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Future roles of business in society: the expanding boundaries of corporate responsibility and a compelling case for partnership

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Abstract

The roles and responsibilities of business in society, in particular global business, are being defined more broadly by an expanding range of stakeholders. This paper aims to review these changes and their implications in order to understand better the likely future expectations of business in society and the way in which leading companies are setting new standards of responsible business practice. It begins by tracing trends within corporate social responsibility debates, and then draws on empirical research and observed stakeholder demands of business, to argue that the boundaries of corporate responsibility are advancing both internally and externally.

Internally, these boundaries are changing in terms of the increased responsibility of corporations towards their direct and indirect internal stakeholders. This is shown through innovations in business practice to achieve enhanced social justice in the workplace, improved governance, and more accurate disclosure of non-financial risk. This paper provides a context for this discussion by examining emerging international law, guidelines and voluntary initiatives, regulatory frameworks, and risk review procedures that increasingly seek to redefine corporate responsibility by establishing new norms of best practice and behaviour. These boundaries are also expanding externally, as society increasingly expects global business to work with others to provide solutions to humanitarian crises and endemic problems facing the world. This paper explores how some companies are doing this by applying core competencies in ways that integrate social development and business goals. It suggests, in turn, that the challenges of these expanding boundaries of responsibilities are best addressed through strategic partnerships.

This paper concludes that there are new multi-stakeholder convened global governance frameworks evolving that are encouraging businesses of the future to re-invent themselves as a

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‘force for positive good’ in society. This involves going beyond the paradigm of simply ‘doing no harm’, and way beyond previous expectations of business as being only about shareholder value. This prediction is supported by examples drawn from the practice of global companies that are already innovating to fulfil this wider role.

1. Introduction

The roles and responsibilities of business in society, in particular global business, are being defined more broadly. Stakeholder demands are increasingly going beyond the obligation to ‘do no harm’ to the responsibility of being ‘a positive force’ in contributing to worldwide social development goals. Society is increasingly expecting global business to work in partnership with others to solve the numerous humanitarian crises and endemic problems facing the world—such as environmental damage, disease (e.g. HIV/AIDs), poverty, and human rights violations [36]. The aim of this paper is to review these changes and their implications for the future role of business in society. It begins by outlining the corporate social responsibility and corporate citizenship debates and then exploring the future of business responsibility—particularly the global corporation. This paper argues that the boundaries of corporate responsibility are expanding both internally and externally. It also suggests that innovation and partnership with respect to core-business competence/activities, creative use of technology, and the pro-active protection of human rights, labour standards and environmental justice, are some of the ways in which global businesses are already responding to these changing trends—and as such setting the standards for future stakeholder expectations and norms of business behaviour.

2. The role of business in society: from all our yesterdays to tomorrow

Throughout history the role and boundaries of business in society has been much debated. At least two opposing approaches to defining boundaries are notable. One is rooted in the Friedman perspective that argues social development is the responsibility of governments and not business [12]. The other, based on grounds of either moral imperative [8,18,26] or social legitimacy [35,48], presses for a wider role of business in society. This view argues that while a limited social role on the part of business is acceptable in an ideal world, governments in many developing countries are currently weak in terms of democracy and financial stability, as well as the drawing up and enforcement of relevant regulation. As a result significant proportions of their populations remain largely excluded from the benefits of globalisation. In response to these growing socio-economic inequities, society is asking business to contribute more directly to poverty alleviation and other development goals [44]. Ignoring this new role can have negative implications for businesses, as demonstrated by recent business reputational scandals and Non-Governmental Organisation (NGO) pressure campaigns. In contrast, Henderson [21] suggests companies will best discharge their specific responsibilities by taking profitability as a guide and acting within the law. He suggests they should not go out of their way to define and promote wider self-chosen objectives. While the arguments emphasising the necessary role of governments remain very valid, and need serious consideration, it is becoming increasingly apparent that many of the partnerships evolving to address social challenges are between businesses and NGOs or local community groups. In addition, many developing country governments may be unwilling or unable to participate in such initiatives due to both monetary and capacity-based resource constraints. Research by the author [44], in exploring the different types of partnership entered into by extractive companies found that increasing local communities showed disaffection for the role of government in providing social welfare goods on the basis of revenues earned from taxes and royalties—the 'trickle down' effect did not work. Instead, local communities preferred to enter into bi-lateral negotiations with business to acquire schools or teachers or medical facilities and only later would government, if at all, be invited into the partnership. This phenomenon is referred to by Warhurst [44], as 'social licence to operate'.

Both of the above schools of thought, however, would likely argue that business should first 'get its own house in order' before taking on wider societal issues. This includes addressing core labour standards based in evolving frameworks of international law: the elimination of discrimination and the promotion of diversity; ensuring promotion is based on merit; eliminating harassment or bullying in the workplace; and ensuring fair and equitable terms and conditions of work worldwide. The latter in turn includes the rights to freedom of association and collective bargaining, the rights of children, and rights to choose and leave work freely. It is based on the imperative that business addresses these issues, as driven by both the evolving global institutional framework and rising stakeholder demands for broader business accountability, that the author argues that the boundaries of company responsibility are advancing both internally and externally.

In the view of the author, the most significant driver is the emergent role of stakeholders, beyond shareholders, in defining the roles and responsibilities of business in society [13,18,19,26]. Many such stakeholders have interests far beyond the traditional ideas of corporate philanthropy and the prevention of negative business impacts [13,19,29,34]. Indeed, such stakeholders are increasingly requiring businesses, especially Multi-National Corporations (MNCs), to be a positive force, to contribute to broader societal development goals and to work in partnership with others to solve humanitarian crises and endemic problems facing the world such as disease and poverty, climate change and environmental stewardship [17]. Companies are also being legally obliged to review their risks more strategically—such that they encompass wider areas of ethical, social and political risk that might affect future business strategy, performance, licence to operate and liabilities, as well as shareholder value [14].

As a result of these factors, this paper suggests that the arguments of the 1970s, and the idea that the social responsibility of business is (only) to increase its profits [12], may be inappropriate in both the present and future contexts. While the role of business in society is being defined in ever broader ways, these emergent definitions have not arisen independently of business. The 1980s saw a rise in public concern about the role of business in society following a series of notorious environmental and social incidents, such as Bhopal, Chernobyl and Exxon Valdez. By the early 1990s, the Brundtland Report (1987) and the Earth Summit (Rio de Janeiro, 1992) had inspired a broadening of the concept of development. These landmark events pushed the idea of development beyond economic growth and the continued generation of wealth defined narrowly in financial terms, to include the concepts of intra- and inter-generational equity and quality of life. They talk about this evolved type of 'sustainable' development as being development that meets the need of the present without compromising the ability of future generations to meet their own needs [45].

This concept of sustainable development spawned the emergence of the 'triple bottom line' concept [10], which lies at the heart of corporate responsibility and corporate citizenship. Central to this is the need to measure and report on a company's performance with respect to economic prosperity, social justice and environmental quality, drawing especially on the ideal of 'doing no harm' and the 'polluter pays' principle. 'Triple bottom line' thinking also led to the idea of stakeholder as well as shareholder 'accountability', and to the need for greater 'transparency' in terms of disclosing performance and risk.

The role of business in society in the 21st Century has evolved from being just about philanthropy and social impact, to being about how a company constructs and positions itself in society. Increasingly, international companies are embracing the concept of corporate citizenship, and are developing principles, policies, strategies and reporting procedures that define a completely different way of working—and not simply a nice to have 'add on' like much environmental protection in the 1980s. This corporate citizenship is not a replacement for the rightful role of democratic governments to set up regulatory frameworks that benefit society. Rather, just as society is redefining development as 'sustainable development', and using metrics wider than financial measures to capture quality of life and health and well-being [28,31], so is business needing to find new ways of measuring a broader portfolio of performance—possibly through the identification of 'sustainability indicators'. It is partly because of this need that we see the rise of multi-stakeholder initiatives such as the United Nations (UN) convened Global Reporting Initiative (GRI). Unlike purely financial measures, the GRI cuts across six areas of responsibility to measure business performance in respect of human rights, social development, labour standards, product responsibility, environmental protection and financial and ethical efficiency [2,9,33,49].

3. The context of future challenges for responsible business

This section argues firstly that properly addressing these wider corporate responsibility issues means that no single societal actor can work independently or in a vacuum. It argues that working in isolated 'ivory towers' will likely create a future with fragmented policies and dysfunctional initiatives, that are incapable of wholly meeting societal expectations or needs. Instead, this paper suggests the 'sustainable' development challenge might best be tackled through a future characterised by a broad spectrum of partnerships between governments, development agencies, businesses, civil society and local communities. Secondly, as part of this argument, this section looks at the emerging laws, regulatory frameworks, and voluntary guidelines that are establishing norms of business practice in current and possibly future markets. It looks also at the consequent challenges faced by businesses to fulfil the requirements of these evolving 'regulatory' environments.

3.1. Global social challenges for the future that business cannot ignore

It is well established by World Bank and UN statistics that the increasing economic growth in the world today is accompanied by an uneven distribution of the benefits—the world is a poorer place for a growing number of people in the context of population growth [50] and income-earning opportunities that translate into improved quality of life. This paper views the continued uneven distribution of benefits and societal rights as an unviable future scenario—for business as well as society more broadly. Indeed it is partly to guard against such a scenario becoming a reality, that several initiatives with futuristic outlook are being undertaken at the global level. One example is the recently agreed UN Millennium Development Goals [40] for combating poverty, hunger, disease, illiteracy, environmental degradation and gender discrimination. These goals have been widely accepted by all United Nations agencies, and state governments, and increasingly by business since the recent Johannesburg—Rio Plus 10—Earth Summit (August 2002) as a common framework for measuring development progress globally. Each goal has a number of measurable targets to be achieved by 2015, and a series of indicators chosen to track progress [41]. They demonstrate the priority areas for improving people's lives and stimulating economic growth in developing countries—to the benefit of all countries and the global economy. The Millennium Development goals, as compelling as they may be, however, involve an enormous task that cannot be achieved by any one single actor and that cannot be achieved without business, given the ten-fold increase in foreign direct investment over the past 10 years [44].

This paper suggests all agents have a role and responsibility for contributing towards these goals and constructing an equitable and sustainable future for society. Business and its activities are inextricably both part of the problem as well as the solution. This paper suggests businesses might contribute towards the fulfilment of these goals through a variety of innovations in technology and processes, as well as through the different approach to the conduct of its activities. How businesses might fulfil such commitments is influenced by the variety of legal and voluntary codes they adhere to. These are discussed briefly below.

3.2. Legal and voluntary codes of business conduct—framework for the future

A range of principles, codes and standards providing frameworks and guidelines for international best practice in corporate citizenship are emerging. All of them are rooted in well-established international law which is binding on states, although with the exception of specific cases, discussed below, not yet on business. This section looks firstly at some of the key international frameworks/mechanisms and secondly at codes of conduct and voluntary initiatives. It looks finally at how some of these instruments are being interpreted by nation states as legally binding regulation.

3.2.1. International law

The over-arching legal infrastructure for issues relating to corporate citizenship is provided by the international framework of human rights. This framework comprises three main items: the Universal Declaration of Human Rights (UN 1948); the Labour Standards embodied in the Fundamental Conventions of the International Labour Organisation (ILO, 1930–1999); and, the 1992 Rio Declaration on Environment and Development [38] and its subsequent conventions relating to biodiversity and hazardous emissions. These instruments are binding for States and not companies, unless States transform the relevant elements of international law, as they are obliged to, into binding national laws for business. Indeed this transformation is increasingly, albeit slowly, taking place; spurred partly by the UN Commission on Human Rights appointment, following the Vienna Conference (1993), of Mary Robinson as the High Commissioner for Human Rights. The main role of this position, is to oversee the implementation, monitoring and accountability of countries in respect of the protection of rights embodied in ratified conventions. As a result, national laws, codes of conduct and voluntary initiatives are increasingly being developed that interpret the international framework of human rights for business as 'norms' for responsible practice.

3.2.2. Norms, codes of conduct and voluntary initiatives

Closely allied to the above legal framework, are three key codes of conduct relevant for global business: the OECD Guidelines for Multinational Enterprises [32]; the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy [24]; and the Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with regard to Human Rights —frequently referred to as the 'UN Norms' [42]. While these codes are helpful for global companies working in developing countries, an increasing number of sectors have also developed industry specific codes and individual company codes to guide responsible business practice.

Recent years have also seen the emergence of numerous voluntary initiatives by business forums, international agencies such as the UN, and several multi-lateral, national and local agencies. These include the UN Global Compact [39], the Corporate Citizenship Initiative of the World Economic Forum (WEF) [47], and the aforementioned GRI [16].

3.2.3. Binding national law

As noted above, recent trends suggest there is an increase in binding national law regulating business conduct. Examples include, the mandatory requirement for environmental and social reporting in some countries; reformed pensions legislation [43]; the requirement that the review of social, political, and ethical risks should be more transparent and explicit; and the benefits payable to company officers on joining or leaving a company, and indeed when in office (share options and loans), all of which are increasingly being restricted and made more accountable to shareholders. One such case of evolving regulation is the European Parliament 'Resolution on EU Standards for European Enterprises Operating in Developing Countries towards a European Code of Conduct' (1999). Associated legislative infrastructures are noted in the following examples.

In January 2002, Belgium became the first nation to approve a 'social label law' that companies demonstrably adhering to the basic rights of the ILO could place on their products. The Belgian Ministry of Economic Affairs aims to allocate the label to companies and enterprises that ensure the production of their goods and products is developed in a socially responsible manner. The procedure is open to all enterprises, Belgian and foreign, which put their products on the Belgian market—and Article 5 of the law provides for the allocation of technical or financial assistance to developing country enterprises to comply with the criteria required for allocation of the label. This in turn suggests that companies respecting ILO labour standards will gain some ethical niche-market advantages, and that imported products will obtain a social label demonstrating their respect for both manufacturers and consumers. This legislation is controversial and is currently under review at the European Commission (EC) to ensure it is compliant with World Trade Organisation (WTO) rules and EC consensual trade policy.

In the United Kingdom (UK), a Responsibility Bill started making its way through parliament last year [22] and, at the time of writing, will probably end up with elements of it included in UK Company Law within the current review process. This is likely to require Directors to review intangible risks in the social, environmental, ethical and political arena.

Further examples include: purchasing laws in the United States (US), that allow states to have strict ethical criteria applied to the products they purchase, the types of businesses they will work with, the standards those businesses must meet and the countries where they operate; and, the Alien Tort Claims Act (ATCA) whereby non-US citizens can sue US companies, or international companies with subsidiaries in the US, for human rights violations that have taken place elsewhere in the world [4]. One such legal action that employs the principles of ATCA is that of Khulumani, et al. v. Barclays National Bank, et al. (case number 02-CV5952, New York 2002). This action demands reparations and punitive damages from 20 banks and multinational corporations that are alleged to have ‘aided and abetted’ the apartheid regime that ruled South Africa until 1994 [25]. Included on the list of 22 defendants are IBM, General Motors, Exxon-Mobil, Citigroup, and Ford Motor Company.

4. Innovating to meet widening internal and external responsibilities

This next section takes the discussion further by exploring how global companies are responding to international law and nationally binding regulation, by adopting corporate citizenship practices both internally and externally, to contribute towards some of the global development goals. In doing so it draws on recent case study research pertaining to three companies, and shows how these business are innovating their business conduct, processes and technologies to harness their core-competencies to fulfil some of the requirements of the widening boundaries of responsibility. Whilst these examples are shown in a largely positive light, it should not be inferred, however, that the activities of these companies have not been critically examined on other accounts, nor meet certain other normative criteria of responsibility, in that this was outside the scope of the research. This research was undertaken by the author (over the last four years in the case of Premier Oil, and nearly two years in the case of DHL and Marks and Spencer) and is largely based on a methodology that involved systematic observation of experiential learning, guided by the author, on the part of the businesses involved.

4.1. Internal boundaries of responsibilities

This section looks at the first of our boundaries of responsibility, namely the internal organisational domain, and how businesses might set themselves and their practices to rights before turning to wider societal phenomena. It looks in particular at the issues of ethical supply chain management, labour standards and concern for human rights, and how businesses might address corruption and a lack of law enforcement.

4.1.1. Ethical supply chain management and labour standards

Areas of particular reputational concern to global businesses are any association with child and 'bonded' labour, as well as excessive working hours and overcrowded and unhygienic working conditions. High profile cases involving the employment of child labour in some factories in South Asia have received a great deal of media attention and pose challenges for reputational management, particularly in the retail sector [27], where consumers have exercised purchasing power to bring about change. In addition, they pose further challenges of, first, reconciling the income generation needs of poor people and the need for business to increase competitiveness as new supply options become available and of, secondly, ensuring poor people access to education and humane conditions of work that are stepping stones out of poverty.

Marks and Spencer, a UK based retailing and financial services company, sells a wide range of exclusive merchandising in clothing, home furnishings, gifts and food-items that carry its label. For several years, and prompted by an alleged and subsequently unproven incident of child labour in Morocco in 1998, Marks and Spencer has sought to ensure that its goods are produced by people who enjoy fair and safe conditions of work and meaningful employment. This commitment is underpinned by its Global Sourcing Principles (GSPs), a systematic commitment to social audit and third party verification, and management capacity building in accordance with ethical sourcing. Marks and Spencer is also an active member of the multi-stakeholder government funded Ethical Trading Initiative (ETI), which establishes a Base Code of factory labour standards and an annual audit and disclosure protocol.

In order to ensure that factories supplying its goods are compliant with the GSPs and the ETI Base Code, Marks and Spencer engage in a programme with their 13 top tier suppliers that accounts for circa 1200 factories spread globally. Many of these are located in South East Asia, China and Turkey—regions known for poor labour standards (as reported by respected human rights organisations such as Amnesty International). Rather than adopt a 'school inspection' approach, Marks and Spencer aims to improve labour standards by building capacity and empowering managers to address the issue directly. This is especially important in regions where the indiscriminate elimination of complex labour standard issues may inadvertently lead to further social development problems. Children may still be obliged due to poverty or family illness to bring home an income and may thus be inadvertently pushed into more hazardous and less controlled occupations in the sex trade or making dangerous goods. It is because of the complexity of such scenarios that training and the ability to 'self audit' is an important part of the programme. Marks and Spencer has also set up a number of 'benchmarking' groups to share knowledge gained and solutions amongst other managers who face similar problems.

Such groups are also shown to attest to the fact that there are business benefits to investing in improved working conditions—work standards are typically higher and staff morale is greater. Due diligence is added to this process through a third party audit, which selectively verifies the first party audits undertaken to assure Marks and Spencer that the GSP and ETI standards are being met, and that the impacts from doing so are not negative.

4.1.2. Promoting the protection of human rights

Global companies are increasingly facing criticism about where they invest. Indeed, there are some single-issue interest groups, as well as some western governments, that discourage or sanction investment in certain countries on account of documented poor human rights records—examples include Burma, Sudan, Nigeria, China, and until recently Iraq. Some companies have pulled out of such countries on account of public or shareholder pressure. But there are also companies that have sought to use the opportunities their investment affords to make positive contributions to the societies in which they operate. Rather than withdrawing, these companies have instead followed a strategy of 'constructive engagement'—to play a positive role in promoting the protection of human rights and ensuring that their activities are never misinterpreted as constituting complicity in the occurrence of human rights violations. A key reason for this seems to be where the economic cost of withdrawal would have significant knock-on effect for shareholders leading to the possible collapse of a business. Premier Oil is an example of one such business.

Premier Oil, a successful medium sized oil and gas exploration and production company employing 750 employees, is based in UK and operates in Pakistan, Indonesia, Guinea Bissau, India and, until recently, Burma. Premier's revenues are from the sales of oil and gas and its principal value proposition is its ability to find oil and gas proficiently in complex physical environments. As a result of operating in Burma and until recently not being in a position to withdraw from that country, the company decided on a policy of constructive engagement with stakeholders on the issues of human rights and responsible business practice. Premier spearheaded two lines of work considered by some observers to represent leading edge human rights contributions. The first of these involves the development of a Corporate Social Responsibility (CSR) management system, a series of Key Performance Indicators (KPIs), and a systematic social audit of its activities. The second involves the support of an independently delivered series of human rights training programmes for members of the armed forces and key government agencies. At the time of writing, eight iterations of the training programme have been delivered and Premier Oil has been accepted as a signatory of the UN Global Compact requiring it to demonstrate and report on how it has promoted the protection of human rights within its sphere of influence. Premier Oil's own principles go further, requiring the business to promote human rights outside of its areas of operation.

4.1.3. Corruption and the lack of law enforcement

Credible sources show that in countries across the Asian region, corruption is part of political, economic and social life, with Bangladesh and Indonesia seen as the countries in which corruption is considered most prevalent [37]. Some Asian countries have undertaken measures to improve transparency and enforcement standards, and this has helped them to attract investment. In 2002 Thailand, Malaysia and South Korea ranked among the top ten performing stock indices in the developing world [6]. Working in such countries in a socially responsible way presents a major challenge for global business. It places the burden on companies to proactively develop policies and procedures to ensure that they do not inadvertently become complicit in fraudulent business practice, which in some instances might be considered illegal by their home country governments. Increasingly, new guidance is being developed at the international level by organisations such as the OECD and the respected NGO 'Transparency International' that suggests ways for corruption to be addressed using principles and programme support. And some companies are establishing confidential help-lines to assist their employees.

One multi-national organisation currently tackling such issues is DHL. DHL is a global market leader in the logistics and express transportation business. They operate in more than 220 countries and employ over 140,000 persons. DHL defines corporate citizenship as '… the contribution that a company makes to society through its core business activities, its social investment and its philanthropy programmes, and its engagement in public policy. It is determined by the way a company manages its economic social and environmental impacts and its relationships with different stakeholders, in particular shareholders, employees, customers, business partners, governments and communities…[It] is not just a 'nice-to-have', charitable add-on, but [is] a fundamental element of good business practice and effective leadership'[46].

DHL has endeavoured to deliver on its commitment to corporate citizenship and its contribution to society by globally addressing the issue of business fraud and terrorism in its operations. During 2001, DHL Thailand's strict shipment inspection policy resulted in the interception of hundreds of forged passports. Following these seizures, DHL Thailand informed and partnered the relevant Embassies and liaised with Thai Police and immigration officials in an effort to assist with their ongoing efforts to combat this form of criminal activity. In recognition of this work, DHL Thailand became the first commercial organisation to be presented with a special award from the US Immigration and Naturalisation Service for its work in combating human smuggling and trafficking. DHL Asia has also been supporting an initiative developed in 2000 by the Technology Asset Protection Association (TAPA), a non-profit organisation. The association was created to guarantee high security standards in the freight transportation of high-value technology products in order to minimise monetary or asset losses incurred due to theft during the shipment process. The issue of freight security has gained increased impetus since the launch of the global war on terrorism. As a result DHL has now received certification for nine of its facilities in Hong Kong, the Philippines, Singapore and Thailand following an audit by TAPA. The facilities were evaluated in the areas of warehousing, site security (including security in and around the facility, security work instructions, training, access control, secure storage, alarm control, closed circuit video security systems) and road transportation.

4.2. External boundaries of responsibilities

This section looks at the next of our boundaries of responsibility, namely the domain external to conventional business operations. It looks in particular at the role of public consultation and the need for a 'social licence to operate'; the implications of working in zones of conflict; and the issue of environmental protection. In doing so this section also provides a 'futures scenario' for viewing multi-sector partnerships as a viable mechanism for achieving sustainable development goals.

4.2.1. Public consultation and the 'social licence to operate'

In countries where there are large numbers of ethnic minority groups, such as indigenous peoples of Colombia, Papua New Gunea and the Philippines to name but a few countries, laws exist that oblige companies to engage in prior consultation with local communities before making an investment. These laws are based on ILO convention 169, which enshrines the rights of indigenous communities to prior consultation in respect of development on their lands. There is now a body of evidence that strongly indicates that if a company does not engage in such dialogue with host communities they might not acquire what is now referred to as a 'social licence to operate' [7,8]—the informal agreement of their neighbours [44]. A future without this social licence to operate may find companies operating in inhospitable environments where they are unable to recover predicted returns on investment due to a lack of support from their local host communities. This has been particularly evident in the extractives sector, especially throughout Peru, Colombia, Indonesia, Papua New Guinea, Pakistan and India [ibid]. Similar community dissent has been manifest in the construction of airports and runways. The issue of ensuring that local communities are supportive of new transportation infrastructure, mines, factories or farms is relevant in all contexts. It is for this reason that many companies and sectors have identified the need for a universal approach to stakeholder dialogue, and linked this to a tailored approach towards empowering local employees to adapt the company's generic approach to community needs. The mining sector recently embarked on a three-year process of multi-stakeholder dialogue around sustainable development issues through the Global Mining Initiative [15,30]. This structured dialogue process allowed company CEOs to collaboratively agree to accept a key NGO demand—namely to stop the dumping of mine tailings (waste) in seas or rivers. DHL is spearheading a similar sectoral initiative—the Logistics and Transportation Corporate Citizenship Initiative (LTCCI)—and in so doing is drawing on the lessons from the mining sector by engaging with relevant CEOs and academic partners as part of the process.

4.2.2. Zones of conflict and security risk

The imperative of corporate citizenship for global companies also flows from working in countries where democracy is weak. For example, DHL operates in 41 out of the 42 countries categorised as 'high risk' by the US State Department. This makes it imperative to ensure that its activities are undertaken with reference to best business practice when working in countries with poor human rights records. Corporate citizenship poses a challenge in terms of balancing responsiveness [1] with responsibility [3,5]. While DHL's presence may facilitate the delivery of much needed humanitarian assistance, as well as help in the re-establishment of the infrastructure needed to support the renewed operation of both business and government, working in such countries brings with it a special set of responsibilities. This is especially the case in many conflict-ridden Asian and African countries.

An example of a socially conscientious action by DHL is the role it has played supporting the UN in its post-conflict activities in Afghanistan with free of charge shipments. After a 15-year absence due to political unrest, DHL returned to Afghanistan in March 2002, and has since been contributing to the development and rebuilding of the Afghan economy. Three times a week DHL's shipments include humanitarian aid, diplomatic cargo and office equipment destined for aid agencies and diplomatic missions operating in Kabul. DHL has also been helping with the rebuilding of the war-torn country. In spring 2002, the UN asked DHL to help the organisation re-establish its offices in Kabul after a seven-year absence. Via diplomatic pouches, DHL has shipped bulk office supplies and computers for the UN, saving transit time for the organisation by providing a more direct route to Kabul than the previous route through Islamabad. DHL is now applying its core competence to help support the humanitarian efforts in the post-conflict reconstruction of Iraq. A lack of such corporate engagement would surely make it more difficult for aid organisations to foster economic recovery and prevent a future with even wider socio-economic disparities between developing and developed nations.

Similar concerns are mitigated against by the socially responsible behaviour of Premier Oil towards its external stakeholders. Such engagement includes a recognised responsibility towards pressure groups, local communities and displaced communities; as well as with government—to promote the protection of human rights. It is as a result of the latter partnership that the training and monitoring work-streams noted previously have been accomplished. These work-streams again are not about philanthropy or social impact per se. They are more about how a business behaves in society as part of its core business function—about being a responsible citizen.

As a responsible citizen, Premier chose to explicitly promote the protection of human rights through awareness building, in both the company, the government and its agencies. They did this through monitoring and stakeholder engagement, as well as community development projects with trusted and respected NGO partners such as Save the Children (USA) to support the education, health and income-earning opportunities of poor villagers in the areas of the pipeline. These projects were systematically evaluated to ensure positive impact and to put in place strategies to promote sustainability and not dependence. Premier chose also to lead by example by promoting social justice in its own workplace. As a result it undertook a social audit. This led to the identification of targets—including management capacity building and improved working conditions in line with the ILO Conventions.

This paper does not suggest businesses should or should not invest in such 'high risk' countries. It does suggest, however, that if businesses do invest in such countries, they will increasingly need policies to manage the additional risks, and will likewise find themselves 'accountable' to a broadening set of interests including stakeholders, shareholders, governments, trade unions, employees, and NGOs—particularly those concerned with upholding human rights and environmental stewardship.

4.2.3. Environmental protection

The lack of effective environmental legislation and regulatory frameworks, compounded by both lack of capacity and weaknesses concerning enforcement in many developing countries, has resulted in many serious negative environmental impacts, with resultant protests from community and public interest groups. As previously, the lack of a level playing field in respect of regulation, and growing societal expectations in respect of biodiversity loss, climate change, genetically manipulated crops, and waste prevention, suggests it increasingly makes sense for global companies to develop their own strategies and best practice guidelines where local regulation is weak [11,20,23].

As a global transportation company generating emissions that could be both reduced and managed proficiently, DHL felt particularly driven to develop an environmental strategy. In 2000, DHL introduced a global fuel tracking and monitoring system to monitor fuel use, measure fuel burned by various aircrafts and meet the new ISO 14001 environmental standards to which DHL is committed. Capturing this data enables DHL to: measure efficiency by monitoring operator, fleet or specific aircraft fuel usage; set budgets and run economic analysis on various aircraft types and plan network routes more accurately; assess the environmental impact of its fleet; and maintain its ISO 14001 certification. In 1999, DHL Aviation resolved to implement a company-wide Environmental Management System (EMS), providing a framework for responding to the environmental challenges before them. This was a strategic business decision with real business benefits measured by working towards, and achieving, a single multi-site certification to ISO 14001 for both ground and air operations. The benefits of adopting an effective EMS policy and achieving the ISO14001 standard are many. It secures the prosperity of DHL's global community by reducing waste, costs and inefficiencies and preserving natural resources. And commercial benefits include improved operations and customer relations, legal and regulatory compliance, better performance management, and increased staff motivation and investor attractiveness.

4.2.4. Addressing wider social issues through partnerships

Organisations are increasingly working in partnership to address major societal issues that cannot be mitigated by any single actor or institution. Notable examples of such partnerships include DHL's involvement in a number of World Economic Forum convened initiatives [46,47], including their participation with other business and civil society partners in the Global Disaster Resource Network, the Global Digital Divide Initiative, and the Global Health Initiative (GHI). In all three of these networking programmes, DHL applies its core competence of global logistics and transportation.

The Global Disaster Resource Network is a global network of companies in the engineering, construction, logistics and transportation sectors that are committed to assisting humanitarian organisations in their efforts to reduce human suffering associated with disasters by acting as a clearinghouse for companies to offer a defined range of their resources free of charge. The Global Digital Divide (GDDI) builds partnerships between the public and private sector to bridge the divide between those who can make effective use of information and communication technology (ICTs) to improve their lives and those who cannot. The Global Digital Divide Task Force was launched in 2000 with a three-year mandate to develop and transmit creative public and private sector initiatives to transform the digital divide into an opportunity for growth. DHL is similarly involved with the Global Health Initiative (GHI). The mission of this initiative is to increase the quantity and quality of business programmes fighting HIV/AIDS, tuberculosis (TB) and malaria. The GHI partners with the Forum's 1000 member companies, the World Health Organisation, the Joint United Nations Programme on HIV/AIDS, 'Roll Back Malaria (RBM)' and 'Stop TB'. DHL supports the transportation of medicines and distribution to patients in developing countries. This is complemented by the specialist expertise of many NGOs, that bring a range of scientific and social science disciplines to bear on these problems, leading to innovative joint capacity building amongst quite different partners to solve some of the most pressing problems facing society today. This paper suggests it is such kinds of initiatives and learning opportunities that will increasingly shape the experience and worldview of tomorrow's business executive.

Engaging in meaningful corporate citizenship programmes, that are aligned to core business purpose, and following the strategies that will keep the business itself in good health and staff well motivated are the corporate citizenship challenges not only of DHL, but of the entire business community in society today. According to the CEO of Premier Oil, stakeholder engagement, addressing 'head-on' and not side-stepping problems through building up capacity to deal with them responsibly and opening up ones performance to independent scrutiny, is the most responsible way forward. According to M & S, building up management capacity and not inspection capacity is more effective in securing improved labour standards and assuring both customers and business partners that aspirational standards and international laws are complied with.

5. The future role of global corporations in society

Converging trends over the last decade have shaped a very different business environment for the foreseeable future. Central to this is the emergence of the extended array of internal and external business responsibilities noted above. These in turn have implications for where and how business invests, what defines shareholder value and what constitutes risk. Risks that were previously 'intangible' now need to be explicit. Business is recognising that it has a responsibility for its wider impacts beyond the workforce and the perimeter fence. With the recent liberalisation of investment regimes worldwide, downward adjustments in social welfare spending (to accommodate tax breaks that attract foreign investment) are widespread. In response, we see NGOs requiring business to be transparent about taxes and royalties and States to be more transparent about how revenues are spent—for example, the UK publish 'show what you pay' initiative that arose from ministerial deliberations at the Johannesburg Earth Summit (2002).

As a result, a series of key challenges for a responsible and sustainable business in future society have been identified. These include:

- Bringing corporate governance into the realm of corporate citizenship and addressing the key elements of social justice in respect of employees' rights, pensions, shares and the role and structure of the Board. Corporate citizenship needs to be a proven part of company culture.
- Broadening risk and impact assessment and communication to include 'intangibles' and long term considerations, across the environment, economic, political and social dimensions.
- Aligning community investment programmes through CSR strategy, as an extension of core business practice, focused on contributing to sustainable development goals

and ensuring through the business of business the protection of human rights, not fostering dependency.

- Developing management systems and tools, which focus on capacity to manage, rather than to audit, and which safeguard against the elimination of problems without any consideration of the possible socio-economic development impacts. Without the fulfilment of basic rights, poverty is perpetuated. The need to earn income at any cost may lead to the ignoring of core labour standards put in place to respect rights to the detriment of the well-being of the next generation.
- Building a company capacity to dialogue with internal and external stakeholders, and roll out and manage a corporate citizenship strategy with tailored business principles, policies and practices to guide it. Partnerships with governments and civil society organisations are key.
- Systematically addressing business accountability, through the use of tools such as internal risk review, corporate governance principles, key performance indicators, stakeholder engagement, integrated socio-economic and environmental impact assessment, and social accounting, audit and reporting—with third party assurance.

This paper suggests that meeting these challenges will likely allow companies to participate in the construction of an alternative future typified by a reduction in socio-economic inequalities and wider social justice. It suggests that meeting these challenges will allow for the accrual of benefits such as meaningful and satisfying employment, good work conditions, and sound development opportunities for developing country peoples. Likewise they are also likely to facilitate greater stability and economic opportunities to employees, business partners, host governments, community neighbours and shareholders. It is suggested that these latter benefits are likely to be generated as a result of making profit, paying taxes, engaging in productive business-to-business relationships and following strategies of expansion and growth combined with business values that emphasise social responsibility, good governance and sound and fair employer–employee relations.

6. Conclusion—a compelling case for partnership

Companies are increasingly being obliged by a growing range of stakeholders to play a positive role in society as corporate citizens. This means being responsible in the way they work—social justice in the workplace; and being responsive to stakeholders concerns—not just giving charitable donations when times are good. Business is already required through regulation, finance conditionality and stakeholder demand to minimise impacts on the communities and environment where they operate. Globalisation is redrawing the boundaries of responsibility for business and in some areas of social development and human rights, merging corporate responsibilities with those of governments, requiring business to address social development goals, increasingly in partnership with other societal actors.

There are now new drivers that encourage business of the future to position itself as a positive force in society, to promote good governance and the progressive realisation of responsibility throughout all its areas of work. Conventional theory, which suggests that the ‘business of business is business’, and that wealth will trickle down to the poor and disenfranchised, helped by the invisible hand of the market, has been shown not to hold true within many countries. Simply ‘doing no harm’, although important, is no longer sufficient. It is argued that it is better to be proactive and have systems in place to identify and manage risk, rather than to ‘crisis-manage’. That way, opportunities can also be identified—opportunities to enhance value, create new markets and attract new customers and become the preferred business partner and employer of choice.

This paper argues that there are two key dimensions to the emerging trend towards enhanced business responsibility and how it is likely to be manifest for global corporations in the future. They are, quite simply, the internal and external domains—social justice and integrity in the workplace and the promotion of the protection of human rights—which includes development rights—within society. These need to be addressed together and increasingly in partnership with others, in order to understand and define more clearly the boundaries of enacting business, government and community responsibilities in society. When addressing this duality of responsibility, companies need to recognise that the basis for internal change is social, ethical and environmental as well as financial, and ranges within the company from the highest levels of governance to the most distant levels of operations at site level. They also need to look for new ways to generate value, grow, be competitive, and manage both tangible and intangible risk; recognising that increasingly this cannot be achieved alone. This represents a compelling case for partnership between government, businesses and civil society.

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