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The Four Faces of Corporate Citizenship

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Some observers call it corporate social responsibility (CSR). Others refer to it as corporate ethics. More recently, businesses' social performance has been framed as "corporate citizenship." But, what does corporate citizenship *really* mean? What is business expected to *be* or to *do* to be considered a good corporate citizen? Is corporate citizenship compatible with or hostile to corporate growth and profits?

A significant boost to corporate citizenship initiatives was given in 1996 when President Clinton called to Washington a group of leading business people to discuss the notion of corporate citizenship and social responsibility. At this conference, President Clinton exhorted the business leaders to "do well" by their employees as they make money for their shareholders. He and then–Labor Secretary Robert Reich announced the newly created Ron Brown Corporate Citizenship Award, named for the late commerce secretary who died in 1996 along with a group of business executives on a trade mission to Bosnia. The award was to honor American companies each year deemed to best exemplify efforts to support its workers.

President Clinton's five criteria for the Ron Brown Award for "good corporate citizenship" boiled down to companies exhibiting the following practices: "family-friendly" policies, such as allowing family leave; good health and pension benefits; a safe workplace; training and advancement opportunities; and policies that avoid layoffs. In 1998, the 1997 winners were announced: IBM Corporation, for its diversity programs, and Levi Strauss & Co., for its antiracism initiative "Project Change."[1] One could not argue with these criteria nor these winners; however, one cannot help but note that the criteria all involve the relationship between companies and their employees, with no mention being made of shareholders, consumers, the community in which the business is located, or other important stakeholders. Surely corporate citizenship extends beyond relationships between companies and their employees and includes the business responding to and interacting with these other vital stakeholders.

Decades of studying businesses' corporate social performance, their activities that extend beyond profit-making, and their contributions to the community lead one to conclude that corporate citizenship is real—it is *expected* of business by the public, and it is *manifested* by many excellent companies. Further, corporate citizenship addresses the relationship between companies and all their important stakeholders, not just employees.

The full gamut of corporate citizenship includes its four faces. Each "face," aspect, or responsibility reveals an important facet that contributes to the whole. Just as private citizens are expected to fulfill these responsibilities, companies are as well. Corporate citizenship has an economic face, a legal face, an ethical face, and a philanthropic face.[2] Stated differently, good corporate citizens are expected to:

- Be profitable (carry their own weight or fulfill their economic responsibilities).
- Obey the law (fulfill their legal responsibilities).

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- Engage in ethical behavior (be responsive to their ethical responsibilities).
- Give back through philanthropy (engage in corporate contributions).

ECONOMICS: GOOD CORPORATE CITIZENS ARE PROFITABLE

In the early years of this century, President Theodore Roosevelt said that "the first requisite of a good citizen is that he [or she] be able and willing to pull his [or her] own weight." With respect to corporations, this translates into the economic responsibility of profit-making. Profit-making is not antithetical to good corporate citizenship. Indeed, it is *required* of good citizenship. Just as private individuals are expected to work and earn an income as part of participating in society and being good citizens, business organizations are expected to generate income sufficient to pay their bills and reward their investors.

Good corporate citizens earn enough money that their investors receive a strong return on their investments and that other stakeholders are assured of the continuity of the business and the flow of products, services, jobs, and other benefits provided by the company. President Clinton highlighted the importance of profits when he stated in a speech on corporate responsibility: "The most fundamental responsibility of any business in a free-enterprise system is to make a profit. . . ."[3] Like many others, the president went on to say that there are other responsibilities as well.

President Clinton's statement was reminiscent of that made by the renowned economist Milton Friedmann, when he asserted over three decades ago that management is "to make as much money as possible. . . ."[4] Unfortunately, the concluding part of Friedmann's quote is often dropped in the repeating of it. The rest of his quote was ". . . while conforming to the basic rules of society, both those embodied in the law and those embodied in ethical customs."[5] When these words are appended, it appears that Friedmann does see a role—or responsibility—for business that extends beyond profit-making.

It is clear from public opinion today that businesses are expected to make money, but also to go "beyond the bottom line." A recent *Business Week*/Harris Poll revealed that 95% of Americans surveyed thought U.S. corporations owe something to their workers and communities and that they should sometimes sacrifice some profit "for the sake of making things better for their workers and communities."[6] Profits, therefore, are a *sine qua non* of effective corporate citizenship.

THE LAW: SOCIETY'S CODIFIED ETHICS

Good corporate citizens, like private individuals, are also expected to obey the law. One way of thinking about the law is to perceive it as codified ethics. If business ethics is about what is right, good, and just in the commercial realm, law is designed by our lawmakers to manifest these standards in terms of businesses' performance. Of particular concern to businesses wishing to be good corporate citizens are laws that are designed to govern their relationships with key stakeholders such as consumers, employees, the community, and the natural environment. Congress and the states promulgate laws to establish the basic ground rules for the game of business. If businesses wish to be regarded and admired as good corporate citizens, they abide by these laws and integrate legal compliance into their corporate strategies and operational management.

To be sure, government regulation of business is a controversial subject. Much has been written and will be written regarding businesses' challenge in fulfilling the expectations of governmental stakeholders who are the agents of the public in promulgating and enforcing standards of behavior in various business realms. This topic gets even more heated when U.S. firms think about the degree of regulations they experience vis-à-vis world competitors. In today's global marketplace, competition is fierce and businesses often perceive regulations as unfair burdens that hinder rather than help. A widely held view on this subject is that government regulations were implemented in commercial realms where the marketplace failed to ensure fair competition (Microsoft Corporation would have something to say about this), safe and pure products, fair and equitable work arrangements, and an unharmed environment. In other words, government regulations were created to bring about social benefits that individuals and companies, each acting in their own self-interest, did not seem able to generate.

Laws frequently emerge when a significant need for them is perceived. For example, in the mid-1970s, the U.S. experienced a blaze of scandal when disclosures of bribes rocked big-name companies such as Lockheed, Exxon, and Mobil and toppled government leaders from Italy to Japan. One direct outgrowth of these scandals was the passage by Congress of the 1977 Foreign Corrupt Practices Act, still regarded today as the world's toughest law against foreign bribes. Many observers regarded Americans as naïve in the ways of world markets when this law was passed. And for two decades American businesses have complained about the law but begrudgingly followed it.[7]

Attempting to be good "world" citizens, U.S. officials approached the Organization for Economic Cooperation and Development (OECD) in the late-1980s, attempting to lobby for a multinational ban on bribery. Again, the officials were rebuffed as naïve Americans who really did not understand how things worked in the rest of the world. By 1995, however, momentum started to change as more countries and companies got on the bandwagon, realizing that some kind of international ban on bribes was desperately needed.

By the fall of 1997, countries around the world were about to follow the U.S.'s lead and adopt tough laws of their own to crack down on companies that bribe to win foreign contracts. Work is now underway to draft an anti-bribery treaty for the twenty-nine nations of the OECD who expect to have national laws effected in member countries by the end of 1998. In addition to the member nations, five other countries —Argentina, Brazil, Chile, Bulgaria, and Slovakia—have signed off on the deal. Under the agreement, the countries will propose laws to their parliaments to combat bribery, which has given certain corporations an unfair advantage in global markets.[8]

In fulfilling its legal obligations by aspiring to follow the Foreign Corrupt Practices Act, the U.S. finds itself in a leadership role in spearheading an international agreement that will help shape a new vision of corporate citizenship at a global level. The legal face of corporate citizenship in the U.S., therefore, has served as a springboard for initiatives leading to the codification of a bribery ban that has the potential to spread all over the world.

GOING BEYOND THE LAW: ETHICS AND MORAL MANAGEMENT

Questions about society's morality are being raised by many people today and apply not only to the business community, but to other societal sectors as well—government, education, health care, and so on. Philosopher Christina Hoff Summers, also a fellow at the American Enterprise Institute, recently posed the question, "Are we living in a moral stone age?" Sommers goes on to argue that many citizens today, especially youth, suffer from conceptual moral chaos, a kind of moral confusion that has resulted in the country losing its bearings on so many issues. Sommers is concerned that we have lost a sense of the standards of ethical ideals that all civilizations worthy of the name have discovered.[9] Her concern is with society at large. Our attention here, however, is devoted to business enterprises that are embedded in this larger society.

Businesses wishing to be regarded as exemplary corporate citizens not only carry their own weight by being economically successful and function in compliance with law, but they also strive to operate in an ethical fashion. Complying with the law means operating at a minimum level of acceptable conduct. It has often been said that the law is at the floor level of acceptable behavior. The upright corporate citizen must go beyond mere compliance with the law.

There are several reasons for this. First, laws and regulations frequently reflect "minimums" that our lawmakers can agree upon in the give-and-take of political maneuvering. Therefore, the laws may not be at a level or standard that is truly needed to protect various stakeholder groups. Related to this, laws are often not kept up to date; that is, they may not reflect the latest thinking, norms, or research that indicates the level or standard at which business should be operating to protect stakeholders.

Another reason law may be inadequate is that the law may not address all the social issues that need to be addressed. Quite often today, topics or issues arise for which a law or legal standard does not effectively address the problem. We have seen this in the debate over human cloning and genetic engineering. In these kinds of situations, sound ethics are needed because laws may not be yet passed to reflect society's thinking on the issue for some years to come. Laws, in other words, may lag behind ethical thinking. Other arenas in which this may be true today include the question of what constitutes protection of privacy rights in a networked world (who owns your e-mail messages?) and in health care, where technological advances are outpacing our ability to think through their ramifications.

Business ethics is concerned with the distinctions between corporate behavior that is good versus bad, fair versus unfair, or just versus unjust. Business ethics is concerned both with developing codes, concepts, and practices of acceptable business behavior and with carrying out these practices in all business dealings with its various stakeholders. Thus, two vital aspects of business ethics are "knowing ethics" and "doing ethics."

For many, ethical behavior is synonymous with moral behavior while discussing the business context. Therefore, an ethical manager is a moral manager. Managers need sound business ethics not only because it will best serve their own interests and the interests of their organizations, but also because they are role models for many subordinates and peers who are constantly watching them for cues as to what is considered acceptable or unacceptable behavior. Joseph L. Badaracco, a business ethics professor at the Harvard Business School, made this point emphatically in his recent book *Defining Moments* (1997) when he observed that "managers are the ethics teachers of their organizations."[10] He went on to say that this is true whether they themselves are saints or sinners or whether they intend to teach or not: "It simply comes with the territory. Actions send signals, and omissions send signals." In other words, conscientious managers are concerned about how their decisions and actions "reveal, test, and shape the character of their companies."[11]

Two key branches of moral philosophy with which managers must attend are descriptive ethics and normative ethics. Good corporate citizens will be able to differentiate between these two. Descriptive ethics is concerned with describing or characterizing the morality or behavior of people or organizations (what managers, organizations, or industries are doing). It may involve the comparing and contrasting of different moral codes, systems, practices and beliefs.[12] By contrast, normative ethics is concerned with supplying and justifying a coherent moral system. Normative ethics seeks to answer the question "what should be done?" Good corporate citizens need to be more interested in what *should* be done than what *is* being done. It is easy to fall into the trap of believing that because a practice is being done by many (bribes, kickbacks, pollution, downsizing) that it is an acceptable practice. Normative ethics would insist that a practice or policy be justified on the basis of some ethical principle, argument, or rationale before being considered acceptable. Normative ethics requires a more meaningful moral anchor than "everyone is doing it."

An aspect of ethical behavior that seems to be making a strong comeback in academic circles today relates to what is known as virtue theory. Whereas many of the great ethical principles, such as rights, justice, and utilitarianism, are more action-oriented, another ethical tradition known as *virtue ethics* merits further consideration by those concerned with corporate citizenship. This is particularly important at a time in which there is much debate over the role of character in our leaders—whether it be the president of the U.S. or the CEO of a major corporation.

Virtue ethics, rooted in the thinking of Plato and Aristotle, focuses on the individual becoming imbued with virtues (e.g., honesty, integrity, fairness, truthfulness, benevolence, and nonmalfeasance). Thus, it goes to the heart of the person or corporation. Whereas many ethical principles emphasize *doing*, virtue ethics emphasizes *being*. Obviously, the two are connected, but it is a matter of emphasis. The belief is that the virtuous citizen, whether private or corporate, will also be virtuous in his or her actions, decisions, and practices.

A concern with virtue raises the issue of character—a private citizen's character, a manager's character, a corporation's character. Virtue ethics adherents would subscribe to the bumper sticker that reads "character counts." In a period in which some journalists are arguing that character is no longer an issue, others speak out strongly in favor of good character as a key component of leadership and citizenship.

General H. Norman Schwarzkopf, who distinguished himself in Vietnam, in Grenada, and in the Gulf War as commander of Operations Desert Shield and Desert Storm, commented in his recent autobiography on the importance of ethical leadership in the twenty-first century and, in particular, of the importance of character. In this book, as in his speeches, Schwarzkopf identifies character as the most important attribute of successful leaders. He argues that the "main ingredient of good leadership is good character. This is because leadership involves conduct, and conduct is determined by values." Values, he goes on to say, make us who we are.[13]

Good corporate citizenship requires that companies and managers engage in—indeed be leaders in—strong ethical values and practices. It is unlikely that a corporation can be regarded as a good corporate citizen if it does not take the moral high road. Whether one depends on religious upbringing, corporate socialization, responsiveness to stakeholders' expectations, use of ethical principles, good character, or any other means of bringing about right and just behavior and actions, the good corporate citizen will function at a level that is at least minimally in compliance with law and, ideally, imbued with a quest to display ethical leadership in the communities in which they reside. Driscoll, Hoffman, and Petry have referred to this quest as organizations seeking to gain the ethical edge that can ensure them of a solid future.[14]

GIVING BACK: PHILANTHROPY

Philanthropy is commonly believed to be a desire to help humankind through acts of charity, whether done by private citizens, foundations, or corporations. Robert Payton, an expert on philanthropy, argues that it is defined as three related activities: voluntary service, voluntary association, and voluntary giving for public purposes. He goes on to say that it includes "acts of community to enhance the quality of life and to ensure a better future."[15] The good private or corporate citizen is imbued with this sense of charity—this sense of improving life for others while at the same time improving life for oneself.

Philanthropic giving, frequently manifested through corporate contributions, is an activity that many in the business community loosely equate with corporate citizenship. That is, good corporate citizens "give back" to the communities in which they reside or maintain offices. The late Roberto C. Goizueta, CEO of Coca-Cola Company, argued that "businesses have an obligation to give something back to the communities that support them."[16] Goizueta cited four reasons why business should give back to society: business has a stake in civil discourse; a corporate culture of incivility and intolerance thwarts the development of a company's most important asset, its people; businesses should serve as an example of how people are treated; and, because there has been a decline of the institutions that have bound communities together—the lodge, social hall, and the church —business must fill the void.[17]

There are many ways in which businesses have engaged in philanthropy in recent years and have given back to communities and other stakeholders. An excellent example of a robust corporate citizen is Chick-fil-A, the Atlanta-based fast-food giant, founded and managed by CEO S. Truett Cathy. The string of nonprofit ventures that Cathy has initiated over the years looks more like a full-fledged conglomerate than a corporate sideline: a charitable foundation, ten foster homes, a summer camp, two separate scholarship programs, and a number of one-on-one programs with children. Fueled by an ad campaign featuring cows painting billboards with the slogan "Eat Mor Chikin," Cathy's chain of 700 restaurants has seen double-digit sales increases for four straight years, which proves that a company can do good (be a good corporate citizen) and do well (be extremely profitable) at the same time.[18]

Other recent examples of corporate citizenship manifested through giving back and community involvement include the following companies, which all received 1997 Corporate Conscience Awards given by the Council on Economic Priorities in Washington, D.C.:

Kellogg Company. Kellogg has provided technical assistance and direct services to African-American men and boys in their communities.

Community Pride Food Stores. This company is dedicated to revitalizing the inner-city of Richmond, Virginia, where the company is based. Innovative services include transportation for non-mobile customers and discounts to customers who participate in community service.

Toys R Us. Working jointly with the World Federation of the Sporting Goods industry, the company received the Pioneer Awards in Global Ethics for their work in addressing the issue of child labor and fair labor practices around the world.[19]

Though corporate citizenship and philanthropy often mean writing a check or buying a table at a charity ball, for Aaron Feuerstein, owner of Malden Mills Industries, Inc., in Lawrence, Massachusetts, it meant keeping workers on the payroll for months as he rebuilt his fire-razed plant. It is little wonder that Feuerstein is one of ten corporate heroes who are in the running for the first annual Newman's Own/*George* Award for innovative and significant corporate philanthropy, founded by actor Paul Newman and John F. Kennedy, Jr.[20]

We will not entertain the question here as to whether corporations are giving back to their communities or stakeholders because it is in their own direct financial interests to do so (as in the case of strategic philanthropy or cause-related marketing) or because they genuinely care about the recipients of their philanthropy (altruism). Undoubtedly, there may be a mixture of reasons at work. Regardless of the motive, however, good corporate citizens engage in philanthropic giving and strive to make their communities and stakeholders better off.

A FINAL OBSERVATION

As a final observation, we should make it clear that the four faces of corporate citizenship are intimately related, though they are in frequent tension with one another. To be sure, it is in businesses' financial interests to comply with law, to engage in ethical behavior, and to exercise philanthropy by "giving back" to the community and stakeholders. Thus, each of these faces of corporate citizenship does not exist apart from or in isolation from the others. Each of them is but one facet of what it means to be a good corporate citizen.

When one reads the business news today about illegal or unethical corporate practices, one cannot help but wonder whether the synergy that is so much an indivisible element of these four kinds of business responsibility has been lost on the part of some business leaders. Addressing and fulfilling all four faces of corporate citizenship are vital as the business community approaches the millennium. The exemplary corporate citizen strives to magnify its profits (responsibility to self), while fulfilling its citizenship obligations to others (law, ethics, and philanthropy). These are not to be fulfilled sequentially, but simultaneously, in the quest for model corporate citizenship. When this is done by a significant portion of the business community, the stakeholder environment of the twenty-first century will flourish.

NOTES

1. "The Ron Brown Award for Corporate Leadership," *Business Week*, 2 February 1998, 118.

2. Archie B. Carroll, "Understanding Stakeholder Thinking," *Business Ethics: A European Review*, January 1997, 46–51. Also see Archie B. Carroll, "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders," *Business Horizons*, July–August, 1991, 39–48.

3. "Clinton Has Challenge for CEOs," *Atlanta Journal*, 17 May 1996, G3.

4. Milton Friedmann, "The Social Responsibility of Business Is to Increase Its Profits," *New York Times*, September 1962, 126.

5. Friedmann, 126.

6. "America, Land of the Shaken," *Business Week*, 11 March 1996, 64–65.

7. Neil King, Jr., "Momentum Builds for Corporate-Bribery Ban," *Wall Street Journal*, 23 September 1997, A16.

8. Paul J. Deveney, "Thirty Four Nations Sign Accord to End Bribery in Deals," *Wall Street Journal*, 18 December 1997, A16.

9. Christina Hoff Sommers, "Are We Living in a Moral Stone Age?" *Imprimis*, March 1998, 1–4, 8.

10. Joseph L. Badaracco, Jr., *Defining Moments: When Managers Must Choose between Right and Wrong* (Boston: Harvard Business School Press 1997), 65.

11. Badaracco, 65.

12. Richard T. DeGeorge, *Business Ethics*, Fourth Edition (Englewood Cliffs: Prentice-Hall, 1995), 20–21.

13. H. Norman Schwarzkopf, "Ethical Leadership in the 21st Century," *Imprimis*, March 1998, 5.

14. Dawn-Marie Driscoll, Michael W. Hoffman, and Edward S. Petry, *The Ethical Edge: Tales of Organizations That Have Faced Moral Crises* (New York: Mastermedia Limited, 1995).

15. Robert L. Payton, *Philanthropy: Voluntary Action for the Public Good* (New York: Macmillan, 1988), 32.

16. Quoted in Chris Roush, "Goizueta Preaches Civility in Loyola Graduation Speech," *Atlanta Journal/Atlanta Constitution*, 11 May 1997, C4.

17. Quoted in Roush, C4.

18. Russell Shaw, "Eat Mor Chikin," *Sky Magazine*, March 1997, 83–86.

19. Carsten Henningsen, "The 1997 CEP Corporate Conscience Awards," URL: http://www.dailyrocket.com/articles/sri/cep_henn.html.

20. Richard A. Melcher, "Philanthropy: Oscar, Meet George," *Business Week*, 20 April 1998, 48.