

Building a New Institutional Infrastructure for Corporate Responsibility

by Sandra Waddock

Executive Overview

This paper describes an emerging institutional infrastructure around corporate responsibility that has resulted in the evolution of initiatives such as the Global Reporting Initiative, the social investment movement, and related efforts that place more emphasis on corporate responsibility, accountability, transparency, and sustainability. Using a framework that roughly classifies initiatives into state/government, market/economic, and civil society categories, the paper illustrates the rapid evolution of new infrastructure that is pressuring companies to be more responsible.

In the absence of a global governance structure to ensure that corporations are accountable, responsible, transparent, and ecologically sustainable, a largely voluntary corporate responsibility infrastructure has emerged that is reshaping companies' responses to these issues and fostering wholly new practices and behaviors. Contrasted with the dominant market logic, which asks companies to focus on the maximization of wealth, these emerging institutions have a multi-bottom-line orientation that embeds an array of social, sustainability, and stakeholder issues into companies' business models. These new institutions—an emerging institutional infrastructure on corporate responsibility—are reshaping the rules by which companies, particularly large multinational corporations, play and creating a new context in which external stakeholders hold companies responsible for their impacts. Over the long term, these new rules reframe what companies need to do to sustain their legitimacy and be accepted social actors. This emerging corporate responsibility infra-

structure attempts to effect change by using mechanisms such as peer pressure, visibility, rankings, activism, and, increasingly, mandate to pressure companies to improve their effects on people, the planet, and societies.

These changing rules are significant because today corporations are among the world's most dominant and powerful institutions, in many cases surpassing the revenue-producing ability of smaller governments (Anderson & Cavanagh, 2000). Despite their economic success, global companies stand accused of many social and ecological problems, including erosion of democracy; destruction of native industries in developing nations; fostering of excessive materialism; pollution of the environment; destruction of land and forest; abuse or abrogation of labor rights; erosion of national sovereignty; and lack of sustainability, accountability, responsibility, and transparency, to name a few (see, e.g., Cavanagh et al., 2002; Derber, 2002; Korten, 1995). As Carson et al. note, "institutions are the 'rules of the game' by which players, including individuals and organizations, interact in exchange ties—be they social or economic" (Carson, Devinney, Dowling, & John, 1999, p. 1). It is these new rules of the game that the responsibility infrastructure is creating. This

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paper will explore and attempt to make sense of the emerging corporate responsibility landscape.

New Demands for Corporate Responsibility

Corporations have come under significant fire in recent years around their (lack of) responsibility. Anticorporate activists criticize the growing gap between rich and poor in the U.S., and between developed and developing nations, and between northern and southern countries. CEO compensation soars well above anything comparable happening to worker wages; one recent estimate pegged CEO compensation in 2006 at 364 times that of the average worker in the U.S. (AFL-CIO, 2007). Examples of globalization-generated issues include labor and human rights abuses, sweatshops, child labor, abusive managers, and generally poor working conditions still rampant in many companies' global supply chains. Some studies report that all major ecosystems are in decline (Condition and Trends Working Group, 2005), and climate change has recently been attributed to human (industrial) activity (Intergovernmental Panel on Climate Change, 2007). Combined, these critiques imply that companies acting with solely economic interests in mind often overlook the impacts of their strategies and practices on stakeholders, societies, and nature.

Corporate executives respond that their companies supply needed jobs domestically, and in economies that are still emerging provide necessary goods and services that enhance the quality of life. Indeed, many claim that global business is a necessary component of economic development. They further point to numerous voluntary initiatives that advance corporate social responsibility in the locales where companies are operating, including the work of company foundations and philanthropy programs, social partnerships, and, increasingly, social entrepreneurship (e.g., Prahalad, 2006).

Talk about corporate (social) responsibility has, of course, been around for many years (see, for example, Frederick, 1987, 2006, and Waddock, 2004, for historical overviews of the development of the construct). Fear over the consolidation of wealth and corporate power led designers of early corporate charters to mandate that companies

could exist only as long as they served the public interest (Greenfield, 2005). Early notions of responsibility revolved largely around philanthropy, initially the philanthropy of individuals who had grown wealthy as industrialists (known collectively as the robber barons) in the late 1800s and into the 1900s. Waves of legislation during the Great Depression of the 1930s and in the early 1960s and 1970s spawned more humanistic corporate practices and some acceptance of labor unions representing employee interests (Derber, 1998), but not explicit "corporate" responsibility.

Attention to corporate social responsibility (CSR) has evolved over the years, often responding to the specific needs of a particular time. Discussion of CSR began in the 1950s after the Supreme Court ruled that companies could participate in philanthropic activities, i.e., undertake initiatives that directly benefit society, which is the definition of CSR used here. During the 1960s and 1970s, CSR tended to focus on product and consumer safety, driven in large part by consumer activists such as Ralph Nader and environmentalists such as Rachel Carson. This wave was termed "CSR1" by Frederick (1987, 2006). In the late 1970s and into the 1980s, what Frederick (1987) termed corporate social responsiveness (CSR2)—in contrast to the "responsibility" orientation of CSR1—evolved as companies established numerous boundary-spanning functions internally (e.g., public affairs, community employee relations, and shareholder relations) (Preston & Post, 1975). In the freewheeling 1980s business ethics was the focus of much of the CSR discussion. During this time, which Frederick calls CSR3 (1987, 2006), a number of anticorruption codes came into being following defense industry scandals and the junk-bond crisis.

Since the mid-1990s, there has been a new surge of interest in corporate responsibility (CR), or the ways in which a company's business model, strategies, and practices affect stakeholders and the natural environment. Fueled by the global communications capabilities of the Internet and related technologies, the CR institutions discussed below have created new pressures on companies to foster greater corporate responsibility. One reason for greater attention to CR is that more than half of corporations' assets today are found not in tan-

gible but rather in intangible assets such as goodwill, reputation, and human capital (Galbreath, 2002; Lev & Daum, 2004; Savitz, 2006), which in turn rely on the quality of stakeholder relationships the company has developed.

What is different about the current responsibility infrastructure is the focus on integration of corporate responsibility with companies' business models, and recognition of the impact of companies' business strategies and practices on stakeholders, societies, and sustainability (Waddock, 2004, 2006). These initiatives, based on companies' own understanding of issues of sustainability and responsibility, often go well beyond efforts to "do good" for society.

An Emerging Infrastructure for Corporate Responsibility

This paper uses a framework that broadly classifies initiatives in the CR infrastructure into market/business institutions, civil society/societal institutions, and state/government institutions (see Waddell, 2000; Waddock, 2006)¹ to describe the emerging institutional infrastructure around CR. The infrastructure as a whole does not just aim to get companies to "do good" for society while pursuing business as usual, but recognizes the fundamental role that businesses play in building healthy societies through the impact of their business models. While the dominant market logic of free trade and shareholder wealth maximization remains a powerful motivating force, these CR institutions are collectively framing a different kind of logic, one in which attention to the stakeholder, society, and the environment is necessary in order to retain what some executives call their "license to operate."

Many institutions discussed below have come into existence since the mid-1990s, although some pioneers were formed earlier. Collectively, they are creating new conversations, pressures, and dialogues around businesses activities and highlighting current corporate practices for good or for ill. They use a variety of pressure tactics, including peer pressure, moral suasion, reputa-

tional leverage, market-based dynamics, and state-based legislative and regulatory approaches, to foster better corporate responsibility.² While the lists in the tables³ are far from exhaustive, they represent the best known and most visible institutions.⁴ Obviously, given page constraints, only a few institutions in any category are discussed; however, combined they all add to the constellation of pressures around corporate responsibility now facing businesses. Further, it is important to recognize that some institutions in this infrastructure serve multiple purposes; the classification scheme emphasizes the primary purpose of the organization.

Market/Business-Sector Initiatives

Initiatives that derive from businesses themselves or have arisen in response to market-like pressures are classified here as market/business-sector initiatives. They include elements of a rapidly evolving responsibility assurance infrastructure, business and other associations, and the responsible investment movement.

Responsibility Assurance Infrastructure

Responsibility assurance involves three distinct elements: (a) codes of conduct, standards, and principles; (b) credible verification, monitoring, and certification services that ensure that companies are doing what they say they are doing; and (c) generally accepted reporting systems for environmental, social, and governance (ESG) issues related to corporations (Waddock, 2006).

Codes, Standards, and Principles

Since the early 1990s, possibly beginning with Levi-Strauss's pioneering supplier code of conduct, there has been a virtual explosion of codes of conduct, standards, and principles relating to business activi-

² To avoid using the bulky term *corporate accountability, responsibility, transparency, and sustainability*, the word *responsibility* will be used to encompass all of these issues.

³ All links are current as of 2008. A set of tables with more detail on many of the organizations listed is available at www2.bc.edu/~waddock.

⁴ Institutions, of course, are created by people. I have detailed the stories of some of the pioneers who created these institutions in my book *The Difference Makers: How Institutional and Social Entrepreneurs Are Changing the World* (Greenleaf, 2008).

¹ I would like to thank one of the reviewers for this organizing suggestion and all of the reviewers for their insightful and helpful comments.

ties. Broader in scope than earlier codes of conduct, which tended to focus on issues related to bribery and corruption (developed largely in response to defense industry scandals in the 1980s), today's codes expand companies' explicit responsibilities to multiple stakeholders and to nature itself. Many codes are company specific; however, numerous

codes were developed by business associations or multistakeholder coalitions. Table 1 lists some of the best known business-related codes and principles.

Principles provide guidance on acceptable and unacceptable behaviors and practices. Possibly the best known today are the 10 principles of the UN

Table 1
Sample of Highly Visible Principles, Standards, and Codes

Principles	Web Site	Brief Description
Caux Roundtable Principles for Business	www.cauxroundtable.org/principles.html	A measurable standard for responsible business worldwide, envisioning capitalism with principles
CERES Principles	www.ceres.org	Ten-point code of corporate environmental conduct publicly endorsed as an environmental mission statement or ethic
Equator Principles	www.equator-principles.com	Benchmark for the financial industry to determine, assess, and manage social and environmental issues in project financing
Global Sullivan Principles	www.thesullivanfoundation.org/gsp	Voluntary code of conduct intended to be a catalyst and compass for corporate responsibility and accountability
International Non-Governmental Organizations Accountability Charter	www.ingoaccountabilitycharter.org/read-the-charter.php	Intended to galvanize support around the issues of civil society legitimacy, accountability, and transparency
OECD Guidelines for Multinational Enterprises	www.oecd.org/department/0,2688,en_2649_34889_1_1_1_1_1,00.html	Recommendations for voluntary principles and standards of ethical business conduct for multinational enterprises operating in or adhering to OECD
Principles for Responsible Investing	www.unpri.org	UN-based framework to help investors integrate social, environmental, and governance performance in investment decisions
Principles for Responsible Management Education	www.unprme.org	Six principles on responsibilities of businesses to create a socially and ecologically sustainable world through responsible corporate citizenship that are meant to be incorporated into management education
Private Voluntary Organization Standards	www.interaction.org/pvostandards/index.html	Aimed at enhancing the professional, ethical, and responsible conduct of private voluntary organization members
Tripartite Declaration of Principles Concerning Multinational Enterprises	www.ilo.org/public/english/standards/norm/sources/mne.htm	Voluntary principles intended to foster desirable behavior of enterprises with regard to labor and social policy issues
UN Global Compact Principles	www.unglobalcompact.org	Ten principles that focus on human rights, labor, the environment, and anti-corruption
UN Millennium Development Goals	www.un.org/millenniumgoals	Set of eight measurable goals for 2015 to combat poverty, hunger, disease, illiteracy, environmental degradation, and discrimination against women

Global Compact (UNGC), which focus on human rights, labor rights, environmental sustainability, and corruption. Originally launched in July 2000 by then UN Secretary General Kofi Annan, the UNGC had more than 4,300 corporate members and 5,600 signatories by mid-2008. Although the UNGC was certainly not the first effort by the UN to influence corporations, it was the first time the organization actively cooperated with businesses rather than countries (and it was not without criticism, especially around issues associated with so-called “bluewashing,” or companies wrapping themselves and their practices in the blue UN flag). It therefore represents a landmark in the growth of international institutions.

Other principles have somewhat different foci. For example, the CERES Principles emphasize sustainability, while the Equator Principles focus on standards specifically aimed at the financial industry. The Principles for Responsible Investment (PRI), launched in 2005, were supported by 2008 by more than 270 institutional investors holding assets of more than \$13 trillion.

Assurance: Reporting, Certifying, Accrediting

A second element of responsibility assurance involves actually “assuring” the public that what is claimed is what is being done. Since the mid-1990s, many large companies have focused on managing their stakeholder responsibilities explicitly, in particular their global supply chains, which have come under intense criticism and scrutiny by NGOs and activists. About the same time, many companies also began producing social, sustainability, environmental, or “triple bottom line” (Elkington, 1997) reports that detailed their ESG, including supply chain activities. Although companies began issuing these reports, external critics were often unsatisfied with a company-generated report and demanded assurance that what was stated in the report was actually being done in the company. Later, during the business scandals of the early 2000s, public trust in business fell to low levels.⁵ In this context, it became apparent that to

satisfy critics, ESG and multiple–bottom-line reports needed independent verification. In response, verification, certification, and monitoring organizations sprang up, with activists and peer companies exerting pressure, particularly on larger and more visible companies, to undergo these verification processes.

Most of these enterprises undertake a mix of activities, and most are nongovernmental organizations (NGOs), such as the U.K.’s AccountAbility, which has developed the AA1000 standards to help businesses improve overall corporate responsibility. In 2003, AccountAbility launched the first-ever responsibility assurance standard (the AA1000 Responsibility Assurance Standard) to create a credible means of verifying the information reported in companies’ ESG and triple–bottom-line reports. Social Accountability International (SAI) focuses predominantly on labor issues and includes both standard setting and certification and monitoring through its SA8000 standards. Entities such as Transfair, Rugmark International, the Fair Labor Association, and the Marine Stewardship Council focus on certifying practices in specific industries or more generally fair trade. Table 2 lists some of the major organizations in these categories.

Further, in an interesting move toward creating a tipping point (Gladwell, 2000) on corporate responsibility, the International Organization for Standardization (ISO), best known for its quality standards, in 2004 began the development of an international standard on social responsibility (ISO 26000), scheduled for release in 2010. This move is important because in many ways it was the European companies’ adoption of ISO quality standards that tipped the quality movement. In a similar vein, one could conceive of something similar happening with corporate responsibility once the new CR standard is released. ISO’s move into the corporate responsibility arena thus highlights the seriousness of efforts to quantify, measure, and standardize approaches to managing responsibilities in companies, since if companies adopt the new standard and drive it through their own supply and distribution chains, it will create a huge ripple effect.

Several selected industry-specific initiatives

⁵ By 2006, it had begun to rise again; however, an Ipsos-Mori survey revealed a still low 31% trust in business leaders in 2006, up somewhat from 24% in 2004 (Institute of Business Ethics, 2007).

Table 2
Sample of Major Business-Related Standard Setting, Accreditation, Reporting, and Certification Organizations

Organization	Web Site	Brief Description
Standard Setting and Accreditation Entities (Primary Emphasis)		
AccountAbility	www.accountability.org.uk	Nonprofit organization that consults and mentors businesses, nonprofits, and governments in the development of their approach to accountability and performance; created AA1000 standards
Corporate Governance Quotient, Institutional Shareholder Services	www.issproxy.com/esg/cgq.html	Measures the strengths, deficiencies, and overall quality of a company's corporate governance practices and board of directors; provides corporate governance rankings on more than 8,000 companies across 31 countries
Fair Trade Labeling Organizations	www.fairtrade.net	Develops fair-trade standards and provides business support to producers, utilizing an independent organization for certification and auditing
Forest Stewardship Council	www.fscus.org	Sets forth responsible forestry principles, criteria, and standards, spanning economic, social, and environmental concerns, guiding forest management to sustainable outcomes
Greenhouse Gas Protocol	www.ghgprotocol.org	International accounting tool for government and business leaders to understand, quantify, and manage greenhouse gas emissions
International Fair Trade Association	www.ifat.org	Works to improve the livelihoods and well-being of disadvantaged producers by linking and promoting fair trade organizations, toward greater justice in world trade
LEED: Leadership in Energy and Environmental Design	www.usgbc.org/DisplayPage.aspx?CategoryID=19	Promotes the Green Building Rating System™, the nationally accepted benchmark for the design, construction, and operation of high-performance green buildings
Social Accountability International	www.sa-intl.org	Promotes human rights for workers by interacting with companies, NGOs, workers and trade unions, government agencies, and certification bodies around the world; established SA8000 labor standards
Strategic Advisory Group on Corporate Social Responsibility of ISO (ISO 26000)	Access from isotc.iso.org	Expected in 2010: an international standard that provides guidelines for social responsibility (SR) to add value to existing intergovernmental agreements
Transparency International	www.transparency.org	Combats corruption through a global network of 90 locally established organizations, focusing on public policy change and indices that measure the perception and presence of corruption
Standardized Reporting (Primary Emphasis)		
Global Reporting Initiative	www.globalreporting.org	Corporate reporting framework unique to each industry; the de facto international standard for corporate reporting on environmental, social, and economic performance
Certification Bodies (Primary Emphasis)		
Fair Labor Organization	www.fairlabor.org	Implements the Fair Labor Association's Workplace Standards to promote adherence to international labor standards and issues reports for the public
Marine Stewardship Council	www.msc.org	Independent, global, nonprofit that certifies well-managed fisheries and harnesses consumer preference for seafood products bearing the MSC label of approval
Rugmark International	www.rugmark.net	International nonprofit that works to end child labor in the handmade carpet industry in South Asia through child-labor-free certification and developing an educational and well-being support infrastructure for children in the trade
Transfair	www.transfairusa.org	Independent, third-party certifier of fair trade products in the U.S.

have also been developed around issues of responsibility and sustainability. One notable initiative is the Forest Stewardship Council, created to emphasize sustainable forestry practices. Attention to child labor in the handmade rug industry in the 1980s and early 1990s resulted in the formation of the Rugmark Foundation, which certifies that no child labor was used to produce hand-loomed rugs. Membership in or involvement with these types of entities serves as a marker of progressive company attitudes for many external observers.

Transparency and Reporting

Because initially there were no guidelines on content, format, or other reporting requirements for multiple-bottom-line reports, companies mainly reported what they wanted to, in formats they desired, typically focusing only on positive activities. Clearly, there was a need for standardization. To contend with reporting inconsistencies, the Global Reporting Initiative (GRI) developed a common reporting framework for ESG/sustainability reporting that allows cross-company and cross-industry comparisons based on its common reporting framework. GRI, now the global benchmark for standardized ESG/nonfinancial reporting, is meant to be comparable to generally accepted accounting principles for financial reporting.

Begun in the late 1990s, the GRI is a multi-stakeholder coalition that has included input from thousands of experts from businesses, NGOs, and other types of organizations from around the world. As of 2008, almost a quarter of the S&P 500 companies and some 1,500 companies in total have voluntarily adopted the GRI guidelines for their ESG reporting.⁶ According to research undertaken by the Social Investment Research Analysts Network in 2005, more than half of the S&P 100 companies devoted space on their Web sites to social and/or ecological reporting, and nearly 40% issued annual corporate social responsibility reports (SIRAN, 2005).

Consultancies and Standard Setters

Accompanying the development of new sets of principles, certification processes, and reporting standards has been a burgeoning consulting industry. Activities of these firms sometimes overlap with the assurance organizations described above, but their general focus is on helping companies improve sustainability and stakeholder relationships, either by helping companies directly or by working with external verification, monitoring, and certification organizations to ensure that those practices actually are what companies claim (see Table 3 for a listing of some of the more prominent consultancies).

Companies such as the Corporate Citizenship Company, SmithOBrien, SustainAbility, and Sustainable Value Partners are for-profit consultants that, like many of the large accounting firms, have created practices geared toward helping companies improve their responsibility performance in one way or another. A few of the consultancies are NGOs, including Verité. Some consulting practices revolve around sustainability and ecological matters, while others focus on labor practices or are more general in scope, encompassing many different corporate activities.

Business and Other Associations

Peer pressure, particularly from leading-edge companies, plays an important role in creating new demands on businesses for greater responsibility. Dialogues, conferences, and learning experiences generate interest and engagement and put the spotlight on companies' specific practices (or lack thereof); membership in general or industry associations serves as a marker of progressive practices, providing some degree of reputational benefit (and possibly also some risk if expectations for responsible practice are not met). Business and other associations play a dominant role in creating these pressures and in putting a spotlight on the CSR activities of their members. There are now a number of business membership organizations around ESG and sustainability topics, as well as other institutions that are more difficult to classify (see Table 4). For example, the Boston College Center for Corporate Citizenship, while academ-

⁶ Global Reporting Initiative website. Retrieved May 8, 2008, from <http://www.globalreporting.org/AboutGRI/WhatWeDo>.

Table 3
Major Corporate Responsibility Consulting Organizations (both for-profit and NGO)

Organization	Web Site	Brief Description
AccountAbility	www.accountability.org.uk	Nonprofit organization that consults and mentors businesses, nonprofits, and governments in the development of their approach to accountability and performance; created AA1000 standards
Corporate Citizenship	www.corporate-citizenship.co.uk	Merger of the Smart Company and the Corporate Citizenship Company; helps clients create and deliver the full range of CSR and sustainability programs to help them achieve their business goals and fulfill their corporate missions
Deloitte & Touche, Corporate Governance and Accountability	www.deloitte.com/dtt/section_node/0,1042,sid%253D142621,00.html	Helps businesses respond to new regulatory and stock market requirements for corporate governance reform
Innovest Strategic Value Advisors	www.innovestgroup.com	Offers asset management, screening services, and consulting and strives to integrate sustainability and finance by identifying nontraditional sources of risk and value potential for investors
Institute for Global Ethics	www.globeethics.org	Nonprofit that promotes ethical action in a global context through educational and consulting services for corporations, nonprofits, individuals, foundations, and governments.
PricewaterhouseCoopers (PwC) Sustainable Business Solutions	www.pwc.com/sustainability	Offers services in five areas: CSR strategy design and deployment, reporting and assurance of nonfinancial information, climate change and emissions trading, transaction support for environmental health and safety and reputation issues, and supply chain risk management
SmithOBrien	www.smithobrien.com	Helps build and sustain values-centered companies by establishing the business case; integrating core values into systems, practice, and culture; and creating corporate learning programs for boards of directors, global managers, and employees
SustainAbility	www.sustainability.com	Consults on corporate responsibility and sustainable development in the core areas of sustainability strategy and implementation, stakeholder engagement, risk management, innovation, transparency, reporting, and accountability
Sustainable Value Partners	www.sustainablevaluepartners.com	Helps businesses integrate sustainability into the organization, accelerating the integration through executive education, enhancing stakeholder engagement, and expanding reach into new markets
Utopies	www.utopies.com	Works with companies, business associations, and NGOs to analyze key issues on stakeholder expectations, developing and integrating a sustainable development strategy and reporting performance
Verité	www.verite.org	Works toward improvement of the conditions in global supply chains and workplaces worldwide through its monitoring, training, research, and consulting services

ically affiliated, is primarily a business membership organization focused on helping companies improve their corporate citizenship. The other major U.S. business membership organization focused particularly on large corporations is Business for Social Responsibility (BSR), while CERES and GEMI focus specifically on the environment. An interesting development is the formation and rapid growth of the Business

Alliance for Local Living Economies (BALLE), which aims to keep economic resources, purchasing, and production local or regional and includes many small and medium-size enterprises (SMEs).

Europe has emerged as a clear leader in this domain. In the U.K., the major business organizations focused on general issues of business in society are Business in the Community and the

Table 4
Prominent Business Membership Organizations with Sustainability and Responsibility Orientation

Organization	Web Site	Brief Description
Prominent Business Membership Organizations		
Association of Sustainability Practitioners	www.asp-online.org	Membership community and open forum for practitioners; provides a one-stop shop for sustainability and social justice
Boston College Center for Corporate Citizenship	www.bcccc.net	Membership-based research organization for global corporations offering executive education, convenings, research, and customized benchmarking; helps businesses define, plan, and operationalize corporate citizenship
Business Alliance for Local Living Economies (BALLE)	www.livingeconomies.org	Catalyzes, strengthens, and connects local business networks to build strong local living economies to ensure that economic power resides locally, sustaining healthy community life and natural life as well as long-term economic viability
Business for Social Responsibility	www.bsr.org	Nonprofit business association serving 250 member companies and global enterprises through advisory services, convenings, and research
Business in the Community	www.bitc.org.uk/index.html	Membership organization of 700 U.K. companies committed to improving their positive impact on society
Canadian Business for Social Responsibility	www.cbsr.ca	Business-led nonprofit CSR consultancy and peer-to-peer learning organization that provides its members with consulting and customized advisory services
Caux Round Table	www.cauxroundtable.org	International network of principled business leaders working to promote moral capitalism and integrate principles for business ethics into decisions
CSR Europe	www.csreurope.org	Leading European business network for corporate social responsibility, with more than 60 leading multinational corporations as members
Ethics Resource Center	www.ethics.org	Conducts independent research to advance high ethical standards and practices in public and private institutions; works with all types of organizations to implement ethics and compliance programs
Fundación Empresa y Sociedad	www.empresaysociedad.org/feys/es/ingles	Membership-based business network based in Spain that works to help companies integrate community involvement into their business strategy
Global Environmental Management Initiative (GEMI)	www.gemi.org	Works with business to improve environmental, health, and safety performance, shareholder value, and corporate citizenship and provides a forum for member companies to improve performance through research, benchmark surveys, and management tools
Institute for Philanthropy	www.instituteforphilanthropy.org.uk/BC115/About_Us.aspx	U.K.-based nonprofit that uses networks and workshops to promote philanthropy in the U.K. and internationally
Institutional Investors Group on Climate Change	www.iigcc.org	Forum for collaboration between pension funds and institutional investors on issues of climate change; seeks to promote better understanding of the implications of climate change and address material risks and opportunities associated with climate change and shifting to a lower-carbon economy
International Business Leaders Forum	www.iblf.org	Works with businesses, governments, and civil society to enhance companies' potential contribution to sustainable development
New Economics Foundation	www.neweconomics.org	"Think-and-do tank" that works in partnership on economic, social, and environmental issues through projects and tools for change, in-depth research, campaigning, policy discussion, and raising awareness
U.S. Chamber of Commerce Business Civic Leadership Center	www.uschamber.com/bcl/default.htm?n=tb	Resource and voice for businesses and their social and philanthropic interests, through business disaster assistance and recovery, corporate community investment, and global corporate citizenship
World Business Council for Sustainable Development	www.wbcsd.org	CEO-led global association of some 200 companies dealing exclusively with business and sustainable development issues, sharing knowledge and best practices

Table 4
Continued

Organization	Web Site	Brief Description
World Council for Corporate Governance	www.wfcg.net/index.htm	International network that promotes good governance globally through dialogue, convenings, and technical support
World Economic Forum	www.weforum.org	Independent international organization committed to improving the state of the world by engaging leaders in partnerships to shape global, regional, and industry agendas
Prominent Industry-Specific Initiatives		
Building Partnerships for Water and Sanitation	www.bpd-waterandsanitation.org/bpd/web/w/www_1_en.aspx	International cross-sector learning network focused on improving access to safe water and effective sanitation in poor communities
Global Alliance	www.theglobalalliance.org	Helps NGOs improve the state of the natural environment, observe human rights, improve welfare of the disadvantaged, and improve quality of life in developing countries
Global Alliance for Improved Nutrition	www.gainhealth.org	Helps reduce malnutrition through the use of food fortification and other strategies aimed at improving the health and nutrition of populations at risk through private-sector innovation on sustainable markets that benefit the malnourished
Microcredit Summit Campaign	www.microcreditsummit.org	Works to ensure that 175 million of the world's poorest families, especially the women, receive credit for self-employment and other financial and business services by the end of 2015
Responsible Care	www.responsiblecare.org	Chemical industry's global voluntary initiative that helps companies work together to continuously improve health, safety, and environmental performance and communicate with stakeholders about products and processes
Responsible Forestry	www.panda.org/about_wwf/what_we_do/forests/our_solutions/responsible_forestry/index.cfm	Facilitates trade links among companies focused on responsible forestry and creates market conditions that help conserve the world's forests while providing economic and social benefits for the businesses and people that depend on them
Other Notable Business-Related Corporate Responsibility Institutions		
Carbon Disclosure Project	www.cdproject.net	Independent not-for-profit that facilitates dialogue between shareholders and corporations on the implications for shareholder value and commercial operations presented by climate change
Dubai Ethics Resource Center	www.dubai-ethics.ae/derc	Helps business in Dubai develop global business standards of integrity
Green Reporting Forum	No website available	Organizes the Green Reporting Award with Toyo Keizai Inc. to improve Japanese business information disclosure on environment
International Center for Trade and Sustainable Development	www.ictsd.org	Contributes to better understanding of development and environmental concerns in the context of international trade
Responsible Business Initiative	www.rbipk.org	Furtheres the CSR agenda in Pakistan
Social Accountability in Sustainable Agriculture	www.ifoam.org/organic_facts/justice/sasa.html	Collaborative project of the four main social and environmental verification systems in sustainable agriculture; they work together to improve the social auditing process and share learning

International Business Leaders Forum. Business in the Community counts as its members more than 700 of Britain's leading business organizations. It considers itself a "unique movement of . . . companies committed to improving their positive im-

pact on society."⁷ In continental Europe, CSR Europe, the World Business Council for Sustain-

⁷ Business in the Community mission statement. Retrieved May 8, 2008, from <http://www.bitc.org.uk/index.html#story1>.

able Development, and the World Economic Forum draw together global leaders from the business community around sustainability practices.

The Carbon Disclosure Project brings together nearly 300 institutional investors managing more than \$41 trillion into a clearinghouse for climate change information. Another group, the Institutional Investors Group on Climate Change, provides a forum for institutional investors and pension funds to discuss issues of climate change. In addition to the general business membership organizations, there are a number of industry-specific initiatives listed in Table 4, such as the chemical industry's Responsible Care, a voluntary initiative designed to improve chemical companies' environmental performance. Another industry-specific group is Responsible Forestry, which attempts to facilitate trade links among companies that help conserve forests.

In addition, there are a number of other initiatives that do not fit neatly into these categories, such as the Green Reporting Forum, the Carbon Disclosure Project, and Social Accountability in Sustainable Agriculture, noted at the bottom of Table 4.

Responsible Investment Movement

One arena that taps the market system is responsible (aka social or ethical) investment. The responsible investment movement, with roots in the investment practices of religious orders in the 1950s, began to take shape in earnest in the late 1970s and early 1980s and matured in the 1990s. The elements of the responsible investment infrastructure include responsible investment funds and firms, including institutional investors such as Calvert, Trillium, and Domini Social Funds (see Table 5).

There are several indices that track the ESG and stakeholder performance of firms, designating some as suited for responsible investors, e.g., the Dow Jones Sustainability Index, the FTSE4Good in England, and the Domini Social 400 Index. Supporting social investors today are numerous country-based research firms operating in many countries around the world, the best of which are consolidated into a network by the Sustainable Investment Research International (SIRI) Group. These firms, of which KLD Research and Analytics in the U.S. (launched in 1990) is a pioneer,

gather stakeholder, social, governance, and sustainability data about companies and sell it to the investment community.

The responsible investment movement has also spawned a number of professional organizations, including Social Investment Forums in the U.S., U.K., and Europe and the Social Investment Research Analysts Network (SIRAN), and multiple conferences, of which SRI in the Rockies in the U.S. is among the most notable. There are a number of other entities, particularly associations geared to the professional development of the industry or activism around corporate issues, that can be raised through investor mechanisms such as shareholder resolutions. For years, one prominent research entity was the Investor Responsibility Research Center (IRRC), which was acquired by Institutional Shareholder Services (ISS), which in turn is now RiskMetrics, although IRRC will continue in some form. IRRC undertook research on corporate ecological and social issues for use by social investors. Another is the Interfaith Center on Corporate Responsibility (ICCR), which annually submits more than 200 shareholder resolutions encouraging positive corporate change. In addition, there are other groups and associations, such as Coop America, an information resource for social investors; GoodMoney, a nonprofit and publishing company educating investors on corporate responsibility; and the Institute for Responsible Investing (IRI), which provides information and other services to socially responsible investors.

Civil Society Institutions (Including Multisector)

In addition to facing pressures from market-based institutions such as socially responsible investors, businesses also face a plethora of criticisms and pressures from organizations based in civil society (or simply society), some of which are multisector initiatives, that are aimed at creating greater corporate responsibility and accountability. This section provides a sense of the scope of these developments.

Multistakeholder Initiatives

There are a number of multistakeholder initiatives that bring together individuals and organizations across sectors to provide guidance or exert pressure

Table 5
Major Responsible Investment Institutions

Fund	Web Site
Major Social Investment Funds	
California Public Employees Retirement System (CalPERS)	www.calpers.ca.gov
Calvert	www.calvert.com
Citizens Fund	www.citizensfunds.com
Domini Social Funds	www.domini.com
Dreyfus	www.dreyfus.com/content/dr/control?Content=/docs/index_dr.jsp
Green Century Funds	www.greencentury.com/about
Parnassus	www.parnassus.com/about-parnassus/default.aspx
Pax World Mutual Fund	www.paxworld.com/index.htm
Smith Barney	www.smithbarney.com/prospect/global_resources.html
Trillium	www.trilliuminvest.com
Walden Asset Management	www.waldenassetmgmt.com/index.html
Note: The Social Investment Forum's Web site lists nearly 100 different "socially responsible mutual funds" from these and other firms: www.socialinvest.org	
Stock Indexes with Responsibility/Sustainability Orientation	
Calvert Social Index	www.calvert.com/sri_calvertindex.html
Domini 400 Social Index	www.kld.com/indexes/ds400index/index.html or www.domini.com/about-domini/index.htm
Dow Jones Sustainability Indices	www.sustainability-indexes.com
FTSE4Good Index Series	www.ftse.com/Indices/FTSE4Good_Index_Series/index.jsp
Jantzi Social Index	www.jantzisocialindex.com
Social Research Firms	
Analistas Internacionales en Sostenibilidad SA, Spain	www.ais.com.es
Avanzi SRI Research s.r.l., Italy	www.avanzi-sri.org
Centre Info SA, Switzerland	www.centreinfo.ch
Dutch Sustainability Research BV, Netherlands	www.dsresearch.nl
GES Investment Services AB, Sweden	www.ges-invest.com
Jantzi Research, Inc.	www.jantziresearch.com
KAYEMA Investment Research & Analysis, Israel	www.kayema.com
KLD Research and Analytics	www.kld.com
Pensions & Investment Research Consultants Ltd., U.K.	www.pirc.co.uk
Scoris GmbH, Germany	www.scoris.de
Sustainable Investment Research Institute (SIRIS) P/L, Australia	www.siris.com.au
Umbrella Association for Social Research Firms	
SiRi Group	www.siricompany.com
Professional Social Investment Organizations/Associations	
European Social Investment Forum (EuropSIF)	www.eurosif.org
Social Investment Forum	www.socialinvest.org
Social Investment Forum, UK	www.uksif.org/uksif
Social Investment Research Analysts Network (SIRAN)	www.siran.org
SRI in the Rockies	www.sriintherockies.com

Table 5
Continued

Fund	Web Site
<i>Other Responsible Investment Organizations</i>	
CoopAmerica	www.coopamerica.org
Council for Responsible Public Investment	www.publicinvestment.org
FairPensions (UK)	www.fairpensions.org.uk/index.htm
GoodMoney	www.goodmoney.com
Institute for Responsible Investing	www.bccccc.net/responsibleinvestment
Institutional Shareholder Services/Risk Metrics	www.issproxy.com
Interfaith Center on Corporate Responsibility	www.iccr.org
Investor Responsibility Research Center (IRRC)	(Absorbed by Risk Metrics)
Responsible Wealth	www.responsiblewealth.org
Risk Metrics (acquired original IRRC when it was Institutional Shareholder Services)	www.riskmetrics.com
Social Funds	www.socialfunds.com
Social Venture Network	www.svn.org

on companies' ESG activities. The UN's Millennium Goals, broadly adopted by civil society organizations, represent international consensus views about important social issues in the world that deserve attention from many sectors, and where business can play important roles in fostering positive change. Other initiatives, such as the networks listed by Global Action Network Net (GAN-Net)⁸, represent coalitions of different types of actors pushing for deep structural change around issues such as water resources, ethical trading, forest stewardship, and greenhouse gases, to name a few. GAN-Net itself is a community of global action network leaders working together to enhance the capacity of networks to achieve change (see Table 6).

Dialogue and intersector groups bring together actors from different sectors around specific problem areas. For example, the Ethical Trading Initiative focuses on ethical or fair trade, Corporation 2020 on corporate redesign for the 21st century, and the World Economic Forum on engaging leaders in partnerships to shape business involvement in society.

Watchdogs and Activists

Perhaps the most vociferous aspect of civil society's interest in corporate responsibility is the emergence of a vibrant and engaged set of activists and NGOs focused on ESG and related issues, such as sustainability, labor rights, and human rights. The United Nations claims that there are hundreds of thousands of NGOs in the world today. Much of the need for companies to manage their responsibilities more explicitly has arisen because of the work of activists and NGOs devoted to this topic; some are found within the social investment movement, but others operate from a highly critical civil society perspective. For example, there are numerous company-specific watchdog and campaign groups, including whole company-specific Web sites devoted to raising issues with respect to that company. (See Table 6.)

Other watchdog and activist groups focus on raising awareness of corporate actions. For example, the Corporate Accountability Project, Corporate Predators, and Corporate Watch focus on corporate behavior in general. On the other hand, organizations like Human Rights Watch and Human Rights Advocates are explicitly designed to look at human rights abuses, and Sweatshop Watch emphasizes issues related

⁸ See http://www.gan-net.net/about/examples_of_gans.html, accessed May 8, 2008.

Table 6
Sample of Multisector Networks and Dialogues and NGO Watchdogs / Activists

Institution	Web Site	Brief Description
Resource and Dialogue Groups		
Business and Human Rights Resource Center	www.business-humanrights.org/Home	Tracks and reports news covering more than 3,600 companies, 180 countries, and 150 issues of positive/negative impact on human rights
Enterprises and Social Policy Instituto Ethos	www.ethos.org.br	Resource center to share best practices and management tools that assess and improve corporate responsibility
Global Ethic Foundation	www.weltethos.org	Intercultural and interreligious foundation that seeks to cultivate a global ethic through peace and dialogue among religions
Centers, Research Institutes, and Policy/Action Groups		
Corporation 2020	www.corporation2020.org	Develops and disseminates corporate designs that embed the public interest at their core
Ethical Trading Initiative	www.ethicaltrade.org	Works to improve working conditions in the supply chain by implementing corporate codes of conduct
Global Water Partnership	www.gwpforum.org	Water management partnership for government agencies, public institutions, private companies, professional organizations, multilateral development agencies, and others committed to Dublin-Rio principles
International Centre for Trade and Sustainable Development	www.ictsd.org	Fosters dialogue about trade and sustainable development
Making Waves: The Centre for Community Enterprise	www.cedworks.com/waves.html	Builds capacity toward community economic development (CED)
The Partnership for Principle 10	www.pp10.org	Helps governments, civil society organizations, and international organizations work together on practical solutions for information, participation, and justice on environmentally sustainable decisions
Tamarack: The Social Economy	www.tamarackcommunity.ca/g3s10_M4C2.html	Advances local community building by promoting proven strategies for more effective engagements
World Economic Forum	www.weforum.org	Independent international group of more than 1,000 enterprises committed to improving the state of the world by engaging leaders in partnerships to shape global, regional, and industry agendas
World Water Council	www.worldwatercouncil.org	Promotes awareness, builds political commitment, and triggers action on critical water issues and facilitates efficient management and use of water on an environmentally sustainable basis
Youth Employment Systems	www.yesweb.org	Sponsors the YES Campaign to bring together stakeholders to develop the capacity of youth to lead employment initiatives; promotes youth employment and key development challenges; builds in-country coalitions and national strategies on youth unemployment
Multistakeholder Groups		
European Partners for the Environment	www.epe.be	A catalyst to build consensus on sustainability issues through a "systems change" approach
GAN-Net (Global Action Network Net)	www.gan-net.net	Community of GAN thought leaders, funders, and other stakeholders advancing networks of multisector partners to address sustainability

Table 6
Continued

Institution	Web Site	Brief Description
Global Knowledge Partnership	www.globalknowledge.org	Multistakeholder network promoting innovation in knowledge and communication technologies for development
World Conservation Union	www.iucn.org	Conservation network that brings together 83 states, 110 government agencies, more than 800 NGOs, and some 10,000 scientists and experts from 181 countries
World Social Forum	www.wsf2008.net	Open meeting place where social movements, networks, NGOs, and other civil society organizations opposed to neoliberalism and a world dominated by capital or imperialism convene to debate, develop proposals, share experiences, and network for effective action
<i>Sample of Corporate-Related Watchdogs, Interest Groups, and Activists</i>		
Amnesty International	www.amnesty.org	Worldwide campaign for internationally recognized human rights
Campaign for Labor Rights	www.crlabor.org/index.htm	Mobilizes grassroots support in the U.S. to promote economic and social justice and end labor rights violations globally
Child Labor Coalition	www.stopchildlabor.org	Exchanges information about child labor; provides a forum and unified voice on protecting working minors and ending child labor exploitation
China Labor Watch	www.chinalaborwatch.org	Works on improving Chinese workers' working/living conditions, defending human/labor rights, and upholding international labor/human rights standards
Clean Clothes Campaign	www.cleanclothes.org/index.htm	International campaign focused on improving working conditions in the global garment and sportswear industries and empowering workers
Corporate Accountability International (formerly Infact)	www.stopcorporateabuse.org/cms/index.cfm?group_id=1000	Wages campaigns against irresponsible, dangerous, and deceptive corporations
Corporate Accountability Project	www.corporations.org	Provides educational organizing resources to fight corporate power
Corporate Watch	www.corpwatch.org	Investigates and exposes corporate violations of human rights, environmental crimes, fraud, and corruption around the world
Global Exchange	www.globalexchange.org	International human rights organization dedicated to promoting global social, economic, and environmental justice through awareness-raising campaigns and international partnerships
Global March Against Child Labor	www.globalmarch.org	Mobilizes worldwide efforts to protect and promote the rights of children, end child labor and exploitation, and support meaningful education
Greenpeace International	www.greenpeace.org/international	Global campaigning organization that acts to change attitudes and behavior, protect and conserve the environment, and promote peace
Human Rights Advocates	www.humanrightsadvocates.org	Works with various UN human rights bodies and enhances corporate social and environmental performance in partnerships
Human Rights Watch	www.hrw.org	Protects the human rights of people around the world
International Initiative to End Child Labor	www.endchildlabor.org	Works to end exploitation of children in all forms, especially child labor and slavery

Table 6
Continued

Institution	Web Site	Brief Description
Maquila Solidarity Network	www.en.maquilasolidarity.org	Labor and women's rights organization working to improve conditions in maquiladora factories and export processing zones
Multinational Monitor	www.multinationalmonitor.org	Tracks corporate activity through its electronic newsletter, Corporate Focus
National Labor Committee	www.nlcnet.org	Supports workers' rights in the global economy
National Workrights Institute	www.workrights.org/index.html	Works to improve human rights at work in the U.S.
No Sweat Apparel	www.nosweatapparel.com	Markets "no sweat" (no sweatshop) clothing made by independent trade union members in the U.S., Canada, and the developing world
Oxfam	www.oxfam.org/en	Works to find lasting solutions to poverty and injustice
Rugmark	www.rugmark.org/home.php	Works to end illegal child labor in the carpet industry and offer educational opportunities to children in South Asia
Sweatshop Watch	www.sweatshopwatch.org	Dedicated to eliminating sweatshop conditions by raising awareness and corporate accountability
Unitrabalho	www.unitrabalho.org.br	Does research that benefits workers

to sweatshop conditions, particularly in the supply chains of multinational corporations. On the anticorruption front, Transparency International focuses its attention on country-level analyses that have implications for businesses. TI brings attention to issues of corruption that are now highlighted in global principles such as the UN Global Compact.

Journals and Magazines

Testimony to the growing presence of issues related to business in society has been the growth of attention from the academic and popular press. This attention is manifested in the growth of academic journals dealing with issues of business in society (see the bottom of Table 7). In the early 1990s, for example, the International Association of Business in Society (IABS) took over and reinvigorated *Business & Society*. Other journals, such as *Business and Society Review*, a more popularly oriented academic journal, and business ethics journals (e.g., *Business Ethics Quarterly* and *Journal of Business Ethics*) have grown rapidly in size and scope during the same period. Newer journals, such as *Greener Management International* and *The Journal of Corporate Citizenship*, target practitioner audiences to raise their consciousness about ESG. In addition, a number of popular press print and online magazines have evolved recently, includ-

ing *Greenbiz.com*, *Business Ethics*, *CSRWire*, and *Ethical Corporation* magazine.

Ratings and Rankings

An increasingly popular way of pressuring companies to be more responsible is through publication of ratings and rankings that compare one company's performance with respect to a given set of stakeholders, society, or nature with the performance of other companies. Ratings and rankings related to business in society have been around since *Fortune* magazine launched its Most Admired Corporations ranking in 1983, but the number of rankings has multiplied in recent years, with *Fortune* itself adding rankings on the Global Most Admired Companies and Best Companies to Work For. Other rankings and ratings (see Table 8) highlight best practices and best performance, including *The Corporate Responsibility Officer's* 100 Best Corporate Citizens, the *Times of London's* Corporate Responsibility Index, and the World's Most Respected Companies rating by PricewaterhouseCoopers and the *Financial Times*. So powerful have these rankings become that the Reputation Institute offers stakeholder surveys of companies and maintains a "list of lists" of rankings that is available only to members. Further, the Reputation Institute has documented in published research the relationship

Table 7
Selected Journals and Magazines with a Focus on Business in Society

Magazine	Web Site
Selected Popular Press and Online Corporate Responsibility Magazines	
<i>Business Respect</i>	www.mallenbaker.net/csr
<i>CSRWire</i>	www.csrwire.com
<i>The CRO (Corporate Responsibility Officer)</i>	www.thecro.com/index.php
<i>Ethical Corporation</i>	www.ethicalcorp.com
<i>EthicsWorld</i>	www.ethicsworld.org
<i>Greenbiz.com</i>	www.greenbiz.com
<i>SustainableBusiness.com</i>	www.sustainablebusiness.com
Sample Academic Journals Related to Business in Society	
<i>Business & Society</i>	www.bas.sagepub.com
<i>Business and Society Review</i>	www.blackwellpublishing.com/journal.asp?ref=0045-3609&site=1
<i>Business Ethics Quarterly</i>	www.pdcnet.org/beq.html
<i>Greener Management International</i>	www.greenleaf-publishing.com
<i>Journal of Business Ethics</i>	www.springerlink.com/content/100281/0
<i>Journal of Corporate Citizenship</i>	www.greenleaf-publishing.com
<i>Organization and Environment</i>	www.oae.sagepub.com

between corporate brand, financial results, and customer reactions to companies' reputations.⁹

State/Government-Sector Initiatives

The third sector in which initiatives related to CR have arisen is the state or government. In the U.S., the Sarbanes-Oxley Act of 2002 (SOX or Sarbox), which came about after the scandals of the early 2000s, aims at accounting reform and investor protection. Sarbox created new accountability and transparency standards for corporate boards of directors and managers, as well as for the accounting firms that audit companies. Sarbox goes considerably beyond earlier U.S. Sentencing Guidelines, which allowed a corporation to commit misdeeds as long as it had an ethics compliance program in place.¹⁰ In the United

⁹ See, e.g., Reputation Institute's research and publications page, <http://www.reputationinstitute.com/main/index.php?pg=res&box=res01>, accessed May 8, 2008, or the journal *Reputation Management*.

¹⁰ Thanks to Reviewer 3 for highlighting this point.

Table 8
Sample of Corporate Responsibility Ratings and Rankings

Rating/Ranking	Web Site
50 Best Companies for Minorities, <i>Fortune</i>	www.money.cnn.com/magazines/fortune/fortune_archive/2004/06/28/374393/index.htm
100 Best Companies for Working Mothers	www.workingmother.com
100 Best Companies to Work For, <i>Fortune</i>	www.money.cnn.com/magazines/fortune/bestcompanies/2007/full_list
100 Best Corporate Citizens (The CRO)	www.thecro.com/node/615
America's Most Admired Companies, <i>Fortune</i>	www.money.cnn.com/magazines/fortune/mostadmired/2008/full_list/index.html
The Best Global Brands, Interbrand	www.ourfishbowl.com/images/surveys/Interbrand_BGB_2007.pdf
Corporate Responsibility Index, Top 100 Companies that Count (England)	www.bitc.org.uk/news_media/cr_index_top_100.html
Hispanic Corporate 100	www.hol.hispaniconline.com/HispanicMag/2007_2/Feature-100.html
Inner City 100	www.inc.com/inner100
Top 30 Companies for Executive Women	www.nafe.com/web?service=vpape/1766
World's Most Admired Companies, <i>Fortune</i>	www.money.cnn.com/magazines/fortune/globalmostadmired/2008/top50/index.html

Kingdom, the Operating and Financial Review (OFR) initially was going to include a requirement for disclosure of ESG issues as an annual corporate disclosure requirement, but instead the U.K. Accounting Standards Board dropped the mandate and included a principles-based standard of best practice intended to help shareholders understand the major issues, including those related to ESG, facing companies in which they are investing. Further, as shown in Table 9, many countries have mandated disclosure of ESG since 2000.

Implications and Conclusions

This paper focuses on the emerging, mostly voluntary, institutional infrastructure, which pressures companies for greater accountability, responsibility, transparency, and sustainability, synthesized as greater corporate responsibility. In addition to voluntary entities, the infrastructure now includes laws that focus mainly on issues of

Table 9
Survey of Legislation Related to Corporate Responsibility / Disclosure¹

Global
Kyoto Protocol (1997): Global treaties that affect corporations include the Kyoto Protocol, which is an international treaty on climate change in which countries (excluding the U.S., which has not signed the treaty) agreed to voluntarily reduce greenhouse gas emissions. ²
OECD Anti-Bribery Convention (2000): Ratified by 35 countries, the Anti-Bribery Convention articulates measures to deter, prevent, and combat bribery of foreign officials by companies. ³
Laws in Countries Other than the U.S.
Europe
United Kingdom: Socially Responsible Investment Regulation (2000) requires pension fund managers to disclose their policies on socially responsible investment, including shareholder activism.
Belgium: Social Label Law (2003) requires annual reporting indicating how CSR is assessed in pension funds.
France: Annual reports require social and environmental impact assessment of company activities (2001) if the companies are listed on the French stock exchange. Retirement funds should rely on financial and social criteria in investment selection.
Germany: Companies need to indicate how social and environmental policies are being integrated (2001), and companies must declare whether codes are being followed or not.
The Netherlands: Multinationals must comply with OECD guidelines to obtain export credits (2002).
Norway: All enterprises need to include environmental reports in yearly balances (1999).
Sweden: All enterprises need to include environmental reports in yearly balances (1999). All 55 state-owned companies will be required to produce annual sustainability reports in conformance with GRI (by 2009).
European Commission: In a communication to the Parliament the EC required that CSR criteria be introduced in legislation of member states.
European Union: Restriction of Hazardous Substances Directive (effective 2006) restricts the use of six hazardous materials in the manufacture of electronic and electrical equipment.
REACH Legislation (2006). Industry-oriented legislation that seeks Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH), which requires companies that manufacture more than a ton of chemicals annually to register in a database administered by the EU Chemicals Agency, a new entity.
Other Nations
Japan: As of 2003, audits of listed companies are required to disclose material information on risk related to corporate viability, including financial and business risks, but extending to reputation and "conspicuous deterioration of brand image." ⁴
China: China's State-owned Asset Supervision and Administration Commission (SASAC) issued a directive urging state-owned enterprises (SOE) to embed corporate social responsibility into their practices and establish a CSR reporting system (2008).
Australia: As of 2003, a law passed in 2002 requires all investment firms to disclose how they take socially responsible investment into account.
Indonesia: As of 2007, extractive industries headquartered in Indonesia must commit to supporting social and environmental programs.
Malaysia: In 2006 the Malaysian Stock Exchange introduced requirements for all listed companies to report on corporate responsibility programs.
United States
Sarbanes-Oxley Act (2002) establishes independence of audit committees on corporate boards and corporate responsibility for financial reports, makes it unlawful for officers and directors to fraudulently influence, coerce, manipulate, or mislead auditors, forces repayment or forfeiture of bonuses and profits in the case of accounting restatements, allows the Securities and Exchange Commission (SEC) to bar people who have violated SEC regulations from holding officer and director positions, prohibits insider trades during pension fund blackout periods, establishes rules of professional responsibility for attorneys, and authorizes the SEC to establish funds for the relief of victims (Badawi & Fitzsimons, 2002).
Accounting for Intangibles: As part of the reforms that accompanied Sarbanes-Oxley, the SEC required that intangible assets and goodwill, which now represent a major portion of many firms' assets, be valued and reported immediately, rather than waiting until annual reports. ⁵
Foreign Corrupt Practices Act (1977) prohibits bribery by U.S. companies. ⁶ Along with the U.S. Sentencing Guidelines ⁷ it became a centerpiece of anticorruption and compliance-driven ethics within companies during the 1970s.
Alien Claims Tort Act of 1789 allows suits to be filed in the U.S. wherever the abuse occurs, and has recently been used to file suits on human rights violations in supply chains against companies like Liz Claiborne and Unocal. ⁸

¹ European regulations are listed in Reputation Institute In-Sights, January-February 2004. Updates are from Ethical Corporation (www.ethicalcorp.com).

² See http://unfccc.int/kyoto_protocol/items/2830.php for details about the Kyoto Protocol, viewed August 17, 2007.

³ For details, go to http://www.oecd.org/document/21/0,3343,en_2649_34859_2017813_1_1_1_1,00.html, accessed May 8, 2008.

⁴ Masahiko Kawamura, Japanese companies launch new era of CSR management in 2003. Social Development Research Group. Retrieved July 28, 2008, from <http://www.nli-research.co.jp/english/socioeconomics/2003/li030806.pdf>.

⁵ The Financial Accounting Standards Board ruling on this matter can be found at <http://www.fasb.org/st/summary/stsum142.shtml>, viewed August 17, 2007.

⁶ Details can be found at <http://www.usdoj.gov/criminal/fraud/fcpa>, viewed August 17, 2007.

⁷ Details can be found at <http://www.ussc.gov/2006guid/TABCON06.htm>; current updates are available at <http://www.ussc.gov/guidelin.htm>, viewed August 17, 2007.

⁸ For more information, go to <http://www.globalpolicy.org/intljustice/atca/atcaindx.htm>, viewed August 17, 2007.

corporate disclosure on ESG. This rapidly evolving infrastructure attempts, through peer pressure, dialogue, exemplars, activism, standard setting, ratings and rankings, and other tactics, to encourage greater transparency among corporations.

New Expectations for Companies

The emerging institutional infrastructure on CR has brought into being new rules of the game, particularly for large multinational companies. These new rules of the game go beyond maximizing shareholder wealth to encompass better corporate responsibility on environmental, social, and governance issues. Large corporations, for example, are increasingly expected to produce sustainability or triple-bottom-line reports; be more transparent about their activities; sign on and live up to different principles and standards depending on their industry; and engage with a range of stakeholders in dialogue, partnerships, and action. Lack of trust in and changing public expectations for companies have generated many of these initiatives. To the extent that companies are proactive, they are working not only to try to rationalize and standardize public expectations, but also to better meet those expectations through their active participation in some of the initiatives described, using Global Reporting Initiative's reporting framework or issuing ESG reports, and hiring consultants and using monitoring agencies to inspect their supply chain practices.

By participating in the credible institutions within the infrastructure, companies also hope to reduce the demands they are facing from multiple stakeholders (particularly critical NGOs), customers (including corporate customers), and social investors, among others. Companies can gain greater efficiencies than would be available if they tried to meet these expectations without the support provided by a credible institution. There is also, of course, the possibility that some of these activities are merely window dressing or, as NGO activists claim, "greenwashing"—that is, companies trying to look good on issues of ESG or sustainability publicly without making significant changes in their actual practices. But progressive companies actually appear to be taking these issues seriously and making real changes.

Admittedly, the proportion of companies actively engaged with this infrastructure is still rather small compared to the total population; many leaders are companies with brand reputations to protect or are otherwise highly visible and subject to pressure tactics or activism. The UN estimates that there are approximately 70,000 multinational corporations with hundreds of thousands of subsidiaries; the UN Global Compact, by far the largest corporate citizenship initiative, had some 4,300 corporate members as of mid-2008. Further, most of the attention to date has been on large companies, largely ignoring the millions of small and medium-sized enterprises.

In his book *Supercapitalism*, former U.S. Labor Secretary Robert Reich (2007) argued that it is not possible for companies to be truly responsible because of the nature of the current system. The irony, of course, is that for decades, and particularly since about the mid-1990s, companies have in fact been undertaking significant corporate social responsibility and to some extent CR (embedded in business practices) activities. This paper has argued that collectively the emerging responsibility infrastructure, drawing from changing public expectations and by creating significant new sources of pressure, has generated new corporate attention to accountability and responsibility through a wide range of pressure tactics aimed explicitly at business practices. Although not all companies are yet engaged at a high level, certainly today many companies place significantly more emphasis on responsible practice than they used to because they recognize that they are operating under the watchful eye of activists, investors who care about issues beyond wealth maximization, the media that undertake rating schemes, and their peers who provide positive exemplars.

In one sense, the infrastructure represents a new and emerging set of countervailing forces (Derber, 2002) and societal expectations—new institutions—different from those embedded in the free market ideology and neoclassical economics logic that have been so pervasive since the early 1980s. The institutions in the CR infrastructure—and the people behind them—bring values that go beyond the economic to bear on corporate

performance, values embedded in responsible practices, ecological and social sustainability, transparency, and accountability. CR institutions, through mechanisms that either tap the existing system (e.g., social investment, ratings and rankings, peer pressure) or critique the current system (e.g., activism, setting higher standards, creating accountability mechanisms) draw management attention to values that go beyond wealth maximization. They are changing the system by creating different—and higher—expectations around corporate practices and performance.

One of the reasons companies voluntarily join dialogue or engagement initiatives is presumably to forestall further legislation by acting proactively. Another reason, of course, is to build trust with their stakeholders, which has become increasingly important as more company value has migrated to intangibles such as relationships with stakeholders. Another is to have some say over what kinds of expectations stakeholders can reasonably put forward by engaging more directly with stakeholders in various forums.

The Future of Corporate Responsibility

A major issue facing this emerging infrastructure is that there are now many standards, many types of certification and monitoring programs, many accrediting agencies, numerous conferences generated by the dialogue groups and associations, and many entities able to put their expectations about corporate behaviors and practices in front of corporations. The result of this proliferation is a degree of confusion and some need for consolidation. Further, the growing importance of the so-called BRIC nations (Brazil, Russia, India, and China), countries that have very different ideologies, cultures, and related economic traditions (Lodge & Vogel, 1987), suggests that the Western model of CR embedded in most of the institutions described here may not work for the entire planet.

What are the implications of these dynamics and this new infrastructure around corporate responsibility? Given the proliferation, it is likely that some consolidation of initiatives will occur, with a few dominant players emerging within each category so that companies are not subjected to a sort of principles- or expectation-mania that asks

them to adhere to multiple, sometimes incongruent, standards and expectations. Thus, we could expect a few prominent entities to merge with others or to collaborate so that there is consistency across different institutions. We already see the outlines of this trend. For example, the UN Global Compact, which bills itself as the world's largest corporate citizenship initiative, is collaborating with entities including the Global Reporting Initiative, SAI, numerous business and civil society associations, and NGOs.¹¹ The GRI, in turn, lists numerous supporting organizations, including entities such as the World Economic Forum, the World Business Council for Sustainable Development, and Instituto Ethos in Brazil.¹² There are even early conversations about more radical system change that would redesign the corporation and its relationship to society entirely. One of these initiatives is Corporation 2020, which argues for corporate redesign to better meet 21st-century needs. Another is the Business Alliance for Local Living Economies, which advocates more "locality" in product development and consumption. Further, how CR might play out in the developing world is still unclear, although one interesting observation is that China was by far the most well-represented nation at the 2007 International Leaders Summit of the UN Global Compact because of its apparent interest in improving its CR and sustainability reputation through active engagement with the UNGC and its principles. Despite the ecological devastation and economic tribulations, including major abuses within the supply chains of large multinational corporations, that accompany the rapid growth of the emerging nations, there is some reason to believe that the fundamental philosophies of some emerging nations are quite consistent with the holistic perspective on society, stakeholders, and nature taken by the CR movement and institutions within the infrastructure described above.

One writer familiar with Buddhist principles suggests that there are strong links between the holistic

¹¹ Information can be found at the UN Global Compact's Web site, www.unglobalcompact.org, accessed May 8, 2008.

¹² See the GRI Web site, <http://www.globalreporting.org/CurrentPriorities/UNGC/WholsInvolved.htm>, viewed May 8, 2008.

ways of viewing the world embedded in Buddhism and those associated with sustainability and other aspects of CR (Welford, 2006), and also that governance issues may be considerably different in Asian nations than they are in Western countries (Welford, 2007). Alexander (2006) similarly suggests that the spiritual traditions associated with China's Taoism harbor a significantly greater respect for the earth than many Western traditions. Given these views, as Asian nations such as India and China gain greater dominance in the world of CR, it is possible that there will be constructive and positive influences on the institutions in the emerging infrastructure that foster holistic and ecocentric as well as societal perspectives on the roles of business in society. Indeed, that more holistic approach may be exactly what is needed if the goal of sustainability—ecological, societal, and organizational—is to be achieved.

Whatever the future, it is clear that the corporate responsibility infrastructure that has emerged to date has put enough pressure on multinational companies that many are responding. That response signals potential fundamental shifts in the rules of the game that companies abide by, which is the essence of the institutionalization process at the heart of social movements. As the highly skeptical *Economist* put it in January 2008, even for those who do not agree that corporate responsibility is important, "in practice, few companies can now afford to ignore it" (Franklin, 2008, p. 3).

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