

by Marjorie Griffin Cohen

CORPORATE RESPONSIBILITY MUST NOT BE LEFT TO CORPORATIONS

*Suite à la privatisation
des sociétés de la couronne
et autres organismes
publics ou parapublics,
ceux-ci deviendront à peu
pres incapables d'assumer
les responsabilités sociales
et autres qu'elles endossaient
par le passé.*

Corporate responsibility means very different things for the corporation than it does for most people. The corporation's primary objective is to make money for its shareholders. Any other objectives are far down the scale in the level of importance and will not in any real way conflict with the primary purpose of the corporation. Only when a corporation's unethical behaviour interferes with its primary objective does corporate responsibility become an issue for the corporation itself.

The fundamental conflict between the private corporation's main purpose and the public interest has brought forth, over time, attempts to collectively control (mainly thorough government) the worse excesses of corporations. These public methods of control cannot now be left to corporate decision making and what corporations perceive to be their public responsibility.

Corporations view any attempt to control their actions as interferences with their rights to

make money. This is why there are repeated attempts to eliminate the minimum wage, reduce the power of various environmental laws, discredit affirmative action and privatize public corporations. The recent revival of talk about "corporate responsibility" comes primarily from the needs of the corporate sector itself. It is a defensive action designed, for the most part, to protect the hard-won advantages corporations recently have gained over state regulation.

The corporate response to the threat of control is logical. Corporations argue that they are respecting local customs and are obeying national laws. When that argument seems insufficient, they continue to resist regulation of behaviour by the public and offer in its place a business notion of "ethical" behaviour. Ethics, then, becomes a commodity itself - something to sell to the corporation in its own interest.

Government downsizing must not leave corporate responsibility to corporate good will.

In this age of privatization and deregulation - the marketization of virtually everything - the one thing that must be resisted most is the marketization of ethics. The morality of any society is reflected in its laws: they are the basic, minimal codes of conduct for making society civil. These minimal codes of conduct are necessary but not sufficient rules for making society decent and just. We expect people to behave better than the law requires because we recognize that the law cannot anticipate all situations and cannot change rapidly as new moral dilemmas are presented. But this ethical behaviour which enhances the minimal legal requirements is not how the notion of corporate responsibility is now being discussed by the corporations themselves. Corporate Canada does not even observe the laws that exists - our minimal manifestations of morality. It routinely circumvents legislation or pursues the rewriting of legislation to reflect its own, rather than social, interests.

The self serving nature of "Corporate Responsibility"

A good example of the self-serving nature of the new look at corporate responsibility was the discussion that took place on Peter Gzowski's CBC *Morningside* (October 3,

1996). I think Gzowski intended the session to be a discussion of ethics but the conversation took an interesting turn because his guests responded as though he was referring to ethics as a business product itself. Selling corporations on the the relationship between business ethics and the bottom line was not, for these ethics peddlers, an easy task. However, as the program progressed, their strategy was revealed: it was to present to their clients a way to generate the *perception* of ethical behaviour. At no point did they actually discuss *being* ethical; the focus was on what was necessary "to be seen to be ethical."

This perception of ethical behaviour can make the corporation money to the extent that customers' decisions are affected by that perception. Some corporations, if they are sufficiently bold, can seek the "ethical competitive edge." An outstanding example is how The Body Shop made a reputation based on its awareness of people's aversion to animal torture and destruction of the environment just to produce cosmetics. The Body Shop has made lots of money by selling its ethical production methods but, as the guys on Gzowski's show noted, this is not without risks itself. The risk is of "falling off the pedestal." If you have gone out on a limb selling your good works, being found to be not so ethical can be even more damaging than if the whole business of ethics had never been part of the selling strategy.

Ethics talk is also a way to keep a business out of trouble or to do damage control. Gzowski's guests talked about the issue of downsizing as a result of the need to compete globally. Getting rid of workers tends to lower morale within a corporation so, after this is done, the corporation needs to engage in "ethical renewal." What constitutes ethical renewal was not spelled out but it seems to involve getting the employees who remain to believe that the corporation cares about them. One can see how an ethics product might appeal to corporations out to placate their workforce after they have done something as upsetting as a major layoff of employees.

The most preposterous assertion on the Gzowski show was that the banks are the "leading edge" in ethics. These are the institutions which are raking in record profits at the same time that they are downsizing, restraining workers wages, resisting trade unions, increasing user fees through oligopolistic power and wildly increasing executive compensation. Leading edge? What could possibly be ethical about raising executive salaries on

average by 13 percent while the average Canadian's wage increased by 1.3 percent? What could be ethical about paying CEOs \$2.5 million a year while the average financial worker earned \$16,700?

The ultimate argument for those promoting corporate responsibility is that "good ethics is good business." The stress is on the compatibility between ethical behaviour and the bottom line. With a very narrow focus on what constitutes ethical behaviour, this may be perfectly true and, as a result, a good product to be sold to business. The fundamental disagreement is between those who believe in the idea that there is no division between what is good for the corporation and what is good for society, and those who don't.

Corporate care and the national interest

Executives of corporations tend to be offended by notions that they are not "good corporate citizens." Individually they can be caring, decent people who sometimes do benevolent things. The great leap of logic that the corporate sector makes is that it knows how to correct the ills of society and could do so through the project of corporate responsibility. A really good example of how narrow and inadequate the corporate vision can be about what is wrong and what it could do to fix it is in a recent issue of the *Harvard Business Review*. Several business executives were asked to respond to an article about the rising inequality in US society entitled "Toward an Apartheid Economy?" The problems identified as symptomatic of a society becoming dangerously segregated by class were stagnant real wages, high levels of child poverty, worker insecurity, increased homelessness, overflowing jails and prisons, and a deteriorating social safety net.

The corporate responses to these problems were at best naive and pathetically inadequate. Their preferred solutions focused on eliminating the deficit, promoting economic growth and improving labour productivity by focussing on training. According to the CEO of Automatic Data Processing, "our business system, which fuels the nation's general prosperity, requires broad social and political support for the institutions and public policies that allow it to operate effectively." Instead of facing up to an unhealthy system that creates massive inequalities, he offers a "solution" that would benefit corporations even more.

The only idea people-oriented approach that corporate executives seem able to tolerate is one that would improve "human capi-

tal." The president of the Federal Reserve Bank of New York worries about rising inequality because it is a "serious threat to our future economic growth." He feels the solution to inequality lies in business becoming more involved in education: "business can help by establishing adopt-a-school programs, internships, work-study arrangements and school-to-career programs, and by providing schools with computer equipment, software and supplies." These are not bad things for corporations to do, as long as they do not replace the collective ways in which society educates children. The important issue, though, is the comfort the business sector, and increasingly governments, find in identifying the inadequacy of people themselves as the root of the problem. Once we all agree that humans are capital deficient, then minimal corporate solutions to huge social problems seem rather reasonable.

International codes of conduct

The biggest blow to the regulatory power of the state and the collective enforcement of corporate responsibility has been the rapid and massive increase in capital mobility. The international institutions which have replaced national governance mechanisms are primarily market-creating devices; they do not attempt to control corporate behaviour. In this regulatory void, corporations find developing their own Codes of Conduct for operating in the international arena infinitely preferable to the development of enforceable laws at the international level. As a result, establishing Codes of Conduct for corporations is the biggest growth field in the marketization of ethics.

Corporations are more concerned with public perception than about behaving ethically.

As a director of a large public corporation I am acutely aware of how these guidelines for ethical behaviour work. When Board members are uneasy about some foreign investment, their concerns are fairly easily contained by a reassuring legal document which uses lofty language to ensure that people in foreign lands will not be hurt by what the corporation does. Ninety percent of all *Fortune* 500 companies now have these codes of conduct, but for the most part these are only worthy statements of principles with which the

corporation can assure the public of its good intentions. They are also handy when things go wrong because at least they show the corporation intended to be decent. For the most part they are weak documents which never go as far to protect people and the environment in other countries as do the laws in the home country of the corporation. They are also generally documents which are not enforced, except when a major scandal erupts and the corporation needs some damage control. Ensuring they are enforced requires inordinate pressure in board rooms and in shareholder meetings, pressure which requires a great deal of effort for relatively little effect.

Right now, however, these corporate codes of conduct are about all we have to regulate international corporate behaviour. There are international documents indicating appropriate corporate behaviour, but there is no enforcement mechanism in any to ensure compliance. NAFTA has both labour and environmental codes of conduct as annexes to the Agreement, but these are not enforceable. The UN has developed a Code of Conduct for Transnational Corporations, although it has never been formally adopted. The DECD has had guidelines for multinational corporations since 1976 without creating any way to see that they are followed. International labour rights as defined by the ILO are substantial but rely entirely on public pressure for enforcement, pressure which tends not to be strong enough for the ILO's conventions to be upheld even in Canada. Moral suasion can be effective when the violation of human rights is dramatic. No corporation wants to be associated with political killings or child labour: in this there is a compatibility between ethical behaviour and corporate self-interest.

The main issue is how far can corporate self-interest propel ethical behaviour? I am convinced it will not be far enough to protect the interests of most people against the actions of corporations most of the time. The individuality of the corporation and its singular objective is not a sufficient vehicle to meet collective interests. This individualistic nature values only one freedom above all others, and that is the freedom of the market.

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**Quebec-Canada: What is the path ahead?/
Nouveaux sentiers vers l'avenir**

The tumultuous period following the 1995 Quebec referendum left Canadians with more questions than answers. Clearly, many still require a reasoned debate on the political, economic and social factors that should govern Quebec-Canada relations.

In this volume, more than thirty experts from Canada and Quebec examine the country's current predicament and provide solutions to many crucial questions. In an open, straightforward, yet controversial way, they suggest that political and constitutional renewal can only be tackled by addressing the ongoing economic problems and cultural tensions that still afflict Canada on the eve of the 21st century.

La période houleuse qui a suivi le référendum québécois de 1995 a soulevé chez les Canadiens beaucoup plus de questions qu'elle n'a apporté de réponses. Manifestement, plusieurs exigent un débat raisonné sur les facteurs politiques, économiques et sociaux qui devraient régir les rapports Québec-Canada.

Dans ce volume, plus de trente experts bien connus au Canada et au Québec examinent la situation actuelle du pays et proposent des solutions à plusieurs problèmes importants. Participant à ce débat controversé d'une façon directe et simple à la fois, la plupart soutiennent que le renouveau politique et constitutionnel ne peut être abordé qu'en tentant de surmonter les graves problèmes économiques et perpétuelles tensions culturelles qui affectent toujours le Canada à l'approche du 21^e siècle.

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