LETS BE REALISTIC

SOCIAL RESPONSIBILITY OF GLOBAL COMPANIES IS NOT THE RESULT OF CHOICE

NOT ON THE BIG ISSUES

GOOD BEHAVIOUR IS DICTATED TO THEM IN THE FIRST INSTANCE

It is not possible to rely on companies, big or small, to behave well out of deference to accepted ethical or social standards. If this were so no-one would process tobacco, and the amount of fat put into foods would be reduced. Arms would not be sold. We would no longer see those news-pictures of obese cigarette-smoking soldiers armed to the teeth.

Governments are elected, hopefully by the peoples will to address these matters, corporations follow the rules. There is a fairly naïve idea around that trans-national corporations somehow avoid the peoples’ will in the place they are headquartered by doing nasty things in other countries. But this is not so easy as it looks. Global corporations must be present in all their main markets in order to execute strategy. They cannot afford to be attacked in the U.S for breaches of the foreign corrupt practises act in Nigeria.

CONDUCT IS DICTATED NATIONALLY BY GOVERNMENTS

GLOBALLY BY :-

TREATIES
REGULATORS
U.S. COURTS
NON-GOVERNMENT ORGANISATIONS

Nor are the rule-makers confined to national boundaries. Regulators swap information across the Atlantic. In the U.S, regulators for example in medical matters, insist on global oversight of research and production risks. The same is true of anti-trust regulators, who worry about the effects of monopoly outside their own land. Banking supervision seeks to avoid global not national systemic risk. Another example is protection of intellectual property, with the Western world ready to track down violators in deepest China. Levers of trade can move against those who do not comply.

The U.S courts also assume a global role under a law passed back in the early 1800’s. All sorts of foreign cases are admitted by U.S courts, especially if U.S investor interest is shown to be at stake. The U.S legal system, warts and all(and there are plenty of them),has become an instrument by which U.S global power is exercised. Countries with different legal systems resent this. This is particularly true in a place
like Japan, which does not believe in allocating such huge resources to the law. But, with its stack of global corporations based in Japan and dependent upon a U.S market, there is nothing the Japanese can do about it. It pays to comply, and it certainly does not pay to exploit unjustly under pax Americana.

The other forces which limit the potential for irresponsible behaviour are private organisations such as NGO’s. The gap which NGO’s fill in global governance should not be under-estimated. There are still plenty of countries poor enough to worry only about the survival of their human population, without worrying excessively whether they destroy other species in the process. NGO’s have emerged as a check and balance on such governments, playing their role in a disinterested manner which no neighbouring or rich donor country could match. Looking at the excesses of the animal rights movement, one could be forgiven for suspecting unfettered extremism from such volunteers. But in practise the NGO’s are in check as much as the global corporations they deal with. Better to trust a global giant to respect their goals than a third world government which, though rich in natural resources, may not even have got around to thinking about harm it does to the environment when these riches are extracted from the earth. Thus the potentially offending global corporation and the idealistic defenders of the earth are thrust into a close embrace.

In a sense the structure dictating global compliance, replicates the organisational change that has happened to corporations over the last couple of decades. Regional particularity has been subordinated to global business lines which rely on containing cost and maximising brand impact through the reduction of difference between markets

WHAT ABOUT RESPONSIBILITIES TO STAFF, SHAREHOLDERS

STAFF DO NOT SEE THE WORLD INTERNATIONALLY.

COMPANIES DO

SHAREHOLDERS HAVE DIVERSE AND CONFLICTING INTERESTS

What about corporate responsibilities towards narrower communities such as staff and shareholders?

Turning first to personnel, competition dictates that trans-nationalists must employ people where the combination of skill and cost is best. The labour field in one in which ostriches abound, all with their heads firmly in the sand. There are governments which are concerned about the status and treatment of a corporation’s employees in their own country but not about the thousands of other employees of the company in 157 other countries. labour unions often act the same way. There are authorities who exhaust themselves regionally to say, don’t close a factory in my country to open in a neighbouring country, I will make life difficult for you if you do. Once again the corporation can only respect the law while moving the centre of gravity of their activity away from the tract of the land with the most ostriches in it. Outsourcing has become a favourite way of avoiding cost and complication.
Responsibility towards shareholders is a slightly confusing concept because different shareholders act in different ways. There are the short-term growth groups who like one set of behaviour while other shareholders might prefer management to take a longer-term view. The market is in general amoral driven only by the desire for profit achieved in different ways, at different levels of share price, over different time perspectives, varying from shareholder to shareholder. The concept of large companies providing shareholder value is very fashionable, but the best a company can normally do is to act in a consistent manner designed to appeal to what it perceives to be a majority of shareholders. This is essentially a pragmatic response.

So, are trans-national corporations simply beasts in the jungle, driven only by survival within known rules, like lions not killing too much prey at once to avoid exhausting the savannah? Put another way, are they there simply to generate economic growth then enjoy the consequence themselves in a cyclical forward motion?

Wait..

THE SOCIAL BEHAVIOUR OF TRANSNATIONALS IS DRIVEN BY CUSTOMERS

CUSTOMERS DEMAND A BOND OF TRUST

THIS IS NOT JUST A COMPLIANCE AGENDA

IT DEMANDS A VOLUNTARY RESPONSE

NEGATIVES-E.G ABUSE OF POWER - MUST BE AVOIDED

The global corporation has customers. Survival in most cases depends upon them absolutely. Therefore we should search their minds for the drivers of socially responsible behaviour by global companies.

What is it that customers do not like, what they not care about, and what do they like?

They do not like untruth or attempts to cover up the truth, for example by delaying a product recall.

They do not like abuse of power or monopoly positions, or any form of dangerous, unreliable or unfair behaviour.

They do not mind paying high prices if they want that differentiation. They do not mind corporations making good profits.

They like trusted brands. Not in a static sense though, they like their trusted brands to reflect change and innovation. Consistency is not sameness.
Global companies respond well to the notion of trust. Some have words like “respect” “integrity” and various other forms of do-goodery engraved on glass or framed behind it, in their reception areas. They have codes of conduct signed up to by thousands of staff members. They spend tens of thousands of man-hours training their staff to avoid sexual harassment and other worthy causes.

This is not necessarily a sign that a company has control of its ethical or social agenda. If companies perform these quasi-ritualistic actions, the U.S courts may impose lesser sanctions if they are found guilty of some breach. They have to worry about this sort of thing. Under Sarbanes-Oxley, companies have special facilities for employee whistleblowers, who can earn tens of millions of dollars, in the U.S at least, From their share of fines imposed on a company they have landed in dock. So much for the moral or social aspect of the thing. This says more about the drive to achieve compliance than about pro-active measures to win trust.

Of course, compliance is a very important first port of call if we look for a measure of responsibility in a global corporation. It is more than a formality, it is difficult to achieve without also achieving a stultifying bureaucracy. But we must look beyond this to actions by the global players which are of a more discernably voluntary character.

Constitutional behaviour and truthful disclosure are pro-active means to create trust. The organisation of boards does not interest the public much. But an advantaged structure, currently most visible in the United Kingdom (wrongly paired with the U.S in this case under the usual misleading Anglo-Saxon label) can curb those abuses of power which the public react against, whether it is seen in self-serving remuneration or in some other way.

AND THE POSITIVE SIDE?

VALUES AND PURPOSE HAVE MEANING FOR CUSTOMERS

THEY ALSO SATISFY STAFF AND SHAREHOLDERS

THEY SPILL OVER INTO EFFECTIVE PHILATHROPY (AS A SIDE-EFFECT)

Beyond exercising candour and restraint, the trans-national pleases its customers by showing that it is useful. One way of doing this is to attempt to answer the questions “who are we?” and “why do we matter” and “what would be lost if we were not there”. The mission statement that says that Company X is going to “double revenue and triple profit over four years” is not providing the answers to these questions. One would rather look for inspiration, for example, to a pharmaceutical company that says its mission is to enable people to live longer, do more and feel better. Responsibility here means standing for something, doing it consistently, and preferably well. Staff are proud of this. They remain proud of it when, as often happens, hundreds of their colleagues are let go to lighten the ship in which they sail. Shareholders also know, subject to scrutinising the detailed strategy, what value they can expect, how it is
created and whether it suits them to derive their yield from this company or another one with a different appeal.

A sense of purpose is a powerful motor which drives other aspects of social responsiveness. Philanthropic programmes are often most successful if they are not just money transfers but relate to the company’s business area. News organisations can train journalists in countries where self-expression is only just beginning to be free. Oil companies which take black riches out of the earth can invest in programmes to develop the communities which, one day, will not have any oil-related employment any more. Drug companies can select targets like elephantiasis and vow to wipe them out. The search for innovation can benefit from cooperation chosen universities.

RISK CONTROL GOES BEYOND COMPLIANCE OR GOOD INTENTIONS

THINGS WILL NOT ALWAYS GO WELL

AVOIDANCE OF DISASTER IS A FINE ACHIEVEMENT OVER TIME

FORESIGHT IS THE BEST TEST OF GLOBAL RESPONSIBILITY

I come to my last subject-risk control.

If compliance, clarity and a defined purpose reflect the upside of responsible behaviour, either to customers or to other stakeholders, we must also look at the impact of socially responsible behaviour in face of downside risks. Compliance with laws or conventions, or pursuit of a value system, cannot tell a company that it may one day, unwittingly, do massive physical harm. Or that its whole existence will be threatened, and its shareholders and workers threatened by a totally new technology paradigm (the combustion engine versus the horse?)

The only way of anticipating the disturbance of the unpredictable (anathema to customer and stakeholders alike) is to expect it. The global corporation must be far-sighted in controlling outcomes. It should have, and often does have, superior forms of risk control. It contains, rather than unleashing disaster.

Think what a fine achievement it would have been if someone, many years ago, had said: I think there is a risk that asbestos is not safe to human beings, with all those fibres flying around. I am going to investigate this until I am satisfied that I am wrong.

In summary, use past experience to obey the rules of engagement. Make people believe in your purpose today. And foresee the effect of all this tomorrow