LEADERSHIP, ACCOUNTABILITY AND PARTNERSHIP:

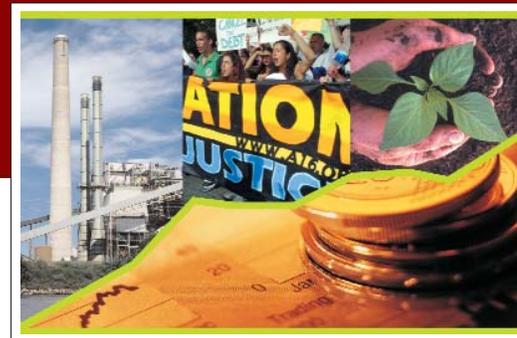# CRITICAL TRENDS AND ISSUES IN CORPORATE SOCIAL RESPONSIBILITY

The Kennedy School of Government
Corporate Social Responsibility Initiative

Report of the Launch Event
March 4, 2004

A Report of the
CORPORATE SOCIAL RESPONSIBILITY INITIATIVE

A cooperative project among:

The Center for Business and Government
The Center for Public Leadership
The Hauser Center for Nonprofit Organizations
The Joan Shorenstein Center on the Press, Politics and Public Policy

HARVARD UNIVERSITY · JOHN F. KENNEDY SCHOOL OF GOVERNMENT

Citation

This paper may be cited as: Nelson, Jane. 2004. "Leadership, Accountability, and Partnership: Critical Trends and Issues in Corporate Social Responsibility." Report of the CSR Initiative Launch Event. Corporate Social Responsibility Initiative, Report No. 1. Cambridge, MA: John F. Kennedy School of Government, Harvard University. Comments may be directed to the author.

Corporate Social Responsibility Initiative

The Corporate Social Responsibility Initiative at the Kennedy School of Government is a multi-disciplinary and multi-stakeholder program that seeks to study and enhance the public contributions of private enterprise. It explores the intersection of corporate responsibility, corporate governance and strategy, public policy, and the media. It bridges theory and practice, builds leadership skills, and supports constructive dialogue and collaboration among different sectors. It was founded in 2004 with the support of Walter H. Shorenstein, Chevron Corporation, The Coca-Cola Company, and General Motors.

The views expressed in this paper are those of the author and do not imply endorsement by the Corporate Social Responsibility Initiative, the John F. Kennedy School of Government, or Harvard University.

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The homepage for the Corporate Social Responsibility Initiative can be found at: http://www.ksg.harvard.edu/m-rcbg/CSRI/

Contents

I. Key Messages and Conclusions

The concepts of corporate social responsibility (CSR) and corporate citizenship have been part of the business lexicon and the focus of academic study for many years. Over the past decade, however, they have grown to encompass a more complex, multi-dimensional and global set of issues, with strategic implications for both business leaders and policy makers. This process has been driven by a combination of factors. These include:

- Political transformation, market liberalization, privatization and technical innovations, which have increased the global reach and influence of the private sector, at the same time that they have challenged the ability of nation states to govern the global public domain. The growth in reach and influence of private enterprises has conferred global companies with new rights and opportunities, but also created new competitive pressures and increased demands for corporate responsibility.

- The increased financial muscle and activism of institutional investors, who together with regulators have responded to the spate of corporate ethics scandals and governance crises with calls for better corporate governance, and greater corporate accountability, transparency and legitimacy.

> "Corporate social responsibility is not only a business challenge. Even more important, it concerns the relationship between business and society, the respective rights and obligations of different social sectors and actors - government, the media, and civil society organizations, as well as business - and the relative efficacy of voluntary versus regulatory approaches to meeting social needs. Questions of governance are involved at every step of the way.
>
> - Professor John Ruggie
> Weil Director, Center for Business and Government, and Faculty Chair, Corporate Social Responsibility Initiative

- Growth in the number, sophistication and connectivity of well-informed civil society organizations, which are calling for increased corporate responsibility and have unprecedented outreach and campaigning capability through the Internet and a global media.

- Greater awareness by governments and companies that the social, economic, environmental and security challenges facing the world are too great and the resources for meeting these challenges are too dispersed for any one sector to be able to tackle them alone. This is the case whether it is managing the public parks system of New York city or reforming public health systems in Africa.

As a result of these drivers, corporate social responsibility is becoming more mainstream to business and more relevant to public policy, with implications not only for corporate governance, corporate strategy and risk management, but also for national and global governance. It is within this context that the Kennedy School of Government has established its new CSR Initiative.

The initiative is based on the underlying premise that while governments ultimately bear the responsibility for ensuring public welfare, there is a need to construct a new understanding of the roles, responsibilities and boundaries of the private sector, especially major corporations, and to explore new types of partnership, and new governance and business models for creating public value. Another key underlying premise of the CSR Initiative is that corporate responsibility needs to be viewed as the totality of a company's impacts on and contributions to society – in particular its core business operations, stakeholder relationships and public policy positions – not only corporate compliance and philanthropy. The initiative uses the framework outlined below as its basis for defining corporate social responsibility.

Defining Corporate Social Responsibility

The CSR Initiative takes a strategic approach to defining corporate social responsibility. The term is often used interchangeably with others, including corporate responsibility, corporate citizenship, social enterprise, sustainability, sustainable development, triple-bottom line, corporate ethics, and in some cases corporate governance. Though these terms are different, they all point in the same direction: throughout the industrialized world and in many developing countries there has been a sharp escalation in the social roles corporations are expected to play. Companies are facing new demands to engage in public-private partnerships and are under growing pressure to be accountable not only to shareholders, but also to stakeholders such as employees, consumers, suppliers, local communities, policymakers and society at large.

In this changing environment, CSR encompasses not only what companies do with their profits, but also how they make them. It goes beyond philanthropy and compliance to address the manner in which companies manage their economic, social and environmental impacts and their stakeholder relationships in all their key spheres of influence: the workplace, the marketplace, the supply chain, the community and the public policy realm. These issues need to be addressed as a matter of strategic importance at the level of the company's Board of Directors and its Chairman and Chief Executive.

At the same time, however, CSR can also create opportunities for laggard firms to free-ride and for government to shirk responsibilities. Government ultimately bears the responsibility for leveling the playing field and ensuring public welfare. Making CSR work,

therefore, requires finding ways for business and government to work together to construct a new understanding of the balance of public and private responsibility and to develop new governance and business models for creating social value.

The aim of the CSR Initiative is to study and enhance the effectiveness of corporate social responsibility, as a core component of meeting the Kennedy School's dual mission to:

- Prepare leaders for service in democratic societies
- Contribute to the solution of public problems.

The initiative is an interdisciplinary and multi-stakeholder effort focused in particular on exploring the intersection between corporate responsibility, corporate governance, public policy, and the media. The initiative carries out its mission through a combination of research, dialogues, workshops, education and outreach activities. In all of these areas, the program places a strong emphasis on bringing together academics and practitioners to encourage innovation, build cross-boundary leadership skills, and support better analysis and decision-making.

Reflecting its interdisciplinary and cross-sector approach, the CSR Initiative is a collaborative effort between four of the Kennedy School's Research Centers - the Center for Business and Government, the Joan Shorenstein Center on the Press, Politics and Public Policy, the Center for Public Leadership, and the Hauser Center for Nonprofit Organizations. It also aims to draw on the expertise of faculty, fellows and students in other parts of Harvard University, most notably Harvard Business School, the Law School, and the School of Public Health, as well as other academic institutions and practitioners in the field of CSR.

The initiative is supported by Walter H. Shorenstein, and a group of three founding companies: ChevronTexaco; The Coca-Cola Company; and General Motors, with additional support provided by Booz Allen Hamilton and UNIDO (the United Nations Industrial Development Organization).

The initiative was launched on March 4th, 2004 at a meeting attended by over one hundred leaders in the CSR field (See Appendix). Participants were drawn from academia, policy think-tanks, CSR organizations, government bodies, the investment community, foundations, and business to reflect the diversity of views in this evolving field of study and endeavour. The purpose of the event was to discuss critical trends and issues on the corporate responsibility horizon.

The following report summarizes some of the key messages and challenges raised by the participants through a series of presentations and roundtable discussions, in addition to a pre-conference questionnaire, and a panel discussion held in the Kennedy School Forum on *The Public Role of Private Enterprise*.

Despite the diversity of views and comments, eleven themes came through time and again from the survey responses, presentations, roundtable discussions, and Forum panel. These inter-related themes offer a rich menu for further research and dialogue.

KEY TRENDS AND ISSUES IN CORPORATE SOCIAL RESPONSIBILITY

1. Viewing CSR in a broader and more systemic context
2. The enabling role of government
3. The relative efficacy of regulatory and voluntary approaches to CSR issues
4. Exploring the linkages, and often inconsistencies, between a company's CSR, corporate governance and public policy positions
5. Developing a more strategic and integrated 'value proposition' for CSR at the level of the firm
6. The leadership role of CEOs and boards of directors
7. The potential of collective CEO action
8. The role of the financial sector in redefining risk, opportunity and fiduciary responsibility
9. The role of the media as watchdog, endorser and multiplier
10. Measuring the impact and effectiveness of CSR and partnerships
11. Scaling-up the impact of partnerships

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1. Viewing CSR in a Broader and More Systemic Context

Much of the research to-date on CSR has focused on the theory of the firm, and on drivers, actions and impacts at the level of individual companies or individual partnerships. These remain important areas of focus in understanding the emerging field of CSR. As a number of speakers and discussion leaders pointed out, however, corporate responsibility is most usefully understood not merely in terms of what individual companies choose to do, or are able to do, but as a *systemic expression* of the broader context and governance frameworks in which business operates, and the various market, public policy, and stakeholder drivers that shape this context.

> "Corporate responsibility is most usefully understood not merely as what one or other company chooses to do, but as a systemic expression of the context and drivers under which business operates."
>
> - Simon Zadek, Chief Executive Officer, AccountAbility

As Alex Jones, Director of the Shorenstein Center for Press, Politics and Public Policy commented, "CSR needs to be seen not only in terms of corporate accountability and transparency, although these are undoubtedly important, but also in the context of government, NGO and media accountability and transparency". Ann Florini, a Senior Fellow at the Brookings Institute, concurred, "…the broad context within which CSR is happening demands greater accountability from all actors, including governments and NGOs". At the same time, she noted the need to better understand how corporations themselves shape global rules

and governance structures in the social and environmental sphere, as well as in the realms of trade and investment. As she and others emphasized, sometimes this occurs in a manner that serves both corporate interests and the public good, and at others only serves narrow corporate interests, on occasion to the detriment of what many perceive to be the greater public good.

The critical challenge, for theory and for practice, is to construct a new understanding of the appropriate balance of both private *and* public responsibility. As Chris Pinney, Director of Corporate Citizenship at the Canadian Center for Philanthropy commented, "We are essentially talking about what the new social contract will be between the private sector and society. That's the underlying conversation that needs to take place." The boundaries of responsibility between business and government will usually vary according to circumstance, suggesting the value of undertaking sector-based, issue-based, or location-based analysis of different corporate responsibility issues and governance structures.

> "We talk about governance over firms, but business also influences global rules and regulation, in negative and positive ways. This dynamic should not be separate from the CSR conversation. It is a two-way process."
>
> - Ann Florini, Senior Fellow, Brookings Institute, and Co-ordinator, World Economic Forum, Global Governance Initiative

2. The Enabling Role of Government

Linked to the above, is the crucial role of government in shaping the context for CSR. Corporate responsibility initiatives often reflect voluntary actions undertaken by companies to compensate for governance gaps at the local, national or international level. These gaps may result from inadequate governance structures and institutions, weak or under-resourced public capacity, lack of political will in implementing certain public policies, or bad governance, ranging from corruption to repressive and authoritarian regimes.

> "Democratic mechanisms, including an open press, are paramount to corporate responsibility and for accountability mechanisms to be taken seriously and to take hold."
>
> - Walter Shorenstein

The nature of the governance gap, will in turn, often determine the effectiveness and sustainability of a particular CSR activity or partnership – and the ability for any one company to take a leadership role on its own. CSR should certainly not be seen as a panacea. As Adam Greene, of the US Center for International Business observed, "CSR and partnerships are often 'drops in the bucket, nibbling at the edges of major public problems'. They are not the road out. The road out is a functioning government, a good court system, economic opportunity for growth. The path is not hard to name, but it's hard to implement." As Marvin Kalb and other participants commented, "What's getting in the way of actual results? Widespread corruption, poor education, and very little accountability in much of the developing world." This is especially the case in countries with inadequate public capacity, infrastructure and institutions. For companies and business associations operating in such countries, a critical leadership question is how to build public capacity rather than shoulder the burden of trying to replace it on an ongoing basis.

Looking at the crucial role of government from another perspective, governments can undertake a number of pro-active steps – ranging from the use of regulatory instruments and fiscal incentives, to public procurement and public financing requirements – that serve to either mandate or incentivize companies to undertake CSR activities. As Peter Eigen, the Founder of Transparency International commented, "We found out at Transparency International that one cannot rely only on morality or business ethics to take care of corruption. Companies will nearly always give up some social responsibility if their survival is at stake. …The government has to allow an enabling environment for CSR – without this companies don't have the financial or legal incentive to obey."

John Weiser, of Brody, Weiser, Burns was one of a number of people who spoke about the potential of integrating social and environmental criteria into international frameworks, arguing that, "Governments could build CSR requirements into international regulatory regimes, such as WTO. Imagine the impact if WTO had requirements like those of the Community Reinvestment Act in the United States – requirements that businesses actually engage in and report on their impacts and partnerships in the countries where they sell products."

> "There needs to be an enabling policy infrastructure for CSR and partnerships to thrive – the degree of their impact and effectiveness depends on the environment in which they function."
>
> - David Vidal, Director of Corporate Citizenship
>   The Conference Board

Institutions such as the World Bank Group, the Kenan Institute for Private Enterprise, and the International Business Leaders Forum, are studying the role of government in creating an enabling environment for CSR, and this is an area that could benefit from further comparative analysis between different countries, sectors and CSR issues. The UK was cited by a number of participants as being a leader in terms of creating such an enabling environment, in particular the UK government's social and environmental disclosure requirements for pension fund trustees, and more recently companies.

3. The Relative Efficacy of Regulatory and Voluntary Approaches to CSR Issues

A related point raised by a number of participants, was the unhelpful 'either/or' stand-off that all too often occurs in the discussion on regulatory versus voluntary approaches to influencing the economic, ethical, social or environmental behavior of companies. Several speakers commented on the need to see these approaches as part of a continuum ranging from 'hard law' to so-called 'soft-law' and including market mechanisms. As one business leader commented, "there is all too often a 'bad guys: good guys' mentality, with no recognition of the complexities of operating on a global basis or the need for a variety of policy instruments and approaches at any one time."

Public financing and procurement structures are a good example of initiatives that are at one level voluntary, in that they are not a blanket legal requirement relevant for all enterprises, but they are mandatory for any company wanting to get access to public finance or government contracts. A few stock

> "In response to the idea that strong regulation is needed to traditionally enforce corporate accountability, there is an emerging idea of 'soft law' to describe voluntary frameworks and emerging market mechanisms that can be just as binding or driving as actual regulation in terms of influencing corporate behavior."
>
> - Allen White, Global Reporting Initiative
>   and Tellus Institute

exchanges are looking at including social and environmental criteria into their listing requirements and the International Finance Corporation, together with a group of major banks, recently established the Equator Principles that integrate social and environment criteria into large project finance deals.

Another area of emerging 'soft law' is the integration of social and environmental criteria into the membership requirements of certain business networks, multistakeholder coalitions, and even traditional trade and industry associations. Jennifer Bremer, Director of the Kenan Institute for Private Enterprise offered one example, "To take the question of voluntary versus mandatory regulation – the model of the Fair Labor Association is that companies join voluntarily, but are then bound by FLA's code if they want to remain members. These types of associations are not universal laws that cover everyone, corporations select in." Such association-based codes and self-regulatory frameworks can be especially effective if they are required as membership of major trade associations, which often account for hundreds of companies. An example cited by a number of people was the chemical industry's Responsible CARE program, adherence to which is a requirement for membership in many major chemical industry associations around the world.

Even within regulatory frameworks, there is debate on the relative effectiveness of principles-based or normative approaches, versus prescriptive rules-based approaches to influencing corporate behaviour. Several people cited emerging European regulations and public policy frameworks for CSR in countries such as the UK, Denmark and France, as examples of the former approach, and worthy of comparative analysis with the more rules-based, compliance-driven approach to corporate ethics, and environmental and social performance in the United States.

In the area of corporate environmental management, the debate on the most appropriate mix of public policy and voluntary measures to influence corporate performance has matured markedly in the past decade. Even here, however, there is still potential for further analysis on what works and what does not. There is even more need to research the efficacy of different regulatory and voluntary approaches in addressing labor rights, human rights and ethical issues, both nationally and on a global basis.

4. Exploring the Linkages, and Often Inconsistencies, between a Company's CSR, Corporate Governance and Public Policy Positions

Moving to the level of the firm, but still in a context of more systemic and integrated approaches to addressing CSR, two points that came up at a number of tables were the need to gain a better understanding of the relationship between CSR and corporate governance, and between CSR and the government relations or public policy positions in many major corporations. A number of people spoke about 'CSR silos' and the lack of integration, let alone alignment, between these different public expressions of a company's purpose, vision and values.

Several participants argued that despite all the 'hype' surrounding CSR, in many companies it remains firmly inside a public relations or philanthropy silo, and all too often sits at odds with positions that the company takes on its lobbying, political donations, public policy issues, and other government relations activities. They pointed out that this lack of coherence increases the level the skepticism and cynicism about CSR among the

> "Corporate lobbying is rarely taken into account in current company reporting. It is a complex equation with corporations operating within the rules, but often working actively to change or obstruct these rules."
>
> - Bob Massie, Former Executive Director of CERES and Chair, Global Reporting Initiative

> *"Framing the value proposition not only as a bottom line business issue, but as something that is inherent to the business environment, such as risk management, stakeholder engagement, strategic governance and market development, will be key to sustaining CSR activities and integrating them into overall corporate strategy."*
>
> *- Chris Kelly, Partner, Booz Allen Hamilton*

press and the public. John Elkington, one of the pioneers in the field of corporate responsibility, who coined the concept of the triple bottom line, warned of a 'bursting of the CSR bubble' if companies fail to acknowledge and address these inconsistencies.

5. Developing a More Strategic and Integrated 'Value Proposition' for CSR at the Level of the Firm

Many of the roundtable discussions highlighted the need for a more strategic approach to articulating and measuring the 'value proposition' for CSR at the level of the firm. In some cases this was argued as the need to support further empirical research on the causal links between good ethical, social and environmental performance and good financial performance or shareholder value. Other participants focused more specifically on the need to increase understanding of the relationship between CSR and the following corporate value drivers:

- Integrated risk management or enterprise resilience;
- Intangible assets, such as innovation, reputation, alliances, and intellectual capital; and
- New market or business opportunities, such as serving underserved or emerging markets in America's inner cities and developing countries.

Several people argued that an understanding of these linkages is crucial for breaking out of 'CSR silos' or public relations and philanthropy-driven approaches to CSR within companies. Others felt that they were also necessary for making the case for CSR externally to mainstream investors, journalists and other skeptical audiences. Several participants warned, however, against getting too myopically focused on predicating the case for CSR solely in terms of its benefits to the corporate bottom line, arguing that values and ethical leadership are important in their own right, especially as corporations become more influential politically and socially, as well as economically.

6. The Leadership Role of CEOs and Boards of Directors

A number of discussion tables focused on the leadership of individual CEOs, and their willingness, or lack thereof, to speak out in public on complex, divisive, long-term and/or non-traditional business issues. Issues such as international development assistance, poverty, HIV/AIDS, climate change, human rights, multilateralism, the role of the United Nations, agricultural subsidies, and the social and environmental impacts of other trade policies, intellectual property rights, and new technologies.

> *"Focusing only on a direct business case is perhaps too narrow. It is about building and maintaining the intangibles, such as reputation, trust, employee pride and morale that represent an ever-increasing part of the value of a company. ...It is also about recognizing how living the company's purpose and values can provide the direction and resilience needed in a fast-changing world."*
>
> *- Vernon Ellis, International Chairman, Accenture, and Chairman, International Business Leaders Forum*

Several participants highlighted the constraints faced by many CEOs today, including the unrelenting pressure to deliver financial results against short-term timeframes, new sources of intense competition, precarious job tenures, and high levels of public mistrust. These constraints can create a 'prisoner's dilemma', making it difficult for CEOs to speak 'out-of-turn' on difficult issues relative to their peer group or their representative industry bodies. Yet leadership is crucial. As Diana Barrett from Harvard Business School pointed out, "We need to discuss the leadership of these efforts. Who is going to be the champion?" As public expectations of the private sector and its leaders continue to evolve, another area worth analysis is understanding the motivations, risks and approaches taken by business leaders who have spoken out on, made a business case for, or became personally engaged in addressing difficult public problems.

A related leadership issue addressed by several discussion groups, was the need for CSR to be more systematically and strategically addressed at the level of the corporate board of directors. As Steve Lydenberg, the Chief Investment Officer of Domini Social Investments, commented, "Boards are one mechanism that can make a difference, especially in terms of empowerment and professionalization of CSR efforts. I think we are going to see a lot more training of corporate board directors. Currently the focus is on certifiable training in financial expertise, but there will be increased pressure for directors to demonstrate that they have adequate understanding of stakeholder interests and CSR issues."

Pointing to the lack of alignment between CSR and corporate governance in many companies, several participants highlighted the need for director training to create greater awareness among board directors of the strategic business risks and opportunities that different CSR issues create for their company, or industry sector.

> "Maybe there needs to be a special corporate social responsibility committee in the future plans for firm level governance to increase the capacity of boards to make the legal, moral, and prudential judgments about what the firm ought to do for society when the answer to that question is no longer given by a simple resort to the idea of maximizing the economic performance of the firm subject to the constraint of law."
>
> - Mark Moore, Director,
> Hauser Center for Non-profit Organizations

A third important aspect of the leadership challenge is the development of future leaders – and the need for these leaders to be able to straddle traditional boundaries, operate at the interface of the public, private and civic sectors, and address complex, systemic challenges that usually defy easy solutions and ready consensus, and require a combination of public and private resources and approaches. Referring to a speech made by Robert McNamara the previous evening, John Elkington, founder and chair of SustainAbility, highlighted the important role of future leaders and the need for them to have the courage and ability to tackle these complex, often confusing and contradictory issues, "Last night at the Kennedy School Forum, Robert McNamara said that what really mattered for students as future leaders is not to be afraid to bring out the really divisive, difficult, and thorny issues that the world faces. They must hold these issues up and make people discuss them – otherwise we will all suffer."

> "Boards are now deliberately inviting ethnic and other forms of diversity – bringing in new people who haven't been part of their traditional accountability structure – they are reaching out to advisory groups and new structures of legitimacy and authority that they can't buy in the market place."
>
> - David Vidal, Director Corporate Citizenship,
> The Conference Board

7. The Potential of Collective CEO Action

A number of participants made a strong case for collective leadership action by CEOs. As Michael Michael, a senior fellow at the Center for Business and Government, commented, "We usually talk about partnerships across sectors – but partnerships within the same sector, such as business-to-business partnerships can be most effective. We need to learn more about the institutional mechanisms that preclude such partnerships, such as anti-trust laws."

> "Initiatives must be more broadly based. To move toward system change and governance, they must focus on more than just a single company. The models I see working are several companies coming together, with community organizations, and with government and the UN as a partner. A piecemeal approach is rarely effective."
>
> *- Gro Harlem Brundtland, Former Director of World Health Organization and Former Prime Minister of Norway*

Such collective business leadership can occur on a geographic or industry sector basis, or around specific social, ethical or environmental challenges, such as corruption, climate change, diversity, education, global trade, and health issues. These CEO-led alliances are referred to variously as business leadership coalitions, public purpose business coalitions, and CEO leadership networks.

Professor James Austin from Harvard Business School, for example, has studied Business Leadership Coalitions at the city level, such as Cleveland Tomorrow, the New York City Partnership, Detroit Renaissance, and Boston's Vault, all established to enable business leaders to exercise their collective capacity to build stronger cities and communities. Jane Nelson has written about public purpose business coalitions developed at the national level to mobilize business resources in helping address national development objectives, such as South Africa's National Business Initiative and Philippine Business for Social Progress.

This, and other research shows that such collective initiatives can help to lower the risks associated with a CEO 'going it alone' on a difficult CSR-related issue. They can also create a relatively safe haven for debate and action. As Peter Eigen, Founder and Chairman of Transparency International described it, "We have created 'islands of integrity' in different industry sectors or markets so that within that sector or market all of the bidders agree not to bribe. It has worked well and helped to build bridges out of the prisoner's dilemma in which many companies now find themselves. We have about 60 integrity pacts in place now. We have also worked with 15 of the largest banks in the world on money laundering and we now have a discussion with the construction and energy industry. The challenge is often sectoral and I would recommend that it is pursued sector by sector."

> "New skills are required of firms: skills that allow companies to negotiate a complex multi-party environment and to be proactive. But at the same time, to get too far ahead can make them subject to attack. The situation is even more complicated now as companies compete in a global arena. We see the emergence of the Global Compact, the Equator Principles …companies don't want to go it alone; there is strength in numbers. Although in some issues a firm might gain a competitive advantage by being first; in others it's better to stay in a group."
>
> *- Andrew Hoffman, Boston University*

Collective action by CEOs and other senior executives on a sectoral, geographic, or thematic basis can also help to improve credibility with the public and build communities of 'shared mission', adding legitimacy and support to the work of corporate responsibility teams. Reporting back from her discussion group, senior fellow at the Center for Business and Government Linda Peek Schacht emphasized the important role of peer groups and peer pressure in achieving momentum and support behind a CSR issue, both within companies and more broadly. Nancy Murphy of APCO Worldwide gave the example of Business Strengthening America, where, "…about 18 CEOs came together to figure out how to encourage and facilitate more Americans to get engaged in volunteering. It is a peer-to-peer campaign. Now over 700 companies have signed up on this. The interesting thing about it is that the CEOs are personally engaged. People lower down in the companies are saying it makes their job easier, now there is more support from the top."

Another example cited by a couple of participants was the collective effort of the U.S. Business Roundtable to respond to recent corporate governance and ethics scandals, by establishing a joint initiative on ethics with Darden Business School. This initiative will not only draw on leading academics from around the United States to undertake ethics education and research, but also the 150 member CEOs of the Business Roundtable.

Collective corporate action can also help to leverage resources, support the scaling-up of certain CSR activities and greatly broaden or deepen the impact that any one company can have acting on its own. Linda Distlerath of Merck, raised the example of the Global Business Coalition for HIV/AIDS, which has served to mobilize over a hundred companies, mostly at the CEO level, to develop their own company policies, improve their workplace practices, and support public advocacy on HIV/AIDS. This collective corporate effort on HIV/AIDS has been replicated at a national level in a number of countries, providing a useful business intermediary for dialogue with government, UN bodies, and health NGOs, as well as mobilizing private sector resources to tackle a serious public health problem.

The UN Global Compact offers another example of an initiative that is increasingly relying on country-based business leadership networks to spread and sustain responsible business practices and development impact. Understanding why collective CEO action works in some sectors, countries and communities and not in others, and sharing examples and lessons on what does work is another area worth more detailed analysis.

8. The Role of the Financial Sector in Redefining Risk, Opportunity and Fiduciary Responsibility

Opinions among participants varied widely in terms of the role of the mainstream financial sector in either promoting or hindering CSR

> "The sleeping giant is essentially the institutional investor community and other market mechanisms that will reward good behaviour."
>
> - Ira Jackson, Fellow, Center for Public Leadership and former Director, Center for Business and Government

activities. While there was recognition of the growth in socially responsible investment funds, a number of participants saw the continued short-term, shareholder-value driven focus of the financial sector as being more of an impediment to CSR, beyond the obvious current emphasis on good corporate governance. As Walter Shorenstein observed, "Short-term versus long-term interests, risks and performance indicators are all major impediments we need to consider."

Having said that, several speakers saw the financial sector – in particular, institutional investors, stock exchanges, insurers, bankers, and rating agencies - as one of the key potential 'game-changers' in shifting CSR from a marginal to more mainstream business issue. If mandated by government regulations, guidelines or incentives - as has occurred

with the Community Reinvestment Act and more recently corporate governance issues in the United States, and more widely on sustainability issues in Europe - the financial sector could have a major impact on CSR in the coming decade.

At the same time, as several participants pointed out, greater awareness of the strategic business risks of CSR issues in certain industry sectors - such as climate change in the auto and energy sector, obesity in the food and beverage sector, and access to drugs in the pharmaceutical sector - is leading to a redefinition, or at least re-evaluation of what constitutes fiduciary duty on the part of pension fund trustees. Gaining a better understanding of the evolving role of a 'fiduciary' and undertaking comparative analysis of financial sector trends and mechanisms in different capital markets are two areas worthy of further analysis.

9. The Role of the Media as Watchdog, Endorser and Multiplier

A recurring theme throughout the discussions was the important role of the media – a role that was viewed by participants from a variety of different perspectives. Not surprisingly, and most commonly, the media was seen as being a key driver in ensuring greater corporate accountability - serving as a public watchdog by investigating and reporting on examples of bad corporate behaviour, or exposing inconsistencies between corporate statements and actions.

At the same time, some participants commented on the media's unwillingness, or inability, to cover good news stories about CSR. They felt that the media rarely gives recognition to the companies and business leaders who are taking a lead and committing their resources and reputation to go beyond basic legal compliance and philanthropy to engage on difficult public issues.

A couple of participants also spoke of the challenge of trying to communicate CSR issues and examples to journalists in a manner that does justice to the complexities and contradictions often involved, without getting bogged down in jargon and detail, or sounding trite and self-serving, especially in current conditions of high levels of mistrust of the private sector. As John Weiser, of Brody, Weiser, Burns commented, "If we want a billion people to demand corporate social responsibility, we need to have a simple, clear message that people will understand and find immediately attractive. The CSR message currently is thoughtful, detailed and complex. We need to boil it down to a bumper sticker."

Other participants shared examples where the media has had an extraordinary impact in raising awareness of good corporate practice. These ranged from positive media coverage of unorthodox environmental alliances in California between business, government and NGOs, to media rankings of CSR performance in the UK.

The Financial Times in the UK, for example, covers the annual environmental management rankings and corporate social responsibility index established by the UK's Business in the Community, a business leadership coalition of over 700 companies. While such indices and rankings inevitably raise debate and controversy among some of the companies ranked, their coverage by the mainstream business and financial media can serve to grab the attention of senior executives, spur competitive instincts, and even serve as a basis for financial sector screening of companies. The UK's Business in the Community has also engaged leading business journalists and editors in consultations about CSR, again serving to broaden the dialogue and potential media coverage on these issues.

Whether they saw the media as watchdog or endorser, people emphasized that it can have an important multiplier effect on raising public awareness about CSR issues. As several pointed out, this effect has been further enhanced by the role of the Internet, and any research on the role of the media should encompass the Internet, in addition to traditional print and broadcast media.

In a world where many press outlets are themselves run as privately-owned, commercial ventures, another emerging challenge is the media's own corporate social responsibility. As Alex Jones, Director of the Shorenstein Center commented, "This is very important. …We are moving rapidly away from a journalism of verification to a journalism of assertion. This new approach is cheap in many respects, but news organizations have an obligation not to abandon the expensive kind of research and writing that they need to engage in to serve their role in society."

10. Measuring the Impact and Effectiveness of CSR and Partnerships

Performance measurement was another common theme, both in terms of evaluating and communicating a company's individual CSR performance, and in terms of assessing the impact and effectiveness of cross-sector, or multi-stakeholder partnerships.

Several participants raised the importance, and the challenges of being able to produce credible, verifiable and comparable data on a company's non-financial performance. This was seen as necessary for ensuring greater accountability and transparency with external stakeholders, as well as making a sound 'business case' for CSR internally. One key challenge associated with the drive to develop measures and standards for corporate social responsibility is the rapid and often confusing growth in different measurement systems, standards and codes. This has lead to what a number of people described as 'code fatigue'. Several also commented on low levels of understanding, by companies, as well as activists and the media, of the differences in implementation and monitoring requirements between the plethora of principles, guidelines, frameworks, certification systems, standards and codes. A number of people commented on the need for more specific, sector-focused approaches to performance measurement and accountability, arguing that current frameworks are often too broad.

Assessing the impact of multistakeholder partnerships can be even more challenging. Some participants argued that partnerships may be over-studied, citing hundreds of case studies gathered over the past decade by organizations such as the Center for Corporate Citizenship at Boston College, the Kenan Institute for Private Enterprise, the International Business Leaders Forum, Business in the Community, and the Ford Foundation, among others. Yet, as Brad Googins of Boston College put it, "…we haven't really evolved in our practice of partnership. We tend to look at each example as unique. Most partnerships start from scratch, as if the learning from one cannot be applied to another."

> "It is possible to be honestly enthusiastic about the potential payoff from private-sector engagement in the pursuit of the common good, while remaining aware of the fragility of such arrangements. Precisely because the potential is so great, we are obliged not to kid ourselves that success will be automatic or even, for a while, very frequent. We will learn from our mistakes, and odds are will have plenty of opportunities for learning."
>
> - Jack Donahue, Director of Weil Program on Collaborative Governance, Kennedy School of Government

One reason for this may be the lack of widely agreed or used typologies or taxonomies for different types of partnerships. These could support greater comparability and increase the ability to exchange relevant information between interested parties on what works and what doesn't. Several participants mapped out possible frameworks for assessing partnerships, based on parameters such as the type of partners, the scope or objectives of the partnership, and the governance structure or balance of discretion between partners. Some examples of these are included later in the report.

In addition to challenges with defining partnerships and developing meaningful typologies, a couple of participants also emphasized how difficult it is to assess a partnership's impacts, compared to process measures. In part this is because of the intangible inputs, outputs and impacts often associated with successful partnerships, which are often difficult to measure or compare. As Adrian Hodges, Managing Director of the International Business Leaders Forum observed, "The most effective partnerships are often when companies offer their core competencies, such as employee's technical, managerial and problem-solving skills, as well as money." The IBLF and the UK's Business in the Community have developed a 7P's framework for assessing corporate contributions to partnerships:

> "Partnerships are not only about money, which is easy to measure. It is important, but is often far less important than the tools, the skill sets and the support systems to do CSR and build partnerships. Corporations often want to get involved and do good, but they honestly don't know how. We have to decrease the transaction costs of getting there and avoid paralysis of analysis."
>
> - Diana Barrett, Harvard Business School

- People, employees volunteering time and expertise;
- Profits, financial support;
- Products, donations of products or services;
- Premises, offering office space, computers and other equipment;
- Purchasing, buying from local businesses and social entrepreneurs;
- Promotions, undertaking cause-relating marketing and advertising; and
- Power, using the convening power of business and the power of CEO voices to influence public decision-makers.

Drawing on experiences from the World Health Organization, Chris Murray, Director of Harvard's Initiative on Global Health, outlined a framework for thinking about effective measurement of partnership performance. He argued that first, measurement needs to be credible, soundly science-based and divorced from advocacy, preferably with stakeholders involved in, or at least comfortable with the evaluation process. Second, measurement needs to be clear and capable of being quickly and easily communicated in a manner that has meaning to people. Third, comparability is crucial to ensuring fairness and creating a competitive environment. He also cited the central role of the media in ensuring public disclosure of methods and data.

11. "Scaling-up" the Impact of Partnerships

There were a range of opinions on the ease, and even desirability, of scaling-up multistakeholder partnerships in order to move from individual, often localized impacts, to more systemic interventions that have the potential of greater coverage and/or more sustainable impacts.

A number of people commented on the inevitable tension between the entrepreneurship and individual leadership and risk-taking that often inspires new types of partnership, and the need to develop institutional structures and systems to scale-up such partnerships, or ensure that they remain operational after the originator moves on. Steve Rochlin, Research Director at Boston College's Center for Corporate Citizenship

> "'Scaling-up' means creating rules that apply to many organizations. It implies a qualitative shift from one-off partnership to governance structures and more systemic change."
>
> - Simon Zadek Chief Executive, AccountAbility

questioned, "Do we know or agree what scale means? Are we applying an economic concept without an obvious fit? Do we want to rush to this notion of scale? I would like to see more of a track record for local efforts before scaling up."

John Elkington, Chairman of Sustainability, spoke about research his organization had carried out on partnerships, which identified the following critical success factors:

1) An agreed balance of power and benefit among the participants in the partnership

2) Roads, rules and risks have been explored by the participants and are explicit

3) Mandates that are clear and agents who are senior enough to commit their organizations

4) Trust is crucial and primarily driven by behavior of participants

5) Scalability, something that is very important, but almost never brought up in talk of partnerships.

> "Scale involves things that are the opposite of the entrepreneurial spirit, especially authority. ...let's remember there are some things in life that are not amenable to the efficiency argument. What this means is that we may have to increase the number of models."
>
> - Jack Donahue, Director,
> Weil Program for Collaborative Governance,
> Kennedy School of Government

Michele Kahane and other participants referred to the Ford Foundation's Corporate Involvement Initiative, a seven year grant-making, research and learning program that focused on leveraging business and markets for low income people. One of the initiative's key conclusions was, "To change business behavior in sustainable and scalable ways almost always requires changing the market. A key task is to identify and remove market barriers, or create new market incentives."

Four of the most common enablers identified as potentially effective ways to change markets and scale-up the beneficial impacts of partnership or individual CSR activities were:

Government actions, such as regulatory instruments, tax incentives that shift markets, or public financing, procurement or disclosure requirements on certain aspects of corporate performance. Participants cited examples from the UK, France, USA, Canada, Brazil and South Africa.

> "Partnerships are now typically custom-made and require hand-crafted procedures and approaches. We need to work on models for replicating them widely and at low cost. Cisco's work on developing a model for globally replicating its Networking Academies, now over 10,000 academies in over 150 countries, offers an illustrative example."
>
> - John Weiser, Partner, Brody, Weiser, Burns

Corporate value or supply chains, as a mechanism for leveraging impacts along supply and distribution networks, which for many large companies encompass thousands of medium and small enterprises, as well as corporate subsidiaries, and often on a global basis. Participants cited examples of how Cisco Systems, Coca-Cola, Starbucks, GM, Pfizer, Unilever, ChevronTexaco, UPS, Merck and BP have in different ways mobilized their global business networks to achieve greater scale and sustainability for their CSR activities and partnerships across national borders.

Collective corporate action, through business leadership coalitions focused on a specific CSR issue, industry sector or geography – and mobilizing not only financial resources and skills, but the power of corporate advocacy on public issues. Examples shared by participants included the Global Business Coalition Against HIV/AIDS, Brazil's Instituto Ethos, the chemical industry's Responsible CARE program, and the National Association of Manufacturers WINS training program.

Market mechanisms, such as social and environmental certification and labelling systems, emissions and other environmental trading schemes, and stock exchange listing requirements, that either shape the market framework in which companies have to operate, create new business incentives, and/or provide information for consumers, investors and employees to make choices on what companies to buy from, invest in and work for. Some of the most commonly cited examples were SA8000, the Marine and Forest Stewardship Councils, and other fair trade labels.

All four of these enablers are worth further research and analysis in trying to understand how public-private partnerships can have a more systemic and sustainable impact than is usually possible through more localized, or one-off, individual initiatives. In some cases these enablers are converging or moving in the same direction in a manner that creates fundamental market change, or what one participant referred to as a seismic shift. More often than not, the reality is a complex combination of several steps forward and some steps backward. In the areas of global climate change, and access to essential medicines and technologies, for example, one can see all of the four enablers at play, in some cases coalescing to move the agenda forward, and in others defending particular vested interests and obstructing change in one area, while supporting it in another. Given the complexity of public problem-solving in today's world, it will be increasingly important for public, private and civic leaders to have a better understanding of these systems dynamics and systemic interventions.

Several participants also spoke of the important role that can be played by brokers or intermediary organizations, not only in convening partnerships, but also helping to scale them up. One example cited by a number of participants was the Initiative for a Competitive Inner City. ICIC's mission is to change the direction of the market in order to accelerate job creation and business growth in inner cities, by demonstrating that they are significant emerging markets. Inspired by the work of Michael Porter, the initiative has engaged a wide variety of business, government, academic and civic leaders and currently faces a particular challenge and opportunity in terms of achieving scale. As ICIC's Policy Director Anne Habiby describes it, "…we are seeing enormous changes and potential shifts happening in the market due to three factors. First, we are seeing unprecedented mergers of banks, with the consequence that the banks are promising to invest in poorer communities and inner cities to get approval for their mergers. Second, we have the New Markets Tax Credits program, which is aimed at fostering jobs and economic growth in low-income communities, creating extra potential resources for inner city development. And third, two of California's largest public pension funds are committing to make investments in emerging and underserved markets. The challenge is that the necessary partners and infrastructure for distributing these funds and effectively using them is not yet in place."

> "Scaling up is hard. You see a lot of one-off activities. …Corporates, don't just lead with your check books, bring forward your voice on policy issues, look at trade agreement issues, think about clean energy opportunities, move beyond philanthropy. Use your real assets – people, technology, managerial expertise, political voice, market power – and focus them on developing country and emerging market issues, not just in your HQ back yard. The future involves a focus on managing relationships and developing new governance structures."
>
> - Holly Wise, Director, Global Development Alliance Secretariat. USAID

Conclusion and Next Steps

These eleven key messages and themes summarized from the presentations, discussion tables, forum panel and pre-conference survey illustrate the immensely diverse and complex landscape of corporate social responsibility as we enter the 21st Century. It is a landscape that plays out at different levels of action – local, national, regional, and global. It is relevant at the level of the firm and has implications for how companies are led, organized and managed. It is also relevant beyond the firm, in terms of the firm's relationships with an ever-changing and increasingly sophisticated and varied array of stakeholders, with implications for governance and public policy.

It is a landscape where we are witnessing both convergence and continued 'silos' in terms of related areas of academic study and practice. These include corporate responsibility, social enterprise, socially responsible investment, accountability, strategic philanthropy, community economic development, international development, international relations, environmental management, sustainable development, ethics, corporate governance, collaborative governance, and so on. The concept of CSR also covers a wide range of issues in the economic, social and environmental realm, as illustrated by the responses to our pre-conference survey. While all companies in all industries have risks and opportunities in each of these three realms, the specifics and level of impact and urgency will vary between industry sectors, between countries, and between the size and ownership structure of companies, as well as varying over time.

> "In short, CSR presents a rich, varied, constantly changing and challenging landscape with no overarching academic discipline to provide intellectual coherence and no simple 'tick-box' management frameworks to guide practitioners. What we can say with some confidence is that it is a subject that touches on many issues that are relevant for building a more equitable, sustainable, prosperous and secure future, both within the United States and globally. And it is a subject that is of increasing relevance to leaders in all sectors – the public sector, the academy, and civil society, as well as business."
>
> - Jane Nelson, Director CSR Initiative, Kennedy School of Government

Despite the lack of definitional clarity and theoretical underpinnings associated with the concept of CSR it is a subject that cannot be ignored by the academy, especially professional schools such as the Kennedy School of Government and Harvard Business School, that are committed to developing leaders for an increasingly complex and challenging world. Areas particularly worthy of study include the relationship between CSR, corporate governance, corporate strategy and public policy. HBS Professor Rosabeth Moss Kanter, who was one of the Forum panelists at the launch event of the CSR Initiative, captures the challenge in one of the background briefing papers provided to participants, "Rising to Rising Expectations' (see Appendix IV). She concludes, "Whether corporate citizenship can be improved sufficiently to tame the anti-globalization forces remains to be seen. But it won't happen without an emphasis on more strategic action, closer to the core of what makes companies competitive and in partnership with governments dedicated to making countries competitive. There is a gap between the behavior of individual companies and their cumulative societal impact. It is time to focus on actions to close it."

Over the coming years it is our aim at the Kennedy School to work across Harvard and with other colleagues in the academy and practitioner community, in order to contribute to the ongoing debate on CSR, to help build a credible body of research, to support innovative approaches that engage private enterprises in public-problem solving, and to educate and support today's and tomorrow's leaders. Many of the eleven themes summarized above will thread through our work plan for the next few years, which will involve a combination of research, education and outreach, and will focus on the following four areas:

(i)   Leadership for CSR

(ii) The strategic business case for CSR

(iii) Accountability and enabling frameworks

(iv) Partnerships for public capacity building and problem-solving.

Next Steps for the CSR Initiative

Leadership for CSR	Strategic Business Case for CSR
1. Company learning network 2. The role of Boards of Directors 3. CSR leadership speaker series 4. Student CSR advisory network	1. Meta-study and business case research 2. Integrated risk management model
Accountability and Enabling Frameworks	**Partnerships for Public Capacity Building and Problem-Solving**
1. Regulatory vs. voluntary approaches 2. The role of the media 3. The role of investment fiduciaries 4. The enabling role of government	1. Research on partnerships for development 2. CSR in China 3. Building public capacity in Africa 4. Supply chain management and SME development

II. Summary of Pre-Conference Survey

A third of the participants responded to a pre-conference survey, asking for their views on critical thematic and management issues on the CSR horizon, the role of the public sector in creating an enabling environment for CSR and trends relevant to CSR in the mainstream investment community. Questions were open-ended, but the following brief analysis offers a flavor of the general issues that respondents thought were important.

QUESTION ONE: What do you consider to be the 3-5 most critical issues on the corporate responsibility horizon in terms of thematic challenges – i.e. climate change, diversity etc. – and do you see them largely as new risks to be managed or emerging opportunities to be exploited by business, or both?

Two broad sets of issues attracted by far and away the highest number of responses:

The first related to the *decline in institutional trust and ethical and governance crises*, at the level of both the firm and governance more generally. Common themes under this category included: the need for companies to address concerns about too much corporate power; the political influence of business; perceived/ actual corporate and 'big money' dominance of democratic governments; the democratic deficit, particularly in international policy making, but also nationally; corporate governance and public accountability; tax avoidance; global governance – what is the appropriate role of the private sector in international policy making and what accountability and enforcement measures should companies face?; role of business in the political process(corruption, lobbying, accommodating non-democratic governments); governance and transparency and what type of regulations that will result; restoring public trust.

The second, broader category can be summarized as issues related to *globalization and addressing the gap between the 'haves and the have nots'*, especially in terms of international development, but also nationally. Points raised under this category included broad questions such as: is globalization delivering as promised, and what does this mean for business?; What role should business play to close the gap between the rich and poor, both within and between nations?"; equity and social issues, especially as they relate to the global economy and the growing instability and distrust with regard to international relationships; and the role and obligations of business in tackling development. Improving access to healthcare, drugs, vaccines, education, technology, capital, food, water, energy and housing, were themes that came up in many responses.

The third and fourth most common categories of response related to *climate change*, and *demographic trends* (both aging populations and diversity).

More than two respondents also cited each of the following issues as being critical to the CSR horizon:
- CSR challenges of operating in China;
- Offshoring or outsourcing of jobs;
- Security issues;
- Education;
- Operating in difficult countries; corruption;
- Work-life balance;
- Obesity; and
- Human rights issues.

QUESTION TWO: What do you consider to be the 3-5 major leadership or strategic management challenges, from a corporate perspective, in terms of managing CSR and meeting rising stakeholder expectations?

The most common related to *integrating CSR into corporate strategy*. Related points included: mainstreaming key issues from CSR departments to boards; building CSR into fabric of values, governance and reporting; integration across the organization; moving from developing strategy and policy to integrating these within business processes at every level; the need to break down silos; adopting a strategic vision; implementing and operationalizing CSR on a global basis; addressing CSR as a risk to be managed as opposed to one that can be electively avoided; addressing social risk in the context of total risk management; implementation that creates a corporate responsibility culture not CSR departments; how social responsibility is infused among firms' buyers, suppliers, customers and competitors; integrating CSR into corporate governance; getting beyond PR (seeing CSR as part of business strategy); CSR is still seen (even by companies "engaged " in it) more as good public relations than as an inherent part of how they do business; lack of clarity that CSR is "good for business."

A close second was the area of *executive and board leadership*. Points included: engaging CEOs of large firms as leaders in society; proactive citizenship versus reactive social responsibility; adopting a strategic vision and having the leadership to execute it; engaging leadership outside the CSR silo; convincing the board of directors that CSR makes business sense; leadership buy-in and commitment to instill CSR in the corporate fabric; the need for senior management education; the reluctance of CEOs to stick their head out of the foxhole – if they speak up they feel they become a target and will be held to higher standards than laggards.

The third category of challenges most commonly cited was *measuring and demonstrating the value of CSR* – and in particular both the importance and the difficulty of doing so. Several people spoke specifically of the challenge of making the business case to investors and "convincing Wall Street that CSR has grown-up" and the "lack of understanding as to what CR means in media and investor relations." One point that was raised by several people was the need for business to do a better job on communicating the public or social value of core business operations and the economic impact of business, as one person said, "doing a better job in explaining the fundamental role of business itself". A related point was, "ensuring CSR supports sustainable development, not just short-term projects without capacity building for renewal and self-sustaining success;

Linked to the above, other themes that more than two people cited were:
- Communication challenges – internal and external; balancing transparency with box-ticking; deciding appropriate communications strategies; understanding different communication needs for different stakeholder groups; dealing with CSRWASH – public skepticism that a few do a lot a lot do not; the increasing demand for transparency and accountability is all good but everyone's asking in a different way
- Strategies for dealing with NGOs, especially single issue and campaigning NGOs
- Balancing short-term market pressures with need to think long-term
- Agreeing how far responsibility stretches along the extended enterprise or supply chain
- Juggling regulation and self-regulation - who decides and how
- Creating new forms of public/private collaboration and partnership; vehicles for collective action with other companies on critical issues/ geographies; building systems for multi-sector governance
- Legacy issues; dealing with previous (or even ongoing) situations that have been badly mismanaged, without jeopardizing future stakeholder trust.

QUESTION THREE: What are the implications for public policy? Do you think governments should be doing more to mandate or incentivize corporations to be more accountable for and transparent about their wider economic, social and environmental performance? If so, what are the 3-5 most effective actions that you think governments could take in this area?

The four most common responses to this question related to:

The establishment of government regulations or requirements aimed to mandate and increase public disclosure and transparency on corporate social and environmental information and performance data; on pension fund investments and proxy votes; and on corporate lobbying and political influence. A number of respondents cited the recent disclosure requirements passed in the United Kingdom.

Incentivize good corporate behavior through tax incentives and public procurement requirements. Several people argued for incentive-driven approaches rather than heavy-handed regulation.

Create/ convene/ support/ multi-stakeholder consultation processes and partnerships; and industry groups or business-business partnerships to tackle complex issues; create a call for action; use political leadership to mobilize CEO leaders.

Regulate or incentivize public pension funds/ philanthropic, foundation or university endowments to invest in social and environmentally responsible companies and in emerging or underserved markets.

Other points that attracted more than two responses ranged from the macro to the micro level. They were:
- Address global imbalances – regulate destabilizing trade and investment flows; address agricultural subsidies; tackle third world debt; increase percentage of GDP going to foreign aid
- Tackle issue of corporate tax avoidance and put limits to tax-cutting
- Integrate CSR issues into foreign aid programs and into trade and investment agreements
- Promote CSR by host country companies as part of foreign aid programming, particularly community engagement
- Collect and share information about CSR performance, allowing public to assess companies' relative performance
- Establish awards and recognition programs for good examples of CSR
- Harmonize standards and performance indicators - Revaluate and broaden national economic indicators; provide a platform for practical and measurable CSR benchmarks and indicators; convene industry groups to promote harmonization and mutual recognition of standards
- Remove perverse incentives that encourage consumers and businesses to ignore social and environmental impacts.

QUESTION FOUR: What, if any, trends or recent developments do you see in the mainstream investment community that have implications for CSR?

There were marginally more respondents who listed financial market trends or developments that they felt are promoting CSR than those who argued the financial sector is not interested. Many of the respondents who didn't think there is much interest from mainstream investors came from the corporate participants. A few of the comments capture the general issues raised: there is little or no understanding of the relationship between CSR and the bottom-line; analysts continue to be skeptical/ disinterested in CSR issues; more needs to be done to convince investors of the business case; much more work needs to be done to understand the relationship between financial and environmental performance; large funds need to weigh in on this issue, however it is currently not on their buy/sell radar screen; and the mainstream investment community cannot be depended upon as a driver of CSR.

The positive trends or developments listed by respondents included:

- Increased activism and advocacy of pension funds and certain high profile investors, such as Warren Buffet, as well as the National Association of Attorney Generals and the National Treasurers Association starting to take a stand on corporate social responsibility
- Institutional investors increasingly focus on the quality of the board of directors and their oversight of management
- Corporate governance crises have made investors think about ethical management and responsible management more broadly — "the good news is that more attention is being paid to business ethics. The bad news is that such attention is focused on rule compliance"
- Currently little public policy to incent mainstream institutional investor community — but some views that regulators will expand the scope of 'material' to encompass social and environmental data in future
- Greater focus among investors on CSR as a risk management tool
- Growing awareness of link between value of intangibles and CSR performance, including quality of a company's stakeholder relationships
- Collective action by financial intermediaries, such as the Equator Principles; anti- money-laundering initiatives; UNEP's Finance Initiative
- Growing interest in CSR and sustainable development from multilateral banks, such as the World Bank and International Finance Corporation
- Socially responsible investment funds one of the fastest growing components of the mutual fund industry
- Directors and officers insurance tied to carbon emissions/ climate change mitigation
- Reinsurers increasingly nervous and vocal about climate change i.e. SwissRe and MunichRe
- Public pension funds committing investments in under-served or emerging markets in the United States and internationally

III. Conference Presentations

Reflecting the CSR Initiative's commitment to bring together leading academics and practitioners, the three sets of formal presentations at the conference were each structured to pair an academic and practitioner perspective. The following section summarizes these presentations.

1. Setting the Context

CSR and Global Governance: Drivers and Trends

Opening remarks by Professor John Ruggie

You are a remarkably diverse group, illustrating the diversity of CSR issues themselves. Jane Nelson and I want frame our initiative in terms that relate to some of the things you are concerned with in your work. I want to take a few minutes to talk about why the subject of CSR is of interest to a school of governance, and to the practice of governance. Jane will explore the issues from the vantage point of firms looking out at the turbulent environments in which they operate.

So, what's CSR got to do with governance?

The answer is simple. CSR has become a major social enterprise in the first place largely because of the growing gap between the scope, inventiveness and power of private sector institutions, on the one hand, and public institutions, on the other. For a generation now the role of markets has expanded steadily, at home and abroad. CSR may be seen as a voluntary effort to realign the efficiency of markets with the shared values and purposes that societies demand, and that markets themselves require to survive and thrive. How much of that burden CSR can and should carry is the key governance question before us. I limit myself here to the overall context of globalization.

Take, as a case in point, the expansion of transnational corporations. The rights they enjoy have increased manifold over the past two decades, as a result of multilateral trade agreements, bilateral investment pacts and domestic liberalization. The universe of transnationals now comprises roughly 63,000 firms, with more than 800,000 subsidiaries and millions of suppliers and distributors connected through global value chains. The foreign sales of TNCs have exceeded worldwide exports of goods and services by a substantial margin for two decades. Intrafirm trade accounts for a significant and growing fraction of overall world trade – it is roughly 40 percent in the U.S. case, and those figures don't fully reflect the related party transactions of branded marketers like Nike, or of branded retailers like Walmart, which source overseas.

> CSR has become a major social enterprise in the first place largely because of the growing gap between the scope, inventiveness and power of private sector institutions, on the one hand, and public institutions, on the other. For a generation now the role of markets has expanded steadily, at home and abroad. CSR may be seen as a voluntary effort to realign the efficiency of markets with the shared values and purposes that societies demand, and that markets themselves require to survive and thrive.

It may seem ironic, but this expansion in the global rights and reach of private sector firms has generated a steady escalation in social expectations of their roles in society, well beyond traditional forms of compliance and philanthropy. This escalation was initially driven almost entirely by civil society actors, but governments now are also getting involved. Here is a stylized story in three chapters about how the dynamic has unfolded.

> Two forms of imbalances are particularly problematic for the sustainability of globalization itself. One is the imbalanced system of global rule making. Rules that favor global market expansion have become more robust and enforceable – intellectual property rights, for example, or trade dispute resolution through the WTO. But rules intended to promote equally valid social concerns, be they labor standards, human rights, environmental quality or poverty reduction, have not kept pace.

Accountability

The story's first chapter concerns accountability, or the social license to operate. It begins with individual companies making themselves and in some instances their entire industries targets by doing bad things – be they contributing to environmental disasters, complicity in human rights abuses or breaches of labor standards. Even where companies break no laws they may stand in violation of their own self-proclaimed codes or broader international community norms.

Taking a hit in terms of social criticism and stock value, many of those firms look for ways to signal a new commitment to improve their practices. Others not directly affected take steps to avoid similar problems, or to turn good behavior into branding or business opportunities.

A new reporting, auditing and certification industry is gradually emerging as a result – and some of you here today are responsible for its very existence. This remains an arena characterized by partial coverage and competing metrics. Whether convergence is possible, how the playing field might be levelled, and what if any role governments will have to play to achieve either are subjects for discussion this afternoon.

Global Imbalances

The second chapter concerns global imbalances. Two forms of imbalances are particularly problematic for the sustainability of globalization itself. One is the imbalanced system of global rule making. Rules that favor global market expansion have become more robust and enforceable – intellectual property rights, for example, or trade dispute resolution through the WTO. But rules intended to promote equally valid social concerns, be they labor standards, human rights, environmental quality or poverty reduction, have not kept pace.

The Battle of Seattle was all about imbalances in global rule making, and so were the clashes, in the streets and in the courts, over the price of drugs to treat HIV/AIDS patients in Africa. Environmental and labor side agreements to trade pacts may be inefficient and ineffective, but they, too, reflect social demands for a recalibration of the power to make rules.

The other imbalance is in outcomes on the ground. You know the figures: half of the world's population having to make do on $2 a day. The

> The other imbalance is in outcomes on the ground. You know the figures: half of the world's population having to make do on $2 a day. The social legitimacy of sustainable markets – not to mention capturing new market opportunities – depends on doing a lot better.

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Lets remember this. The collapse of the Victorian era of globalization, and the collapse of the world economy again in the 1930s, demonstrated the limits to social tolerance for rules and outcomes that privilege one segment of society over others. Once those limits are crossed, the demand for social protection becomes politically irresistible. And it easily translates into economic protectionism – or into even worse "isms," as it did in the 1930s. Indeed, protectionism is the social safety valve that blows first, and it's not good for any of us, rich or poor.

That brings me to the third chapter: building broader social capacity to cope with the new world that corporate globalization has produced.

Social Capacity

When I was at the United Nations I helped Kofi Annan establish an initiative called the Global Compact, engaging the corporate community in the promotion of UN principles in human rights, labor standards and environmental sustainability. Activist groups attacked us because the Global Compact lacks teeth to police companies, and some American firms avoided us because they feared it would grow such teeth.

> The transnational corporate sector has global reach and capacity, and it is capable of making and implementing decisions at a pace that neither governments nor international agencies can possibly match. As a result, a variety of other social actors are looking for ways to leverage this platform in order to advance broader social objectives – to help fill governance gaps and compensate for governance failures.

They both got our mission dead wrong. The initiative, now supported by 1,200 firms worldwide, is an attempt by the UN to reach beyond the constraints imposed by its own intergovernmental structure and boundaries so as to enhance overall social capacity to do the world's people's work better.

The transnational corporate sector has global reach and capacity, and it is capable of making and implementing decisions at a pace that neither governments nor international agencies can possibly match. As a result, a variety of other social actors are looking for ways to leverage this platform in order to advance broader social objectives – to help fill governance gaps and compensate for governance failures.

And a growing number of firms have become willing accomplices. Why? In some cases they have no choice: if you are Anglo American Mining, you either provide HIV/AIDS treatment to workers and families or you go out of business – because public sector capacity is not up to the job and a third of your work force is infected.

In other cases corporate leaders look at the longer-term economics of global demography. They see 2 billion rich consumers who are getting older, 4 billion poor ones who are getting more numerous and younger, and they do the math much like Henry Ford did when he decided to pay his workers enough to buy his cars.

New forms of multi-sectoral partnerships to build social capacity have evolved. Can they deal with root causes, including governance failures? Can they be scaled up? And how? We will address some of these questions as well this afternoon.

Conclusion

Let me draw these remarks to a close. My point is this: CSR is not only a business challenge. Even more important, it concerns the relationship between business and society, the respective rights and obligations of different social sectors and actors, and the relative efficacy of voluntary vs. regulative approaches to meeting social needs. Questions of governance are involved at every step of the way:

1. There are CSR leaders and laggards, and limits to voluntarism without a level playing field, suggesting one possible role for government;

2. Even if everyone were a leader – a sort of corporate Lake Wobegon world – there would be collective action problems in scaling up from individual initiatives to systemic interventions, which would be very difficult for private sector actors alone to overcome;

3. CSR potentially is infinitely elastic: the more companies do, the more they may be asked to do, thereby encouraging governmental shirking, as I believe has happened in South Africa on the issue of HIV/AIDS treatment; partnerships need to be very carefully designed on both sides;

4. Finally, even if both firms and governments behaved in socially ideal ways we still would face challenges in bridging the increasingly integrated world of global transaction flows and the highly fragmented world of political authority on the planet.

Today, we have mostly questions. But we very much hope that when we meet next time, with your help we will have come up with some answers.

Risks, Opportunities and New Models on the CSR Horizon

Opening remarks by Jane Nelson

Thank you all for joining us for the launch of our Corporate Social Responsibility Initiative. We are honoured to have some of the pioneers in the fields of responsible investment, accountability, strategic philanthropy, community economic development, international development, environmental management, sustainable development, and social enterprise with us today. All of these areas touch on and have relevance for corporate social responsibility. They illustrate the rich array of issues, challenges and opportunities that companies face in determining their appropriate role in society, and that the rest of us face in studying, understanding and enhancing this role.

Our primary goal in inviting you to join us today is to start an ongoing dialogue and process of enquiry, which we hope will combine the best of scholarship with applied research and practice. Our initiative will focus on research, education and outreach activities that bring together leading academics with students and leaders in business, government, NGOs and the media, with the goal of exploring the intersection between corporate responsibility, governance, and public policy. In particular, we plan to address some of the questions that John outlined in his opening remarks and which I will return to later. John spoke about the link between CSR and global governance. I will say a few words about CSR from the perspective of the firm, focusing my comments on the three following areas:

> Our primary goal in inviting you to join us today is to start an ongoing dialogue and process of enquiry, which we hope will combine the best of scholarship with applied research and practice. Our initiative will focus on research, education and outreach activities that bring together leading academics with students and leaders in business, government, NGOs and the media, with the goal of exploring the intersection between corporate responsibility, governance, and public policy.

- First, some of the current business leadership challenges facing many, indeed most, multinational and large domestic companies in many countries;
- Second, two of the key trends that I see emerging in the field of corporate responsibility; and
- Third, what type of questions these leadership challenges and trends raise for both practitioners and academics.

1. Current business leadership challenges

Four leadership challenges are especially relevant to corporate responsibility, and in the past five years they have created the business equivalent of a 'perfect storm', each feeding on and exacerbating the other:

First: restoring trust and credibility. This is a challenge resulting from a combination of scandal - associated with recent corporate governance and ethics crises - and suspicion about the role of big business, both in the United States and internationally.

In 2000, the findings of a joint BusinessWeek/Harris poll showed that:

- Over 70% of Americans surveyed said that business had too much power over too many aspects of their life and too much political influence.

- Only 4% agreed that companies should have only one purpose – to make the most profit for their shareholders – and their pursuit of that goal would be the best for America in the long run. 95% agreed that American corporations should have more than one purpose and that they also owe something to their workers and the communities in which they operate.

- Only 14% felt that what was good for business was good for most Americans – less than half the proportion supporting the same view in 1996.

> These concerns about too much corporate power, political influence and unfairness have clearly been exacerbated by the ethics and corporate governance crises that have been the focus of our daily news for several years. New rules, such as Sarbanes-Oxley, will not be enough to restore trust and credibility. What is required is clear and consistent demonstration of integrity, accountability, transparency and values, by corporate executives and leaders throughout the company.

In particular, the general public has concerns about:

- Companies having too much power and political influence

- High levels of executive compensation relative to average workers (CEO compensation packages have gone from about 42 times average worker pay in 1980 to nearly 500 times in 2000)

- Offshoring, outsourcing, restructuring of jobs leading to job loss and uncertainty at a time that corporate profits and executive compensation have increased.

Second: managing new and unfamiliar risks. Companies, especially those with global operations, are facing a variety of new, and often totally unfamiliar risks and opportunities – they are often operating in the equivalent of 'uncharted waters'. These risks include the following:

- **Security** – not only having to deal with the security concerns associated with terrorism, but also cyber-security (as the world, and business in particular becomes more and more dependent on information and communications technology); international crime, ranging from increasingly sophisticated fraud to money laundering; and for some companies (especially in the natural resource sector) operating in zones of conflict or post-conflict.

- **Impacts of new technology** – major technological developments and paradigm shifts have always created new risks, as well as opportunity. But the impact of game-changing technologies such as biotech and nanotech, and the convergence between different information and communications technologies, poses a variety of new ethical, social and environmental risks, as well as economic ones - clearly more so for some industries and countries than others.

- **Demographic trends** – which represent both risk and opportunity. In the OECD countries, most notable is the implications of an aging population and what this means for healthcare costs and pension obligations, especially for companies which have a large workforce and long legacy of having provided generous employee health and pension benefits. Another key demographic trend is the growing diversity of the American population, and national populations in many other countries. While this offers a potential opportunity for many companies, at present there are very few, if any, that have an employee, customer or supplier profile that matches the diversity of the population at large. Let alone a senior management profile or board of directors that come near to reflecting the diversity of the populations the company serves. A final demographic trend worth noting, especially in the Middle-East and other emerging markets, is the large number of youth – in

some countries over half the population is under the age of 25 – and in all too many cases, unemployed or underemployed. Lack of opportunity and hope for young people can have negative implications for long-term stability and security, not only within borders, but also across them.

- **Doing business in difficult countries** – many global companies are now operating in countries where there is either bad or weak public governance and administration, lack of public transparency, high levels of bribery and corruption, poor records of human rights, inadequate environmental, safety and labor standards, and high levels of poverty and inequality. All of these create new risks, and in a few cases opportunities for business – especially in large countries and major future markets such as China, Indonesia, Russia, India, and Brazil – but are relevant to a lesser or greater extent in most emerging economies. China, above all emerging markets, looms as a major business opportunity and a high-risk arena for many companies – in terms of both their commercial and financial performance, as well as their social and environmental performance.

- **Climate Change** – global climate change and other environmental challenges, especially increasing industrial and household access to clean water and energy without damaging the environment, represent another set of relatively new risks and opportunities that business leaders must address. Climate change, in particular, is an issue of growing concern; one that the mainstream investment community is starting to wake up to.

- **Global health issues** – companies operating on a global scale are dealing with a variety of unprecedented health concerns, ranging from the HIV/AIDS pandemic in Africa, and increasingly China, India and Russia, to SARS and the risk of other communicable diseases, that know few boundaries in an era of international travel. There is also the growing awareness of the human and economic costs of obesity in many countries, with implications not only for food and beverage companies, but for productivity and health in many workplaces.

These emerging, non-traditional risks, combined with more traditional market, financial, operational and political risk, are creating the need for a much more integrated and strategic approach to risk management. Our colleagues at Booz Allen Hamilton speak about the concept of enterprise resilience – the ability and capacity of an organization to withstand systemic discontinuities and to adapt to new risk environments. We will be working with them to develop new models for thinking about the links between corporate social responsibility, corporate strategy, and integrated risk management.

Third: responding to new expectations. Linked to the challenges of restoring trust and credibility, and the need to manage new and unfamiliar risks, is the fact that governments, employees, local communities, and the general public are expecting more and more of companies. Over the past decade, as the private sector has increased its global reach, influence and many would argue power, growing *public suspicion* of 'big business' has been paralleled by growing *public expectation*; expectation that corporate resources, skills, assets, and networks will be mobilized not only to create shareholder value, but also wider societal value.

Whether we look globally, nationally, or even locally, the economic, social, environmental and security challenges that we face are too complex, and the resources and competencies needed for addressing them too dispersed for

31

any one sector to have all the solutions. And thus far, we are not doing a particularly good job in addressing many of these challenges.

Here in the United States, for example, there are some 35 million people living below the federal poverty line; over 40 million people without access to health insurance; and according to the Pew Global Attitudes Project, some 15% of Americans who claim there have been times in the past year when they have been unable to afford food – the highest in any advanced economy.

We are doing no better, indeed worse, on a global basis. Take the recent findings of the World Economic Forum's *Global Governance Initiative*. Working with the Brookings Institute, the initiative brought together experts from around the world to review the progress that governments, business and civil society are making in addressing seven key challenges: peace and security; human rights; poverty; hunger; the environment; education; and health. The task of each working group was to assess, on a scale of 1 to 10, the level of effort and cooperation that the world community is making towards achieving commonly accepted goals in each of these areas. No group scored higher than 4 out of 10.

> In today's world companies need to be able to demonstrate good performance not only in terms of competitiveness, market growth and financial results, but also in their corporate governance, ethical, social and environmental performance. Business leaders need to be able to engage with activists as well as analysts. They need to be willing to publicly defend their personal values, as well as their organization's purpose and values. They need the tools to manage social and environmental risks, as well as market and financial risks. And they need the skills and mindset to cooperate, as well as compete – often with non-traditional partners and focused on unfamiliar issues.

Right or wrong, realistic or not, there is a growing expectation that the private sector can and will play a role in helping to address these challenges at a local, national and international level. A critical issue for business leaders and public policy makers alike is defining the appropriate and realistic boundaries of this role. This is especially important when one considers the fourth business leadership challenge I would like to raise, which I feel should never be forgotten when we are talking about corporate social responsibility …

Fourth: remaining profitable and competitive. We must never let ourselves forget that most companies, even the seemingly most powerful among them, are operating under increasingly competitive and economically uncertain conditions. In many industries, competition is relentless and often coming from new and unexpected sources. Publicly quoted companies continue to face unrelenting pressure from their shareholders to deliver robust and growing quarterly earnings, if not the stratospheric and unsustainable growth figures that the investment community got addicted to during the 90's. The leadership challenge for most executives is to meet these economic pressures, whilst responding to the other challenges I've already outlined; in short, to manage the trust deficit, the new and unfamiliar risks, and the rising public expectations, and where possible to turn these into new business opportunities.

To summarize the business leadership challenge: In today's world companies need to be able to demonstrate good performance not only in terms of competitiveness, market growth and financial results, but also in their corporate governance, ethical, social and environmental performance. Business leaders need to be able to engage with

activists as well as analysts. They need to be willing to publicly defend their personal values, as well as their organization's purpose and values. They need the tools to manage social and environmental risks, as well as market and financial risks. And they need the skills and mindset to cooperate, as well as compete – often with non-traditional partners and focused on unfamiliar issues. These leadership challenges have important implications for corporate social responsibility, and I would argue are making it a more strategic and complex issue for many leading companies.

2. Key Trends in Corporate Responsibility

Two key trends in CSR are particularly worthy of note – what I have termed in previous research as:

- From the margins to the mainstream
- From assertion to accountability

From the margins to the mainstream

> ...there is growing recognition that CSR is essentially about how the company makes its profits, not only what it does with them afterwards... CSR is about how the company manages first, its core business operations – in the boardroom, in the workplace, in the marketplace, and along the supply chain; second, its community investment and philanthropy activities; and third, its engagement in public policy dialogue and institution building.

CSR is moving – at least in a few leading companies – beyond the boundaries of legal compliance and nice-to-do philanthropy to become a more central factor in determining corporate success and legitimacy. This trend has implications at the level of the firm for corporate governance, corporate strategy, public policy engagement, and enterprise risk management.

As a result, there is growing recognition that CSR is essentially about *how* the company makes its profits, not only what it does with them afterwards. As I have argued elsewhere, CSR is about how the company manages first, its core business operations – in the boardroom, in the workplace, in the marketplace, and along the supply chain; second, its community investment and philanthropy activities; and third, its engagement in public policy dialogue and institution building.

In all three spheres of corporate influence, the challenge for business is twofold:

- First, *aim to 'do no harm'* in terms of economic impact, labor conditions, corruption, human rights, and the environment. This is a goal that calls for management strategies such as compliance – with generally accepted norms and standards, as well as laws and regulation - and control of risks, costs, and potential liabilities and 'unintended consequences'.

- Second, *aim to do positive good* in terms of creating business value or shareholder value in a manner that also systematically and proactively aims to create value for other stakeholders and society. This can be achieved, for example, through strategic philanthropy or community investment that harnesses the company's core competencies, products and services, not only its philanthropic checks. Most importantly, it can be achieved through creating new business value, for example, through innovation in new processes, new products and services, through entering new underserved markets, through engaging in new business alliances, and in some cases, even through creating new business models. It can also be achieved through collaboration with other actors – such as government, civil society, other companies, and even competitors – to help address public issues. Especially issues that no one company or sector can address on its own, but which have relevance for the long-term success of business and the society in which it must operate.

These are what I call the five C's of compliance; control; community investment; creation of new value; and collaboration.

Corporate strategies for delivering value to society and to shareholders
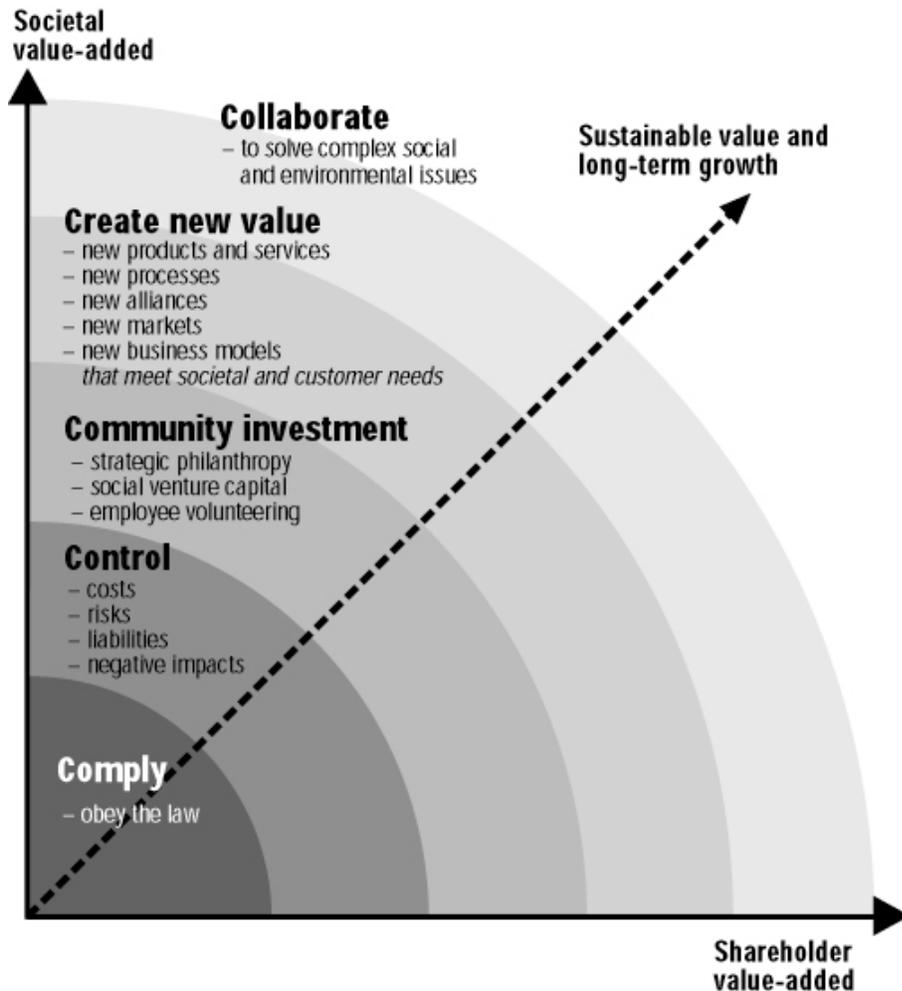
From assertion to accountability

Gone are the days when consumers, investors, and the public generally trusted all the information they received from companies and were relatively undemanding on what this information should cover in terms of corporate performance. In part this trust has been squandered by corporate scandals and governance failures, but it has also been affected by a combination of increased democratization and press freedom around the world, easier access to more information through the Internet, greater public awareness of global issues, increased consumer sophistication, and higher societal expectations of business. The result is that

… companies are having to become more accountable and more transparent to more stakeholders on more issues in more places, than ever before.

34

companies are having to become more accountable and more transparent to more stakeholders on more issues in more places, than ever before.

Increased demands for more financial accountability and transparency have well-known implications for corporate governance. They are also relevant for what CERES and others are calling sustainability governance – the need for companies to improve disclosure on their ethical, social and environmental performance. And they are relevant for what I would term the company's public governance – the accountability and transparency of its engagement with government on issues such as lobbying, campaign finance, taxes, public contracts and procurement, other public revenue payments, and so on.

In all of these areas, companies are facing new and challenging questions in terms of *what* to be accountable for, *who* to be accountable to, and *how* to actually do it in practice.

3. Key Questions for further research and debate

Few, if any of these trends or leadership issues are easy to address – in fact most are complex, confusing and deeply challenging to even the best-managed companies and their executives. They raise important questions for any practitioner or academic who is interested in understanding the firm, how it is organized, how it is led, and how it interacts with government and other stakeholders.

> Few, if any of these trends or leadership issues are easy to address – in fact most are complex, confusing and deeply challenging to even the best-managed companies and their executives. They raise important questions for any practitioner or academic who is interested in understanding the firm, how it is organized, how it is led, and how it interacts with government and other stakeholders.

There are six questions that I think are especially worthy of further research and debate. Many of you are already addressing different aspects of these questions. Some of them we will be discussing today. And we plan to explore them further through our new CSR Initiative. Very briefly, these questions are as follows:

1. How real is this picture I have painted of CSR becoming a more mainstream element of corporate strategy and risk management? Is it simply public relations and window-dressing, as some would assert, or are leading companies genuinely addressing CSR as a more integral and strategic business issue? And even if leading companies are doing so, are they a lonely minority – maybe 2,000 or so of the world's estimated 60,000 multinationals? Or are we witnessing the beginning of a fundamental shift?

2. What are the implications for the way that companies are led and governed? How will corporate boards and CEOs adapt, and what can we learn about new corporate governance structures and leadership models?

3. Linked to this, what is the strategic 'value proposition' or 'business case' for CSR – both at the level of the firm in terms of risk management, reputation, and competitiveness, and at the macro-level in terms of regional or even national competitiveness?

4. What role do key influencers have in shaping CSR; in creating an enabling environment for CSR by either pressurizing, incentivizing, or supporting responsible business practices? Of particular interest to our initiative, is what is the role of governments? And what is the role of the financial sector, and of the media, as enablers, catalysers and watchdogs?

5. How effective are the new voluntary models of corporate accountability that have emerged over the past decade or so, especially on environmental issues, but increasingly also on social issues – such as voluntary codes, standards, and multi-stakeholder alliances? Are they enough to influence industry-wide behavior? What are the implications for regulation and public policy?

6. What can we learn from the new types of public-private partnership that are starting to emerge as mechanisms to tackle wider economic, social and environmental challenges? It is estimated that there are some 150,000 K-12 business-education partnerships in the United States alone, numerous community-based initiatives and city-level coalitions, and thousands of local environmental alliances – let alone the global networks and international development partnerships that are starting to emerge, where the private sector is playing a central or leadership role. What we are particularly interested to explore in our own work, are partnerships that have the potential to achieve systemic impacts and change. For example at a national level. Or by fundamentally changing public policy frameworks or markets, as they relate to a particular issue such as HIV/AIDS or climate change. What can we learn here from the business-led or business-supported partnerships that are starting to emerge? Which ones are making a systemic difference? What is their impact? What works and what doesn't?

As John and I have attempted to argue, in today's world, the private sector plays an influential and important role in determining economic, social and environmental outcomes. Whether that role is positive or negative will depend on conscious choices. Choices made by policy makers, investors, consumers, activists, the media, and business leaders themselves. Through the research and activities that we plan to undertake in our CSR Initiative, we hope to provide academically rigorous and practically useful data and ideas that will help to inform those choices. Thank you again for being with us today, and we look forward to working with many of you in the future.

2. New Models of Governance and Accountability

Presentation prepared by Mark H. Moore, Daniel and Florence Guggenheim Professor of Criminal Justice Policy and Public Management and Director, Hauser Center for Non-Profit Organizations, Kennedy School of Government

Driving home from work two nights ago, three stories dominated the news:

1) The new criminal indictment of the former CEO of World Com
2) The campaign to oust Michael Eisner as Chairman of the Board of Disney
3) The trial of Martha Stewart

Since I was about to deliver a talk about "new models of governance and accountability," I thought, "Well, at last you're on the cutting edge, and you are going to talk about something that real people seem to take seriously."

Surely these stories indicated increased action by society to demand accountability from business corporations and those who lead them.

But then I immediately began trying to think about what these stories might tell us about the broader issue of the ways in which society can in principle and does in practice demand accountability from corporations and those who lead them.

I have an overly schematic and taxonomic mind, but my goal in this brief talk will to outline a way of thinking about the important related subjects of:

1) The ways in which society demands accountability from private corporations (let's call this the *"natural social demand" for firm accountability*)

2) The ways in which society, acting through laws and the state, structures the natural demand for accountability into a more orderly and coherent system of accountability (let's call this the *social governance of firm accountability*"); and

3) The role that structures and processes of firm level corporate governance play in influencing the degree and ways in which the socially constructed structures of accountability do or do not work to achieve the goals of protecting important rights, imposing important duties, and achieving practical goals such as promoting wealth creation, employment, and consumer satisfaction.(let's call this *firm level governance*).

It is useful to think also of three broad substantive goals for corporate social responsibility:

1) The firm's fiduciary duty to investors;

2) Compliance with state regulations – both economic and social; and

3) Making significant contributions beyond the statutory framework defined above and enlisting in social purposes that yield a significant return to society.

It is possible to think of these different instruments of firm accountability and these substantive commitments to corporate social responsibility as a three by three matrix, the cells illustrating the variety of ways in which companies can be called to 'account':

	Natural social demand for firm accountability	Social governance of firm accountability (through laws and the state)	Firm level governance (through individual or industry self-regulation)
Substantive Goals of Corporate Social Responsibility Fiduciary responsibility to investors			
Compliance with state regulations — both economic and social			
Significant social contributions beyond the statutory framework			

The practical goal of the talk is to try to persuade you that in thinking about issues of social accountability, social governance of firm accountability, and the governance of firms, we might be focusing on both the wrong goals, and the wrong instruments. Less ambitiously, I at least want to claim that there is a wider space of action and intervention, which is now being explored by many practically minded folks, and might usefully be explored by thinkers and social architects as well.

Social Level Governance of Firms v. Firm Specific Governance Structures and Processes

At the outset, it seems very important to distinguish two different subjects we could address. The first subject I want to call *social level governance* of firms; that is, the ways that society, acting lawfully, through laws, and through state action, seeks to govern the conduct of private economic actors.

It is important to understand, I think, that the most fundamental form of this kind of social level governance of firms resides in the laws that enable firms to come into existence and do their economic work by recognizing private firms as social actors that have rights of various kinds that will be enforced in publicly supported courts. The state will recognize the existence of a corporation, and with that its right to own property and to make contracts. It will protect a corporation's private property once recognized. It will help the corporation enforce contracts. So, there is a kind of social regulation that makes it possible for private corporations to come into existence and do business.

…we could think of this kind of social governance as the kind that is required to protect economic rights and set up market conditions that allow private firms to operate in ways that will benefit society as a whole by performing their basic economic functions well. Other laws that form part of the social level governance of firms are designed not to insure the private and public benefits of a free market, but to avoid some of the harms that firms in a socially unregulated market can inflict on individuals and on society as a whole.

One can quickly think of other kinds of laws and regulations that begin to pile burdens on companies. Some of these are laws that are designed to protect the interests of shareholders and customers of firms, and in doing so, help to create the market conditions through which Smith's "invisible hand" transforms private material desires into such important social goals providing incentives and opportunities to individuals who have ideas about valuable products and services to supply them to the benefit of the consumer, to create jobs and incomes for those willing to work on these projects, and to create wealth for those willing to invest in these ideas. Others are laws designed to protect consumers from non-competitive market conditions. Broadly speaking, we could think of this kind of social governance as the kind that is required to protect economic rights and set up market conditions that allow private firms to operate in ways that will benefit society as a whole by performing their basic economic functions well.

> ...social level governance of the firm can be seen at least in part in terms of the statutes that set up conditions and impose particular obligations on firms to protect the rights and interests of various firm stakeholders, and to help the state achieve social purposes of various kinds. These statutes consist of both economic regulations designed to make the market work well, and social regulations that prevent firms from producing external harms, and enlist them in efforts to achieve social goods above and beyond what they would decide to do voluntarily without the requirements of the law.

Other laws that form part of the social level governance of firms are designed not to insure the private and public benefits of a free market, but to avoid some of the harms that firms in a socially unregulated market can inflict on individuals and on society as a whole. Thus, we have two kinds of labor laws established by society to ensure that individuals in their role as workers (as well as in their role as investors and consumers) can benefit fairly from, and not be harmed by private enterprise. One kind of labor law is a procedural law that created conditions that allowed workers to bargain collectively rather than individually with the firm to establish a fair labor contract. A second kind of labor law requires firms to act to protect the interests of workers through specific substantive regulation governing workplace safety and health, non-discrimination, non-harrassment, and so on.

We also have laws designed to protect the natural environment from economic exploitation. We even have laws that require private companies to make financial contributions to the state in the form of taxes. As citizens of the state, companies, too, have to make a fair contribution to supporting the state and its efforts to create the conditions, and achieve the purposes that the citizens of the state judge to be valuable.

So, social level governance of the firm can be seen at least in part in terms of the statutes that set up conditions and impose particular obligations on firms to protect the rights and interests of various firm stakeholders, and to help the state achieve social purposes of various kinds. These statutes consist of both economic regulations designed to make the market work well, and social regulations that prevent firms from producing external harms, and enlist them in efforts to achieve social goods above and beyond what they would decide to do voluntarily without the requirements of the law.

But we passed too quickly by a particular social level obligation that comes before the thicket of regulations designed to ensure the proper economic performance of firms, and those designed to enlist firms in the achievement of important social results. Among the obligations a firm has, and that come to bear at the moment of the firm's creation, is the obligation to describe the particular structures and processes it will rely upon to make decisions guiding its conduct. As a condition of incorporation, a firm has to specify particular individuals who will act as officers of the firm that can be called to account for the firm's actions, and the ways in which these individuals are chosen for these offices. This is the moment in which the structures and processes of firm level governance are established.

> Society, acting through its laws and state enforcement of those laws, says that a firm has to have some governing structures and processes so that we know whom to address when we have concerns about the firm and its actions; and further that these have to be formally announced and adhered to; but it doesn't say very much about what those structures and processes should be.

Now, it turns out that the laws that require firms to set up and publicly describe the structures and processes through which they will govern themselves are very permissive with respect to these issues, and leave a great deal of choice to those who combined their assets to create the firm. The firm can be governed in a highly centralized way with voting rights over the use of the firm's assets lodged in very few hands; or it can distribute voting rights over decisions about the conduct of the firm much more broadly. Those acting as officers of the firm can constitute themselves as a self-perpetuating oligarchy; or they can set up a system where they are elected to office by different classes of members of the firm. The firm can choose to restrict board membership to those who hold equity interests in the firm; or they can decide to have members of labor and the public on the board.

Of course, most firms select relatively conventional forms of governance in which voting rights are limited to equity partners, the board has only a limited number of people, and so on. But the point is that firms are typically left with a great deal of discretion in deciding how to set up their own firm level governance structures and processes. Society, acting through its laws and state enforcement of those laws, says that a firm has to have some governing structures and processes so that we know whom to address when we have concerns about the firm and its actions; and further that these have to be formally announced and adhered to; but it doesn't say very much about what those structures and processes should be.

It is worth noting, I think, that one response society could make to concerns about the social performance of private firms is to shift its stance on this key issue. It could, for example, begin to try to regulate much more closely and more stringently the forms of corporate governance that would be allowed. It could, for example, specify a certain number of "outside directors." It could insist on separate audit and compensation committees where outside directors would be particularly important to try to eliminate conflicts of interest between the inside directors of the firm whose economic futures depend on external reports of financial performance, and the interests of the shareholders and society at large who want to be sure that those external reports are accurate, even if accurate reports are against the short-run private interests of those running the firms.

This, I think, is the approach that is being taken in legislation like the Sarbanes/Oxley Bill. Contained in this bill is an effort to change the social level governance of firms through a statute that is very specific with respect to appropriate forms of firm level governance. In effect, we are trying to achieve more effective social level governance of firms, by calling them to account for choices they make about how to structure their own firm level governance

structures and processes, trusting that the transformed structures of firm level governance will accomplish the goal of achieving a higher level of social performance from the firm.

This is all well and good. But the point I want to make is the effort to create social level rules guiding the structure and processes of firm level governance is only one of the possible ways of reshaping the social level governance of firms; and that it is not obvious to me that such re-structuring of firm level governance structures and processes is either necessary or sufficient for improving the social performance of private firms. I want to sketch a different picture of the world that expands our images of how society acting both alongside and with the state as its agent can demand accountability for social performance from firms, and the different ideas society could have about what constitutes an acceptable or particularly virtuous performance of firms. To do this, we have to start in a somewhat different place.

> …firms exist as politically and economically resourceful actors in the social landscape. They own substantial resources that could, in principal, be used for many different purposes. They have extraordinary technical capacities that are perhaps best used in producing the particular products and services they now produce, but might also, at relatively low cost, be turned to other uses if there were some (market or other) reason to do so. The actions that they take produce many important consequences for the world. Some of these are good; some bad. Some good for some people, and bad for others. Some actions seem pretty good for all.

A Broader Framework for Thinking About Social Level Governance and Accountability of Private Firms

Suppose we began thinking about the issue of social level governance and accountability from a different starting point. Suppose we started with the idea that firms exist as politically and economically resourceful actors in the social landscape. They own substantial resources that could, in principal, be used for many different purposes. They have extraordinary technical capacities that are perhaps best used in producing the particular products and services they now produce, but might also, at relatively low cost, be turned to other uses if there were some (market or other) reason to do so. The actions that they take produce many important consequences for the world. Some of these are good; some bad. Some good for some people, and bad for others. Some actions seem pretty good for all.

If we began with the fact that firms exist, have resources and capabilities, and take actions that produce good and bad effects on individuals living in communities and societies, we might quickly see as well that many different individuals and groups will have interests in what the firm does. The fact that they have interests will lead them to try to make demands and claims on the firm to encourage the firm to act more in their interests.

We call such individuals and groups stakeholders. We often list them in the following order: shareholders, customers, employees, suppliers, local communities, government agencies, society at large. Further we expect these individuals to act to pursue their own interests. We expect shareholders to want long run wealth creation from the firm. We expect customers to want low prices, high quality, and strong warranties. We expect employees to want higher pay and more attractive working conditions. We expect the communities to want the company to act as a good citizen. We expect the government to want compliance with tax laws, economic and social regulation. And so on.

In short, we see firms located in a world in which many different stakeholders have interests in what the firm does, and the desire to make claims on them that will cause the firm to deliver more of what they want. That is, they all want to call the firm to account for the successful achievement of the goals they think are important to the firm to achieve. As noted above, we might call this the "natural social demand" for accountability; the desire of stakeholders of firms to ask the firm to achieve purposes they think are important, and either are or should be part of the firm's responsibilities to the wider society.

It is important for us to understand, I think, that in many ways this natural social demand for firm accountability is, at base, unregulated. Individuals in society can decide what firms owe them, and act to make the firm live up to those expectations. The images of looting in Haiti are, in some respects, images of the natural demand for social accountability. Haitian citizens have decided that the firm owes them the inventory it had for sale. Less dramatic but similarly, one can see the ideologies of both communism and socialism as regimes that create much different ideas of what it is that private firms, and private capital owe to the wider society. As long as there is freedom of thought and association among individuals, they are free to have ideas about what would be reasonable to expect and demand from private firms.

It is also important to understand, however, that an important function of what might be called social level governance of the firm is actually to organize and constrain the natural demand for accountability. The laws of private property tell Haitian citizens that even though they think they are entitled to the contents of container bins, they are not, and that society, acting through the state, will act to deny their claims against the companies, and to prosecute them for theft if they can be caught. In essence, the laws of a society give some claimants, and some claims, against the firm social sanction, and offer the use of state powers to advantage the claimants and advance the claims; while they treat other claimants and other claims as hostile to important social purposes, and act to protect the firm from those claimants and claims.

This gives us the following image of a "society" acting to create social accountability for firms. First, we recall that society consists of many different individuals and groups, differently situated in society, with different interests.

Second, we recognize that as a practical matter everywhere, and a legal matter in liberal states, those individuals and groups can take voluntary action to make claims against resource holding institutions that are within reach (both private companies, private associations, and governments).

42

Third, society sometimes acts as a collective in establishing particular laws that will be enforced by the power of the state. Some of these laws grant or deny social sanction to particular claimants and claims that individuals would like to make against both private and public institutions. We give individuals a right to sue for damages or not. We give unions a right to bargain collectively or not. These laws tend to structure and organize the processes by which various social actors – not just the state – can call firms to account.

Fourth, the government shows up in the first instance as a location in which laws are created, and as an apparatus that helps individuals claim the rights they have under the laws. In effect, government acts to structure the efforts of private individuals to call other private individuals to account. (This could be called indirect regulation since government helps others press their claims rather than presses claims of its own.)

Fifth, government also shows up not just as an enabler of private efforts to call other private individuals to account, but also as an agent of a collective that has decided it wants to achieve particular purposes it judges important, through means it has decided are just and effective. These purposes can include advantaging particular individuals and groups that are deemed particularly important and deserving of collective support. Or, it can achieve something different that could be called the public interest. But the point is that the collective has asked the government to act as its agent in achieving something that is collectively valued, and the state shows up then as the executive apparatus that distributes the burden of achieving the result among all actors in the society. (This could be thought of as direct regulation as opposed to indirect regulation, since the government now has particular purposes is trying to achieve on commission from the wider society acting together through government.)

Sixth, there are important roles to be played both by private social actors and by governments in providing certain kinds of technical support to private efforts to structure the accountability of firms to various stakeholders. Thus, for example, government can mandate that firms provide accurate information to investors about their financial condition, and to customers about the products they buy. Alternatively, firms seeking competitive advantage, might decide on their own, or combine together in some industry group, to commit to doing the same thing. Similarly, government can construct new technical standards for accounting for financial performance, or the accounting profession can make these technical advances on its own. Whether at government or private initiative, the effect of such moves would be to increase the effective demand for accountability from private sources, and in doing so, strengthen the overall demand for accountability.

> This image of how social accountability of corporations is constructed – from the natural social demand for accountability, regulated (to some degree) by a structure of laws that give some claimants and some claims legal power over corporations, complemented by a body of both private and state actions that can increase the ease and sharpen the focus of private demands for accountability, and finally from bodies of laws designed to directly regulate firms' economic and social performance – shows us a much wider range of possible actions to shape social level governance of firms than we are accustomed to thinking about. It is certainly much wider than the very limited idea that the most important, or most effective way to solve the "governance" problem with private firms is to try to directly regulate the form that firm level governance should take.

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Different Substantive Social Expectations of Firms

Linked to the idea that there is a wider array of tools that can be used to construct powerful forms of social level governance and accountability of firms is the idea that there are also quite different ideas about what society should want and expect from private firms. It is important, I think, to recognize that much of our current discussion about corporate governance is not really focused on the traditional idea of corporate social accountability. It is focused much more narrowly on the very limited issue of whether we can get firms to report accurately and honestly about their financial performance to the investing public, and whether we can rely on our private capital markets to operate reasonably fairly and transparently in providing investors with a level playing field in deciding where and how they should invest their money. These are the issues in the cases I mentioned above. And, in many respects, they represent a very limited idea of the social accountability of the firm.

The substantive idea of social accountability of the firm suggested by these cases is one of fiduciary responsibility to the investing public. One can quickly widen that idea out from the idea that investors ought not be defrauded, and they ought to have a level playing field in making their investments as matters of fairness to the broader claim that by acting in these ways we can ensure the efficient performance of capital markets, and with that, the efficient and effective performance of the economy as a whole – something in which we all have an interest. But even at its widest scope, this demand for accountability focuses on ensuring that the firm contribute to public purposes by being an efficient and effective part of a social economy that can build wealth and prosperity – an important social goal to be sure, but not the only social goal that is important, and not the only social goal to which society expects (and sometimes demands) firms make a contribution.

An alternative idea of social responsibility, of course, is that the firms live up not only to their fiduciary responsibilities to investors, and their economic contributions to social welfare, but that they also meet the obligations they have under the society's laws to contribute to other social purposes. This is the idea of corporate social responsibility as legal compliance. It focuses attention on tax compliance on one hand, and regulatory compliance on the other. How exacting and demanding that is with respect to ways that company assets and performance are commandeered for social purposes will depend on the particular body of such laws that has been enacted. And that can either be a lot or a little.

But the thing I want to point out here is that whatever that body of law creating direct regulatory responsibility is, it will not exhaust in either the short or the long run, the social demand for accountability. The natural social demand for accountability – the ability of firm stakeholders to have interests, and press them as legal, moral, or prudential claims against private firms – survives. Only some of that has been channeled (or corralled) into laws directly regulating the firms. The rest of it lies out there in society waiting to be mobilized through political, legal, and economic actions taken against the firm.

New Ideas of Corporate Social Responsibility and the Challenges They Involve

This suggests that the new world of corporate social accountability will be an edgier and more uncertain one. One in which the firm can't think that its only important social responsibility is to be an efficient and effective economic actor. Nor one in which a firm can be sure that all its important social responsibilities are contained in legal requirements. The free floating natural demand for accountability can show up and make claims on firms. Some of these will be legally supported, either substantively or procedurally, and the firm will be forced by the state to act in response. But many will not have explicit legal sanction – at least in the short run. They will make claims on the firm rooted in their moral appeal to both those governing the firm, and the stakeholders that surround the firm. The firm will then have to make either a moral or practical judgment about the degree to which it should respond to these legally unsupported claims.

I think it should be clear that this kind of world poses a much different kind of challenge to the firm level governance of firms than the challenge that it is associated with meeting fiduciary responsibilities to shareholders, and reporting accurately on the firms financial performance. Maybe there needs to be a special corporate social responsibility committee in the future plans for firm level governance to increase the capacity of boards to make the legal, moral, and prudential judgments about what the firm ought to do for society when the answer to that question is no longer given by a simple resort to the idea of maximizing the economic performance of the firm subject to the constraint of law.

When we have lost confidence in the belief that firms, pursuing their economic goals, will produce things that are valuable for society at large, and when we no longer trust politics and government to write and enforce the rules that can force companies even to behave honestly, let alone in the public interest, then we are in a world in which the natural demand for accountability will become increasingly active, and the capacity of politics and the state to discipline that natural demand for accountability and shield the corporations from any person's idea of what is owed to them by the corporation will be weakened. It is a very dangerous situation that will require firms to think about the degree to which they want to try to substitute for, and help to recreate the processes of politics and government, which are, in the end, the only way we can reliably structure the processes of accountability to ensure both prosperity and justice.

Remarks on Civil Governance by Simon Zadek, Chief Executive of AccountAbility, Institute of Social and Ethical Accountability

My brief remarks are intended to highlight what seem to me noteworthy features of the emerging relationship between corporate responsibility, partnerships and what I shall call 'civil governance'.

Understanding these relationships, and their significance, requires first a particular appreciation of context. It seems almost redundant to point out the significance of globalisation. But I want nevertheless to mention it for a very specific reason. Globalisation involves two very different forces, and we seem to overly focus on just one, its homogenising and 'concentrating' effects. The 'shadow' impact of globalisation, however, are its fragmenting effects, and it is the tension between the two that we need to understand and work with. Corporate responsibility, for example, arises *both* because of the increased power of large businesses (the concentrating part of the equation) and because of the growing sense of unease that we are no longer clear as to who should or even does govern what, and who is or should be responsible for what (the fragmenting effects).

> Globalisation involves two very different forces, and we seem to overly focus on just one, its homogenising and 'concentrating' effects. The 'shadow' impact of globalisation, however, are its fragmenting effects, and it is the tension between the two that we need to understand and work with. Corporate responsibility, for example, arises both because of the increased power of large businesses (the concentrating part of the equation) and because of the growing sense of unease that we are no longer clear as to who should or even does govern what, and who is or should be responsible for what (the fragmenting effects).

Similarly, there is a growing concentration of legislative power, particularly in the form of the US, Europe and a few institutions like the WTO. But at the same time, there is a clear regulatory vacuum or at best mismatch at the international level given the nature of global markets, its main players and associated impacts.

Let me turn briefly to some of the drivers that bring us to the table and make action possible, if confused and confusing. There are two primary drivers. First are the changing sources of economic value, and the complexity, volatility and risks associated with managing these 'new intangibles'. Second is the emergence of 'civil regulation', the ability and willingness of society to create collective pressure on business beyond the rule of law by threatening the productivity of these new intangibles. Beyond these two, inter-related, primary drivers, are the shifting contours of 'stakeholder responsibility'. This is not just a matter of business responding to a new set of stable demands. Stakeholders' sense of what constitutes corporate responsibility is also in flux, often volatile, inter-connected and responding in confused, or indeed pathological ways to their different contexts.

> There are two primary drivers. First are the changing sources of economic value, and the complexity, volatility and risks associated with managing these 'new intangibles'. Second is the emergence of 'civil regulation', the ability and willingness of society to create collective pressure on business beyond the rule of law by threatening the productivity of these new intangibles.

Moving to the implications of these brief, and certainly over-simplistic, points. Corporate responsibility is most usefully understood not merely as what one or other company chooses to do, but a

systemic expression of the context and drivers described above. The reason why companies move up through what I have described elsewhere as 'generations' of corporate responsibility (e.g. compliance, defensive, business integration, etc.) is precisely because the systemic dilemmas cannot be resolved by the lower-end responses. The stakes are rising because of the messy relationship between market and systemic functions.

Generations of Corporate Responsibility

	Tools and Processes
3rd Generation Competitive Responsibility	Multi-stakeholder standards and partnerships, institution building, corporate responsibility oriented advocacy and public policy, alignment with national competitiveness
2nd Generation Strategic Corporate Responsibility	Sustainability management, sustainability auditing and reporting, stakeholder dialogue, social investment
1st Generation Non-strategic Corporate Responsibility	Philanthropy, short-term risk management, industry standards
Legal Compliance	Regulation covering tax, health and safety, workers' rights, consumer rights, environmental regulations.

We see this with the advent of partnerships. Companies see the need to stabilise and regularise their context. They need to understand it, influence it, manage it, or better still, create it. Simplest is to buy the skills and relationships they need to do this, such as financial auditors, systems and management accounts. But this is not always possible. Companies need partnerships because some 'competencies' needed to run successful businesses are not (yet) commoditized. A company like Shell or Nike needs to understand human and labour rights, but also to manage it as a performance imperative. Attempts to purchase this broader set of competencies can and does lead to its deterioration. Legitimacy has a short shelf life in the hands of those who are not deemed fit in this sense. Partnerships with civil organisations in such contexts emerge as a manifestation of mutual inter-dependence that cannot be resolved purely through the market.

The push for partnerships is therefore also a systemic manifestation, reflecting the shifting pattern of relationships being formed in an effort to effectively manage the context's tension between concentration and fragmentation in the face of primary and other drivers. Scaling-up therefore reflects entirely predictable attempts to stabilize an unruly system, as much as it does the ethics or morals of any particular agents, like us. We see this in the generational evolution of partnerships themselves. From the early days of operational multi-sectoral or 'collaborative' partnerships, we see a new generation emerging that are more strategic. These partnerships seek to set rules that are *'stable, enforceable, and applied beyond the rule-makers themselves'*, such as the UN Global Compact, the Forest Stewardship Council, the Global Reporting Initiative, or the organisation I work for, AccountAbility.

These partnerships are, consciously or (often) otherwise, collectively establishing a new 'civil governance'. *Civil governance* moves us beyond our normal understanding of governance. The rules are often evolved through *de facto* not *de jure* processes, only later moving from the first to the second. They are localised, not necessarily geographically, but by topic, sector, or time. They are in the main only partially enforceable, depending on the peer pressure, civil legitimacy and market dynamics rather than bureaucratic authority backed by the rights of governments to impose penalties.

Allow me to conclude. First, corporate responsibility is an expression of system dynamics, not only a fact arising from individual choice. Understanding this is essentially theoretical in the best sense of providing real insights for practical policy and action.

Secondly, arising from this is the observation that corporate responsibility has an inexorable tendency to move 'upstream' in an effort, virus like, to extend its remedial impact on the system. This is why we can usefully understand corporate responsibility, partnerships and civil governance, as a continuum, rather than separate, distinct phenomena.

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> *…corporate responsibility is only one piece of the puzzle. The accountability of civil society organisations and governments, and their relationships through partnerships, are all up for grabs in this period of change. Indeed, it is not helpful to think about corporate responsibility whilst leaving out the other bits. Again, this is not so much a matter of ethics or balance. It is that the whole spectrum of accountability dynamics have to be part of any effective solution in addressing the challenge of taming globalization to serve the interests of the majority of people.*

Thirdly, civil governance can best be seen as a massive experiment. This unintended and unregulated experiment is an evolving governance framework that mediates between the strengths and inadequacies of the twentieth century's disappointments in state and market-based governance. In this sense, corporate responsibility is a space for transition, and the well-trodden law of unintended consequences tells us that there is no way of predicting in any automated sense what will be the outcomes.

Finally, we can see from this way of looking at things that corporate responsibility is only one piece of the puzzle. The accountability of civil society organisations and governments, and their relationships through partnerships, are all up for grabs in this period of change. Indeed, it is not helpful to think about corporate responsibility whilst leaving out the other bits. Again, this is not so much a matter of ethics or balance. It is that the whole spectrum of accountability dynamics have to be part of any effective solution in addressing the challenge of taming globalization to serve the interests of the majority of people.

3. New Partnerships to Mobilize Private Sector: Engagement in Community and International Development

Summary of remarks made by John Donahue, Raymond Vernon Lecturer in Public Policy and Director, Frank and Denie Weil Program on Collaborative Governance, Kennedy School of Government

I have been asked to share some comments on the relationship between corporate social responsibility (CSR) and what we're calling collaborative governance (CG). Let me start by making four observations to set the stage:

First, much of the planet's population lives in places where government is feeble, failed, or corrupt.

Second, even in countries blessed with relatively robust electoral democracies, central governments have been suffering from an erratic but general trend of falling public confidence and (relative to business) diminished operational capacity for much of the past several decades.

> Both CSR and collaborative governance are premised on a growing public role for the private sector and a diminishing overlap between what we think of as "public missions" and "what government does.

Third, many of today's most important collective missions by their nature are hard to accomplish – efficiently, or at all – by collecting taxes and using the money to hire public workers.

Fourth, in both developed and developing countries, collective missions – security, education and training, public health, the environment – are rising, not falling, in importance. Conventional public means may be in retreat; public missions and public needs are not.

> Collaborative governance is not rare. It's also not new. Indeed, the dominant, autonomous central state of the mid-20th century was the anomaly. Complex, cross-sectoral collaboration is more the norm. What is at least a little bit new is a reduction in the ideological voltage surrounding the relative roles of public and private players. To some extent – although I don't want to overstate this – questions about the right organizational model for getting public work done are being treated less like a death struggle over the one true faith, and more like a workmanlike discussion over the fit between tasks to be done and tools to do them.

These observations lay the predicate for both CSR and the related – and equally murky – phenomenon we're calling collaborative governance. Both CSR and collaborative governance are premised on a growing public role for the private sector and a diminishing overlap between what we think of as "public missions" and "what government does."

There are endless examples of CG (as of CSR). Some of the examples we have examined to-date include:

- The vast range of partnerships in NYC parks
- Charter schools
- Urban development partnerships
- The Partnership for a New Generation of Vehicles
- The smallpox inoculation campaign launched in 2002-03

In each of these examples – and, to be clear, thousands or conceivably millions of other cases in the United

States alone – formal government takes the lead in *defining* a public mission, but private players take the lead in *delivering* it.

Collaborative governance is not rare. It's also not new. Indeed, the dominant, autonomous central state of the mid-20th century was the anomaly. Complex, cross-sectoral collaboration is more the norm. What *is* at least a little bit new is a reduction in the ideological voltage surrounding the relative roles of public and private players.

> In most discussions of CSR, the state is a secondary player. It is not wholly absent from the scene, not trivial, but secondary. Government may set rules of the game, produce or vet information, shape the playing field by what it does, by what it fails to do, and by what it threatens to do, but by and large, corporations' interaction with stakeholders (investors, customers, employers) is direct rather than mediated through government.

To *some* extent – although I don't want to overstate this – questions about the right organizational model for getting public work done are being treated less like a death struggle over the one true faith, and more like a workmanlike discussion over the fit between tasks to be done and tools to do them.

To the extent this generalization is true, and to the extent this continues, it is good news for enthusiasts of both CSR and CG—and good news for both intellectually curious practitioners and for pragmatically oriented academics.

Work we have undertaken on CG in the past year or two, and kibitzing on CSR, suggests there's a spectrum of models for cross-sectoral engagement, arrayed according to the balance of governmental versus private discretion in the definition of public value.

At one extreme is simple service contracting; private players are purely agents for the accomplishment of tasks set by government – for example, picking up the garbage and taking it to the dump.

At the other extreme is simple philanthropy; private players have complete discretion in defining public value. Government is limited, at most, to setting constraints where tax treatment is an issue. If you have the means, you can stipulate public value and you can get a tax deduction so long as the Smithsonian, for example, not your brother-in-law, does the work.

In between these extremes lie both corporate social responsibility and corporate governance.

What are the major differences between CSR and CG as rubrics for producing public value? It is difficult to map the border between incompletely surveyed terrains, but one simple difference is that CG isn't limited to corporate actors. A more fundamental difference has to do with the role envisaged for formal government. In most discussions of CSR, the state is a secondary player. It is not wholly absent from the scene, not trivial, but secondary. Government may set rules of the game, produce or vet information, shape the playing field by what it does, by what it fails to do, and by what it threatens to do, but by and large, corporations' interaction with stakeholders (investors, customers, employers) is *direct* rather than *mediated* through government.

There are two competing ways to think about CSR. Let me start by quoting Edward, First Baron Thurlow and Lord Chancellor in late 18th century who said: "Did you ever expect a corporation to have a conscience, when it has no soul to be damned and no body to be kicked?"

The first way to think about CSR is as a sort of 'conscience implant' or 'soul implant'. Companies figure out that maximizing the present value of shareholder wealth is still the goal and CSR is viewed as a means for achieving that goal. In short, there is an instrumental argument for CSR. Alternatively, managers can use their discretion to use CSR as a fundamental tool. Corporations might not have a conscience, but corporate managers *do*. They have souls to be damned, hearts to break, and children they have to look in the eye. They can exercise their discretion to amend the motive of the corporation to fit this line of conscience. Both of these models work, but they rest on inconsistent assumptions of the degree of discretion or choice that corporate managers have to offer. The model you choose depends on whether you believe companies are so fenced in by shareholders, competitive pressures etc. that their managers do not have the discretion to decide for themselves what they want their CSR to look like, or whether you believe company managers have a lot of discretion in determining what they do and where they go. Which model or story we lean on may vary according to circumstances.

Corporate governance is simpler. It recognizes the operational deficits of the bureaucratic state, but like more traditional models of governance takes electoral democracy as the gold standard for defining public value. In CG, government retains a central role not necessarily in the accomplishment of a mission, but in its definition.

Government undertakes at least six central roles, actually, which I've tried to summarize in the discussion paper as:

- *Appraisal* of the governance challenge;
- *Analysis* of the players and their incentives;
- *Assignment* of operational roles;
- The *architecture* of accountability arrangements;
- The *assessment* of the collaboration's results; and then
- Continual *adjustment*, on the safe assumption that the first try rarely gets it right.

> We must be must be careful not to be struck dumb by optimism. We must beware irrational exuberance about new models for producing public value, whether these are CG or CSR.

In summary, there is much more work to be done, including in the rest of this gathering, to clarify these two promising but hazardous models for collective action. For now, let me conclude with a few observations:

1. Collaborative governance, so defined, does not let government off the hook. It involves different challenges than direct governmental action, but is by no means easier. This has big implications for professional education, in both business and government; we academics have some catching up to do.

2. Collaborative governance, so defined, is a moot issue where no legitimate government exists. In many cases the dividing line between CG and other approaches, including CSR, will be drawn by default.

3. We must be must be careful not to be struck dumb by optimism. We must beware irrational exuberance about new models for producing public value, whether these are CG or CSR.

It is possible to be honestly enthusiastic about the potential payoff from private-sector engagement in the pursuit of the common good, while remaining aware of the fragility of such arrangements. Precisely because the potential is so great, we are obliged not to kid ourselves that success will be automatic or even, for a while, very frequent. We will learn from our mistakes, and odds are will have plenty of opportunities for learning.

Remarks made by Holly Wise, Director, Global Development Alliance Secretariat, United States Agency for International Development

I have been asked to share a practitioner's perspective on implementing new types of public-private partnership, and will draw on my operational experience of building alliances between business, governments and private voluntary organizations through USAID's Global Development Alliance. First, some brief background. About three years ago USAID recognized that we needed to adjust the development model we had been working with that had been well-suited for a post World War II global system, dominated by the public sector and a few relief non-governmental organizations, but was not suitable not for today's world where the majority of U.S. investment in developing countries comes from private sources.

US Financial Flows to the Developing World

Personal Remmittances from US to Developing World 26%

US Private Sector Flows to the Developing World (FDI and Net Cap. Mkts.) 41%

US-Based Religious Organizations 5%

US Universities and Colleges For. Student Scholarships 2%

US NGO (PVOs) Grants Abroad 6%

US Foundation Giving Abroad 2%

US Govt Other Country Assistance (Israel, Russia, etc.) (Part II) 4%

US Govt Official Development Assistance (Part I) 14%

Source: USAID

Consider the following statistics: in 1970, about 70% of capital flows from the United States to emerging markets were public and 30% were private. Today, only about 20% of all flows are public and 80% are private, consisting of a combination of private sector investments, NGO or PVO grants, foundation giving, giving from U.S.-based religious organizations, and personal remittances – as outlined below.

> *Our goal is to get the job done – to alleviate poverty – and we see CSR and good governance as being central in achieving this goal. So we established the Global Development Alliance, which aims to expand the impact of our own foreign assistance efforts – and those of other agencies and governments involved in international development – by mobilizing the ideas, efforts and resources of nongovernmental organizations, foundations and private businesses. To-date, we have leveraged $2 billion worth of private resources to meet this goal.*

In this new global operating environment we recognized that official development assistance (ODA) had become a 'minority shareholder' in determining our mark on the world and we needed to think about development in a different way. We had to get smart about how to reorient ourselves to engage with a variety of private players. We needed to find ways to do our development work differently. We take a very operational role in this. Our goal is to get the job done – to alleviate poverty – and we see CSR and good governance as being central in achieving this goal. So we established the Global Development Alliance, which aims to expand the impact of our own foreign assistance efforts – and those of other agencies and governments involved in international development – by mobilizing the ideas, efforts and resources of nongovernmental organizations, foundations and private businesses. To-date, we have leveraged $2 billion worth of private resources to meet this goal.

So what are some of the most interesting models of partnership that have mobilized private investment and innovation for international development and what can we learn from them?

In general the most interesting examples are those that demonstrate core corporate engagement, not just philanthropy. A few examples and what they demonstrate are as follows:

- In Angola, we have worked with ChevronTexaco and UNDP, as well as a variety of implementing partners on the 'Angola Partnership Initiative', which is focused on capacity building programs for small enterprise development and agiculture. ChevronTexaco aims to be in Angola over a long time period and wanted to go beyond what the company "had to do" in building local capacity and supporting development, so it came to USAID for assistance. We have worked together on co-planning the initiative, they have been able to use the development agency as fiscal agent, enabling them to get a tax credit, while we transfer funds to development purposes. The company's CEO, David O'Reilly has played a leadership role and had a voice on a number of international development issues. Partnerships like this force a lot of challenging issues to the surface. Some NGOs want to be part of the consortium or the activities on the ground, but don't want to take corporate money. They want to retain independence and to be able to

> *Partnerships like this force a lot of challenging issues to the surface. Some NGOs want to be part of the consortium or the activities on the ground, but don't want to take corporate money. They want to retain independence and to be able to criticize with 'credibility'. How is governance shared? Who will talk publicly and on what? Who will you bring into the party? Who are the stakeholders?*

criticize with 'credibility'. How is governance shared? Who will talk publicly and on what? Who will you bring into the party? Who are the stakeholders?

- Another example is HewlettPackard. Their CEO, Carly Fiorina is acting as advisor on Homeland Security. We are running a microcredit program with their involvement in Uganda. This initiative is acting as a convener of donors, the formal financial sector and the microcredit community, serving as an "honest broker" and opening up the potential for more private money flows.

- Another example is the "GlobalGiving" initiative supported by HP, as well as Jeffrey Skoll and Pierre Omidyar, the founders of e-Bay. It links employee contributions, e-Bay for development, Visa for payments, and the Schwab Foundation, Ashoka and others that identify and support social entrepreneurs and social enterprise projects.

- We are supporting a growing number of supply chain alliances, for example in agricultural commodities such as coffee, timber and cocoa - which offer potential for further corporate engagement and partnership. Retail stores such as Ikea, Lowes and Home Depot have also started to look seriously at their role in supporting sustainable forestry.

> Supply chain alliances are perhaps more inherently sustainable and possible to scale up, since they are driven by markets. There is potential here to shift markets and to focus on competitive cluster approaches as developed by Michael Porter.

- Procter and Gamble is working with universities, USAID and others on testing water purification technology in three different settings.

- Finally, there is the example of working with BP and its exploration and development activities in Tangguh, Indonesia. Pre-investment stage, the company wants to understand how to minimize any negative impacts from its operations and maximize the positive development impacts. It wants to avoid some of the problems associated with a 'boom-town' building up around its operations. The company has engaged with an USAID, as well as the UK's Department for International Development, and NGOs to look at these complex economic, social and environmental issues. All the actors play a role, but at the same time these alliances confuse traditional roles.

Are these examples simply small, one-off alliances? What is the potential for systemic change and scaling up? There are no easy answers to this. Scaling up is difficult.

Supply chain alliances are perhaps more inherently sustainable and possible to scale up, since they are driven by markets. There is potential here to shift markets and to focus on competitive cluster approaches as developed by Michael Porter.

Systemic change is only likely to occur if we move beyond traditional CSR. It requires bringing mainstream corporate engagement not only philanthropic checkbooks. Scaling up is going to require 'blended alliances', with a number of different companies at the table, and in some cases philanthropic 'branding' will get in the way. We need to brand alliances, not individual company initiatives, so that several companies can join, and we can leverage their assets not just money. In technology access, for example, we need to be able to combine HP's E-inclusion, with Nokia's Make a Connection, plus Microsoft's Unlimited Potential, and so on. Linked to this, we need to ask, what can we learn from pooled alliances such as the Global Alliance for Vaccines and Immunization and the Global Alliance for Improved Nutrition. Are they models for other types of partnerships?

Government has an important role is in setting rules, providing incentives, and in making "room" for corporations to be more part of the development, policy making, and political process.

In summary, these new types of partnership raise a number of issues and challenges. They involve difficult and sometimes confusing role shifts. They are complex and time-consuming. They are non-linear. There is a need for clarity of governance structures. There is a need to determine where the line or boundary is for corporations' responsibility to their workers and communities. We need to address the question whether enhanced corporate involvement disempowers governments. Does it give them an easy out on their obligations to citizens?

My message to corporations is don't just lead with your checkbooks, bring forward your voice on policy issues, look at trade agreement issues, think about clean energy opportunities, move beyond philanthropy. Use your real assets—people, technology, managerial expertise, market power and focus them on developing country and emerging market issues, not just in your head-quarters' back yard. The future involves a focus on managing relationships and developing new governance structures.

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IV. Examples of Partnership Models

A wide variety of partnership examples between companies, and between the business sector and other sectors were discussed and profiled at the different discussion tables throughout the conference. As a number of participants pointed out, one of the key challenges in studying and learning from partnerships is the lack of a commonly agreed typology or framework for defining and analyzing them. As one table pointed out, even putting companies, governments, foundations and NGOs into neat categories according to their commonly understood purpose and mandate is increasingly difficult. They used as an example the fact that, "General Motors spends more on healthcare than it does on steel, and the Bill and Melinda Gates Foundation spends more on health than the World Health Organization." Neat categorizations and tidy boxes are increasingly difficult in today's world.

Despite the challenge of classification, a number of approaches can be used for trying to categorize partnerships. Jack Donahue suggested a spectrum of models for cross-sectoral engagement, arrayed according to the balance of governmental versus private discretion in the definition of public value, commenting, "At one extreme is simple service contracting; private players are purely agents for the accomplishment of tasks set by government. …At the other extreme is simple philanthropy; private players have complete discretion in defining public value. Government is limited, at most, to setting constraints where tax treatment is an issue."

Looking at partnerships from the perspective of business, Jane Nelson has suggested a spectrum based on whether the partnership is driven mainly by the company's philanthropic motivations, by a commercial/ business arrangement, or by a motivation to influence public policy frameworks and institutions. She has presented the following framework for thinking about business-driven or supported partnerships:
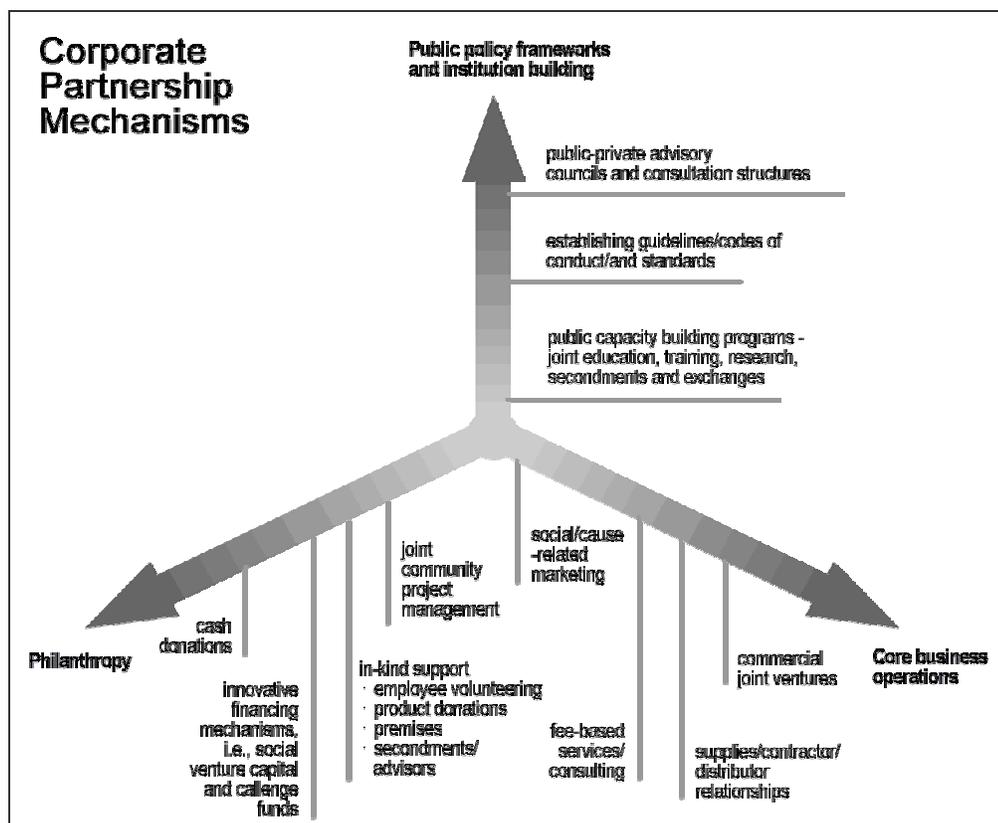
Source: Nelson, Jane. Building Competitiveness and Communities, 1998.

Another approach to classifying partnerships is to look at them according to whether they are local, regional, national or global in nature. Alternatively, one discussion group at the conference suggested a typology based on the types of partners: Business-business; Business-Government; Business-NGO; Business-Academia, and so on.

Given that partnerships are essentially a 'means to an end' – mechanisms or structures developed to address a commonly agreed need or purpose that the participants are unable, or unwilling to address on their own – another way of thinking about and studying partnerships could be to view and compare them in terms of their intended purpose. Even here, there is likely to be overlap and fuzziness around the boundaries as many partnerships are multi-purpose – both intentionally so, and often unintentionally so – and/or their purpose evolves, changes and expands as the partnership develops.

In what follows we have categorized most of the partnerships discussed or highlighted by the speakers and at different discussion tables under the following five categories:

1. Global, multi-sector learning and accountability frameworks
2. Market-changers: partnerships aimed to shift particular markets, including supply chain alliances
3. Public purpose business coalitions
4. Integrated regional, local or community development partnerships
5. Partnerships to improve access to essential products and services

The partnerships under each category are not intended as an exhaustive or comprehensive list. Some would fit under several categories. They are listed here to reflect most of the examples raised by presenters and participants during the conference. Many of these examples have resulted in, or have the potential for systemic change in addressing a particular challenge at either a local, national, regional or international level. As systemic change is a focus of our research interests, a number of these examples are likely to form the basis of the CSR Initiative's ongoing research program looking at partnerships for development. Brief summaries of some of these are listed in the Appendix as examples.

Although not technically partnerships, another set of examples that came up time and again throughout the conference were those of governments or countries that have created innovative enabling environments for responsible business practices, through a mix of regulations, fiscal instruments, voluntary or self-regulatory frameworks, stock exchange listing requirements, emissions trading frameworks, and other market mechanisms and incentives. The CSR Initiative will be undertaking further comparative research on these enabling frameworks: the United Kingdom was the most commonly cited example. Others were: France; Canada; Brazil; South Africa; and the United States.

Examples of Partnerships Driven by or Aimed to Encourage Corporate Social Responsibility

1. Global, multi-sector learning & accountability frameworks	The Global Compact; The Global Reporting Initiative; Social Accountability International
2. Market-changers: Partnerships aimed to shift particular markets or operational paradigms, including supply or value chain alliances, by providing better information, technical assistance and/or financial and other incentives	**Value chain partnerships:** Fair Labor Association; Global Alliance for Workers and Communities; Ethical Trading Initiative; Marine Stewardship Council; World Cocoa Foundation; Sustainable Agriculture Platform; Forest Stewardship Council; Global Forest Watch; Extractive Industry Transparency Initiative; Kimberly diamond process; US-UK Voluntary Principles on Human Rights and Security (extractive industry). **Specific company supply chain partnerships cited by participants:** Gap and Timberland, with USAID in Guatemala; the Rainforest Alliance and Chiquita; Conservation International and Starbucks; Nike and the Global Alliance for Workers and Communities. **Other 'market-changer' partnerships:** The Initiative for the Competitive Inner City (ICIC); The Coalition for Environmentally Responsible Economies (CERES); The International Finance Corporation and the Equator Principles; Transparency International's Integrity Pacts; the New Generation of Electric Vehicles; the Alliance for Environmental Innovation; World Resources Institute Green Markets Power Alliance; the Canadian IMAGINE campaign; Brazil's Abrinq initiative; the network developed by Ford Foundation's Corporate Involvement Initiative.
3. Public purpose business coalitions	The Corporate Working Families Initiative; Responsible CARE in the chemical industry; Business Strengthening America; the Global Business Coalition on HIV/AIDS; Business for Social Responsibility; the International Business Leaders Forum; the World Business Council for Sustainable Development; South Africa's National Business Initiative and Business Trust; UK's Business in the Community; Brazil's Instituto Ethos; the National Association of Manufacturers' WINS program training program; Thai Business for Rural Development; Philippines Business for Social Progress.
4. Integrated regional, local or community devel. partnerships Dialogues, alliances and partnerships aimed to reach consensus, manage negative impacts and/or mobilize resources to meet integrated development needs (economic, social and environmental) within a particular region, locality or community.	**Sustainable Development dialogues in the USA:** Sustainable Seattle and other environmental dialogues throughout the Pacific Northwest; the California Environmental Dialogue; **Urban Regeneration:** Cleveland Tomorrow; ReBuild LA; The New York City Partnership **Community Development Foundations:** Local Initiative Support Corporation (LISC) in the USA; The RedCar network in Latin America; the Kenan Institute's Cornerstone initiative.

	Regional development in developing countries: ChevronTexaco's partnerships with USAID, UNDP, WWF and others in Angola and PNG; the Mozal development in Mozambique; Unilever local supply chain partnerships in Indonesia and India; and BP's BTC pipeline in the Caucasus and Tangguh project in Indonesia.
5. Partnerships to improve access to essential products and services: - ICT/ Training and education - Health - Nutrition - Energy [Water – no specific partnership examples were given, but access to water was raised as an issue]	**ICT/Education and Training:** Cisco Systems Networking Academies; IBM's ReInventing Education; Microsoft's Unlimited Potential; Hewlett Packard's E-Inclusion; GM's mechanic training network. **Health:** The Global Alliance for Vaccines and Immunization The Global Fund to Fight HIV/AIDS, TB and Malaria The African Comprehensive HIV/AIDS Partnership – Botswana Government; with Merck; Bill & Melinda Gates Foundation Coca-Cola and UNAIDS in Africa Pfizer's Health Fellows in Uganda United Nations Foundation partnership with companies on bednets to prevent malaria **Nutrition:** The Global Alliance for Improved Nutrition Brazil's Zero Hunger Campaign Proctor and Gamble's partnership with UNICEF, USAID and others on improved nutrition **Energy:** BP's Solar energy partnerships

V. Next Steps of the Corporate Social Responsibility Initiative

The world seems mired in an almost debilitating array of challenges: terrorism, poverty, underdevelopment, the deterioration of the environment, the globalization of markets, faltering democracies, world health crises, manifest injustice and human rights abuses, and on and on. And yet these challenges can inspire the highest intellectual contributions and the most informed and enlightened leadership. I am convinced we can meet the challenges ahead by taking our mission to another level, building upon our tradition of partnership, excellence and impact.

David Ellwood, Dean, Kennedy School of Government

The Kennedy School of Government (KSG) is the most international graduate school at Harvard, drawing faculty, students, fellows, advisers and donors from around the world, and from government, business, civil society, the media and academia. KSG's mission is twofold:

- To prepare leaders for service in democratic societies
- To contribute to the solution of public problems.

It is the goal of the CSR Initiative to support this mission through a combination of research, education, outreach, dialogues, and student activities. The CSR Initiative has been established at the Kennedy School based on the underlying premise that corporate social responsibility has important implications for good governance and needs to be better understood and managed by leaders in both the private *and* public sector. It is an area of study and endeavour that has growing relevance not only to business management and corporate leaders, but in preparing leaders in all sectors, and in contributing to the solution of public problems.

First, preparing leaders for service in democratic societies

In today's world, no leader can afford to ignore the fact that non-state actors, including private sector enterprises, play an increasingly influential role in delivering public goods and services, and in shaping national and global governance agendas. Anyone who plays a leadership role, or who aspires to play such a role, in the public sector, in the media, or in civil society organizations, needs to understand the impact of business on society, both good and bad, and the shifting drivers, roles, responsibilities and accountabilities of the private sector.

Equally, people who lead companies, especially multinational enterprises and influential business organizations and trade associations, need to understand stakeholder demands for greater corporate accountability and transparency, and new societal expectations that companies will engage in public problem-solving.

The private sector may not always be able to respond to these demands and expectations, and indeed, in some cases it should not do so. Yet understanding the issues, and being able to negotiate appropriate boundaries and alliances between business, government and civil society, will be an increasingly important requirement for good leadership and good governance in all sectors.

In short, public leadership and public service in tomorrow's world will require greater understanding of, and ability to build alliances between, different sectors – public, private and civic - as well as different nationalities, cultures, races and genders. The CSR Initiative aims to help build such leadership skills by hosting dialogues, encouraging multi-stakeholder debate, developing curriculum, supporting experiential learning, and studying new leadership models that span the boundaries of the public and private sector.

Second, contributing to the solution of public problems

Governments no longer have all the answers or all the necessary resources for solving public problems. Whether we are talking about urban regeneration, poverty alleviation or the quality of public education at the local level in the United States, or tackling climate change, conflict, HIV/AIDs, and the negative impacts of globalization at the international level, there is growing recognition that solving public problems requires new approaches. It requires new models of dialogue, consultation and cooperation not only between nation-states, but also between states, civil society organizations, and private sector enterprises.

During the past decade we have witnessed the emergence of many new types of cross-sector or multistakeholder partnerships, yet there is relatively little rigorous analysis of what works, what does not work, and what could be made to work better. In part, this is because many of these alliances are still new. In part, it is because of their inter-disciplinary nature.

The Kennedy School, working with other parts of Harvard and with practitioners and academics beyond the university, can make a valuable contribution to understanding these new approaches to solving public problems. There are already important efforts underway at KSG on public-private partnerships, for example through the Weil Program on Collaborative Governance, the Rappaport Institute, and the Innovations in Local Government program. The CSR Initiative aims to contribute to this body of research by studying private sector engagement in and leadership of selected cross-sector partnerships, and by exploring some of the drivers that influence corporate engagement, such as regulation, voluntary initiatives, market incentives, the media, and changing consumer and investor demands.

The CSR Initiative has identified four initial strands of work: Leadership for CSR; the Strategic Business Case for CSR; Accountability; and Partnerships to build public capacity:

Leadership for CSR

- **Company learning network** - Each of the initiative's founding companies will host an experiential learning and benchmarking meeting at their headquarters to share lessons, dilemmas, strategies and performance metrics used in integrating their corporate responsibility issues and practices into mainstream business activities.

- **The role of boards of directors** – The initiative will be carrying out research on the different structures and approaches that corporate boards are adopting to address CSR issues at the board level and will survey the views of board directors on key trends, risks and opportunities relating to CSR.

- **CSR leadership speaker series** –A seminar series has been initiated for students which will feature leaders in the field of CSR, drawn from business, social enterprises, government, intergovernmental organizations, civil society, academia, and the media. In March, for example, we hosted Oded Grajew founder of the Instituto de Ethos and Abrinq in Brazil and one of the conveners of the World Social Forum. In May we hosted Djorjija Petkoski, director of the CSR Program in the World Bank Institute. In the new academic year it is hoped that this series will attract students from around Harvard, as well as other schools in Boston.

- **Student CSR advisory network** – We have set up a small Student Advisory Network for the CSR Initiative so that students can learn about issues related to CSR and the Initiative can benefit from the experience that many of the students at the Kennedy School bring in the field of CSR. The group meets on a regular basis throughout the academic year to discuss emerging issues related to CSR. During the 2003-2004 academic year we focused on defining CSR, evaluating the business case for CSR and reviewing companies' CSR reports. Several students from this network will be doing summer research for the CSR Initiative. This network, in turn, links with other student

networks such as Social Enterprise in Action and Net Impact, all of which have an interest in CSR-related issues and organize one of the largest student conferences in America on social enterprise.

Strategic Business Case for CSR

- **Integrated risk management model** – Working with Booz Allen Hamilton, we will be examining how social risks are defined and how they can be countered by businesses as part of a firm's comprehensive risk management strategy. This work will form part on an ongoing investigation into the strategic business drivers for CSR and will include analysis of the practices of leading companies.

Accountability

- **Regulatory vs. Voluntary approaches** – In conjunction with Booz Allen Hamilton and CBG's Regulatory Policy Program, we will conclude some initial analysis of Performance Track, a voluntary program at the EPA intended to reward firms that go above and beyond legally set requirements for environmental performance.

- **The role of the media** – The CSR Initiative will convene a group of leading media companies to research and discuss the question 'What is the corporate social responsibility of the media'.

- **The role of investment fiduciaries** – We will be partnering with CERES and KSG's Belfer Center for Science and International Affairs to bring together a group of public pension fund trustees to discuss CSR-related risks and opportunities, such as climate change and the implications of these for how fiduciary responsibility is currently defined.

- **The enabling role of government** – The CSR Initiative will undertake some comparative research on the enabling frameworks for CSR established by governments and other actors in a small number of countries, which are likely to include the following: the United Kingdom; France; Canada; Brazil; South Africa; and the United States.

Partnerships to Build Public Capacity

- **Partnerships for development** – We will be conducting research on a number of different partnership models that aim to build public capacity and support the achievement of development objectives in developing countries – looking in particular at examples of systemic interventions, where partnerships between business, government and other sectors have been taken to scale – either in terms of increased coverage and impact in one location, or regional expansion, or replication in other locations, or engagement of different or more groups of actors. In addition to developing a database of interesting partnership cases, it is envisaged that some of this research will be used as the basis for working papers, and to develop teaching cases and other educational and learning tools

- **CSR in China** – We are in the process of mapping some of the varied CSR related initiatives currently taking place in China, which we will summarize in a paper. We will be hosting sessions on CSR at the Kennedy School China's Leaders in Development program and at a Dow Jones conference entitled "China: Global Investment Strategies and Opportunities for Growth". A workshop on CSR with a focus on health will also be hosted in China at a later stage in the program.

- **Building public capacity in Africa** – Several working papers will be produced analyzing how the private sector can support public capacity building in Africa, and a number of the partnership cases outlined above have a focus on Africa. In 2005, it is envisaged that these will form the basis of a workshop on Africa. In April the CSR Initiative presented to the Dean's Council on the role of business in African development.

- **Supply chain management and small enterprise development** – With support from UNIDO, the CSR Initiative will be undertaking research on how large companies develop linkages with SMEs along their global and national supply chains that serve to transfer good business practices, including social, ethical and environmental standards, as one approach to achieving greater scale and supporting local capacity building in developing countries.

The CSR Initiative also liaises with other programs and research activities at the Kennedy School and beyond. These currently include the Corporate Governance, Collaborative Governance and Regulatory Policy Reform programs at the Center for Business and Government and the Harvard Initiative for Global Health.

Appendices

APPENDIX I: Participating Research Centers

The Corporate Social Responsibility Initiative is a cooperative project among the following Kennedy School of Government centers: The Center for Business and Government, The Center for Public Leadership, The Hauser Center for Nonprofit Organizations, and The Joan Shorenstein Center on the Press, Politics and Public Policy.

The Center for Business and Government
The Center for Business and Government helps to develop solutions to some of society's most challenging problems at the interface of business and government. It is a catalyst, convener, and innovator at the critical intersection where private enterprise meets governance. In the United States and around the world, CBG promotes economic growth while helping public officials promulgate fair, thoughtful and efficient policies. Bringing together thought leaders from both the public and private sectors, and drawing on the unparalleled intellectual resources of the Kennedy School and Harvard University, the Center examines the issues, creates a dialogue, and seeks answers.

The Center for Public Leadership
The Center for Public Leadership provides a forum for students, scholars, and practitioners committed to the idea that effective public leadership is essential to the common good. It creates opportunities for reflection and discovery, and promotes the dynamic exchange of ideas among those from different disciplines, sectors, cultures, and nations. The idea of leadership is not limited to what occurs under circumstances of extreme duress. It also encompasses the actions of those who operate in less dramatic ways and in less challenging times: neighborhood leaders; international peace activists; founders of charities and nonprofits; the superintendents of schools and the business leaders who act in partnership with them. Such individuals embody what we endeavor to foster, study and support at the Center.

The Hauser Center for Nonprofit Organizations
The Hauser Center for Nonprofit Organizations is an interdisciplinary research center that aims to illuminate the vital role that the nonprofit sector and nongovernmental organizations play in aiding societies to discover and accomplish important public purposes. The Center seeks to expand understanding and accelerate critical thinking about civil society among scholars, practitioners, policy makers, and the general public, by encouraging scholarship, developing curriculum, fostering mutual learning between academics and practitioners, and shaping policies that enhance the sector and its role in society.

The Joan Shorenstein Center on the Press, Politics and Public Policy
The Joan Shorenstein Center on the Press, Politics and Public Policy is a Harvard University research center dedicated to exploring the intersection of press, politics and public policy in theory and practice. The Center strives to bridge the gap between journalists and scholars and, increasingly, between them and the public. Through teaching and research at the Kennedy School of Government and through its program of fellows and conferences, the Center is at the forefront of discussions in this area.

APPENDIX II: Founding Supporters

Chevron Texaco
ChevronTexaco ranks among the world's largest and most competitive global energy companies. Headquartered in San Ramon, California, employing some 50,000 people, and active in more than 180 countries, it is engaged in every aspect of the oil and gas industry, including exploration and production; refining, marketing and transportation; chemicals manufacturing and sales; and power generation.

The Coca-Cola Company
The Coca-Cola Company was founded in 1886. Today it is the world's leading manufacturer, marketer, and distributor of non-alcoholic beverage concentrates and syrups, used to produce nearly 400 beverage brands. The Coca-Cola Company's corporate headquarters are in Atlanta, with local operations in over 200 countries around the world.

General Motors
General Motors Corp., is the world's largest vehicle manufacturer, employing about 325,000 people globally. Founded in 1908, GM has been the global automotive sales leader since 1931. GM today has manufacturing operations in 32 countries and its vehicles are sold in 192 countries. In 2003, GM sold nearly 8.6 million cars and trucks, about 15 percent of the global vehicle market. GM's global headquarters are at the GM Renaissance Center in Detroit.

Walter H. Shorenstein
Walter Shorenstein is one of the founders of the Shorenstein Company LLC. The Shorenstein Company is one of the country's largest and oldest real estate organizations active on a national scale in all aspects of ownership, management, leasing, and development of high-quality office properties. The company, headquartered in San Francisco, is privately owned and owns over 20 million square feet of premier office projects around the country. Outside the world of business, Mr. Shorenstein has repeatedly demonstrated his interest in building a better community and nation through his extensive philanthropic and political activities.

In addition to its Founding Supporters, the CSR Initiative also receives support from Booz Allen Hamilton and UNIDO (The United Nations Industrial Development Organization).

APPENDIX III: Examples of Partnerships Aimed to Achieve Systemic Interventions

African Comprehensive HIV/AIDS Partnership
The African Comprehensive HIV/AIDS Partnerships (ACHAP) is a collaborative initiative between the Government of Botswana, the Bill & Melinda Gates Foundation, and The Merck Company Foundation/Merck & Co., Inc., to prevent and treat HIV/AIDS in Botswana. ACHAP, established in July 2000, supports the goals of the GOB to decrease HIV incidence and significantly increase the rate of diagnosis and the treatment of the disease, by rapidly advancing prevention programs, healthcare access, patient management and treatment of HIV/AIDS. The Bill & Melinda Gates Foundation and The Merck Company Foundation have each dedicated US$50 million over five years towards the project. Merck & Co., Inc., is also donating two anti-retroviral medicines for appropriate treatment programs developed by the GOB for the duration of the initiative.
http://www.achap.org/

Business Strengthening America
In June 2002, a diverse group of business leaders came together to create Business Strengthening America (BSA) a self-directed, multi-year, peer-to-peer effort to engage thousands of America's business leaders in a campaign to encourage civic engagement and service. Following an initial meeting at the White House with the President, the business leaders have worked collaboratively to define a national, business-driven effort to engage our entire community - from Fortune 500 corporations to small locally owned businesses - in a campaign to strengthen American society. These companies share a core belief: an increased commitment to volunteering and civic responsibility builds a stronger society and will enable businesses to "do well by doing good" because it deepens employee, consumer, and shareholder relationships. By partnering with the nonprofit community to focus business expertise and resources in a campaign to encourage civic engagement, the business community can act as a "booster rocket" to current efforts by government and nonprofit institutions to inspire Americans to serve in their communities.
http://www.bsanetwork.org/

California Environmental Dialogue
The California Environmental Dialogue is an on-going dialogue between California business leaders, environmentalists, and government officials. Using dialogue to develop innovative policy solutions, their mission is to meet the needs of a healthy environment and a sound economy while improving the effectiveness of the efficiency of the environmental regulatory system. While part of California Environmental Dialogue's (CED) success has been in fostering solutions to current environmental problems, CED also takes a long-term perspective on the future of California and the quality of life available to future generations. Using the tools of dialogue, CED has published policy recommendations and papers on transportation, land use, habitat, water, and economic issues. CED encourages other organizations and individuals who care about California to engage in dialogue and to work together to paint a common vision.
http://www.cedlink.org/

Cisco Systems Networking Academies
The Cisco Systems Networking Academy Program is often cited as an example of an individual company initiative that has been taken to scale by effective partnering strategies in different settings. First established in the United States in 1997, this program now operates over 10,000 academies in 50 US States and over 150 countries – including a new initiative targeted to reach the world's 49 Least Developed Countries, in partnership with UNDP, USAID, the US Peace Corps, other companies and education NGOs.
www.cisco.com

Coca-Cola and UNAIDS in Africa
UNAIDS began a partnership with The Coca Cola Africa Foundation in 2001 in order to stimulate a more effective response to the HIV/AIDS epidemic in Africa. The partnership includes initiatives designed to strengthen local community infrastructure, provide marketing resources and develop human resources policies. Coca Cola will use its core competencies to distribute materials and market public awareness and prevention messages.
http://www2.coca-cola.com/citizenship/africa_program.html

Fair Labor Association
The Fair Labor Association is a non-profit organization combining the efforts of industry, non-governmental organizations, colleges and universities to promote adherence to international labor standards and improve working conditions worldwide. The FLA was established as an independent monitoring system that holds its participating companies accountable for the conditions under which their products are produced. To advance fair, decent and humane working conditions, the FLA enforces an industry-wide Workplace Code of Conduct, which is based on the core labor standards of the International Labour Organization.
http://www.fairlabor.org/

Global Alliance for Workers and Communities
In this partnership, the World Bank, Nike, The Gap Inc., the International Youth Foundation, and other companies, universities and NGOs are working together to improve the working conditions, lives and future prospects of workers involved in global production and supply chains. Projects are underway in Indonesia, Thailand, Vietnam, and China covering activities such as worker needs' assessments (over 12,000 workers have been interviewed), training, worker development, and health programs.
www.theglobalalliance.org

Global Alliance for Vaccines and Immunization
The Global Alliance for Vaccines and Immunization was formed to harness the strengths and experience of multiple partners in immunization. It is an historic alliance between the private and public sector committed to the mission of saving children's lives and people's health through the widespread use of vaccines. The Alliance has set five strategic objectives:
- Improving access to sustainable immunization services.
- Expanding the use of all existing safe and cost-effective vaccines.
- Accelerating the development and introduction of new vaccines.
- Accelerating research and development efforts on vaccines and related products specifically needed by developing countries, especially those against HIV/AIDS, malaria and tuberculosis.
- Making immunization coverage an integral part of the design and assessment of international development efforts, including deep debt relief.

www.vaccinealliance.org

Global Development Alliance
A program of USAID, the Global Development Alliance mobilizes the ideas and resources of governments, businesses and civil society by forging public-private alliances to stimulate economic growth, develop businesses and workforces, address health and environmental issues, and expand access to education and technology. In the 1970s, 70 percent of resource flows from the United States to the developing world were from official development assistance and 30 percent were private. Today, 80 percent of resource flows from the United States to the developing world are private and 20 percent are public. These changes in flows reflect the emergence of the private for-profit sector and the non-governmental sector as significant participants in the development process. Initiatives supported by GDA include the

Angola Partnership Initiative, with ChevronTexaco and UNDP, HP and others on e-inclusion, P&G on nutrition, and retailers on sustainable agriculture and forestry.
www.usaid.gov/our_work/global_partnerships/gda/

Initiative for a Competitive Inner City

The Initiative for a Competitive Inner City (ICIC) is a national, not-for-profit organization founded in 1994 by Harvard Business School Professor Michael E. Porter. ICIC's mission is to spark new thinking about the business potential of inner cities, thereby creating jobs and wealth for inner-city residents. ICIC believes that a sustainable inner city economic base will depend on private, for-profit business development and investments based on economic self-interest and genuine competitive advantage.
http://www.icic.org/

The Marine Stewardship Council

 In response to the continued decline in the world's fisheries, the Marine Stewardship Council is seeking to harness consumer purchasing power to promote environmentally responsible practices. Established by the World Wide Fund for Nature and Unilever, the MSC is now an independent accreditation organization and has developed an environmental standard for sustainable and well-managed fisheries. It uses a product label to reward environmentally responsible fishery management and practices.
http://www.msc.org/html/content_458.htm

Rainforest Alliance - Sustainable Agriculture

The Rainforest Alliance is a leading international conservation organization. Their mission is to protect ecosystems and the people and wildlife that live within them by implementing better business practices for biodiversity conservation and sustainability. Companies, cooperatives, and landowners that participate in their programs meet rigorous standards for protecting the environment, wildlife, workers, and local communities. Their Sustainable Agriculture program uses an integrated landscape approach to farming that rewards growers who meet the socio-environmental standards by encouraging consumer demand for products grown on certified farms. They have worked with Chiquita Brands International, Inc. and Reybancorp S.A., two leading banana companies, to certify 100% of their banana farms in Latin America. www.rainforest-alliance.org/

Social Accountability International

In 1997 the Council on Economic Priorities Accreditation Agency was established in response to rising public concern about inhumane working conditions in developing countries. In 2000, the initiative became known as Social Accountability International, an independent entity with a remit to work with experts from a wide range of backgrounds, including business, trade unions, and NGOs, to develop voluntary standards governing social responsibility and to independently certify companies that agreed to meet them. The first such standard is SA8000, which governs employees' working conditions and has to-date certified some 350 facilities in almost 40 countries.
www.cepaa.org

Transparency International

Transparency International, the only international non-governmental organisation devoted to combating corruption, brings civil society, business, and governments together in a powerful global coalition. TI, through its International Secretariat and more than 85 independent national chapters around the world, works at both the national and international level to curb both the supply and demand of corruption. In a number of countries and industries, public-private Integrity Pacts have been established to set voluntary standards for accountability and responsibility in the area of major public procurement contracts. TI also works with specific industry sectors to achieve joint action on corruption.

It is working with the construction sector, for example, and was instrumental in establishing the Wolfsberg Anti- Money Laundering Principles, through which a group of the world's largest banks have agreed to a set of global anti-money laundering guidelines for international private banks.
www.transparency.org

Zero Hunger Project – Brazil

The Zero Hunger Project is made up of dozens of integrated actions to eradicate hunger, the aim being to establish a standing policy that will afford food and nutritional security to the millions of Brazilians who lack sufficient income to obtain adequate nourishment. The project operates at three levels: in accordance with a series of public policies; through the constructive participation of a National Policy for Food and Nutritional Security; and through the Program for Community Action Against Hunger. The project has created a Special Assistance Unit which examines propsals put forth by companies, NGOs and professional associations that are interested in working with Community Action Against Hunger. Volkswagen and Nestle are two of the large corporations who have joined the project.
www.brazil.org.uk/page.php?cid=1520

APPENDIX IV: Background Papers and Articles

The following working papers and articles were provided as background materials for the CSR Initiative launch event. They have all been written by Faculty and Fellows at the Kennedy School of Government and Harvard Business School, and offer a variety of perspectives on the evolving field of Corporate Social Responsibility (CSR). These perspectives range from strategic philanthropy, to corporate strategy and organizational theory, to new forms of collaboration between governments, business, and civil society. References to these working papers and articles are available on the CSR Initiative website.

1. From Spare Change to Real Change: The Social Sector as Beta Site for Business Innovation – Professor Rosabeth Moss Kanter, Harvard Business School

This Harvard Business Review article illustrates the evolution from traditional philanthropy to today's increasingly accepted approach of strategic philanthropy, where companies are approaching the social sector as, "…a learning laboratory". Professor Moss Kanter concludes the article by noting: "New-paradigm partnerships could reinvent American institutions. They open new possibilities for solving recalcitrant social and educational problems. They give businesses a new way to innovate. Today these examples are still works in progress. But tomorrow they could be the way business is done everywhere."

2. Rising to Rising Expectations – Professor Rosabeth Moss Kanter, Harvard Business School

This article, prepared originally for the World Economic Forum, looks at some of the strategic implications of global corporate citizenship as companies find themselves caught in a revolution of rising expectations. Professor Moss Kanter argues that, "The notion of corporate citizenship requires a more sophisticated approach to deal with the critics, sceptics and anti-globalists, and one that is closer to the heart of corporate and country competitiveness." She identifies three principles that should guide corporate action in the area of corporate citizenship: innovation in products and services; coalition building for accountability and impact; and localisation of activities.

3. On Creating Public Value: What Business Might Learn from Government about Strategic Management – Professor Mark Moore and Assistant Professor Sanjeev Khagram, Kennedy School of Government

This working paper argues that the concept of organizational strategy developed for government agencies over the past twenty years by scholars at the Kennedy School and Harvard Business School, with input from public sector executives, may work as well or even better than traditional business models when applied to business organizations. The paper introduces a strategic triangle that focuses on: public value; operational capabilities; and sources of legitimacy and support. It then reviews how 'legitimacy and support' has become increasingly important for business in an era of growing stakeholder complexity and demands and offers some comments on the shareholder versus stakeholder debate.

4. On Collaborative Governance – Professor Jack Donahue, Director Frank and Denie Weil Program on Collaborative Governance, Kennedy School of Government

This working paper, adapted from a longer internal document, introduces the concept of collaborative governance, offers some observations on taxonomy, and explores options for collaborative governance research and pedagogy. The Weil Program departs from the proposition that a large and growing fraction of the capacity required to create public value exists outside government narrowly defined. This "distributed" capacity can include financial resources, skilled

personnel, physical assets, managerial capabilities, information, and even trust and legitimacy. The outside reservoirs of such capacity include both profit-seeking firms and non-profit organizations. The paper argues that while the engagement of non-governmental actors in the pursuit of public missions is by no means new, it is becoming more important for several reasons, including the fact that a growing fraction of collective tasks in a complex, interconnected, information-dense world – knit together and energized by powerful market forces – simply cannot be accomplished by government acting alone.

5. Misery Loves Companies: Rethinking Social Initiatives by Business – Professor Joshua Margolis, Harvard Business School and Professor James Walsh, University of Michigan

This article in Administrative Science Quarterly offers an overview of how organization theory and empirical research have thus far responded to the tension between economic theory that instructs managers to focus on maximizing their shareholders' wealth and the calls for business to provide innovative solutions to deep-seated social problems. The article appraises both the 30-year quest for an empirical relationship between a corporation's social initiatives and its financial performance, as well as the development of stakeholder theory. The authors propose an approach that embraces the tension between economic and broader social objectives as a starting point for systematic organizational inquiry. Adopting a pragmatic stance, they introduce a series of research questions whose answers will reveal the descriptive and normative dimensions of organizational responses to misery.

6. Business Leadership Coalitions – Professor James E. Austin, Chair of the Initiative on Social Enterprise, Harvard Business School

This article in the Business and Society Review examines the role of Business Leadership Coalitions as a vehicle for the business sector to collaborate with the government and nonprofit sectors to address major problems and needs facing the community. Based on a comparative analysis of: Cleveland Tomorrow, the New York City Partnership, Central Atlanta Progress, Minnesota Business Partnership, Detroit Renaissance, Boston's Vault and the Pittsburgh region's Allegheny Conference on Community Development, the article aims to deepen our understanding of the nature of BLCs and the factors that contribute to their effectiveness.

7. The Public Role of Private Enterprise: Risks, Opportunities and New Models of Engagement - Jane Nelson, Senior Fellow and Director, Corporate Social Responsibility Initiative, Kennedy School of Government

This working paper offers a practitioner's perspective on some of the key leadership challenges facing business leaders in today's complex operating environment, outlines three key trends in corporate social responsibility, some of the strategies that companies are employing to manage their CSR, and some of the risks, opportunities and research questions associated with the emerging CSR agenda. It then offers a brief overview of different types of multi-stakeholder governance and partnership models, aimed at improving corporate social accountability and performance; and mobilizing private skills and resources to help tackle recalcitrant social and environmental challenges.

APPENDIX V: Participant List

Name	Title	Organization
Sue Adkins	Director	Business in the Community
James Austin	Professor	Harvard Business School
Gabriele Bammer	Senior Fellow	National Center for Epidemiology and Population Health
Diana Barrett	Senior Lecturer	Harvard Business School
Gordon Bloom		Hauser Center for Nonprofit Organizations, Kennedy School of Government
Ray Bracy	VP, International Corporate Affairs	Walmart
Jennifer Bremer	Director	Kenan Institute of Private Enterprise
L. David Brown	Associate Director	Hauser Center for Nonprofit Organizations, Kennedy School of Government
Doug Carter	Principal	Booz Allen Hamilton
Richard Cavanagh	President and CEO	The Conference Board
Valerie Crissey	Coordinator, Corporate Social Responsibility Department	ChevronTexaco
J.H. Dow Davis	Executive Director	Center for Business and Government, Kennedy School of Government
Tiziana Dearing	Executive Director	Hauser Center for Nonprofit Organizations, Kennedy School of Government
John DeLuca	Executive Vice Chairman	The Wine Institute
Steve Delfin	Director of Community Relations	Booz Allen Hamilton
Linda Distlerath	VP, Global Health Policy	Merck and Co., Inc.
John Donahue	Professor	Kennedy School of Government
Barbara Dyer	President	Hitachi Foundation
Peter Eigen	Chairman	Transparency International
John Elkington	Chairman	SustainAbility Ltd.
Vernon Ellis	International Chairman	Accenture
Patricia Featherstone		General Motors
Ann Florini	Senior Fellow	Brookings Institution
Bennett Freeman	Managing Director for Corporate Responsibility	Burson-Marsteller
Marion Fremont-Smith	Senior Research Fellow	Hauser Center for Nonprofit Organizations, Kennedy School of Government

Mary Gentile		Harvard Business School
David Gergen	Professor	Kennedy School of Government
Roderick Gillum	VP, Corporate Relations and Diversity	General Motors
Adrian Godfrey	Director, CSR and Corporate Philanthropy	Cisco Systems
Bradley Googins	Executive Director	Center for Corporate Citizenship, Boston College
Adam Greene	Director, Corporate Responsibility	US Council for International Business
Anne Habiby	Director of Research	Initiative for a Competitive Inner City
Gro Harlem Brundtland	Former Director General	World Health Organization
Steve Harris	VP, Corporate Communications	General Motors
Kathy Hebert	Project Coordinator	Center for Business and Government, Kennedy School of Government
Adrian Hodges	Managing Director	International Business Leaders Forum
Andrew Hoffman		Boston University School of Management
Janet Howard	VP, International Diplomatic Affairs	The Coca Cola Company
Lloyd Howell	Vice President	Booz Allen Hamilton
Ira Jackson	Former Director	Center for Business and Government, Kennedy School of Government
Scott Jerbi	EGI Coordinator	Ethical Globalization Initiative
David Jerome	Director, Public Policy Center	General Motors
Alex Jones	Director	Shorenstein Center on the Press, Politics and Public Policy, Kennedy School of Government
Christina Jones	GM, Corporate Public Policy	ChevronTexaco
Calestous Juma	Professor	Kennedy School of Government
Michele Kahane	Program Officer	Ford Foundation
Marvin Kalb	Senior Fellow	Shorenstein Center on the Press, Politics and Public Policy, Kennedy School of Government
Elizabeth Keating	Assistant Professor	Kennedy School of Government
Jeff Kehoe	Senior Editor	Harvard Business School Press
Chris Kelly	Vice President	Booz Allen Hamilton
Ilona Kickbush	Sr. Advisor on MDG and Health Targets	Pan American Health Organization
Sirkka Korpela	Director, Business Partnerships	UNDP

Mark Kramer	Managing Director	Foundation Strategy Group
Beth Kytle	Senior Consultant	Booz Allen Hamilton
Kelly Lau	Asia Regional Director, CSR	APCO Worldwide
Michelle Limaj	Project Consultant	Center for Business and Government, Kennedy School of Government
Pedro Lins		FIX — CSR Development/Brazil and Latin America
Laura Liswood	Secretary General	Council of Women World Leaders
Richard Locke	Professor	Massachusetts Institute of Technology
Mindy Lubber	Executive Director	CERES
Steve Lydenberg	Chief Investment Officer	Domini Social Investments LLC
Michael MacIntyre	Director, Strategy and Development	Center for Business and Government, Kennedy School of Government
Joshua Margolis	Assistant Professor	Harvard Business School
Carol Martel	Director, Public Affairs	The Coca-Cola Company
Robert Massie	Chair and Executive Director	Global Reporting Initiative
Kathrine Meyers	Project Manager, AIDS Public Policy Program	Center for Business and Government, Kennedy School of Government
Michael Michael	Senior Fellow	Center for Business and Government, Kennedy School of Government
Mark Moore	Director	Hauser Center for Nonprofit Organizations, Kennedy School of Government
Nancy Murphy	Vice President, CSR	APCO Worldwide
Chris Murray	Director	Harvard Initiative for Global Health
Betsy Myers	Executive Director	Center for Public Leadership, Kennedy School of Government
Jennifer Nash	Program Director	Center for Business and Government, Kennedy School of Government
Jane Nelson	Director	Corporate Social Responsibility Initiative, Kennedy School of Government
J. Bonnie Newman	Executive Dean	Kennedy School of Government
Nancy Nielsen	Senior Director, International and Domestic Alliance	Pfizer
Nancy Palmer	Executive Director	Shorenstein Center on Press, Politics and Public Policy, Kennedy School of Government
Linda Peek Schacht	Senior Fellow	Kennedy School of Government
Chris Pinney	VP, Corporate Citizenship	Canadian Center for Philanthropy

James Post	Faculty Director, Doctoral Program	Boston University School of Management
Mark Preisinger	Director for Shareholder Affairs	The Coca-Cola Company
Venil Ramiah	Research Fellow	Harvard Center for Population Studies
Michael Reich	Director	Center for Population Studies, Harvard School of Public Health
Steve Rochlin	Director, Research and Policy Development	Center for Corporate Citizenship, Boston College
Jordana Rubel	Research Coordinator	Center for Business and Government, Kennedy School of Government
John Ruggie	Professor	Kennedy School of Government
Judith Samuelson	Executive Director, ISIB	Aspen Institute
Andrew Savitz	Partner, Environmental Advisory Services	PriceWaterhouseCoopers LLP
David Shaw	Managing Partner	Black Point Group
Walter Shorenstein	Founder	Shorenstein Company, LP
Tim Smith	Senior VP, and Director and Chairman, Social Investment Forum	Walden Asset Management
Hilary Spittle		General Motors
Alice Tepper Marlin	President	Social Accountability International
Cindy Testa-McCullagh	Director, Public Affairs	Shorenstein Company, LP
Emma Torres		UNDP
Mary Tribble	Co-Founder	Forum for Corporate Conscience
David Vidal	Director of Research, Global Corporate Citizenship	The Conference Board
John Weiser	Partner	Brody, Weiser, Burns
Allen White	Co-Director, Risk Analysis Group	Tellus Institute
Holly Wise	Director, Global Development Alliance	USAID
Simon Zadek	Chief Executive	AccountAbility