuing poverty in the less developed nations, which, when exacerbated by rapid population growth, often leads to mass migrations.
- The generational burdens which we are passing to our children, such as a polluted world and overwhelming national debts.

The agenda calls for significant involvement of the world business community, as individuals and as organizations, in issues that heretofore have been the exclusive domain of governments or their world surrogates. This vision of responsible corporate behaviour requires a redefinition of the role of business in society.

Corporate responsibility

Traditionally, the role of business in society has been as a creator of wealth. And, indeed, that is so. It is a role that business has uniquely and most successfully filled. As business executives, CRT members realize that our principal contribution to society may be in the generation of wealth which can be placed in the service of others. But business executives are not uni-dimensional, restricted in their knowledge and vision to only economic issues and terms. As citizens of their nations, regions and the world, they have interests and responsibilities that transcend the narrow confines of their job descriptions.

Some economists have proclaimed that the only purpose of business is business; i.e. the maximization of shareholder wealth. It connotes an economic machine that operates within clearly and rigidly defined borders, freed of responsibility for the consequences of its actions or inaction.

Yet business does not exist separately from society. It is an integral part of the social, political and economic structures within which it conducts its business and in which its employees and owners live and work. A web of rights and duties extends from society to the business, and a corresponding set of obligations reaches back from the business to society.

How an individual company conducts its business has significant impact on its employees, customers, suppliers, and society at large. Perhaps the best example is to recall a well-known adage that 'Employees will treat a company's customers as they have been treated

The UN has an excellent record of setting standards in the field of human rights. But the failure of many countries to accept or comply with these standards means that many people in the world suffer abuse of their basic human rights. I welcome the reaffirmation by the World Conference that human rights are indeed universal, and that the international community has a legitimate role in protecting these rights worldwide. The Vienna Declaration and Plan of Action also includes a welcome new emphasis on the rights of women, children and disabled persons. The challenge now facing all of us is to carry out the recommendations of the World Conference.

The Rt. Hon. John Major
Prime Minister
United Kingdom

In a violence-prone world that is witnessing vast and rapid historical changes, the United Arab Emirates is proud to associate itself with the efforts of the United Nations to promote the rapid and effective implementation of humanitarian measures that could guarantee human rights and ensure for each individual a life of dignity in an atmosphere of stability and security for all.

H.H. Sheikh Zayed bin Sultan al-Nahayyan
President
United Arab Emirates

by the company.' The approbation shown to certain behaviours and the opprobrium shown to others at the work site will subtly influence those who spend the majority of their waking hours in that environment. Individual behaviours approved and modelled at the office are likely to be the behaviours taken home at the end of the day. Thus, a company influences the society in which it works by not only its direct actions but, perhaps more importantly, through the actions of its employees in their role as citizens.

Business behaviour can also affect the relationship of nations. Business is often the first contact between nations and, with the growth of trade, may be the primary interface between two sovereign powers. The personal and professional behaviour of business people can determine the quality of international relations. And, when groups of companies act in consort, the economic, social and political impact can be profound. Accordingly, business leaders must acknowledge responsibilities that exceed simple profitability.

In summary, the manner in which a business conducts its affairs will have a positive or negative effect on the society in which it operates. A choice must be made, for a failure to choose will have its own consequences.

Specific approaches

The CRT draws upon the distinctive values of its members in fashioning a common set of principles for business behaviour.

From Japan the CRT has adopted the concepts of 'Kyosei' as developed and promulgated by Ryuzaburo Kaku, Chairman of Canon Inc (see *Ethical Standards*).

The term 'Kyosei' is interpreted here to mean 'living and working together for the common good'. It is a goal which companies can reach through four stages of evolution:

- 1** The first stage company is one which is purely capitalistic, the owners and managers reserving to themselves all profits from the enterprise. This type of company was typical in the early stages of the Industrial Revolution.
- 2** The second stage company recognizes the contributions of all its workers and shares with them some part of the profits arising from their common effort. There are many companies at this stage in Europe, the US and Japan today.
- 3** The third stage company enlarges its definition of stakeholders to include not only shareholders and employees, but customers, suppliers and the local communities in which

it works – although most often the sense of community is limited to the nation of the corporation's origin. This type of company is increasingly found in the US, and leadership examples are also to be noted in Europe and Japan.

4 The fourth stage company thinks and acts globally, not only in the geographic sense but in its concern for the good of all humanity. It recognizes that the single most important factor in its long-term success is the economic, social and political health of the communities in which it works and lives. It further understands that because national borders cannot curtail the spread of disease or pollution, nor stem the mass migrations of the world's poor, the world is or shortly will become one indivisible community.

From Europe the CRT has drawn upon the potential for community among nations as exemplified by the European Community, whose philosophical basis is that cooperation and mutual prosperity can co-exist with healthy and fair competition.

Europeans were the founders of the CRT and continue to be a driving force in the direction of the agenda and discussions. The current emphasis on employment stems from their growing concern that our present form of capitalism may not be attentive to the needs of all citizens.

A unique European contribution is the spirit of the meeting place from which the CRT has drawn its name. Caux, Switzerland, is a site of reconciliation and international understanding. Caux played a significant part in the rapprochement of France and Germany after World War II, through visits of Robert Schuman, Konrad Adenauer and many hundreds of representatives from both nations. Caux continues today, under the umbrella of The Caux Foundation for Moral Re-Armament, to help bring reconciliation between conflicting groups and nations in many parts of the world.

From the US the CRT has accepted as a model The Minnesota Principles, a statement of aspirations for responsible business conduct against which a company's performance may be measured. While the Principles were developed by experienced international business people, they can only reflect the cultural and ethical values of the US and, as such, represent only the first step in a process to create a world standard of business conduct (see *Minnesota Principles*).

The next phase of this project is to describe the ethical systems of each major trading area such that all involved in international business may be aware of and sensitive to the behaviours

most valued by their trading partners.

The final phase is to begin a process – based on these statements – that identifies shared values and reconciles differing values, with a goal of developing a world standard of business behaviour that is acceptable and honoured by all.

The Minnesota Principles are premised upon the notion that while laws are necessary in the regulation of business, they are a minimum standard. It is, rather, the strength of the resident culture that will determine behaviour.

The five central principles are these:

1 Stimulating economic growth is the particular contribution of business to the larger society.

- and that profits are fundamental to the fulfilment of this function.

2 Business activities must be characterized by fairness.

- that is, equitable treatment and equality of opportunity for all participants in the marketplace.

3 Business activities must be characterized by honesty.

- that is, candour, truthfulness and promise-keeping.

4 Business activities must be characterized by respect for human dignity.

- that is, a special concern for the less

powerful and the disadvantaged.

5 Business activities must be characterized by respect for the environment.

- that is, business should promote sustainable development and prevent environmental degradation and waste of resources.

The Minnesota Principles, building on the basic five principles noted above, provide specific guidelines for corporate behaviour relating to six classes of constituents: customers, employees, owners/investors, suppliers, communities, and competitors.

Conclusion

At a recent meeting of members of the US delegation to the CRT, the focus of attention was on the high levels of unemployment in Europe, the persistent unemployment in the US, and the impact of the current recession on Japan's traditional full employment policies. The discussions re-emphasized the vital role business has in not only creating wealth, but in the just distribution of that wealth (in this sense, jobs). But it was also recognized that the creation and distribution of wealth is not enough. There must be a living and caring community as well; that is, a nurturing environment that can supply or support the non-economic ingredients we and our families require for a wholesome and productive life. Business has a vital role to play in all these areas. It is to this challenge that the CRT responds.

The responsibilities of business go beyond the Corporate responsibility extends into the community at large

