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Clean, green, and not so mean: Can business save the world?

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Clean, Green, and Not So Mean
Can Business Save the World?

2010 BRASS Program Planning Committee

2010 BRASS Program Planning Committee members are Andy Spackman, chair, Brigham Young University; Celia Ross, University of Michigan; Christy Donaldson, Utah Valley University; Louise Feldman, Colorado State University; Patrick Griffis, University of Nevada-Las Vegas; Elizabeth Stephan, Western Washington University; Laurie Bridges, Oregon State University; Baseema Krkoska, Cornell University; Tony Lin, University of California-Irvine; and Mark Siciliano, University of Alabama.

No matter how you define it, corporate social responsibility (CSR) is a hot topic. From community investing to business ethics to environmental sustainability and beyond, proponents of CSR view the business landscape through a lens that focuses less on profitability and more on the greater good.

This article will provide an overview of the 2010 Business Reference and Services Section (BRASS) Program at the 2010 ALA Annual Conference in Washington, D.C. titled “Clean, Green, and Not So Mean: Can Business Help Save the World?” and present a brief orientation to several of the subtopics that fall under the CSR umbrella. A video recording of the program will soon be available on the BRASS website (www.ala.org/rusa/brass). If you are interested in BRASS or want more information about joining BRASS, please contact the committee chair, Andy Spackman.

CONFERENCE PROGRAM SUMMARY

“Doing well by doing good” is the business world’s new mantra. Concepts of CSR, green business, social entrepreneurship, and peace through commerce have become a focus of research and are inspiring the next generation of businesspeople. The 2010 BRASS Program gave attendees an expert’s view of certain niches within the broader realm of ethical or socially responsible business practices.

Michael Matos, business and economics librarian at American University Library, spoke first. He described sources for corporate social responsibility indexes and rankings and illustrated the complexities of evaluating sources in this developing field, using BP as an example. BP, until recently, was ranked as one of Fortune’s 10 Most “Accountable” Big Companies, but since the Gulf of Mexico oil spill, has been delisted from the Dow Jones Sustainability Index.¹

The next speaker was Lisa Hall, the executive vice president and chief lending officer of the Calvert Foundation (www.calvertfoundation.org). Hall previously worked for Fannie Mae and as a senior policy advisor at the National Economic Council during the Clinton Administration. She holds a BS in Economics from the University of Pennsylvania and an MBA from Harvard University.

Hall explained Calvert Foundation’s pioneering role in the field of community (or “impact”) investing, which delivers both social and financial returns. Calvert’s model allows investors to align their money with their values, while using the tools of financial markets to make capital available to social mission organizations. Investors purchase Calvert’s notes, selecting a term and rate of return, and Calvert, with more than
$500 million under management, makes capital available to organizations that provide affordable housing, microfinance, job creation, and community development around the world.

David Deal, the third speaker, is chief executive officer and founder of Community IT Innovators (CITI), a DC-based, employee-owned company committed to helping social mission organizations effectively use green technology (www.citidc.com). CITI combines expert IT, web, and data services, and consulting with a genuine commitment to make the world a better place.

Deal shared the story of CITI and his own story as a social entrepreneur. He defines social entrepreneurship as business resourcefulness plus serving a purpose greater than profit. CITI’s employees are dedicated to its mission of sustainability, including financial, social, and environmental sustainability. It’s in the meeting of sustainability, entrepreneurship, and a culture of service that Deal sees potential for a positive answer to the question, can business help save the world?

The final speaker, Timothy L. Fort, is executive director of the Institute for Corporate Responsibility and Lindner-Gambal Professor of Business Ethics at George Washington University Business School. He holds BA and MA from the University of Notre Dame and both a JD and PhD from Northwestern University. He is a pioneer in “peace through commerce” and has published four books and dozens of articles on the topic.

The concept of peace through commerce begins with the premise that violent conflict has a negative impact on most industries, and societies that engage in trade with one another have incentives to resolve conflicts through nonviolent means. Peace through commerce extends to the idea that peace can be fostered through ethical business activity. In The Role of Business in Fostering Peaceful Societies (Cambridge, 2004) Timothy Fort and Cindy Schipani show that the level of corruption in countries correlates with the propensity to resolve conflicts with violence. While business benefits from the stability peace brings, Fort goes farther in Business, Integrity, and Peace (Cambridge, 2007), arguing that businesses also have an ethical imperative to foster peace. Much of Fort’s work, as did his presentation at Annual Conference, focuses on how business can foster peace through legal, economic, and moral approaches.

While a single program at a single conference cannot possibly cover every aspect of ethical or socially responsible business, these speakers shared their passion with attendees, giving a positive outlook on the question, can business help save the world?

CORPORATE GOVERNANCE

When defining corporate social responsibility, an essential building block is “corporate governance.” The concept of governance has been in existence since there have been corporations, but the phrase itself did not show up in financial literature until the latter part of the twentieth century.

Corporate governance is a series of checks and balances that ensure the “long-term, sustainable value of the firm.” It also is “the determination of the broad uses to which organizational resources will be deployed and the resolution of conflicts among the myriad participants in organizations.” It takes account of all the interests that affect the viability, competence, and moral character of an enterprise.

Corporate governance is a set of policies that limit and direct individual actions in pursuit of the corporation’s welfare and survival. The key players in creating and implementing corporate governance policies are the board of directors, the shareholders, and the corporate executives. These key players form a checks-and-balances system to oversee the operation of the company. The board of directors does not manage the company; it is responsible for monitoring corporate performance and senior management. The shareholders own the company and expect economic gains in return for their financial risks. Executives are responsible for implementing specific strategies that dictate the overall performance of the firm.

Corporate governance examines the connection between these key players to the corporation and to one another.

Many aspects of corporate governance only gained prominence in the last decade. In response to high-level mismanagement from companies such as Tyco, Enron, Adelphia, and WorldCom, the U.S. government realized the need to pass legislation that would prevent other companies from engaging in similar financial practices that could threaten the global economy. Five of the largest corporate bankruptcies of the early 2000s erased more than $460 billion in shareholder value. On July 30, 2002, President George W. Bush signed into law the Sarbanes-Oxley Act of 2002. This mandated, among other things, increased accuracy and transparency of the financial reporting and auditing of publicly traded companies. Highlights included having a majority of independent directors, the creation of an audit committee entirely composed of outside directors, and the creation of a compensation committee entirely composed of outside directors.

Current legislation includes the Restoring American Financial Stability Act of 2010. The majority of the bill aims to tighten regulation of the financial industry, but it also includes measures that expose the actions of upper-level executives. Items on the bill that have corporate-governance implications include requiring a company to disclose the relationship between company performance and executive compensation and gaining shareholder approval for executive compensation.

The nineteenth century legal concept of the corporation is inadequate today. In response to the changing concept of the organization, corporate governance has to constantly evolve. Previously it was viewed as a way to monitor the fiduciary responsibilities of management and the protection of shareholder rights. Today, it also encompasses how corporate decisions affect both employees and the larger community. This current view is further evolving into a transparent moral- and value-based system that promotes disclosure of nonfinancial initiatives. This updated era of corporate governance aligns itself with the corporate social responsibility movement by...
emphasizing “corporate ethics, accountability, disclosure and reporting.”

CORPORATE GIVING

Corporate giving, charitable contributions, philanthropic giving, and corporate altruism are just a few of the terms that describe a company financially contributing to an issue or cause expecting nothing, or little, in return. Corporate giving is one of the philanthropic opportunities that a corporation can engage in to promote their social responsibility program. It is an endeavor recognizable by both corporate insiders and the public. Recipients of corporate giving include humanitarian relief efforts, educational programs, and environmental and animal protection programs.

Opponents argue that corporate giving is a drain on shareholder wealth and these contributions are essentially funds that are being stolen from the shareholders of the company. Funds should either be put back into the business or distributed among the shareholders. During times of economic hardships, executives will have a hard time rationalizing why funds that they could put into research and development are going to philanthropy.

Proponents of corporate philanthropy see this as a company’s way of giving back to the community. “Firms, as members of society, have a responsibility to utilize their resources in a manner that will improve the common good.” Corporate giving programs are innovative because they create new marketing opportunities and promote a company’s goodwill. It is a form of public relations that can be used to promote a firm’s image through cause-related marketing. Corporations with higher levels of giving activity have better public reputations.

SOCIALLY RESPONSIBLE INVESTING

Corporate citizenship has become a growing area of importance to investors over the past sixty years. Defined as “the integration of environmental, social and governance standards into investment analysis,” socially responsible investing (SRI) is “already widespread in Europe” and is expected “to gain favor in the United States among professional money managers.” This is apparent by the development of the SRI concept and the ranking lists that evaluate companies by a set of environmental, social, and governance criteria. The first investment index to measure performance of a broad group of socially responsible stocks in the U.S. was the Domini 400 Social Index launched in 1990. It was renamed the FTSE KLD 400 Social Index in July 2009 and remains a widely recognized benchmark for measuring the impact of social and environmental screening on investment portfolios. Other SRI-based indexes were soon to follow. The Dow Jones Sustainability Indexes, launched in 1999, track the financial performance of the leading sustainability-driven companies worldwide. The FTSE4Good Index, launched in 2001, measures the performance of companies that meet globally recognized corporate responsibility standards in order to facilitate investment in those companies. KLD Research and Analytics, producer of the FTSE KLD 400 Social Index, provides information for the production of an annual 100 Best Corporate Citizens List. This list, first published in 1999 in Business Ethics Magazine and currently managed by Corporate Responsibility Magazine, has been recognized by PR Week as one of America’s top three most-important business rankings.

Indexes and ratings are having an impact on the reporting of publicly traded corporations to investors. Advocates of SRI “point to the fact that progress reports on environmental sustainability have become standard among many of the nation’s biggest corporations as climate and energy issues have gained prominence.” These reports, commonly found alongside company annual reports, have evolved to address a wide spectrum of environmental, social, and governance criteria. The impact of socially responsible investing can also be observed numerically: roughly 11 percent of assets under professional management in the U.S. involved in SRI as well as with SRI investment growth rates of 18 percent relative to a less than 3 percent average growth rate of all professionally managed investments. The appeal of SRI is projected to continue despite skepticism on the soundness of socially responsible investing index screening methods and the financial performance of socially responsible investments compared to more conventional investments.

SUSTAINABLE AND GREEN BUSINESS

Sustainable business finds a balance between meeting the strategic goals of the company (serving stakeholders, making a profit, etc.) and respecting and understanding the social and environmental impact of the company’s actions. Sustainability relates to both the external impact of a company as well as its internal operations. How a company treats its employees is just as important as its carbon footprint. Companies have become more aware of the interconnectedness of their activities and the manmade and natural world surrounding them. For example, consumer demand and the sales of green or organic goods rose from 2006 to 2008 by 24 percent, and companies are responding to this by not only creating more environmentally friendly products but advertising and marketing both their products and their sustainability efforts.

The American Marketing Association (AMA) defines marketing as “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for the customers, clients, partners, and society at large.” While satisfying consumer desires was the original intention of marketing, as sustainability became more important to consumers, companies and organizations began to respond. Societal marketing, a concept developed in the 1960s, meant that companies were still meeting the needs and desires of the consumer, but doing so in a way that did not damage society. As public awareness of environmental issues continued to grow, the concept of societal marketing evolved...
into green or sustainable marketing. Sustainable marketing means meeting the AMA’s definition of marketing in a way that meets both the organizational goals and customers needs while preserving, benefiting, and replenishing both society and the environment.

Sustainable business also relates to the internal operations of an organization, and some organizations have done this by focusing on green information technology (IT). Green IT involves reviewing an organization’s IT policies and use to find ways to reduce consumption; this is partially accomplished by changing organizational culture and behavior and includes upgrading servers, networks, and other IT components to energy-efficient models while finding ways to recycle the older components. In 2009, the VP of Symantec Corp said that IT has become a “driving force in implementing green initiatives” because it can both save money and help an organization be more environmentally responsible. An example of Green IT in motion is Community IT Innovators (CITI). CITI (www.citi.org) helps organizations reduce their carbon footprint by reviewing their energy use and making recommendations on the basis of an organization’s use of electricity, paper, and equipment. Measuring an organization’s social and environmental impact can be difficult and at times nothing short of subjective. Some ratings are done by professional or third-party organizations and are important in socially responsible investing, as previously discussed.

SOCIAL ENTREPRENEURSHIP

Social Entrepreneurship is businesses, for-profit or nonprofit, that strive to sustainably contribute to society and enact positive social change using entrepreneurial principles. These businesses blur the lines of the public, private, and social sectors because they are a blend of all three. According to PBS’ The New Heroes, “A social entrepreneur identifies and solves social problems on a large scale . . . seizing opportunities others miss in order to improve systems, invent and disseminate new approaches and advance sustainable solutions that create social value.” Examples of social entrepreneurship enterprises include Kiva (www.kiva.org), which provides an online platform for individuals to contribute micro-loans to entrepreneurs in developing countries, and Civic Ventures (www.civicventures.org), which engages baby boomers as a work force to solve serious social problems. Bill Drayton, founder of Ashoka: Innovators for the Public, an organization that supports global social entrepreneurs, has been at the forefront of this recent movement, but social entrepreneurship has been around for decades and has included individuals such as Florence Nightingale, Maria Montessori, and John Muir.

The attention paid to social entrepreneurship in recent years is due to numerous factors, including an increase in private companies providing educational and social services to the government and corporate scandals that have led to an increased interest and attention to business ethics. The U.S. government is recognizing that social entrepreneurs help fill the void of “market failures.” The Small Business Administration, in their 2007 report to the president, devoted an entire chapter to social entrepreneurship and, most recently, in early 2010 the Obama Administration created the Office of Social Innovation and Civic Participation.

Besides attention from the federal government, there has been an explosion in the number of organizations, educational programs, and resources supporting this field. In 2008, PBS and their news program Frontline presented a series of films on social entrepreneurship and offered a grant opportunity to public and academic libraries to showcase these films and support discussions to engage communities in the idea of social entrepreneurship. Furthermore, universities are offering programs in social entrepreneurship, such as the Global Social Sustainable Enterprise Program (GSSE) at Colorado State University and the Social Enterprise Program at Columbia Business School. Publications are also springing up that specifically address this business area, including the Stanford Social Innovation Review and MIT’s Innovations: Technology, Governance, Globalization.

Organizations that support the work of social entrepreneurs are Ashoka: Innovators for the Public, the Schwab Foundation for Social Entrepreneurship, the Skoll Foundation, and Change.org, to name a few. This field should continue to grow as ventures help address social issues using entrepreneurial techniques.

FAIR TRADE, DEVELOPMENT, AND HUMAN RIGHTS

The conversation about human rights and work has been ongoing since 1948, when the United Nations adopted the Universal Declaration of Human Rights, but “fair trade” has only recently emerged from a complex antiglobalization movement into a mainstream business concept that is beginning to garner the attention of transnational corporations.

The Universal Declaration of Human Rights contains a preamble and thirty articles. Article 23 relates directly to human rights and work:

(1) Everyone has the right to work, to free choice of employment, to just and favorable conditions of work and to protection against unemployment. (2) Everyone, without any discrimination, has the right to equal pay for equal work. (3) Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection. (4) Everyone has the right to form and to join trade unions for the protections of his interests. The adoption of the Declaration by the General Assembly of the United Nations was a landmark in the fight for human rights; in particular as it relates to work. Fair trade is a more recent development in the human rights discussion. It is a
method of international exchange aimed at improving the conditions and reducing the extreme poverty of workers in developing countries by ensuring a fair price for products and labor. Although referred to as “alternative trade,” fair trade began gaining momentum with the first fair trade–labeled coffee, Max Havelaar, in the Netherlands in 1988. Although the term “fair trade” is used in the labeling of consumer goods, there is not a standard definition for fair trade. Within the past several years there has been some debate and controversy between fair trade labeling organizations and larger companies, such as Nestlé. In 2003, Nestlé suggested it was going to market Nestlé fair trade coffee; in response, the Fairtrade Labelling Organizations International (FLO) issued a press release stating all fair trade coffee must carry FLO certification. FLO was created to serve as an umbrella organization to oversee certification groups like Max Havelaar and Transfair. However, because of the limited number of certification groups and because of competing interests, many companies are moving forward with fair trade products but not obtaining any type of official certification. Long considered a niche market, the demand for fair trade is slowly growing, and large transnational corporations are beginning to bring fair trade products to mainstream markets.

There are numerous online resources for fair trade information including the certification organization TransFair USA, http://transfairusa.org; the Fair Trade Institute’s searchable collection of fair trade academic publications, www.fairtrade-institute.org; and the Fair Trade Federation, which has a searchable index of retail establishments in the U.S. specializing in fair trade products, www.fairtradefederation.org.

MICROFINANCE

In the United States, access to credit through credit cards, car loans, and home mortgages makes it easier to purchase big-ticket items such as cars or homes, allowing consumers to pay off debt over time. However, in many other countries, access to credit is difficult for individuals with few resources. It is estimated that in the poorest countries, only 5 percent of the population has access to bank loans. Furthermore, roughly 4 billion people in the world live on less than $2 a day with little to no collateral to secure their loans. With such high levels of widespread poverty throughout the world, many people can only dream of owning a home, buying a car, or starting their own business. Microfinance and microcredit provide a funding solution for those with little to no resources. Microfinance is defined by some as financial services for the poor and low-income clients. Microloans are very small loans of $20 to $100, which allow individuals with few resources, access to credit that would otherwise be inaccessible. For the entrepreneur barely making ends meet, microloans allow individuals to start their own small businesses and provide capital to sustain the businesses operations.

Although access to credit is commonplace in the United States, microloans provide an extra funding resource to small businesses in this country as well. According to the Center for Financial Services Innovation Consumer Study in 2008, microfinance and microcredit filled the gap for those U.S.-based individuals and businesses that were unable to access traditional banking institutions because of poor credit rating, no banking history, or no collateral. Roughly one-third of the U.S. population falls under the unbanked or underbanked category. According to the Center for Financial Services Innovation, underbanked is defined as “may have current checking account and/or current savings account if individual made one or more non-bank financial transactions in the past 30 days.” Unbanked is defined as “no current checking account and no current savings account.” We use the word underbanked to include un- and underbanked.

Since the cost of living is much higher in the U.S. compared to many other countries, the microloan amounts are higher and typically range from $500 to $50,000.

Microfinance allows businesses and individual access to financial resources typically reserved for larger businesses that can provide sustainability and future success for small business worldwide.

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FROM COMMITTEES OF RUSA

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