



### **AACR Fourth Roundtable Conference 2007**

“American Civic Engagement: Experiences and Expectations”

Wednesday, April 25, 2007

*Final proceedings*

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The Association of Americans for Civic Responsibility (AACR) held its Fourth Annual Roundtable Conference on Wednesday, April 25, 2007. This day-long event brought together more than 40 participants from various backgrounds representing seven states and the District of Columbia. It was hosted by the Syracuse University’s Maxwell School at the Washington D.C. campus (Greenberg House) and sponsored by Hill & Knowlton. The conference was organized as a panel discussion with interactive participation focused on three core aspects of American civic engagement, namely:

- “Corporate Responsibility: Moving Beyond the Business Case”
- “Employee Engagement”
- “Civic Engagement of American Citizens and Institutions Abroad”

In addition, Mr. Stephen Jordan, senior vice president and executive director, U.S. Chamber of Commerce – Business Civic Leadership Center, gave a keynote speech during the luncheon session, discussing BCLC’s perspective on trust-building in U.S. society.

The following is a written record of participants’ presentations and the discussions that followed each panel of presentations.

#### **MICHAEL SCHNEIDER:**

Director of the Maxwell-Washington International Relations program, Syracuse University, and a chairman of AACR’s Advisory Committee

Welcome everyone and thank you for coming here today. I would like to start with a few words about the Maxwell School, Syracuse University, where I head the Washington International Relations program based here in the Greenberg House.

Maxwell School is located in Upstate New York. It is quite a lovely region. If you haven’t been there, I urge you to go there. I went to my undergraduate school at Rochester University, which is down the road from Syracuse. And along the line in applying for colleges, I went from one school to the next. From the Rensselaer Polytechnic Institute, all the way west, I ended up in Rochester. So, it was kind of natural for me to go back to Syracuse when I joined the faculty about nine years ago. Previously, I had been in the U.S. State Department and the U.S. Information Agency, and it was time for me to do other things.

Syracuse has a long-term commitment to international engagement, to engagement in general. The new Chancellor talks about scholarship and action and she’s serious about that, encouraging faculty and students to take the concepts on campus and apply them in their work and in their careers as citizens around the world.

Syracuse University is a fairly international university with a significant number of students from abroad. We also have a high number of students from various ethnic and racial backgrounds in the United States, which to me, is one of the joys of teaching in the university. I see this in my students who come to Washington with very rich backgrounds, many of them are first generation college students. It's a blessing actually to be able to work with people who are as alive through the opportunities and the changes that are occurring in our country. So, we're a little bit of a microcosm in that respect.

The university has been in Washington D.C since 1990. The academic program has been here, the international relations program started in 1994. You know the motto of the Maxwell School, the theme is the classic Athenian oath "to leave the city state a better place than it was when you found it." The title of the Maxwell School is the Maxwell School of Citizenship and Public Affairs for good reason.

Every since its founding in the mid 20's, it was designed not only to give people skills and knowledge, to give them opportunities to network, to meet people, but also to give them values. To help them find their own values no matter what they be. To determine the paths that they want to take as citizens, global citizens, especially these days.

Our students, both graduates and undergraduates, come to Washington for a semester or a summer. They inevitably mix internships with academic courses that we teach here. The difference between teaching in Washington and teaching on campus is one of a degree, I guess you might say. We teach more from the professional policy, the institutional standpoints, the practical standpoints. We build into the academic work the practical skills that students will need when they go on to careers.

So, the international relations program has been flourishing for the past 14, 15 years at both graduate and undergraduate levels. Our students are moving into the career world. One of our best examples is Pavlina Majorosova who was a graduate student in our program several years ago.

At any rate, the Greenberg building was first constructed in 1900 by a senator from the state of Colorado. It had a checkered history. It was the residence of Joe Tumulty for a while, press chief for Franklin Roosevelt. It was, in better days, a nightclub. It was an SRO. Then came a terrible fire in 1987-88, maybe 89. Several people were killed in the fire on the 4<sup>th</sup> floor. The building was rehabbed. A furniture dealer used it as display room. The university purchased it in 1990 and opened it up as a campus here as a venue for presidents in Washington.

This neighborhood, by the way, has several other similar institutions. Stanford in Washington is right up the street. Boston University is another long block up where there are several universities housed and with programs. So, this is a good neighborhood for access to Washington physically and in many other ways.

That's my way of telling you about the building, about the program, about the university here. Just a bit about the session today and then I'd like to introduce Joy.

First of all we'd want to say thanks to Chad Tragakis and Pavlina Majorosova for helping organize this and to Hill & Knowlton for sponsoring the event. It's really wonderful to see that kind of leadership and I think it will make a difference in the long run for us.

I want to thank all of you for coming from far and wide, from many places. From Florida, New Jersey ... it's wonderful that you all came. I think it's obviously a testament to Joy Cherian's influence and impact on all of us.

I met Joy in 1967 as a freshly arrived student in graduate studies in law at Catholic University and we became fast friends, family friends thereafter. That's how many years, Joy? 40 years? Don't tell any of my students that. Everywhere Joy has gone he's been creative and been a force for betterment in his work with the American Council of Life Insurance, in his creation of South Asian and Asian American coalitions, in his creation of his company, and in the creation of American Council in Trade and Services, and now the creation of the Association of Americans for Civic Responsibility.

We're really pleased. This is a new enterprise. It's gaining some traction. It's gaining support. We're looking for ideas and one of the chief motives for this meeting is that we want to exchange ideas and information and knowledge about international and national civic responsibility. Joy can explain the concept of institutional civic responsibility better than anyone else. He's taking the idea of corporate social responsibility and he's extending it to a larger canvas with perhaps deeper and richer meanings. We'll be trying to explore those ideas today in our conversations first of all.

Secondly, we want your ideas. We want your proposals, your suggestions. We want practical ideas that you can provide for us for AACR and obviously for all of us to take back to our respective institutions.

Finally, of course, we want to build contacts. We want to build ideas for other people who we might engage. We look to you for all of this assistance. I will, in the panel that I'm chairing, talk to you a little bit more about the academic dimension: how we train people, how we can through campus life and academic approaches enhance the idea of international institutional civic responsibility.

With that, I want to introduce Joy to say a few words and then we'll get into the business of our day.

**JOY CHERIAN:**

President and founder of AACR

Good morning everyone. I'm Joy Cherian, founder and president of the Association of Americans for Civic Responsibility. Welcome to AACR's Fourth Annual Roundtable Conference.

AACR is a relatively small organization, but we have big dreams. Our mission is to bring together people from different sectors of American life who are passionate about civic responsibility. We want to share best practices, to advance ideas, and to foster an ongoing dialogue that, in a small way, will help make our wonderful country a little bit better.

America has been so good to me. Since arriving here from India roughly 40 years ago, I have been given the opportunity to get an education, to start my own business and to serve my country as an EEOC commissioner.

Now that I'm retired, AACR is my effort to give back – to say thank you to this country that has given me so much. I like to say that it's really enlightened self-interest – because when I look at my grandchildren, I realize that it's about what kind of country I'm helping to leave to them.

I encourage you to learn more about AACR by visiting our Web site or to please see me during one of the breaks today. We would love to engage with you to find ways we can support what you are doing and to share your success stories with others.

Before we get to our first panel, let me quickly say a few words of thanks. First, to my dear friend, Professor Michael Schneider, chairman of AACR's Advisory Board, thank you for all of your efforts to make today's conference a success and thanks to Syracuse University and the Maxwell School for hosting us here today. And to Chad Tragakis and Pavlina Majorosova of Hill & Knowlton, thank you for organizing and sponsoring today's event.

To start, let me introduce the moderator of our first panel. Chad Tragakis is senior vice president of the corporate practice at Hill & Knowlton, a leading global public affairs and public relations firm. Based here in Washington, Chad leads the firm's North American Corporate Responsibility Team, providing counsel in the areas of sustainability program development, issues management, CSR reporting, business ethics and corporate reputation.

Chad has worked with companies such as HP, Motorola and American Standard – and he works pro-bono for Ashoka, Darfur-Darfur and, I'm happy to say, AACR, where he currently serves on the advisory board and chairs our group's Committee on Institutional Civic Responsibility.

Chad, thank you again for helping to organize today's conference.

**1st Discussion Panel: "Corporate Responsibility: Moving Beyond the Business Case"**

**CHAD TRAGAKIS – moderator**

Senior vice president of Hill & Knowlton, Washington, D.C., and a member of AACR's Advisory Committee.

Thank you Dr. Cherian. Welcome everyone. Thank you for being here – I realize you have many responsibilities, many priorities this week – and many choices for how to spend your day. We sincerely appreciate that you have chosen to spend part of today here, with AACR. We will endeavor to make sure that you leave today's event with some new ideas, some new contacts, and with renewed inspiration.

Today's conference comes on the heels of National Volunteer Week, and I know that many of the companies and organizations represented here today were active participants in that effort. This marks the second time AACR has held its annual conference in conjunction with National Volunteer Week, and it is in that spirit that we gather today to talk about not only employee volunteering, but about all the facets of Corporate Responsibility – from business ethics & governance, to environmental stewardship, to product responsibility, to employee engagement, to diversity, to philanthropy, among many other things.

The 2007 AACR conference also coincides with the 40th anniversary of the publication of Clarence Walton's book – Corporate Social Responsibilities. Walton has been called one of the fathers of CSR – and in his 1967 landmark work and in many others, he helped establish, clarify and advance the concept that we know today as corporate responsibility.

In his pioneering work, Walton acknowledges the cynics and the skeptics of CSR – those, he writes: “who insist that a firm best serves the public interest when it best serves its own private interests through effective service to consumers, adequate profits to stockholders, fair working conditions for employees, and scrupulous observance of the law.” Those critics, Walton says, who argue that “to go beyond these commitments is folly.”

Even four decades ago, however, Walton wrote that in spite of the prevailing attitude of the day, “one finds evidence, especially in large enterprises, of a willingness to support not only higher education and the arts but slum-clearance projects, reduction of air and water pollution, civil rights, job training for the unskilled, and the like. In most cases, the justification is enlightened self-interest — a principle cherished in the orthodox business creed and hallowed over centuries by slow accretions in the common law.”

Walton goes on to say that “growing evidence indicates that the modern corporation is consciously placing public interest on a level with self-interest and possibly above it. This development is explained by the fact that a corporation is really as much a social and political entity as an economic unit. For example, the concept of polity and of public interest is generating concern for problems of internal governance and, more specifically, for the appropriateness of “due process” procedures to assure justice when discipline, demotions, and discharges are involved. This quasi-legal evolution within the corporation is paralleled by rising concern within society's overall needs — needs technically outside the corporation's purview but which increasingly command executives' interests.”

Again, that was 40 years ago – but much of this sounds like it could have been published last week in Boston College's Journal of Corporate Citizenship or BCLC's Corporate Citizen newsletter.

The notion of corporate responsibility has certainly evolved and expanded since Walton's day, but at the heart of corporate responsibility as a construct, as a theoretical idea, there remains an underlying tension between two schools of thought.

Some argue that corporate responsibility must be rooted in an ethical imperative to be effective – and that a business-case only approach leaves a company vulnerable to quarterly earnings pressures, market shifts and other short-term external pressures that can undercut a company's—and society's—long-term interests.

Others argue that without the business case, corporate responsibility efforts are secondary, ancillary or marginalized at best – and PR, greenwashing, or fluff at worst.

Our first session today – Corporate Responsibility: Moving Beyond the Business Case – will explore this tension.

In the past several years, we've seen more and more business leaders “buy-in” to the notion that doing good can be good for business too. Numerous surveys of U.S. and global CEOs indicate that C-Suite executives now realize that corporate citizenship is a fundamental part of business practice.

The business case for corporate responsibility is now well defined. It's clear that a genuine commitment to corporate responsibility can translate into stronger financial performance and profitability through:

- operational efficiency gains and resource management
- mitigation of risks (including lawsuits, fines, protests and boycotts)
- improved reputation and branding
- enhanced employee relations (yielding better results and cost savings with respect to recruitment, motivation, retention, learning and innovation, and productivity)
- improved relations with the investment community and better access to capital
- increased sales through brand-awareness, consumer-preference and cause marketing
- stronger relationships with communities and an enhanced license to operate
- access to consumers and new revenue streams in emerging markets
- qualification for billions of dollars in public sector business
- product innovation

All of this has helped silence the critics of CSR – those who subscribe to Milton Friedman's oft quoted argument that: "The business of business is business!"

But, in pushing so hard to frame and defend CSR purely in terms of the benefits it can bring to business, are we neglecting the moral or ethical case for business responsibility? And is there, in fact, an ethical imperative for doing more, for going beyond what's expected, for getting involved, for giving back?

Consider the analogy of business as a car driving down the road. That business, that car, must obey the posted speed limit – the driver must use only unleaded gas, must wear a seatbelt and ensure that babies and young children use approved car safety-seats, they must use turn signals and obey all traffic laws. But when that driver sees another car broken down by the side of the road, he or she isn't legally obligated to stop and help.

Now, whether that broken down car represents global climate change, species extinction, bird flu pandemic, poverty, human rights abuses, illiteracy or a lack of diversity – some would argue that, as corporate citizens – or, in Walton's view, as unique social and political entities – companies have a duty to move beyond mere compliance – beyond the basics of operating legally and responsibly – to a higher level of engagement, performance and contribution. That they are ethically obligated to give back to the local and global community and do what is within their power to effect positive change.

This notion isn't new. Years before Walton and others began writing about CSR in earnest, some innovative companies were taking enlightened self-interest to heart – and taking corporate responsibility to new heights.

In 1943, Robert Johnson developed the credo that would come to define the culture of Johnson & Johnson. The credo outlined the company's four areas of social responsibility: first to its customers; second to its employees; third to the community and environment; and fourth to stockholders.

In the 1950s, Bill Hewlett and Dave Packard set out the corporate objectives that would come to be known as "the HP Way." In Hewlett's words, the HP Way is "a core ideology . . . [that] includes a deep respect for the individual, a dedication to affordable quality and reliability, a commitment to community responsibility, and a view that the company exists to make technical contributions for the advancement and welfare of humanity."

Clearly, a company cannot solve all of the world's problems—just as we, as citizens, cannot help every stranded driver or fix every broken car.

But every company has something they do or make better than anyone else. A unique capability, a core competency, a special product offering. And many firms now feel compelled to put that product or expertise to use to help society or the planet. Today, many companies have even built doing good into their business model and into the fabric of their corporate cultures—think of Google and Whole Foods, for example.

So, where do the business and ethical rationales for corporate responsibility converge? Where do they diverge? And, can they co-exist?

We're fortunate to have two outstanding panelists with us today in Jennifer Woofter of Strategic Sustainability Consulting and Jane Meier of Whole Foods – who will share their perspectives on this topic. We're equally fortunate to have in you, so many representatives from the business and NGO sectors here as well, and I hope that we'll hear from many of you in the discussion portion of this session.

Jennifer Woofter is the founder and president of Strategic Sustainability Consulting, a business designed to provide under-resourced organizations with tools to actively manage their social and environmental impacts. In this role, Jennifer draws upon her expertise in the fields of CSR, ethical investing and organizational accountability systems to help clients make the leap between good intentions and long-term sustainable performance.

Prior to launching her own business, Jennifer was a social research analyst with Calvert Group. In addition to researching companies for inclusion in Calvert's socially responsible mutual funds, Jennifer also led the company's initiatives to promote corporate accountability through increased transparency and disclosure.

Jennifer also worked on Capitol Hill, as a staffer with the Senate Committee on Homeland Security and Governmental Affairs, where she focused on federal accountability systems.

Her publications include "Non-Financial Disclosure and Strategic Planning: Sustainability Reporting for Good Corporate Governance," issue briefs on the topic of corporate transparency, and a variety of reports on women's rights in developing countries (Somalia, Democratic Republic of Congo, Botswana). She was also on the team of Senate staffers that produced the 2001 report "Government at the Brink", an agency-by-agency account of fraud, waste and abuse in the federal government.

Jennifer holds a bachelor's degree from the University of Oregon and a masters degree from the Virginia Polytechnic and State University. Most recently, she was a member of the first graduating class of the Strategic Leadership towards Sustainability Master's Programme at Blekinge Tekniska Hogskola (in Sweden).

Jennifer, thank you for being with us today!

**JENNIFER WOOFTER:**

President, Strategic Sustainability Consulting, Washington, D.C.

Thanks so much. Thanks to AACR for inviting me back. I was here last year to talk about corporate social responsibility from the small and medium size enterprise perspective. Since

then I have had many good discussions with Chad about these topics. I wouldn't necessarily say 'arguments,' but many impassioned discussions about the tension between the business case and the moral or ethical case.

It's such an important topic and I'm so glad that Chad gave me such a good, broad topic, because it really allowed me to focus my comments on my day-to-day experiences as a sustainability consultant and to provide you with some reflections on where I see some of the rubber hitting the road in terms of engagements that the clients want today in terms of social and environmental consulting services.

Just to give you a little bit of background about Strategic Sustainability Consulting, as Chad said, we focus on helping under-resourced organizations. And what does that mean exactly? A big portion of our client base is small and medium size enterprise, NGOs. We actually have a significant portion of our clients that are big companies that just don't have the in-house expertise or capability to tackle all of their sustainability issues or their corporate social responsibility issues. We come in and do things like a day-long workshop on understanding their company's social and environmental impacts.

So, having done this for a couple of years, I'm now able to sort of step back and say, are there generalizations that we can draw about; what are the motivating factors behind companies that are seeking to be more engaged in terms of corporate social responsibility? And over time I've learned what makes a good consultant.

I've really sort of narrowed it down to two things. The first one is as consultants, we must understand the motivation of our clients and what is their desire to be involved in corporate social responsibility and sustainability. In some cases it's because it is the right thing to do. Many times I get initial calls from clients who say, 'Hey, we know we need to do something with this climate change thing, but we don't know what it is. Can you help us? What would you suggest?' Or 'Our employees have asked us to look at greening our operations. What would the next step be?' Other clients come and have a very, very specific idea. They say, 'We'd like to cut our energy costs by doing a green building audit.' In that case it's more of a business case driver.

Understanding motivations is the first part, but to be a successful consultant, my job is to help them be strategic about their approach. Once I understand why they are interested in doing corporate social responsibility, my job is to help with the 'how' part of it. This is where the, I think, the convergence of the ethical case — because it's the right thing to do, because you want to keep your employees happy, because you've been asked to do it, because it's a mandate that's come down from the board about being more active in the community.

Then from the ground up, the challenge is finding the ways that it's going to benefit a business. Is it through reduced costs, through improved efficiencies; is it through better employee loyalty and lower turnover, which is very, very under estimated cost to businesses.

My challenge as a sustainability consultant is to balance between those two. To be able to find the win-win situation where the moral or ethical desires to be a better corporate citizen are also supplemented by actions that add to the bottom line of a business. The way I like to think about it is that business is about people. At the end of the day, if your corporate social responsibility or sustainability program does not involve things that people are excited about, it will not have long-term success. You shouldn't tackle climate change just because it's hot in the news right now. If your people cannot get behind it, do not understand the motivation or aren't excited to



talk about it when they go home at night with their families, you will not be able to carry it through.

So I think finding issues and finding strategies and initiatives that really inspire and empower your employees to get involved and to take charge and to be innovative and creative is such a key issue.

On the other hand, business it's also about structure. It's about the actual building that it's in. It's about the legal structure. If you have obligations to your stockholders that is something that is very real. And so in terms of when we think about business as a structure and as an organization with institutional systems, that's where the business case comes in. You shouldn't pick corporate social responsibility programs just because your employees are excited about them. That's missing the point, too. People get burned out. People will leave the company. You shouldn't have recycling programs just because Joe down the hall is really enthusiastic about it. When he's promoted out to another department or leaves for another job, hopefully he will have some sort of institutionalization of recycling program that will carry it through long term.

So this is where I think the meaning of the ethical and the business case comes in. We need to find those intersections where you get employee enthusiasm and innovation and creativity, but also find the places where there is a business case; where there are firm ways to quantify the benefits to your organization and also systems in place to make sure that there is improvement over time. I think sustainability and corporate social responsibility, that's a long-term effort and we need to make sure that there are systems in place to insure that over the long term we are really doing the right thing.

**CHAD TRAGAKIS:** For many people, Whole Foods is the very definition of a sustainable business. The company was founded in Austin, Texas, 27 years ago and has since grown into the world's leading natural and organic foods supermarket and America's first national certified organic grocer.

The Whole Foods Market motto, "Whole Foods, Whole People, Whole Planet" really captures the company's mission to find success in customer satisfaction and wellness, employee excellence and happiness, enhanced shareholder value, community support and environmental improvement. Not surprisingly, Whole Foods has been ranked for ten consecutive years as one of the "100 Best Companies to Work For" in America by *Fortune* magazine.

We are fortunate to have with us today, Jane Meier, a marketing director and community liaison for Whole Foods Market. For the past three years, she has been responsible for implementing regional and national marketing programs, including the store's donation and 5 percent Community Support Days. She has also been integral in creating Whole Foods Market team member and customer educational opportunities. Jane is passionate about forming productive community partnerships with local non-profits and educational institutions. She earned both her bachelor's and master's degrees at the University of Georgia, the state in which she was raised.

We're glad you moved up here to DC, Jane, and we're so glad you could be with us today!

**JANE MEIER:**

Marketing Specialist/Community Liaison, Whole Foods Market, Washington, D.C.

Well, after that introduction, I don't know what I can say. I sound pretty fabulous on paper. Welcome everyone and I'm glad to be here. I'm glad to talk about what Whole Foods is doing. I'm going to pass a pile each way, because I think some people walked in. These are brochures that I brought.

So I guess for me, this question of is it the moral case or the business case is kind of like the chicken or the egg question. For us at Whole Foods, it's, I think, at any corporate social responsibility group contrary to what popular society believes, that it's PR or it's us trying to be fancy or cover up that we're really dumping raw sewage in the back or whatever society believes, that corporations are just these evil people and they do all this work so they can cover up or for the tax break or for whatever else.

I think that at least at Whole Foods Market, the basis for doing corporate social responsibility or doing this community outreach work is based on a deep moral belief of our CEO and founder, John Mackey, and the people who started that grocery store in 1980. It was called the Safer Way. There are 60 of his close friends who started that business. John Mackey continues to lead by a moral compass. He was accompanied by that even in the face of Wal-Mart selling organics, every grocer in the market copying things that worked successfully for Whole Foods Market. He continues to be the philosophical, moral guidepost for the company.

Whole Foods Market, for those of you guys who don't know, was based on one or our core bodies – we have five core bodies, but we believe that our business is based on five key stakeholders that are interdependent. You cannot separate the stakeholders and the benefits to each stakeholder. It has to be an interdependent relationship. Those stakeholders are investors, community, environment, customers and our team members.

A lot of time there is tension between the right things to do for the stakeholders. For example, team members at our store get a 20 percent discount, free health insurance after six months and competitive wages. It's great for our personnel. It's one of the reasons why we're on Fortune's 100 Best Companies to Work For, 10 years in a row. The negative is for investors. They would love for us not to give the 20 percent off and not give free health insurance. We've been giving free health insurance for 27 years and it's getting expensive. It's hard. We spend more on wages than most other grocers, but we believe that that's the right thing to do as a company.

There's composting that we're doing at our stores right now. That's a program that has been really popular in California and we're working on trying to get haulers and people in our stores right now. It's been a huge effort to undertake as a region. Right now it's actually on the bottom-line profit dollars costing us more than throwing our compostable materials away. We've employed a person in Montgomery County, called the Green Mission Specialist, trying to help make folks more aware about composting in the stores, which is another cost to our bottom line, but we believe as a company that it is our moral obligation or our civic duty to make sure that the waste that we produce that is compostable is composted.

We live in this world and we want our children to have farmland instead of landfill space. We want the stuff that we produce – we don't want to be this big producer of waste. With the fabulous prepared foods and the cut fruit that we have, there's 16 tons, I think, of compost that we composted at my store, one store, last month. That's 16 tons that didn't go in a landfill, which is great, but it's still costing us more money on the bottom line. When you're facing competition it's hard, but we still do it. It's like one of those things, when I talk to my store team leader about things like that, it's just part of our business.

I think John Mackey, when he founded this business, I don't think he ever realized it would be as popular and successful as it is, but he founded it on his ideas of how business can be different; that doing good and making money isn't mutually exclusive. For instance, last year he decided to take his salary of a dollar from Whole Foods Market and donate a large part of his

stock options to two foundations that the company has started, The Whole Planet Foundation and Animal Compassion Foundation.

There's a lot of criticism. I read the Motley Fool about him doing that. There are still CEOs that make tons of money that still have boo coos of money. Basically, you want to make fun of him for making a dollar a year? I think it's pretty fabulous. I think the thing about money for all us is we could always spend more. We could always find a way to use it. I think he still really guides himself by that and is trying to use the company as a positive choice or a positive source for good.

Some things that he's started is Animal Compassion Foundation, which is a humane treatment of farm animals. It's trying to make the practices more humane and less traumatizing for the animals. He sees it as a problem in our business. We're in the grocery business. We sell meat. It's a problem that he feels like he needs to work to solve. We're not going to make any more money off of probably how animals are treated out on the farms, but for him it's a moral imperative that as a grocery we do the best that we can to make the treatment as humane as possible. We get made fun of all time. The lobster, the crazy lobster debacle, he's been on 60 Minutes saying 'yeah'... but we still do it.

The company recently asked the local farm line, loan program, which is providing \$10 million in loans to local farmers who may never sell in our store. We want to support local farming communities.

Recently, the executive meetings were held in D.C., and I had an opportunity to hear John Mackey speak. He was talking about back in the day there weren't local farmers' markets. Local farmers' markets have grown tremendously in the years that Whole Foods has been in business. He said that the only organics they could get when they opened the store in Austin was out of California and they were pretty sketchy. They weren't sure if they were really organic and actually two of those big farms ended up closing down due to allegations that they were not selling what they said they were going to. He didn't have any place in Austin, Texas, to go buy organic produce. That's something that he wants to make sure that our children's children have farmers that they can buy from.

Right now we have a whole trade certification that's just started that's insuring the products that we source from other countries meet our high standards, that we provide a fair wage to producers, good working conditions and promote a sustainable environment.

I think, and my estimate of what our company does, I think that we believe it's imperative that as a business we use the leverage that we have to be the change that we want to see in the world. I brought some examples of what we're doing globally, nationally, regionally and locally to be that change.

The first example is the Whole Planet Foundation, which is this brochure to the left. It has the national, regional and local. The Whole Planet Foundation was started in 2005. It was based on the Grameen Bank model. We're giving micro loans to poor women in countries where we do business. It's very likely that these women will never sell product to us, but we believe by going into Costa Rica and buying bananas, which is our top seller. You're out of bananas at the grocery store and people think they had a heart attack. You have to have your bananas, right? From Costa Rica. The expectation is that there's produce. We want to give back to that community that's sourcing us even though the people receiving the micro loans may never sell to Whole Foods Market.

A way that we used our position as a retailer to leverage more funds for this Whole Planet Foundation recently, in the mid-Atlantic region, we have asked customers to donate at the register. It was a way for the customers to feel very tied in to what Whole Foods Market does. Our team members really, really got behind it. A lot of these team members are immigrants. A lot of them have seen the poverty in the world. It was one of those things like Jennifer was saying where it was really tied in to what our team members cared about.

We were able to raise \$165,000 which is going to change about 1,200 people's lives in these poor countries. One store in Arlington did a really amazing job and raised \$18,000, because their team members got behind it. We used our position as a retailer with access to thousands of customers a day to help these people. Because people feel so far away, they feel like they can't do anything, but donating \$2 or \$5 at the register really does change lives. That's something we're doing globally.

Nationally, if you look at this, it's the Whole Earth Weigh-In. I know the whole carbon footprint is so in vogue right now and we definitely played off of it. This is 30 days and 30 ways to reduce your carbon footprint. It's one of my favorite national programs that's come out in a while and it's bringing attention and awareness to the global warming issue. Two years ago, Whole Foods Market became one of the first Fortune 500 companies to be 100 percent wind powered and a lot of people have followed suit as a result of that.

I think customers have the expectations that we're going to do the right things for the environment and this booklet shows you how to do that. It does the great business thing of highlighting why our brands are different. Why do you want to buy natural detergent when it's more expensive? Why do you want to buy recycled plates? Why do you want to buy coffee that's shade grown? Why do you even want to shop at Whole Foods if it's more expensive? That's the perception out there. So it was a great way to capitalize on one of our core values, which is that we care about the environment. Here's a way, as a consumer, try one of these 30 ways to make a difference in climate change.

Part of that initiative that was started a couple years ago was the reusable bag campaign. If we could just get people to carry these to the grocery store every single time, we would make a huge environmental impact; not just huge, massive: gas and hauling the bags, throwing them away, recycling, all of that. And so we try and use our national clout to create awareness in that arena.

When these were introduced, I guess it was probably two Octobers ago, nobody had reusable bags. Now, if you look around MOMS has them, Trader Joes has them. I don't know how it was in the rest of the country, but nobody around here had reusable bags. We had been one of the retailers to start that moral movement of maybe I should bring a bag to the grocery store.

Regionally, in this pink brochure, you can read about our partnership with the Komen Race for the Cure. We started this partnership nine years ago before there was pink Roombas and pink Kitchen-Aids, and Race for the Cure everything. We started it because our shoppers are often affected by disease. Some people don't really clean up their diets until they get cancer or they get sick or somebody they know gets sick. We raised a lot of money for the program. We raised three quarters of a million in nine years. Our floral team actually takes a financial hit, because we sell \$14.99 bouquets and they are the same bouquets we sell for \$14.99 every day and \$3 of the price gets donated to the Komen Race for the Cure. That's \$3 less the floral team is making for that six weeks of selling the bouquets, but they get really excited about it. They participate in the race. They see what an impact our business is making. It's another way that

we have been able to use our customers and our customer base to basically raise money for a really important organization.

The last one that's near and dear to my heart because it's something that I created at the store was MANA Food Center. Over the holidays, we sold these reusable bags for \$2 and all of the profit from the reusable bags went to fund MANA Food Center Smart Snacks program, which is an elementary school program for kids who are on free or reduced lunch. It was a simple thing as we were selling the bags anyway and we just decided to donate all the sales to MANA Food Center. It's great. It's an environmental impact. It's a moral impact. We're a food retailer. There are people who don't have food and to create awareness around that topic – we do daily food donations to MANA, so it's very tied in. Our team members already knew what MANA was and what they did, so we were able to see a moral, social tie-in.

I guess that's just a quick review of what Whole Foods Market is doing. For me, in closing, I think good social responsibility efforts should be like the chicken or the egg question. You should be able to look at this and ask, 'Is Whole Foods doing this to make money or are they doing this because it's the right thing to do?' Hmm, I don't know. In my opinion, that's when you know you got a winner in terms of what you're doing and if it makes sense to your business.

I look forward to the days of more conscience consumerism. I think the era that we're entering right now is where people ask themselves: 'What are other retailers doing, where are my clothes coming from, what impact is my life having on society?' Maybe there will be a day when people ask: 'Oooo, does the grocery store compost? I wonder. Do they do the right thing in the community?'

I think in the meantime we'll just continue to lead by moral compass instead of just the bottom line. I don't know is it a business case or is it the socially responsible moral way for the company? I don't know. I guess that's for us to know from our experience and all the academics and everybody around this table to figure out.

All I know is that when it's the dead of winter in the holidays and I'm tossing turkeys and it's crazy at the store, I'm glad that I have, and I think our employees are glad, that they work for more than just a grocery store. That's what we try and meet as Whole Foods Markets.

**CHAD TRAGAKIS:** I'd like to open the floor to some questions and I'd also like to invite particularly some of our corporate representatives here today to share background on some of the programs that they're doing if they want to talk about balancing the moral compass, or the civic duty as Jane put it, with the business case that Jane and Jennifer were discussing. I would also like to open the floor to questions. I don't want to call anybody out, but just looking at my Motorola Sprint Nextel phone. I'm looking at it and I know Motorola has been doing some great things. I'm not as familiar with Sprint/Nextel's efforts in the area of corporate responsibility and how you, to Jane's point, balance the tension and to Jennifer's point, how you get to the root cause of the motivation, but I think maybe that's the answer to the question. I'll open it to either of you if you want to share something just to kick it off.

**CHUCK EGER (Motorola):** One of the interesting things to me in listening to the presentations was the phrase 'do the right thing.' I'm not sure that's always so clear. I certainly have some questions about that. I wonder whether that's a culturally based decision for a global company. And how do you make a culturally based decision? And if it's not culturally based where are the precepts that we're looking at in order to know how to do the right thing? That's a question that I'd certainly like to hear discussed today at some point.

Having said that, I, of course, believe that Motorola does do the right thing. We have several programs that we work on. I think that one of our obligations is to do what we do in a way that benefits society as much as possible. You have to separate that from corporations that do good things, but it's not necessarily related to good business. Those are two completely different kinds of social responsibility activities.

Although I think it's nice to contribute to the community – nice isn't the right word – important to contribute to the community in ways that don't necessarily match up with business' core expertise, it's really fundamental that you apply the core expertise. One thing that Motorola has done is we have developed a very inexpensive phone for use in places where people don't have a lot of money to pay for communication. Good working communication is essential. Places like India where the level of wired line communication is pretty much nonexistent in many parts of the country. You have to have wireless communication to really have successful communication, but the phones are out of reach of the means of the people. That was where we rolled out our, we call it the 'Moto phone,' and it is a product that's simplified in terms of features. It has a display that's designed to operate in the bright sun and is intended to really be of social benefit to the people of the region. It was also obviously a product we hoped we could make some money on.

I think that's a nice demonstration of the confluence of using a corporation's technical expertise, but driving towards a specific social need rather than sort of a marketing cause. So I'll stop there.

**CHAD TRAGAKIS:** I appreciate that and I know you brought some literature to share. We'll put it on the table.

**CHUCK EGER:** Let me say a word. I was only able to come up with last year's corporate responsibility material because our new material is being published, like, tomorrow. So, it will be on our Web site shortly, if anybody has a burning desire to see what we're up to this year.

**ALEX HAHN (Sprint/Nextel):** Just to add, I think we talked a lot this morning about the business case – corporate doing because it's the business case for it or it is just the right thing to do. I think the answer is both. With everything that we do there is the business case for it, but also there is the purely altruistic case for it as well. I'm just thinking of Sprint recently. We are very involved with the March of Dimes. We just did a large employee March of Dimes walk. We had over 300 people walking. Why do we do this at Sprint? Why do we encourage our employees? Why do we spend a lot of money and raise funds for the March of Dimes? Obviously, preventing premature birth is a huge issue and it's a huge need and it's something our employees can relate to that everyone has been affected with and knows a premature baby. It's an important social issue, but there's also a business case for it, too. As corporations, health care costs are enormous. What we can do to help prevent premature birth, there's going to be a direct correlation to a reduction in our health care costs.

Our partnership with the March of Dimes, it's just one of the many outreach programs that we do but I think it shows that for all the initiatives that we do, it involves both the business case and the fact that as a corporation, it's important that we are engaged and can contribute, so I think it's both.

**CHAD TRAGAKIS:** Thanks, Alex. Nancy, first, thank you so much for being here today. We're delighted that you're here and Nancy is going to be one of our panelists in our session this afternoon. Thanks so much.

**NANCY SMITH-NISSLEY (U.S. State Department):** You're very welcome. I just want to say my colleagues at Motorola are being a little bit modest here. Not that I'm plugging Motorola over any other carrier, any other company, but Motorola did win the Secretary of State's very competitive and very prestigious ACE award both in 2004 for the work in Brazil and in 2000 for their work in Malaysia. So I wanted to give a little mention and praise to Motorola in that regard. It is the only U.S. company that has won this award twice.

**AMANDA LEPOF (Red Cross):** I see the difference between philanthropy – doing good for doing good – versus giving to advance business interest in the following: More and more companies are dictating giving with terms and returns to seek their objectives and not always to advance what an NGO has set forward as its goal to help PPI. Is it about saving lives or your bottom line? Why NGOs should be held accountable? They shouldn't have activities designated by business.

**Participant:** I have a question as a consumer. What is the definition of a socially responsible company? I go on Merrill Lynch and they have this statement that determines what qualifies as socially responsible. What's the definition?

**CHAD TRAGAKIS:** Jennifer, putting her Calvert hat on, actually can answer that.

**Participant:** I was wondering how do they define this and what percentage of companies in the United States could fall into that category?

**JENNIFER WOOFER:** I think it depends on where you set the bar and what issues you prioritize over others. When we talk about big, publicly traded corporations, very few of them would be considered to be stellar corporate citizens across the board. There are a few that stand out. I think Whole Foods is one of them that is socially responsible and the investment community almost unanimously agrees is considered socially responsible.

I think for other big companies though, it gets more challenging. Particularly if they've been around a long time, because what is considered socially responsible today is not the same as what was considered socially responsible or important 20 years ago or 50 years ago or 100 years ago.

Some socially responsible investment funds will prioritize environmental responsibility. Others focus on community giving. There's a lot of different socially responsible investment funds out there today and that's why it's so important to read the material that they provide to understand how they are screening the companies. Everybody does it a little bit differently. I think, one of the challenges is that you can probably find every big company in one socially responsible investment fund or another. A lot of it is research.

I know Nikki from my time at Calvert when I worked just across the hall from her. I don't know, would you agree with what I said?

**NIKKI DARUWALA (American Rights at Work):** I do agree with what Jen says, but also would add in that it's a personal definition. There is no one, single definition of what corporate responsibility is. I think each organization and individual entity defines what it means given their own value set and of what ethics and integrity is. Also, for social investment firms even though there may be two or three that say they look at environmental responsibility, how they define looking at environmental responsibility varies. Some may say, 'Do they have a policy on the books?' Others may look deeper to see if that policy is being executed and in what format. Still others might look for tangible results of that policy and then define it based on that.

So, there's just a wide gambit and I think each individual person as an investor, as a consumer, as a variety of different hats that we wear, needs to look at what our value system is and then what's being offered out there by that company or by that investment firm. Does that match up with what you're looking for?

**JENNIFER WOOFER:** If I could just add, I think this also goes back to the question of how do you define what the right thing to do is in a global, culturally diverse – the world that we live in. I think my response to that is to look for companies that engage their stakeholders in all of the locations that they operate. I think that figuring out who you impact is asking them their opinion. What should we be doing? How can we be more responsive to you? What are the impacts you see our company having on this community, on this group or consumers, on our investors? When that needs to happen in a culturally specific area, particularly for globally operating firms, that to me is a real sign of corporate social responsibility. Not just taking a set of values at the home headquarters, but balancing that global standard with what is relevant and appropriate at the local level.

**MATT MANI (Booz Allen Hamilton):** Two comments. One is, I think we have to be very, very careful about this concept of do the morally right thing versus the business case, because morals are completely subjective. Just as an example, a couple days ago the CEO of United Technologies was on CNBC talking about all the great things their company is doing to reduce greenhouse gases and he got literally decimated and attacked, skewered by the anchor for: 'How dare you bring this issue up, because it's not proven that carbon dioxide is a greenhouse gas and so on and so forth and it generated into a political debate. So I think you have to be very, very careful about that – or let me give you another example. This was a couple years ago. The guy who owns Dominos Pizza decided to contribute part of his money towards charitable campaigns and then people didn't want to eat his pizza anymore. You have to be very, very careful about that as a businessperson.

The other point I want to add here is, particularly today, there are a lot of private equity firms that are players and that are part of the stakeholder group. There are very few private equity firms – I don't think I've met a single one that will say, 'Well, the industry is growing at 10 percent, you're only growing at 2 percent, but that's no problem because you're outspending everybody else on your corporate social responsibility programs.' That just doesn't happen.

I think there are two things that we have to think about at the same time as looking at what can we do that – I like, Jennifer, what you had to say about you should do the things that people who are part of your organization can really get behind and the things that engage your stakeholder groups. In addition to that, I think part of what an organization like AACR or what we should think about is how we create the right incentives that make it possible for our corporate body to be able to do socially responsible activities.

Things, for example, like carbon offsets have really made a big difference and there are companies like the airlines, Delta Airlines or even GE and other firms that are now really investing a lot of money and effort into trying to reduce their contribution or their use of energy because of the carbon offset kind of incentive. I think part of the discussion has to be around how do you create the right environment, the right incentives, and an environment that's accepting and promotes socially responsible behavior versus just expecting that everyone's going to do it?

Secondly, I would add to that that I don't think you can have the same standard for every company, because there are companies that are going to be in different industries, that are



going to be in different stages. A privately owned versus public owned company; an early growth company versus a mature company. They are going to be dealing with different issues and applying the same standard to all, I think, becomes very, very challenging. That's my two cents.

**Participant:** To continue with that point, I just want to say civic responsibility and social responsibility are kind of four quadrants. One, responsibility as an organization to the organization. That means the stakeholders, the management, the profit is an important factor, and also what kind of profit. All those responsibilities are one part of it.

The second one is the economy. Again, you mentioned about the discussion on TV about, for example, UPS, they have a huge fleet of earth-friendly trucks. There's a lot of measures that corporations can take. That's, to me, that is a socially responsible move.

The third one is social justice. Making people's lives better, good. Not infringing upon somebody's rights. That's social responsibility.

The last quadrant is the employees – giving them fair wages and being fair to them and those kinds of things. So I see corporate responsibility and civic responsibility are four quadrants, so if that makes the analysis better.

**RON STURMAN (The Washington Times):** Again, I'm Ron Sturman, community relations manager of the *Washington Times* and I noticed that we're the only media company represented here and I wonder what message is there.

**CHAD TRAGAKIS:** I think DayZ Loop is in media, too.

**RENEE STEIGER (DayZ Loop):** We consider ourselves media. Different kind of media – We're an online TV network for teen girls.

**RON STURMAN:** Of course, I'm sorry. *The Washington Times* is a company, privately owned company that is undergoing quite an internal transition. We don't know how that's going to sort out. We're also in an industry that's trying to define what it's all about. There are internal stresses that we experience within the company and also within our industry.

There is a great deal of debate within the company right now on what our role should be with respect to community relations and corporate social responsibility. And I confess and want to describe the nature of the debate by telling you that I drive a Prius. Our advertising director drives a Lexus SUV and that just about sums it all up.

What we try to do through our community relations program is to fulfill a mission that tries to make the community a better place for our employees, for our advertisers, for our readers and for the general public—a better place to live, to work, and to learn.

We try to use through the community relations program our core competencies to do some decent things in the community. We are really not a newspaper. We are an information and communications company. We use a lot of different technologies, as do all newspapers. So, to think of us as a newspaper doesn't truly describe what all newspapers are experiencing. We use satellite technology. We use the Internet. We use broadcast media.

Today is World Malaria Awareness Day and through community relations we try to fulfill our mission by entering into strategic partnerships with companies. One of those companies is the

Global Business Coalition on HIV/AIDS, TB, and malaria and through that partnership, we are able to convey to the general public that this is a very, very serious problem. We have run public service ads for the Global Business Coalition and for other organizations that we partner with.

Now, there is great debate within the organization. How are we benefiting by running this ad? The community relations manager will say, 'Well, it's a public good. This is something we ought to be doing.' And the advertising staff may say, 'Well, you know, we just lost \$14,000 because we didn't open this space to a commercial advertiser.' That's the kind of discussion that goes on at the newspaper.

We have a new president; he's been on board just about two weeks. I'm very, very hopeful that he will resolve the discussion, because prior to his being president, he was our marketing director and vice president and he hired me to be community relations manager, so I'm hopeful that community relations will get a fair hear.

I have a question, Jane, that I would like to ask you. There are so many good causes that you could support, that Whole Foods could support and there are always too few dollars chasing too many good causes. What is the process inside the company where you decide which causes to support and which will have to wait for a later day? And I could also ask that question in a Motorola or Sprint Nextel.

**JANE MEIER:** I guess I'll speak first. I think for Whole Foods, you're right; when I'm making decisions, we have a donation request form and we put it out there that we contribute to hunger, arts, education, animal compassion, humane treatment of animals, and things that would develop like workforce development, culinary arts and stuff like that. Then I try and look at the validity of that donation request and see if it falls into one of our issue areas. I think that's how a lot of companies are starting to do it now.

I don't know. This business for me is still pretty new. I know a lot of people have been in it a long time, but it seems like from my perspective it's becoming a watershed moment where the company's different departments used to have their pet causes and they would give money away and we wouldn't really know how it went. It wouldn't have any strategy attached to it. I think less and less that's happening. More and more it's about trying to get centralized and have some kind of strategy. So at the end of the day, you do what you can and what's most pertinent and what you're able to do best with your business.

One of the causes that we support that I think is a really good business fit for us is a volunteer event with Montgomery County. It's Martin Luther King, Jr. Day's volunteer event and we've been donating the products and volunteers to help make about 1,500 lunches for homeless shelters in the area. For me, as a community relation's person, that's a great way to spend my money because I get to put my employees in a place where they're going to succeed as volunteers. They're really comfortable around food. They're really good around food. It's a highly visible event that's open to the public; our general consumer is the public. It gets people to touch our food, which some people are freaked out about. You know, peanut butter's going to have tofu in it or something. I guess I kind of think of that event as, 'How does it fit in with our mission? How do our employees benefit?' You always have to think of, in this position, 'What's in it for the business? How does this partnership work?'

**RON STURMAN:** Are you the decision-maker?

**JANE MEIER:** I'm the decision-maker for the Rockville store. There's actually one of me in every Whole Foods in the company.

**RON STURMAN:** So, each store . . .

**JANE MEIER:** Has the local decision making for local donations. We give away five percent of our after-tax profits to non-profits. We do that in two ways mainly at the store level through donation requests. We have a fiscal period donation budget and then we do five percent base at each of the stores four times a year where five percent of one-day sales is donated to a local non-profit.

My most recent five percent day was with Community Ministries of Montgomery County, which is an organization that works in our county that's very strong. Five percent of our day's sales on Wednesday, March 28<sup>th</sup> will be donated to them for a specific program.

**RON STURMAN:** And may I ask that same question of Motorola?

**CHUCK EGER:** Yes, but I'm not sure I can give a complete answer. We, of course, have a foundation. The Motorola Foundation has its own sort of set of criteria for what it will contribute to. We're faced with the situations and a number of people who want to participate in the community where we are. I've tried to evaluate in terms of where we are. One of those criteria, I think where we can do something nationally rather than for a specific locale, there's attractiveness to that since we are after all selling nationally.

I can't tell you specifically what the criteria are for giving to communities. The foundation has a formula that I'm not so familiar with. I will say that one of the nice aspects of it as far as employees are concerned is that employees have had the opportunity over the years to go to the foundation saying, 'I'm volunteering in this organization and I'm giving this much money,' and the foundation will typically, using some formula, match it. It's some way to funnel into that organization. We're able to, through the foundation, assist employees with their personal passion at some level as well as make decisions on behalf of greater corporate interests.

**CHAD TRAGAKIS:** This was an amazing discussion – thank you all, and thank you Jennifer and Jane for sharing your insights. I'd like to offer a few concluding thoughts before we move onto our second session:

Whether or not companies are or should be thought of as moral agents, we must acknowledge what Clarence Walton noted all those years ago: that they are unique social and political entities – as well as economic units – and that they intersect and interact with society differently from other organizations or institutions.

After hearing what Jennifer and Jane had to say and after listening to the perspectives that you have shared, perhaps its best and most effective to think of the business imperative and the ethical imperative as two parallel tracks – distinct from one another but inextricably linked (at least in the most successful, most genuine instances). And it is these tracks both drive and are driven by companies committed to corporate responsibility.

## 2nd Discussion Panel: “Employee Engagement”

**MICHAEL SCHNEIDER:** I think one of the joys of any professional existence is seeing people you’ve mentored make it, do well, progress. I’ve been with Maxwell School now about nine years and seeing my former students in management positions is great.

For the moment I want to introduce Pavlina Majorosova who is going to moderate this discussion on employee engagement. Particularly corporate and employee engagement. Pavlina had done her initial studies – has a master’s degree in International Trade from the University of Economics in Prague, her hometown in the Czech Republic. Did some work on transnational relations with regards to Iraq at the time for her master’s program paper. She came to the Washington program and took an active part, and as I mentioned earlier with Chad’s help, ended up working for Hill & Knowlton as a consultant and account executive working for Chad, doing a lot of work with diverse clients. She has been with the company for about three years. Thank you again for organizing this conference and thank you for moderating this discussion.

**PAVLINA MAJOROSOVA – moderator:**

Senior account executive, Hill & Knowlton, Washington, D.C.

Thank you Prof. Schneider. It is a great pleasure to be here today and have the opportunity to be part of this discussion. Also, it has a special meaning for me to be in the familiar environment of the Greenberg House since that was the place I often visited when I was a graduate student here a couple years ago.

Now, I’d like to open up our next panel, which will focus on one specific aspect of corporate responsibility and that is employee engagement. I am happy to welcome our three panelists, Nikki Daruwala, Melody Holmberg and Adam Goozh, who will discuss from their company perspectives the benefits as well as challenges companies face while striving to engage their workforce as part of their corporate responsibility.

We have interesting issues to cover and before Nikki starts, I’d like to say a few words about her: Nikki is Director of the Socially Responsible Business Program at American Rights at Work, a leading labor policy and advocacy organization located in Washington, DC. In her role, Nikki is responsible for launch and development of the organization’s socially responsible business advocacy and outreach. Prior to joining American Rights at Work in 2005, she was Manager for Advocacy and Social Policy at Calvert, a leading socially responsible mutual fund company.

Nikki also sits on the Board of Coop America, a national organization that provides economic strategies for businesses and individuals to address today’s social and environmental problems and also serves in the capacity of Advisor to The Institute for Women’s Policy Research, a national organization focusing on women’s advocacy research.

Thank you Nikki for being here today!

**NIKKI DARUWALA:**

Director, Socially Responsible Business Program, American Rights at Work, Inc.

Thank you for the introduction Pavlina, and thank you Joy for inviting me to this roundtable conference. I am a researcher at heart and so completely believe in the power of information. Therefore, I thrive on and am grateful for the information and knowledge shared by speakers and participants in venues such as this.

Let me begin by introducing you to an organization I am proud to work for and to be associated with. American Rights at Work is a DC-based labor policy and advocacy organization founded in 2003. We envision a nation where the freedom of workers to organize unions and bargain collectively with employers is restored, guaranteed and promoted. I joined the organization in the summer of 2005 to develop and launch the Socially Responsible Business Program. This program engages forward-thinking business and labor leaders to develop and promote sound policies and collaborative efforts that sustain workers, businesses and society at large.

I firmly believe that companies that embrace corporate responsibility principles do much better in the long run. By developing a comprehensive set of corporate policies, programs and practices that are integrated into the day-to-day business operations, companies account for both past actions and future implications. The measurements and benchmarks that are the foundation of these efforts provide a structure for ongoing and systematic improvement. Sound corporate responsibility policies and practices can help manage and mitigate some of the greatest unseen corporate risks; not only making the company a better community citizen but also benefiting employees, the environment and so on.

Determining a company's level of responsibility requires an evaluation of many factors such as ethics and governance, citizenship, product quality, environmental assessment, and so on. Of particular interest to American Rights at Work is the assessment of corporate responsibility in regards to employees—a company's greatest asset. Respecting workers' rights is a critical element in the definition of corporate success. We look to see if companies acknowledge workers' freedom of association, the right to union representation and the right to bargain collectively. For a growing number of employers, respecting workers' rights often takes the form of neutrality agreements, card check or other more progressive avenues for union representation. We also seek evidence of fair compensation, a safe and healthy workplace, an effort to ensure work/life balance, humane working conditions and a workplace that supports workers' dignity through equality and fair treatment.

Corporate responsibility is often defined in many different ways depending on the individual, organization or corporation's value system. But, let's try to push the envelope just a little bit. Yes, it is absolutely true, and there are studies to confirm this, that corporate responsibility improves financial performance, increases employee morale, better brand reputation and so on, and while there are some corporations that are motivated by these factors, it is still important that companies strive to have the courage to do the right thing simply because it is the right thing to do and for no other purpose or reason. That, in essence, is what corporate responsibility is all about. Not PR, not green or white washing, not window dressing their programs, and all the other hypocrisy and mockery associated with it. You simply do what is right because you are guided by your ethics and operate with integrity. But, when you do the right thing, you know good things happen.

It's not easy and it certainly doesn't happen overnight. Instead, a typical corporation undergoes several stages and I am borrowing a page from Elizabeth Kubler-Ross' well-known book "On Death and Dying" where she defines the five stages of grief. (1) Denial – not us, we are perfect!;

(2) Anger – the damn enviros and unions!; (3) Bargaining – here’s where the PR engine kicks into gear; (4) Depression – nothing we do is good enough for the damn enviros and unions; and finally, (5) Acceptance – this is the first step toward change.

So, let’s discuss how these stages manifest themselves with respect to the issue of workers’ rights. There are several U.S. and international instruments such as the ILO Conventions, National Labor Relations Act and so on that were created to protect a workers’ right to self-organization and freedom of association. However, despite these protections, workers face considerable difficulties when trying to gain union representation. Every 23 minutes in America, a worker is silenced through firing or punishment for exercising his or her right to demand fair treatment. Findings of a 2005 University of Illinois study revealed that most employers take full advantage of the opportunity to tread workers’ rights to a free choice before a union representation vote. According to the study, they do this by aggressively harassing and coercing workers in an effort to undermine union support. Thirty percent of employers fire pro-union workers, 51 percent of employers coerce workers into opposing unions with bribery and favoritism, 82 percent of employers hire high-priced union busting consultants, and 91 percent force them to attend one-on-one anti-union meetings. It comes as no surprise that 58 percent of eligible workers say that they would like to join a union to exercise their freedom of association rights.

As corporate stakeholders, be it in the role of consumers, managers, employees, investors and so on, we all have a role to play to influence and expect responsible behavior. While many companies would lead us to believe that massive layoffs, slashing benefits, employing temporary and cheap labor, and preventing workers from forming unions are necessary to remain profitable in the global economy, some employers have found another way that works for their bottom lines, their employees and their valued customers. Often, these companies move beyond what is mandated by law and try to align their actions with their corporate philosophy and ethics and therefore empower their employees.

- Employees of Jackson and Perkins, the nation’s largest specialty rose producer, enjoy benefits that far exceed those of non-union workers, a routinely exploited workforce.
- New Orleans contractor Boh Bros.’ vision after Katrina struck was to get workers back on their feet and back to work.
- Rick Bradley, the EVP for Cingular Wireless—the new AT&T—views the CWA union as an important strategic partner that shares mutual goals and values. They know that they are doing the right thing and that in turn, it promotes good business and strong customer service.
- School districts such as the Douglass County in Colorado, found unforeseen benefits such as higher student scores and a better caliber of teachers as a result of doing what’s right.
- Leading academics at MIT such as Tom Kochan have been systematically studying our country’s leading integrated healthcare organization Kaiser Permanente with fascination. He found a 20 percent reduction in workplace injuries, a dramatic increase in patient satisfaction scores, and improved employee satisfaction and retention.

Now, let’s also give credit where credit is due. Often it takes visionary CEO’s to get a corporation to this stage. Construction company McAninch Corporation’s CEO Dwayne McAninch sees unions as an asset, not an obstacle and leads his company to respect workers’ rights. CEO of Minnesota’s largest healthcare provider, Allina Hospitals, Richard Pettingill got it right when he said, “Old adversarial models of labor-management are outdated. By involving employees in all stages of decision-making, Allina can improve quality of care and make the company a better place to work.”

So, let's keep pushing that envelope further and discuss how there is a real need for a genuine proactive approach to corporate stakeholder relations. This entails two key ingredients: (1) Transparency and disclosure – a willingness and openness to honest discussions. Again, as a researcher who thrives on knowledge I know firsthand that information and knowledge is the cornerstone of a relationship built on trust; and (2) Engagement – which can be viewed as the most desired outcome of how employees perceive their work, the work situation, the people around them and the likely outcomes of their association with the organization.

Companies that place a high priority on open and honest relations with their employees, respect their rights and engage them fully in the corporate operations process are much better positioned to take on the challenges of global markets, increased competition and increased consumer demands.

If the two key ingredients – disclosure/transparency and engagement – were to be flushed out into concrete steps to attain a meaningful labor-management partnership, it would most likely include the following ten components:

1. Mutual respect (including a recognition of workers' rights)
2. Full acceptance of management and labor as equal partners
3. Shared decision making
4. Jointly developed definition of operational quality and standards
5. Joint development of business plans and goals
6. Ongoing professional development and learning
7. Continuous integration of cutting-edge technology
8. Shared financial and technical information
9. Shared determination on costs and related resources
10. Dedicated staff of labor and management in leadership roles

Through American Rights at Work's experience with both labor and management, we have learned that both can benefit from collaboration and partnerships. The bottom-line benefits for business include: productivity increases, high employee morale, low turnover, higher retention rates, "buy-in" on corporate mission and vision, high loyalty, higher caliber of employees as an "employer of choice", innovation, better reputation, and quality of products and services.

For employees, the bottom-line benefits include having a voice at work and a seat at the bargaining table, training and development, better wages and benefits, improved working conditions, a safe and healthy workplace, inclusiveness and diversity at work, control over work quality and production, and respect at work.

Overall, society benefits from improved product and service quality, community and stakeholder involvement, and attention given to other societal concerns.

In looking back now at the importance of Freedom of Association, one can conclude that it is not just a fundamental workers' right but that it is also a fundamental corporate right. Employers must also have the ability to partner with their employees and the labor organizations representing them.

Respecting workers' rights should be a critical element of how we as a society define corporate success. Profits at the expense of workers' rights, safety, fair compensation, environmental hazards, are not in line with how we define good jobs or responsible corporate behavior.

Oliver Wendell Holmes once said: “A mind that is stretched to a new idea never returns to its original dimension.” Thank you for giving me the opportunity to stretch your mind with a few new concepts and thoughts.

**PAVLINA MAJOROSOVA:** Thank you Nikki. Next, I'd like to introduce Melody Holmberg. Melody holds a bachelor's degree in Political Science from Azusa Pacific University, located in sunny Southern California. She moved to the D.C. area a little over three years ago to work for KBR Government and Infrastructure. During her time at KBR Melody created and managed a strategic community relations program that engaged employees across five continents. Recently, Melody joined General Dynamics Advanced Information Systems as a senior communications specialist. As she joined the company at the time when they were going through a major reorganization, Melody has been involved in a number of “culture shaping” projects with the goal of increasing employee engagement and morale.

**MELODY HOLMBERG:**

Employee Communications, General Dynamics Advanced Information Systems, Fairfax, VA

Thank you, Pavlina. As Pavlina said, I recently joined General Dynamics Advanced Information Systems. They went through a huge reorganization of the business line that included integrating a bunch of multiple legacy companies that had been operating on their own for a number of years — about seven years.

They created a new department for employee communications where we've been tasked with withdrawing all these legacy cultures into one culture and improving company moral and making sure that employees know that their jobs are secure, because there are panics with reorganizations. People are afraid of losing their job or that layoffs are coming. We have calmed that perspective down. Also, just to improve overall moral. We have employees who came from companies that have been around fifty years, thirty years or twenty years and they got tacked onto this larger company. We had a challenge in dealing with that kind of a culture and we're still dealing with it.

I don't touch a whole lot the community relations aspect of it. Communication is an important part of any organization, especially when you're communicating change to the employees and trying to get them acclimated to a new culture and a new way to do things.

Some of the things that I touch more on the civic aspect of it would be highlighting the different areas that we work in. We work all across the United States. A lot of our employees are involved with different community outreaches and events that we've been highlighting in our newsletter, the Internet and in our employee magazine. It's really highlighting employees and what the employees contribute to the company and their importance to the company.

Hill & Knowlton had done a great job in helping us produce these publications, and we are very grateful to them. Also, especially to Chad who is a great writer.

We're working to establish more community involvement through community relations, and I have an outside role with that where I'm just supporting the communication plan. Some of the things that we've done recently was Engineer's Week since General Dynamics is about 60 percent engineers. They build satellites and rockets and other things like that.

Engineer's Week is part of a larger organization that General Dynamics supports with funds and also gives time to employees to bring students from their communities to the General Dynamics facility or somewhere else where they can teach them about engineering and really pour into the



lives of these students and increase awareness of engineering. We had about, I think, 2,000 employees and children that participated in this week-long event at over 31 of our locations in the United States.

One thing about General Dynamics that I do like as a larger company is their strong emphasis on ethics. The CEO of General Dynamics, Nick D. Cheria, has created what they call the blue book. Basically, it's his vision for ethics and what it means to be an ethical company. That's really driven down from the top all the way to the business units. We have about 100,000 employees who are underneath General Dynamics and that is the one thing that I could see that gets spread across the whole culture.

As far as employee engagement, I'd like to talk about my time at KBR. I spent three years there and KBR reorganized at least once a year until this last year when they finally were separated from their mother company, Halliburton. During one of their reorganizations they got rid of their corporate communications and fit communications more into business units. I was the part of the government and infrastructure organization that had all the contracts in Iraq. What they wanted to do is really focus on getting employees engaged and also boosting employee moral.

I'm sure all of you are familiar with all new reports about how global Halliburton is. If you're an employee who just worked 12 hours to fix a shipment of toilet paper or food to get to the troops and you get home and turn on the TV and then your work is being blasted, it kind of has an impact on moral, so when you go to work the next day, it's kind of, like you believe in the mission, you want to help the troops, you want to make sure they're supported, but at the same time it's like, 'Well, everybody thinks my company sucks', and it's all politics and I won't get into that. A big thing that we were able to do is really to build on KBR's legacy as a community leader.

In Houston they were very, very involved. If you ever go to Houston, half the town is named after George Brown. You have the George Brown Convention Center and all kinds of things. The Brown family was very into philanthropy and making sure that they gave back to the community. This was a 100-year-old company, so back then they weren't really into all the environmental stuff. That came down later where they made a lot of improvements. We were able to get leadership buy-in to create this program, but we still had to prove ourselves.

Most of programs were, like I said, in Houston. We had employees in 51 countries all over the world. So when I came in, I had some challenges. We had two people in Houston who were into their Houston things and then we had corporate Halliburton that was very Houston-centered, so I had to kind of fight and be very passionate about moving things out. We were able to create some programs in Arlington where we got involved with the National Race for the Cure and we got employees involved in that. We were able to sell it, because we could say, 'Hey, we're going to do cause branding,' blah, blah, blah. So, we were able to sell it that way.

But then afterwards, after we really got to present what we were going to do, we were able to engage employees and really get them involved with an important cause. We raised about \$12,000 just from employees in Arlington. They were really into it. A lot of them had family members who were touched by breast cancer, so we did the race.

After the race we did a barbeque—we had about 80 people who participated in the race—that brought them all together and it really gave them a chance to see other people from different departments and get to know each other and just kind of build some camaraderie.

After that event, our communications department was golden. The president let us do whatever we wanted. We said, 'Hey, we want to do a picnic.' He let us do a picnic. With Hurricane Katrina, that was a little bit more of a challenge because of some of the different corporate things that we had to deal with. A lot of corporate bureaucracy, but we were able to actually work with CreateHope to set up a last minute fund where Halliburton was able to raise, I think, \$1,000,000 for Hurricane Katrina victims and we did some other little things.

We had tons of employees who were going down there to work with the U.S. Army Corps of Engineers to help with different projects that they were doing. Our employees were working all day. They worked on 12-hour shifts where people would come in and they would rotate out. We just decided to give them cookies and they absolutely loved it. From then on we would do little random things just to show that they were appreciated.

Some of the other things that we did to engage employees that weren't in Arlington or in Houston were a school supply drive in Arlington where we shipped all these things to our co-workers who were over in Iraq. They took the school supplies to a girl's school in Iraq and I was also able to secure funds for them to have a water purification system installed in the school. As you can imagine, in the desert there's not a whole lot of water. These families could not afford to get water, so most of them would get water from the school but the school's water was contaminated. That was absolutely my favorite project; go and help these kids in Iraq and then also engage our employees who were over in Iraq with a meaningful community event.

After that was a success, I was able to get another \$10,000 to install five more reverse osmosis water purification systems in several schools in Iraq.

As we started to prove ourselves, I was able to get my colleges to open up their mind to being strategic in community relations and we were able to spread that to the UK and Australia. We had some stuff in Canada that was part of a different business line, but also in the Middle East where we really got employees involved and got them engaged in different volunteer activities. We also used CreateHope to do matchings. We actually gave them a headache. We said we were going to expand our giving program to Australia, the UK, Canada and then I was fighting to get the Middle East involved, too. At the very last minute, I gave them 40,000 employees that needed to be included in their system.

It was actually a really, really good experience. The employees really liked it because they were able to find organizations that they wanted to give to. It was really easy, because we did it through payroll deductions and then KBR matched it by 10 percent.

Those are just a few of the things that we were able to do to get employees involved. It's been three plus years in the real world and it's been a really exciting adventure and I absolutely love getting employees engaged.

I think some of the keys to success that we need to take away is the importance of aligning what you're doing with the community to your business objectives. I think if you can get leadership the say, 'Hey, we want to do something good', it's good to see what you're good at, where a need is, we based it on communities and what their need was. We usually gave precedence to anything that had to do with the military. We also involved education and health. Anyways, I was trying to answer your question and I forgot where I was going with that.

Leadership buy-in is very important and you might have to prove yourself, but as long as you're very persistent and you can show them result after result and really be passionate about it, I

think you can get some good buy-in. If your leadership empowers you to do things, I think that's really key and passing on empowerment on to other employees to let them know they can make a difference I think is the real key to success.

**PAVLINA MAJOROSOVA:** Our final panelist is Adam Goozh. Adam is the founder, President and CEO of CreateHope, a company that helps corporations with their charitable givings and community engagement. Prior to founding CreateHope, Adam worked in several professional environments in a legal and business capacity including the Maryland State Attorney's Office, the Harrison Institute Housing and Development Clinic, and HREV, a business and property holding company.

He currently serves on the boards of a number of nonprofit organizations. He is an advisor to the ePhilanthropy Foundation and a member of the U.S. Chamber of Commerce Homeland Security Task Force.

Adam holds a bachelor's degree from the University of Michigan and a J.D. from The Georgetown University Law Center.

It's great to have you here Adam.

**ADAM GOOZH:**

President & CEO, CreateHope, Washington, D.C.

Thanks for having me. Hello everyone. It's perfect actually that Melody and I are on this panel because I was going to use Halliburton KBR as the example that I was going to talk about. I'll go more in depth on that one in a sec.

CreateHope, essentially what we do is work with, not just corporations, but organizations whether they are for-profit or non-profit helping them engage in the community from a corporate perspective as well as from an employee perspective; really maximizing the impact of this program across the board.

A lot of times we find that organizations have a program or they're doing things in the community because that's just what they've done always. That doesn't necessarily, maybe one time it made sense, but things change, times change, and programs usually have to change.

When we work with an organization, we work with approximately 50 organizations ranging from 100 employee or membership base to hundreds of thousands employees around the world, very local to global programs. An interesting thing is all programs are local or they should be. Whether they're in 50 countries or not they need to be localized to those countries, those employees, and those cultures and those communities.

What we do typically is enter into a company or an organization and create a strategic plan or help them evaluate their strategic plan by looking at the needs of all stakeholders involved: the employees, the investors, as well as the communities that they are operating in or selling to. Typically that's a very long process as you can imagine.

We help them implement a process and implement a program so that what we typically do is make sure all the administrative aspects of those programs are handled so they can focus on communications and marketing and localizing the programs. We give them the tools to track the impact of those programs. Now, impact obviously varies across different stakeholder groups so there are different reasons for doing programs.

A successful program, a strongest point of intersection is company's business needs and the society's needs and finding that point is what planning is typically all about.

A successful program, and I'll kind of tack on to what Melody and Nikki both said, is a reflection of the actual employees' needs and the community's needs and the desires of the community and employees. Obviously, focusing strictly on the employee aspect of it is the stakeholder in this case, but that's the topic of our panel discussion.

It's always difficult to put a program onto employees. There always has to be pull from those employees and those communities. We've been involved early on in our company in programs that were global. Someone in headquarters in California said, 'This is what you're all doing in these 20 countries.' It was a debacle; a total failure. That's where the company – one of our clients learned and we learned that you really have to spend some time determining what those employees and those communities need as well as determine what global programs, Nikki can probably attest to this, what are the cultural issues, what are the status security issues, what are the tax effectiveness issues and what are the currency issues?

Culturally, asking someone to give can be very offensive in certain countries. So, you can't just roll out a giving program everywhere. We help our clients do, whether it's giving or employee giving or corporate giving or matching gifts, disaster response, volunteer, volunteer incentive programs. It can be a mix. It can be one or the other. It really depends on the community that they're operating in and those employees.

The goal is always being able to create a level of trust and transparency as Nikki said. This is how the employees are involved in the community and this how the company is involved in the community so there had to be a level of trust and transparency with all the stakeholders involved.

From the company's perspective I wanted to do these employee programs. Obviously it's an important part, one part of their corporate social responsibility. They want to be involved in the community and they use their employees as an extension of their company and the morals and the goals and the ethics of their company.

Obviously, the hope is that it has a positive impact on sales and their consumers as well as generating a future workforce that might want to work for them, because they're involved in the community. They use their skill sets, engineering for instance, to teach or mentor students in schools, elementary schools and up.

Obviously, employees view it as a great benefit to be able to support their community and to work for a company that's involved in the community. Some companies give matching gifts in grants to employees involved or allow them to take paid time off to volunteer. It's a positive influence on moral and retention and creates, as the goal with Halliburton and KBR was, a sense of pride in the company that might not be there.

One thing that gets overlooked sometimes is the impact that it can have on employees working together—it can create a more prosperous and more productive work force. It also creates relationships between employees in an environment that's not work related necessarily, which is a nice aspect.

There's a lot of talk about – this is totally off topic, but why are most people adding porches onto their homes these days? Because they are trying to get a sense of community, because

everything is so global and connected that people want a sense of community and they build porches because they feel like they get that with their neighbors. That gives the employees a sense of it's their porch, so to speak. It gives them the ability to be involved with the community, have pride in their company. It's the company providing an aspect of the workplace that's not related to work necessarily. It gives them a sense of comfort and pride.

Obviously, a good, successful program is localized. It takes into consideration the needs and aspirations and desires of the employees and their community. You want to try and localize it as much as possible. It's not rocket science. Our big value proposition is helping the companies evaluate what are the needs and desires of their specific employees in their local communities and handling it all.

With Halliburton, which KBR was a part of and now is its own company, which is creating new things now that you're not there. I can tell you all about that. It's finding its own sense of community and its own program now that it's separate from Halliburton. There was a concurrent launch of four countries, which was Australia, Canada, the UK, and the United Arab Emirates, as well as the United States. With Halliburton, we launched those four markets at the same time. That was after surveying and talking with each of those markets locally and determining what would work and not work as well as evaluating what are the cultural issues that need to be considered.

There's a big aspect of using technology to handle the administration to allow people like Melody to be the hands-on marketing communications, you know, getting people excited about the program, getting them to understand that this is a program that they created, that they originated, they helped instill.

We did a survey. There was an enthusiastic acceptance of the concept. There was over 92 percent of all the surveyed employees. Sounds funny, but having that survey and getting that involved was probably the reason the program was so successful.

Creating a branded program, which was actually the first multinational employee benefit that Halliburton had ever had, was a way of integrating the company and putting a sense of pride in the company through community involvement. It was the first time anything employee benefit, which this was for you guys, it's one way of getting management's buy-in, it was the first time that had happened.

The seamless integration from an operational infrastructure perspective of tying technology, which was the hub of the program, people participate via paper or via the Internet and that system, with actual on the ground process in five different countries from fiscal management of funds to distribution of funds to the validation of organizations in the communities that the companies and the employees are going to support. It's a huge, huge task and it was seamlessly integrated as well as integrating the employee managers or coordinators on the ground to manage the communication infrastructure and work with subject matter experts in each of those areas.

The stronger teamwork through the cross-functional and cross-boarder relationship within the company, it really helped tie the company together. Employees all around the world; it really had them feel like they were working for one cause and having that pride in the company.

They saw a growth in participation, volume of giving in every market including a four times return on investment of what the company put into the program. Now, return on investment can be – that can be defined by anyone in a different way really, but in case for return on investment

is not necessarily the measurement of impact on the community, which is difficult to actually measure, but the success of the program in terms of the cost to actually run the program was four times. Actually it increased the next year to five times return on investment.

It's giving choices with the program. It proved to be a benefit to the employees, communities and the company. It saw an unprecedented positive growth in all tracked program benchmarks during the second year of the program; participation, volume of giving, number of beneficiary non-profits in those local communities, giving by business unit, giving by location. I think the average of the total donation was \$484 for the year, which is really high. I think there's statistics out there where it's typically around \$200-\$225 in employee giving programs.

Again, I think it was really attributed to the thought behind the program as simple as it is and localizing the program and obviously having the infrastructure to manage a localized program, but track corporate-wide so that from a marketing/communications perspective when participation is not high in one area, why is it? How can we address that? That was what was successful and it was a positive outcome.

Just on a side note, another client of ours, Hewlett Packard, quickly, utilized their community involvement program, their giving/matching program to integrate Compaq. So, when the Compaq/HP merger occurred, it was the program they launched as the first integrated company-wide event and it was extremely successful. It's just another way of using community involvement to benefit the company and the employees and get a sense of pride and teamwork, which also possibly impacts the community.

**PAVLINA MAJOROSOVA:** Very interesting. Thank you very much Adam. Now I'd like to open up the floor for discussion. Jack?

**JACK OTERO (Coca-Cola):** If at all permissible I would like to address what was discussed earlier, during this panel, on behalf of the Coca-Cola Corporation. Let me say at the outset that our company is a global corporation that operates in 200 countries around the world to hundreds of bottling partners.

We provide employment for hundreds of thousands of people. Jobs, well-paid, and I am proud to say that in the United States and throughout the world more than 50 percent of our employees are unionized and that our company engages regularly in collective bargaining with all these unions in a cooperative effort to forge a cooperative relationship between the employer and the union.

Our company is committed to achieving the highest standards of governance and business ethics through a cross-functional team that we established in the year 2004. We regularly review our systems, codes and policies to insure that the company is meeting all of its international business practices and obligations.

We have a major plan that is called a Corporate Citizen Corporate Responsibility Plan, which operates on two fronts. One is corporate government guidelines and the second one is a code of business conduct.

We also have a global risk assessment process that requires all of our associated business groups around the world to regularly assess the likelihood of an impact of a broad range of social and economic, as well as environmental, risks. We strive to have the plans and the capabilities to manage all risks that may present themselves.

The major force that drives our company in this business is optimism. Our chairman, Mr. Isdell, believes that optimism is the key to success. We also believe that business of business is business.

We believe that we have four major responsibilities that need our full attention and priorities: one, to our customers, two, to our employees, three, to the communities that we serve, and finally to our stockholders.

A citizen corporate responsibility program, we believe, is not only good for business, but it is also a major goal of this company to be fully accountable and transparent in everything that we do. We strongly believe in being a good corporate citizen and giving back to the communities that make our business possible.

So, we always try to go beyond engaging in other activities that take us way beyond just a simple legal obligation. We believe we have a moral and ethical obligation to contribute to the public good in any way that we can. To achieve the goals of the company's citizen corporate responsibility commitments, we always insure that such commitments are backed up by the necessary financial resources and human resources as well.

Now, there are many projects that our company engages in that are simply the 'do good' thing and I would only like to mention one project, which we are very proud, which is one of the most important things our company does: The Global Boarder Project. I'm sure that some of you around this group here can attest to what I have to say without taking too much of your time.

As you know the world population is rapidly expanding. We are growing on the earth at a clip of 80 million people per year and so at this rate, in the year 2050 we are going to exceed 10 billion people on this earth. Already there are millions of people who do not have access to water. So, our company has undertaken projects in many developing countries in Africa, in the Near East, and in Latin America to bring water to communities that today don't have access to water.

We are very proud of all of those projects. There's not enough time for me to give a dissertation on all of those activities, but you can access our Web page [www.thecola-colacompany.com](http://www.thecola-colacompany.com) and there're many links. You can look there and find out for yourself what these projects are that we're doing and the very pressing problem of access to water in the world.

**JOSEPH MELOOKARAN (JMA):** Few comments on Nikki's presentation. She made the point about engaging employees and unions. I know that there are several companies that are not good examples of engaging the union for the good of the company, good of the employees. To me, my experience, I've yet to see a union that understands the pressures of the global competition and living within the means of, you know, when things get tough, they don't take their fair share. They want their share not to be touched.

At the same time I see a lot of companies without unions prospering. They are very vibrant. This morning I was reading *The Wall Street Journal*. In Denmark, because of the labor shortage they had a big job fair and people were driving from Berlin all the way to the border. A few hundred people even barged in before the fair opened. The reason I'm saying this is sometimes the unions were impairment to the progress.

Too, I want your input on what is from the union side in terms of educating the employees as to the globalization and how to deal with this kind of situation that was not there a few years ago. I would appreciate if you could comment on that.

**NIKKI DARUWALA:** Sure. I'm not sure I completely understand the second part of your question. To start with the first part, I'm not here to speak for the labor unions. I only see what I see. When I see examples of companies where the management and the unions work together and it does benefit the employees—it benefits all from that perspective.

To get to the point of the give and take, I think there are examples that we have seen through the years of companies, which have actually been bailed out and it is because of that corporation that has actually saved the company. If you look at some of the examples in the publications that I have – take a look at Kaiser. Ten years ago, that company was in bankruptcy. It was because of this partnership that it came out of there. Harley Davidson was in trouble as well. I think one of the examples is also airline industries. We're seeing that a lot in the airline industry more recently. I'm not familiar as much with all the intricacies of that. You take a look at what one of the healthcare companies in Philadelphia said. It was because of that collaboration . . . What tends to happen is companies, this is my observing what's going on, is that companies tend to be, in some instances, 'I'm running that business and you're my employee and have that' – lot of companies have their paternalistic view of 'I'll take care of you,' they're there for you kind of thing, but 'You're not my partner.' There's a very fine line between the two. There is a fine line and with all due respect, Melody, this is exactly the kind of examples you see where employees work 12-14 hours, but then we give them cookies and it's fine; that kind of example. That's not a partnership. That's good thing to do. That was very worthwhile doing, but that's not the partnership model.

What happens when you are a partner, you are approaching the employees before crisis sets in, not after crisis sets in saying, 'Well, I'm going to take away your pension' or 'let's start slashing wages.' It's, 'Let's start working together to set what the operating standards should be before we reach crisis.' 'We're both in it together.' I think that was what the big awakening for Kaiser was. It was, 'We're in this together and we're going to make this work. Now, let's make it work.'

Decisions are made on all levels; consultations with physicians, with doctors, all the way from doctors to janitors, to the nursing assistant. They're all working together in this partnership to try and make it happen. That's just one of the many examples.

**JOHN ANDERSON (Delphi Corporation):** May I offer a thought back on that. I agree with you that if you can do that before you reach crisis that's great. My company is Delphi Corporation, which is in bankruptcy. We're going through some really tough times right now because of the global economy.

Unfortunately, unless there is a moment of crisis, sometimes people won't come together. You can just look out and say, 'Everything's fine' and then you realize that, 'Oh gosh, here we are in bankruptcy' or 'We've got to figure out a way to solve our pension problems' or wage issues or something like that.

I agree with you, but I think there are, and I think this is getting off the track of where we want to go in terms of community relations, but sometimes people don't react unless there is something that brings them to the table to react in crisis. That's where we are, we're a tale of two companies. We're doing well globally. We're growing in Asia and Eastern Europe, but in the United States, we're planning to close 21 out of our 29 plants.

That gets back to the whole community relations piece, because that's a huge ripple effect on the community, on the employees, on the families. That's a great concern to me and a lot of people in my company: how are we going to manage through that, how are we going to deal



with the issues of closing those facilities? I think that everybody that's going to leave Delphi is going to have a good safety net, because we do have pretty strong unions. But longer than that, what happens to the communities? What happens to the charities, to all the good organizations that are out there? I don't know what the answer to that is, but that's a concern to us.

**NIKKI DARUWALA:** But for me, quite frankly, the key to what you just said is that your employees are going to have a good safety net, because of labor unions and an active labor union.

**JOHN ANDERSON:** I think that's right. I think that's correct.

**Participant:** Now, what accounts for the closing of the 20 plus U.S. plants as opposed to plants that will be operating overseas?

**JOHN ANDERSON:** A whole variety of things from global competition to workforce practices to bad management practices to the fact that some products just can't be made here anymore because they can be made so much cheaper in China or Mexico or someplace else. We're participating in all those markets. We have employees in businesses in China and Mexico. We're one of the biggest employers in Mexico. If we didn't have that, we probably would have more jobs here in the U.S.

So, it's a very complicated system, but as it gets back to what we want to talk about today in terms of responsibility and communities, it plays out in all these communities. We're doing some wonderful things around the world, but sometimes that's overshadowed by what people read and what they think about us in this country.

**JOSEPH MELOOKARAN:** Just to clarify the second part, you know, that you are confused about. What I was offering was civic responsibility from the point of the union; perhaps making the employees understand about the dynamics and realities so that they can get a perspective. One of my close friends, she shut down her operation because the union people did not understand the pressure of competition and the pricing, because she had a lot of competition from the people who had non-union workers. Every bid, she was outbid. Finally, she closed down, the employees left the job, and she filed for bankruptcy. There are a lot of circumstances like that that is happening. That's what most of my clientele is that I deal with on the financial side of it. I know some of the issues people are facing. I think it seems that one of her complaints was, 'They just don't understand competition and the business realities.' We have to tighten our budget and live within our means as a company. They don't understand that.

**NIKKI DARUWALA:** I understand your question more clearly now, thank you for clarifying.

I think I would go back to the issue of education and it goes to the term that you said, it's the 'us' and the 'them.' I think we need to get away from, at least on this particular issue, just like many other issues, when you talk about corporate responsibility, civic responsibility, we need to push ourselves to move away from the 'us versus them,' it's all of us, it's all of us.

So, as a CEO, if I'm facing crisis, because of global competition, my responsibility is not, oh, they have to educate. What you're saying is that an employee representative should have educated the employees about the crisis I, as an employer, am feeling.

No, what I'm trying to get at is everybody is in it together. We all needed to educate ourselves on what that crisis is. It's early buy-in. It's wanting to know. For example, if employees and

their representatives were part of decision making early on, you wouldn't have needed to tell them. It would have been visible. It would have been absolutely visible. Had you been transparent and had you been engaged early on – unfortunately, you're absolutely right, John, it doesn't happen early on. It's crisis-driven.

It's not just in labor. It's in environmental issues. It's in human rights issues. It's all of the other issues that we see globally, not just here, all over. It is not unless it hits that crisis mode that everybody has that 'ah-ha' moment. We've seen that on so many big issues that deserve our attention early on. For example HIV/AIDS. There's just so many issues that we need that wake-up call early on, unless it's a crisis ...

**FRANCIS SKROBISZEWSKI (U.S.-Polish Trade Council):** Just want to pick up on something Jack said that was one making sure there were enough resources behind whatever was being done to ensure its essential viability and sustainability.

It struck me earlier, because I work with a small – we had a small loan program in Poland, which I'm going to mention a little later, a micro-enterprise program as well. We actually turned them into institutions. Well, they turned the small loan program into a bank; they rolled it into a bank. Then we sold it to Fortis. That gave it total sustainability.

I was looking at the very good materials here on the Whole Foods program and I noticed that they were grants for three years. I struck me. OK, you give a grant for three years, people create little businesses, and then what happens? What happens going forward?

Another thing that I thought about, too, was because I've invested in business, I ran venture funds in Central Europe. We had a lot of nice little businesses, but they were not good investments. We couldn't do anything with them. So, you had a little business and that was the end of it. It never grew any further.

I think there's more to it than just helping people, setting some things up and then moving along. There's that long-term commitment that comes from something being more than just a give-away program. There's some constant link to it. Would you know a little bit more about those programs? I saw they were three-year grants and the grant isn't even being close to drawn down. On those Grameen Banks that you have in Guatemala and India and so forth, you may not because, of course . . .

**JANE MEIER:** It's not a grant program, it's a loan program.

**FRANCIS SKROBISZEWSKI:** The grant is from Whole Foods.

**JANE MEIER:** The loan is from Whole Foods.

**FRANCIS SKROBISZEWSKI:** So, it's a loan? You're making a loan to . . .

**JANE MEIER:** We're giving micro lending.

**FRANCIS SKROBISZEWSKI:** I understood that, we did this in Poland.

**JANE MEIER:** Whole Planet Foundation is doing the micro lending.

**FRANCIS SKROBISZEWSKI:** But, you put a grant to capitalize the loan program. The grant was a three-year grant. What I'm asking is, you mentioned making sure the resources are there to follow through on the program.

**JANE MEIER:** Sure.

**FRANCIS SKROBISZEWSKI:** When we did these deals in Poland, we were there for the long-term; I spent 15 years doing this. So, that's long-term.

**JANE MEIER:** I can speak to how Whole Planet is being funded right now. One way is through our customers; we raised \$160,000 . . .

**FRANCIS SKROBISZEWSKI:** I understand that, but you're putting money into a Grameen micro-program.

**JANE MEIER:** OK, maybe I'm not understanding your question. The Hope Planet Foundation is based on the Grameen Bank . . .

**FRANCIS SKROBISZEWSKI:** I understand, but you're putting \$1.4 million into an institution for three years. It's a grant. It's a three-year grant; you're funding it. So, what happens after the three years? I'm looking at the sustainability of the operation over a longer period of time. Where do they get the money?..

**JANE MEIER:** So, the micro-lending program, if anybody's familiar with the Grameen Bank motto, when the people who get the loans, they pay them back on various small . . .

**FRANCIS SKROBISZEWSKI:** That's right. I understand that.

**JANE MEIER:** OK, so, the money gets funneled back into the community to give more loans. It's self-funding thing so that's its sustainability.

**FRANCIS SKROBISZEWSKI:** Yeah, I know, but how you grow these things, because when Jack made the point about having resources that are committed to the long term to make the program over the long term . . . see I could take money and put it into something and then I could, sort of, step back or I can take money and put it in and have the follow through over a continuous basis.

**RICHARD WELLS (America's Promise):** We're the largest cross-sectoral alliance for children and youth and in your material, Nikki, you have a great quote here at top that talks about the race to the bottom approach. This conversation about globalization and the intensity of competition, I think, it's important to look at the longer term and the longer view.

John mentioned the work that he does getting out into the future workforce. UNICEF just put out a survey for research that lists the United States as 21 out of 22 developed countries in terms of how we invest in education and healthcare for our young people.

The business partners that we're engaged with and Chip Wheeler, a colleague here at the table, deals closely with, but we hear from them. Folks like the American Manufacturers Association or U.S. Chamber of Business Civic Leadership Counsel, Stephen Jordan is one of our trustees. Those folks are taking responsibility, we're getting employees, but they don't have the skills that we need. We're putting all this money into remediation for these employees.

There's a larger environment that the business is operating in and there's a shared responsibility between the corporate sector and government, frankly, which has a responsibility to make sure that the systems that are in place can support what businesses need; make sure that young people are educated to the degree that they can be competitive and that they can manage and be leaders in the globalization of America. I'm sorry, the world.

I guess the bottom line I've picked up on is there's definitely a sense of unilateral, we're a company, we're doing this. Then there's a sense of companies working together to make systematic change, which I think, in taking a long view, makes a bigger impact on health and education.

**JOHN ANDERSON:** I'd say, too, at Delphi we're looking at it and we're seeing that we're going to close some of these plants that have low-end manufacturing, but we see more opportunities to do high-end manufacturing and engineering in the U.S. One of the concerns that we have is how do we find that right skilled trades people and engineers to take on these U.S. jobs that are going to be out there in the future?

That's where we're putting a lot of our foundation resources in making sure that these people are trained and that we are going to have engineers.

There's a lot of opportunities for people to go around the world, because everybody's looking for these types of opportunities. We need to make sure that there are a number of them here.

**MELODY HOLMBERG:** That's a huge deficit. It you look at it, especially as a defense contractor, we cannot hire foreigners for some of the work we're doing, but I think across the board as technology ages out with the baby boom, we alone are going to lose 90,000 of our engineers over the next decade. That's a tremendous amount of our 140,000 workforce. And for General Dynamics and many others, Coca-Cola and others have engineers in their forum, so we need those kids to get engaged in science, technology, engineering, and mathematics and stay in those tracks; get engaged in engineering and stay here so it can be attractive down the road.

**JOSEPH MELOOKARAN:** To add to that, look at today's *Wall Street Journal*, bumper earnings being announced by company after company. Yet, there are probably 10, 11, 12, 18 percent declines in the U.S. All those earnings are being generated from China, Eastern Europe, so on and so forth. That's where companies are beginning to grow.

Fundamentally, I think when we talk about labor and employees and employers, Nikki talked about a partnership, we've got to broaden our definition as well. I don't think we can look at it so narrowly and say, well, you know, it's just the U.S. unions and U.S. companies. We have to partner together, because as a matter of fact, companies like Caterpillar or IBM, IBM – India is a country where they have the second largest number of employees. By 2008, it's going to be the number one country or they will have more employees in India than any other country in the world.

**Participant:** 50,000 they have in India.

**JOSEPH MELOOKARAN:** IBM's plan is to have India be their number one country where they will have employees situated. Now, do you call IBM an American company anymore? Can you think about it in purely American terms? I don't think we can afford to do that.

**SALLY SCOTT MARIETTA (IBM):** We call ourselves, as you may have read, a globally integrated enterprise. It means that we are balancing our activities throughout all the companies in the world. Yes, we have higher employment in say India and China and others, but right now it is really balanced between the U.S. and outside of the U.S. in terms of employees.

What is not balanced though are our philanthropic activities. It used to be more in the U.S. It's now moving more and more to be half in and half outside. You'll hear a lot more about that activity in terms of globally integrating our systems and our processes.

One thing, I want to get back to Adam, is there are certain things as a globally integrated enterprise that we do not change based on the country: our supplier chain network – we are required to meet our corporate social responsibility activity; our hiring – it has to do with reflecting our diversity throughout the world. There's no change just because we're U.S. headquartered. We're globally integrated.

I wouldn't say India is going to be the number one area for employment; it's going to be outside and growing. You were talking about the level of technology and skills we require in the U.S. Some of our greatest resource entities are still here in the U.S. and will remain so. Thanks.

**PAVLINA MAJOROSOVA:** Coming back to employee engagement, I think what Melody mentioned is interesting in that companies can look inward and use their employees to spread the word about engineering and that's what GDAIS did during their National Engineer's Week. They had their own engineers go into the communities and talk to the kids and show them how cool it is and make them enticed for the future to become engineers. I think that's a huge resource companies should use and be aware of.

**NANCY SMITH-NISSLEY:** I'm just agreeing. In a former life, I was also a teacher and taught at the junior high, high school, and university level and this is a common theme that a learned back in my teaching days, which granted was several years ago. When I leave this particular profession with the government, I will probably go back to academia and for this very reason that you're talking about.

**KEYNOTE SPEECH: "Values Matter: Emerging Business Policies and Practices for Building Trust and Good Will"**

**GEORGE THOMAS – moderator**

President, Bradenton Cardiology Center, Florida and a member of AACR's Advisory Committee

Good afternoon everyone. You know, as a cardiologist, I'm typically attending medical conferences and seminars on heart health and let me tell you, they don't serve desserts like these at those events. And the doctors aren't nearly as much fun as this group is, either!

I'm so pleased to introduce Stephen Jordan, Senior Vice President of the U.S. Chamber of Commerce and Executive Director of the Business Civic Leadership Center. Stephen and his team at BCLC are doing so much to advance the practice and concept of corporate citizenship.

AACR has been a great admirer of BCLC and we hope that in our small way, we can contribute to the same effort.

At BCLC, Stephen leads the group's engagement with a broad spectrum of companies and chambers of commerce in the U.S. and globally. He has produced numerous conferences, policy papers, and other projects and programs related to the fields of corporate citizenship, business and society relations, global development, education, disaster assistance and public-private partnerships.

Some of the notable coalitions he has played a role in launching include the Partnership for Critical Infrastructure Security, the National Cyber Safety Alliance, Business Strengthening America and the U.S. Business Education Network.

In addition to his work for BCLC, Stephen currently serves on three non-profit boards: the Council for Corporate and School Partnerships, the New World Institute and the Southern Business Leadership Council.

Prior to joining the U.S. Chamber, Stephen served as executive director of the Association of American Chambers of Commerce in Latin America. In the private sector, he has worked in the publishing industry and has a background in strategy, marketing and new product development.

He began his professional career as a legislative assistant for the Senate Foreign Relations Committee.

Stephen holds an M.B.A. from Georgetown and an M.A. in Political and Social Thought from the University of Virginia – and he is a member of Beta Gamma Sigma, the business honor society.

I know I speak for everyone here when I say that we are indeed fortunate to have Stephen with us here today. Stephen?

**STEPHEN JORDAN – keynote speaker**

Senior vice president and executive director, U.S. Chamber of Commerce – Business Civic Leadership Center gave a keynote speech during the luncheon session, discussing BCLC's perspective on trust-building in U.S. society.

Thank you very much for that endearing introduction. I really appreciate it. There are a lot of good friends around the table today. Thank you very much for having me.

Before I actually begin the main body of my remarks regarding trust, I thought that if you wouldn't mind, I would like to say a couple of words about some of the earlier conversation that we had.

I'm actually writing a book right now on future development. One of the things that has concerned me is how past success, in some ways, can be a barrier, an impediment to the future of progress.

When you look at how we are as people, none of us wears the exact same thing for 40 years. We don't drive the same car for 40 years. We don't do anything, well, almost anything, for 40 years. And yet, somehow we expect lifetime employment in the same job that we've been doing, making the same products that we've been doing, and somehow there's a fundamental disconnect there.

So, what you're seeing with Delphi is going on in many different industries. The economist, Joseph Stiglitz, called it creative destruction. But, when we create a certain kind of economy, whether it's an agricultural economy, a manufacturing economy, a services economy, we create all these mutually interlocking infrastructures to keep us within that particular system.

So, when you think about the horse and buggy industry, it wasn't just a horse and buggy that were displaced when the automotive culture began. It was tackle manufacturers, it was people making harnesses, it was people making the specialized cushions, it was the certain kind of wheel manufacturers that were set up. You have to ask yourself in a certain way, would we be better off or worse off if the horse and buggy lobby had managed to keep cars from coming into being and with all the infrastructure associated with cars.

Sometimes when you look at the current debates, you know whether or not to make the transitions to new technologies or to make the transitions to new kinds of infrastructures or things like that, there are powerful, conservative institutions and organizations that want to preserve that same type of lifestyle that they've had. They want to preserve the way that things have been. They have validity, too. You know, when people talk about the farming lifestyle in the United States, the agricultural lifestyle, there's a whole way of life associated with that. Some people want to be farmers.

I think that sometimes the proponents of progress versus the proponents of the status quo don't necessarily see that there has to be some kinds of accommodations to each side. Thank God that the horse and buggy industry wasn't strong enough to kill the automotive industry in its cradle. You know there have to be certain kinds of adjustments with that.

So, I think that one of the great challenges of globalization is going to be, as new forces and new pressures and new things impel us towards embracing change and innovation, how do we manage the disruptions that go along with it in such a way that their impact is minimized? And that you don't trigger a reaction that's even more violent than the cause provoking it.

You look at Latin America, for example, and the rise of Hugo Chavez, and the populist sentiment that's sweeping Ecuador, Bolivia and Argentina is not explainable unless you look at the way that market reforms were implemented in the 1990s.

So, as someone who believes the market driven development is really one of the great keys to material advancement in human history, this may sound a little strange, but I do believe that we have to be sensitive to the adjustments. And in a funny way, the most efficient way to move forward, in terms of progress, is for it to be slightly inefficient. I think, John, Delphi's experience would speak to that.

So anyway, I felt that the conversation right before lunch was very interesting in that regard, something that I've been thinking about quite a bit. Also, the interconnectivity between what is happening in the United States and what is happening around the world is going to continue to increase and accelerate. You just look at things like remittances and look at immigration and capital flows, technology flows, R&D and all the rest of it and I think that today, it's as static as it's ever going to be. I think that these processes are going to be increasingly more dynamic moving on into the future.

I think that it's very hard for people to anticipate disruptions. We think going 25 years into the future the trends are going to persist as they are today. Someone was saying that, you know, we might have 10 billion people. And yet, if you were to look back 25 years ago, Russia was still the Soviet Union, the Internet was, you know, a play thing at a few universities, folks were

fleeing China and India to get educations and take advantage of opportunities in other countries. It's amazing how much the world has changed in 25 years and it's very, very hard for us to be able to effectively deal with disruptions.

Anyway, I have a whole different talk that Chip Wheeler has heard around all of these topics, but I won't go further on it at this point, but I would love to continue with this discussion later on.

When we talk about trust, trust is the number one social issue affecting business and society relations. We have been studying this since the Center was created back in May of 2000. We don't believe that trust is the number one issue because of the Enron scandal and because of the recent events in 2001-2002.

As far as we can tell, the roots of the current trust situation probably date back to the late 1960s. As late as 1966, a majority of the American public had a favorable view, had a great deal of confidence in the leaders of big business. By 1974 about 16 percent did. So, in the space of eight years you have an unbelievable erosion of trust in business. That trend line continues from 1974 until today.

It has all kinds of consequence for business. Not just Sarbanes-Oxley in 2002, 2003, but in terms of your license to operate, in terms of the regulations that local communities want to impose on businesses, in terms of people giving the benefit of the doubt to bloggers and to advocacy organizations who are willing to make certain types of points. It puts businesses on the defensive. Your CEO is no longer your best spokesperson. People trust people much more like them. So, that's good news for the rest of us, I guess.

It's very hard for businesses to deal with, because it's an intangible thing. I can't just sit there and say I want to buy 10 units of trust from you. So, it's very hard to manage. And what's happened in the past, the United States has had two other major trust crises in the last hundred years. Around the turn of the century you had the creation of major trusts. There was the Tobacco Trust, there was Standard Oil, JP Morgan sat on the board of more than a hundred Board of Directors. It was almost the Japanese economy. You had tendency towards oligopoly or monopolistic practices. You had extensive vertical integration.

A guy like Andrew Carnegie, he owned the Coke, the coal, the railroad, the steamship, the Bessemer steel plants and the distribution networks. I mean complete soups and nuts vertical integration on this.

So, what happens is in the early 1900s you get exposés into meat-packing practices. Theodore Roosevelt enforces the Sherman Anti-Trust Act, which had actually been on the books for 10 or 15 years before that. What happens? Confidence in business comes back. So that by the 1920s folks like Henry Ford, Tom Lamont, Herbert Hoover—icons of business and industry and economics—are some of the most popular people in the country. The stock market goes through the roof.

Then the 1929 crash happens. Actually the trust crisis doesn't hit exactly in 1929. It's probably '31-'32 where it really becomes steep. FDR's response to that is to establish the Securities and Exchange Commission. Again, they pull out a regulatory package and what happens? Probably the high point of public attitudes towards business is probably in the early 1950s. It wasn't just a product of regulation. The arsenal for democracy was the biggest public/private partnership in history to that point, in terms of the way that corporate executives joined and supported the war effort. It also gave them quite a bit of credibility. It renewed a sense of solidarity.



So, legislators, very familiar with this history, see what's going on with Enron and MCI Worldcom and all the rest of it. They say, 'OK, we'll pull another one out of the playbook and we'll pass Sarbanes-Oxley.' But what happens? All right, today, if you look at opinion polls, do you think that attitudes towards big business are better than they were? No, it's still a sore question. So, we started asking ourselves, what's going on? And I don't want to minimize some of the positive things that have happened.

Right now the stock market is flirting with almost all time highs. We haven't had any extraordinary scandals in the last four or five years. You've had a number of companies that have implemented a dramatic governance reform. There has been significant progress on the number of frauds and in fact, today, more people who had direct experience with an individual company have more confidence in the company that they know than they did 10 years ago.

So, what's happened is that the tangible concrete relationships that I have, if I'm in Southwest, I like Southwest; if I'm in Lockheed I like Lockheed. I'm assuming that they're going to operate in a trustworthy manner. The attitude towards business as a whole is still really bad. It's kind of the same attitude that people have towards Congress, right? Do you like your individual member of Congress and you think the whole thing is a mess, and all the other people in the rest of the country are a bunch of morons for electing theirs.

So, it's kind of a similar thing that's going on now. But, the problem is that, as Meagan and I were talking during lunch, policymakers and folks who are not in the business world, have a tendency not to think about individual business. I love my Starbucks or I love my Gap. They have a unique distinction in their minds between loving the individual businesses that they know and the private sector as a whole.

There's somehow this idea of this thing called Big Business, which, as anyone who works for a company will tell you, there is no such thing. There are big businesses. Individual businesses have plenty of clout and power individually.

So, here we are today with the current situation. We've got a systemic problem and we don't know what to do about it. Past remedies haven't necessarily worked. One of the things that I would submit to you, and why I think that Citizens for Civic Responsibility could be very important, is that this trust crisis isn't just facing businesses. We have a trust crisis in terms of all of our institutions.

Think about the New York Times, do you think anyone trusted it as much as they do now as they used it because of the plagiarism scandal that hit there? The American University, the Smithsonian, United Way, Red Cross, Catholic Church.

Do you know that at the height of the Enron scandal, we're talking March or April 2002, that that was not the worst scandal of the time? NBC News and *Wall Street Journal* did a survey asking, what do you find is the most appalling thing going on in the United States today? You know what they said? Enron was three. Number one was the Catholic Church scandal in Boston. Number two was how Red Cross was handling 911.

The trust crisis that we're dealing with now is not something that's reserved solely for business. All of our institutions have vested interest in working together to build up social capital. It's funny, because we get social capital when we look at sports, but we don't really apply social capital to our own organizations or to the environments in which they operate. Isn't that funny?

It's very easy to see it in sports. The New York Yankees do not win the World Series every year even though they buy the best pitcher and the best catcher and shortstop. It's not just about individual talent, right? It's about how well the pitcher pitches to the catcher and how well the different players in the field coordinate with each other. You see that very well. Baseball itself doesn't work unless the fans come to the stadium and they trust the product. The sportswriters write about it in such a way that communicates why this is important and why this is excellent. The owners do a good job trying to make sure they get competitive talent. In other words, all the key stakeholders, it's not just how well the individual team is operating on the field, it's also how well they're putting that external environment together to work with.

That is the trust challenge that all of our institutions have to address. We really need more of a science around the development of social capital.

How do I get my team to work as well together as they possibly can? How can some of our parts be more important than just our individual balance? How can we get our partners, our suppliers, our customers, our investors, put everybody who out there is our sphere of influence and engagement together to effectively engage with us? I would venture to say that while human capital is now much more well developed, social capital is underappreciated and not appreciated as much as it could be as a factor for productivity.

But the way that a lot of companies talk about this stuff, is that they are defensive. Why don't I sign onto a code of conduct? Well, I'm afraid that I have a rogue employee or I'm afraid it could turn into a some kind of a liability problem five years from now or God knows what one of my vendors has done and what my responsibility could be because of what somebody else did.

And people rarely get fired for what they don't do. So, you have a tendency to have a little bit of a bunker mentality. And what does that mean? That's a failure to act. And lack of action actually is what makes business stop.

We were talking a little bit before the lunch started about what's going on in Michigan. The fact that there's unemployment, the fact that companies aren't hiring means that housing prices are going down. It means that the economy is slowly contracting. In a way you almost need trust. You almost need a brand of promise to be able to engage with other people and to be able to have business, to have action going on.

Some companies are really starting to get the joke about this. And you'll see all this in the Values Matter report. What we're starting to do is really profile companies that are looking at it in terms of internal organizational productivity building. Some of the things they're looking at are volunteerism, awards and recognition, training, internal communications can't be overstated, clear and transparent practices, internal things that really get employees feeling like they're part of the same team, going the same direction, that they're complimentary in terms of what they're trying to accomplish and moving forward on a common goal.

You're seeing the same kind of things starting to happen in terms of the external environment, so that you get some companies that are engaging in more stakeholder dialogs. They're saying to community leaders, 'Hey, come on down and have pizza and let's just talk.' And you say, 'Well, that doesn't seem like a lot.' When you've had a tendency to be looking at the world as 'us versus them,' breaking down some of those walls and creating a semi-permeable environment where the company and the community start bleeding together a little bit more, create more bonds of loyalty and more ways of engaging with each other. Again, transparency works in terms of communicating with external stakeholders as well.

One of the things that Southwest Airlines noticed is that they didn't sell their employees on the idea that they were driving an airplane. They sold their employees on the idea that they were allowing people who couldn't afford to travel before the opportunity to travel. So, their employees had a sense more of a mission. We're doing something to benefit people in a way that they hadn't been benefited before. And you know what they found? That internal work with customers was having an external dynamic in terms of generating increased customer loyalty.

So, you're seeing a number of companies really starting to say, how can I put that external stakeholder environment to work for us? And I think it's paying dividends.

So, I want to conclude with this. First of all, I hope you enjoy the report and we welcome your feedback in terms of helping us increase the body of knowledge that we're putting together here. But, I would say that to the extent that we can build civility that we can build engagement that we can implicate values for liability, honesty, trust, integrity, the work ethic—those are all things that have both the social benefit and are fundamental for economical development. I would say the mission of this organization is well in line in terms of making the connection in the linkage between doing good and doing well.

Thank you very much.

**DR. GEORGE THOMAS:** Thank you Stephen. That's excellent.

I work in a profession where trust means everything. How do you know when you go to a doctor? I mean what is he going to do to you? That's why even in our profession, they always say it's not science and art it's art and science. I think that trust is one of the most important currencies we need to build up. I think it's not really confined to the corporate world.

I had the opportunity to be on the Board of Directors of our chamber in our county, our town. That was actually the chamber of the year for the state of Florida twice. I think one of the things we found is how they were helping the businesses build trust and transparency, building engagement, to borrow the word from you, and I think that's exactly what it is.

Now, I don't want to talk too much. Stephen has a tight schedule and we just need to bring in some discussion.

**Participant:** Thank you Mr. Jordan, you raised a very good point of what a challenge trust and civility can be. Let me throw something out, please consider it a kind of neutral example – not a reflection on any specific corporation, but an issue regarding business, trust, responsibility and morality. That issue is immigration or illegal immigration. We have media organizations here, labor is represented, corporations, NGOs. Many perspectives . . . Mr. Jordan, any thoughts?

**STEPHEN JORDAN:** Yeah, thanks for the easy question.

You know, when you look at immigration, it's a complex issue. I want to make a point; I'll hopefully come back to this, which is that a lot folks talk about the race to the bottom, right? When you really look at it, there's actually a race to the top. When you look at immigration flows, where does immigration go? It goes from south to north. It's not just the United States, by the way, this is something that's really dramatically affecting what's going on in Europe, and when you look at it all over the world, what you see is a race towards opportunity.

The other thing that you find is that about 90 percent of all foreign-directed investment goes to fewer than 50 countries. Who was the leading recipient of foreign-directed investment last year? Do you all know?

**STEPHEN JORDAN:** The United States. Over a \$180 billion dollars. In other words, more than 10 percent of all foreign-direct investment came to the United States last year. I would venture to say that if you added up all the investment that went to the OECD, and went to the BRICK, Brazil, Russia, India and China, that gets you to about 85 percent. If you add just the next 11, you're over 90 percent on this.

So, you got 150 countries that are making due with about \$100 billion in foreign-direct investment total plus another \$100 billion in aid and remittances. We're not going to see a situation where inequality is going to decrease. We're going to actually see a situation where the wealthy countries are going to continue to increase in wealth and the least devout countries are going to lag further and further behind unless they make important governance and economic reforms.

So, there's going to be a situation here where the trends and the forces that you're seeing today are likely to accelerate. Do you know if the United States adds four percent to its economy, you know how much that is? That's about \$400 billion dollars. You know what that is? That's 2/3 the size of the economy of Mexico. It's ridiculous on this thing. So, I think that the pressures are actually not going to diminish regardless of what legal things happen in the United States. They are likely to accelerate.

Where the rubber is going to hit the road is to what extent developing countries are going to realize they have tremendous governance challenges. And to what extent we realize that because of interconductivity, because Mexico does adjoin the United States that foreign development is actually a domestic development issue.

I don't know if that answered your question about doing the right thing versus doing good things, which are different aspects of it. But, I think that the responsibility, the focus of the center of the responsibility isn't necessarily within the United States. We can play the supporting role. The locust of it is going to be in those particular countries.

**Participant:** Thank you for that presentation. I was fascinated by how you explained and talked about the various aspects and concepts of trust.

I try to consider the idea of trust from both a Western point of view and an oriental point of view. It is probably a relatively new concept for us, but in 551 B.C., Confucius talked about Confucian Social Theory based on trust. When I think about Confucian thought, I consider the concepts respect and compassion. That's the underlying foundation to me.

What it's boiling down to is when you look at the Enron difficulties and other fiascos in the previous two years, Western as compared to the Eastern thinking, is that we try to govern ourselves from external forces. To shape our behaviors—whether it is corporate, religious or political behaviors—they are governed by external mechanisms. As opposed to the Eastern cultures, where they think a person is good inherently.

Therefore, my question for you is, should we govern ourselves within thinking we are a good person or should we govern ourselves by outside rules and regulations? How can we find the right balance in our governance system? We cannot control and regulate everything that we do. You mentioned education as a process. How can we get there?

**STEPHEN JORDAN:** Look, the strongest and most sustainable entities are ones that combine both elements. The people who make them up have a spirit and that the laws themselves are strong as well. That's why you've really got to look at how well the spirit of the laws and the letter of the laws conform to each other.

That means that I don't think that you can expect every single individual in an organization to necessarily buy into the same moral framework. I don't think that even if you were in a high trust environment, good governance would go away. You would still need good governance practices no matter what.

The other thing is that conditions change and good people can have very different strategies, strategic approaches to similar issues. So, even if there's no moral component associated with something, sometimes you can have very different behavioral approaches to it. In those kinds of situations you also have to have institutional support for what you're doing. You have to have rules.

Look, the United States is not very comfortable with a moral conversation. What you said about the Washington census, we thought if you privatize everything, deregulate everything, set up market structures for the things you want to do, voila, you will be on the road to development. That really didn't understand some of the moral complexities inherent in some of the environments in Africa and Latin America. I think that as a country we need to be able to have those kinds of dialogs as well. To be able to say there is normative agenda that goes hand in hand with institutional agenda.

**NIKKI DARUWALA:** Thanks, I especially like the idea of when you brought up the example of Southwest Air. I think it's a well-worthy company to know. But, my question is, not sure I'm going to frame it correctly here. I wanted to gage your opinion on when there is a company that has been gaining the trust of its stakeholders and working with them, but then operates as a company in an environment where the industry trade organization or others, other business entity organizations and groups, take a contrarian approach or something else that then erodes that particular company's trust with its stakeholders. For example, maybe the Chamber of Commerce does not, obviously, hold the same opinions of all of its member organizations, it's a vast organization. How are you able to mesh those two together, reconcile their differences and how can you still keep the companies trust going when everybody around the company is not necessarily taking that same kind of position?

**STEPHEN JORDAN:** You know how I was talking about inefficient efficiency? This is why I think it's great to have patent rights. For example, if I have a brilliant invention, I should be able to reap some reward for that. Is the march seven years or 10 years or 13 years? Who knows? I should have some protections at the start. That implicates R&D.

I think that when you are talking about fledgling industries, and you want to promote innovation, having some kind of protections that allow you to stimulate innovation are very important.

I think that some things are very important to conserve and to preserve. At the same time, you have to allow change to happen as well. I think that where I'm going is kind a checks and balances theory of development. One of the things I find is that there's a whole conflict around what norms are the right ones. Social responsibility, in a lot of ways, the codes of conduct, are the norms in the eye of the beholder on this.

In the battle for norms you want to create market competition a little bit. You want to see which ones succeed and which ones don't. You would never want to create a situation where we're saying, STOP, and we're going to preserve this status quo the way that it is right now for all time on it. But, at the same time, how do you create a situation where you don't wipe out the good things in a particular context?

The only way that I can really answer you on the hypothetical, this is getting more into a specific case, is, I think that industry conditions vary. The way that travel and tourism sectors are configured is totally different than the way medical products are configured. To get into the individual thing of it, we would have to talk at a different level below it.

My bias would be that you don't want to privilege one entity at the expense of the others. In a complex moral environment where you have complex stakeholders and by the way, the stakeholder population has diversified tremendously over the last 30 years. As the boomers retire you're going to see a doubling or tripling of stakeholder groups. It's going to get even more complex. I think there's got to be a way to accommodate, but at the same time, you cannot gum up the gears so that people can't adjust to new realities.

**Participant:** If that was me, I'm kind of having a little trouble connecting the dots. It's too abstract.

**STEPHEN JORDAN:** I'm sorry.

**Participant:** Maybe I'm way too fanatic, I guess. I need a nuts and bolts kind of thing here. Let me ask you this. I understand your general opinion. People don't trust institutions; governance isn't adequate to create trust apparently.

**STEPHEN JORDAN:** It did. It did help in some levels, but not in the fundamental way.

**Participant:** Presumably, when we don't trust our institutions, it's not just any specific institution, it's all institutions. I don't trust corporate America myself. What I'm vague on is what your proposal is for getting trust back. I'm not getting that.

**STEPHEN JORDAN:** It's easier for individual companies than it is for us, business as a whole. I think I could probably say what individual businesses, individual institutions, individual organizations are doing to promote and build up trust with Americans. There are a variety of tactics that we can put in the book.

Honestly, I don't really know what to do, to say. If I could wave a wand and say, restore trust in business where actually good people and some of the regulations that have been proposed are a little excessive. I don't know what would cause that. I don't think there is a silver bullet. I think that we've gone beyond saying 'Trust me,' to the situation where we have to demonstrate by action. We build credibility by doing it.

**Participant:** I guess, but you don't have a proposal for what we call tactic, what tactic that would be. Better customer relationships, better . . . When I call up the company I don't have to go through a 10 minute menu or get somebody that hangs up on me or is it . . .

**STEPHEN JORDAN:** I would say that it's individual businesses taking steps to proactively understand how to build individual social capital. Hopefully, that rolls out over time. At the same time, organizations like ours communicating the fact that it was less than 1/10 of one

percent of all businesses that were engaged in those particular scandals. The 98 percent of all businesses believed that ethical practices are important.

There's a communications component to this that we have to really raise awareness about what businesses do. There's an operational, there's a policy, there's . . .

**Participant:** Do people not trust institutions because of these events like the Catholic Church, Enron or is it that they don't trust institutions, because institutions, in their own experience, treat them badly. Which do you think it really is? Do you have findings that reflect one or the other?

**STEPHEN JORDAN:** We don't have findings one way or the other. I can tell you this, one the positive side, that the best way to be considered a good corporate citizen is not to fire your major workers.

**Participant:** I just want to make an observation about your statement on lack of trust and the public perception about the business community. First of all, you must understand that a lot of this is self-inflicted on the part of the business. When you consider what happened in Enron and Worldcom, that recent scandal at Hewlett Packard, and something that happened yesterday.

ABC News had a story last night that three presidents mishandled funds. Those three, each of them, had earnings over one year in excess of \$1.7 billion. It adds to the lack of credibility in terms of, how is possible to make that much money even if they earn it.

How about a case of those CEOs who were corrupt and who actually were fired for incompetence and yet they went home with a huge, golden pensions? All that reflects a great deal on the business community and as you know, this affects all of us who are in business.

I think that in terms of looking for a solution we need to do two things: communications, externally, to the public, but also communications, internally, to the whole business community. We monitor our own behavior in terms of how we treat these things that create the public perception that business is not to be trusted.

**STEPHEN JORDAN:** Executive compensations is a huge issue. One of the things that we've done is we've reached out to the co-roundtables. In fact, is Jed Ipson here?

**STEPHEN JORDAN:** Jed is actually on loan to us from the co-roundtable and the Ethics Resource Center and Accountability and a couple of other organizations. He said, you know, one of the things that would be interesting would be to develop a set of principals around compensation. For example, how do you not penalize entrepreneurship? How do you not penalize CEOs who are willing to take on hardship cases, turn around stories? How do you not penalize companies that do less badly when their entire industry takes a down-turn? If the housing market is awful and your particular firm breaks even, that's a solid performance vis-à-vis. One of things we've asked him to do is to figure out principals for compensation that make sense to a lot of people.

Then, as we were looking at, we realized that there should be a second set of principals for management. Like how you could be vis-à-vis the firm. It might make sense for, I forget the cell phone firm in Scandinavia that did this, which is the one that had the massive downturn, it had like 10-12 years of profitability and then they offered the CEO a bonus even though—because they had a downturn, but it wasn't as bad as it could have been.

He refused it. You have principals for the boards in terms of how it structures its compensation and they you have principals for management in terms of how it reacts vis-à-vis. That's leadership. Again, that's a normative thing that you have to implicate in a different way. It's not something that necessarily lends itself very easily to rules.

**JENNIFER WOOFER:** I was going to say something related to executive compensation. I think when we talk about a lack of trust, when we ask people about their mistrust in business or corporate America, it's not, 'Do I mistrust the customer account executive at Motorola?' it's, 'Do I mistrust the CEO?' I think we're talking about feeling alienation. Feeling like the decision makers of big business, the top executives, do not understand what a normal person is going through in terms of being an employee, in terms of being a customer, in terms of being a member of the community.

I think executive compensation plays a big part of that, feeling like you get a \$20 million bonus because your company didn't do as badly as the industry, but you're still laying off people. There's a level of disconnect. You can make an argument that says, we didn't do as badly as our peers. But millions of dollars when laying off people? I think it's a feeling of alienation. I think when we talk about what can build trust back, I think it is getting a sense of getting executives who really come across as feeling like they're still regular people. It's not just executive compensation, it's also lifestyle and who they interact with on a regular basis. Are they sitting around tables like this? Are they off to fancy parties or fancy showers curtains?

**STEPHEN JORDAN:** Part of it is if you don't feel like you're on the same team, then are you?

**JENNIFER WOOFER:** That's true and I think that touches so many of the things we talk about. Labor management, well, labor just doesn't understand the competitive needs that we do.

In the airline industry we saw the labor unions come to the table and say, 'Let's make this work.' Took huge pay cuts and now the airline industry turned around and is making huge profits. Their executives are making millions of dollars and the labor unions have not gotten back the same pay that they had back in 2001. The airline industry is doing better than it was projected to before September 11th. It's examples like that that exemplify why there is this disconnect and this loss of trust.

**STEPHEN JORDAN:** It's kind of funny, a lot of folks have a tendency to think business is about profits, right? If you've been in management, you've been in a business, you realize the best business functions if I'm taking care of my customers, if I'm taking care of my employees, if then, the investors hopefully will slot into place. If I'm out of whack in terms of the different constituencies, the business goes off in a way.

Yeah, I think that one of the biggest problems in the future is going to be this single issue. People that think it's all just about one thing and I think that a lot of the conflicts in business and society relations happen when one piece of that jigsaw puzzle gets too powerful for the rest. Folks get upset when unions get too powerful, people get upset when investors get too powerful, they get upset when senior management gets too powerful. It goes back to that checks and balances that I was talking about before.

**MATT MANI (Booz Allen Hamilton):** We have to take a broader global view when we think about corporate civic responsibility. We can no longer afford to think insularly about corporate responsibility only in the country where the company is headquartered. Companies are becoming increasingly global and many corporations are growing their workforces and generating their primary growth in markets outside the United States. This necessitates thinking



about workforces, communities and civic responsibility globally and the good a company does overall, vs. only the activities of a company within certain national borders.

**RON STURMAN (The Washington Times):** Stephen, I find your comments very, very meaningful and I responded viscerally to one word that you use, civility. Because I find that there is such an absence of civility in our public discourse in this country and I'm very, very concerned about that. I think that has an impact on the institutions that we trust or don't trust. I find that absence of civility also in much of our communications with the media. I'm very troubled by that.

I wanted to ask you if there are institutions that stand out in your mind as institutions that are most trustworthy or perceived to be most trustworthy by members of the public.

**STEPHEN JORDAN:** I would have said until about a year ago, the military. Until right before Abu Ghraib, it was military by far. A lot of folks respect some non-profit organizations very much. I would say within our non-profit community you've got two tendencies: one towards advocacy and one towards service. I would say the service non-profits do very, very well.

**JANE MEIER:** I just wanted to go back to executive compensation. I think one of the things that hopefully this does . . .

**STEPHEN JORDAN:** Your CEO is something.

**JANE MEIER:** He's something. Well he's one dollar I said that, but recently we changed the compensation to be whoever's in corporate management that it has to be no more than 19 times the average team members salary. That's one way that our company is controlling the dollar amounts of CEOs.

**STEPHEN JORDAN:** How did you get 19?

**JANE MEIER:** You know, they just changed it from 14. It used to be 14 times. I would have to do some research on how we got to 19.

**STEPHEN JORDAN:** See, I like things like that that don't limit upper compensation, but create an incentive to improve the bottom end.

**JANE MEIER:** Simultaneously when we did that we increased the minimum wage at all our stores in at least the D.C. area to \$10/hour. That's the minimum that anybody would pay. It's very connected. CEOs didn't just go up. Everybody went up, which makes it hard to make labor budget, sales, and profits and blah, blah, blah.

**STEPHEN JORDAN:** Yeah, but they must have been hating your CEO for tracking down the pay thing, right? Everybody only gets 19 times the . . .

**JANE MEIER:** I just wanted to share that.

**STEPHEN JORDAN:** Check out the Internet on any single issue that's out there, there's some blog somewhere that somebody knows something about what happened. What I think is going to happen is that at a certain point we're just going to get overloaded with information and the salaries of editors, people who can manage information, is going to go way up. People are just going to be sick of the information overload that's out there.

In case you hadn't noticed, I'm pretty constitutionalist and the federalists, they talk about the idea that the factions balance each other out. I believe in, let them rip, let everybody out there and let's see what comes out the debate.

**GEORGE THOMAS**: Thank you Stephen!

**3<sup>rd</sup> Discussion Panel: "Civic Engagement of American Citizens and Institutions Abroad"**

**MICHAEL SCHNEIDER – moderator:**

Director of the Maxwell-Washington International Relations program, Syracuse University and a chairman of AACR's Advisory Committee

Thank you again, Stephen. I wanted to use Mr. Jordan's comments as a kind of a segue into the conversation for our last panel. It struck me throughout the morning's discussion and this afternoon's discussion that there are a number of transient changes that we're seeing in the world today that make a difference to us at a number of levels. I want to add another concept to the one that Stephen raised. He talked about trust. Trust is the very operative principal. It's a very important factor, but it's what we call an intervening variable. It's not the source, it is a symptom, it is a symbol, it has an issue to be addressed of the lack of trust as cause.

I want to throw out another word, compartmentalization as a source of some of the difficulties and some of the challenges that we're facing whether we be in the business community or academia or labor community or professions today.

First of all, apropos of the conversation we've been having this morning and what we're entering into today, I want to mention Patrick Mendes' new book. This is the second edition on Localization, subtitled "The human side of globalization as if the Washington consensus mattered." Well, everyone now is acquainted with Washington consensus that is the reigning viewpoint from the '80s on that privatization and all that goes with it is the route for development in many parts of the world that had not begun to develop by the 1980s largely talking about Latin America, South Asia, Southeast Asia, to some extent, and Africa particularly. Now that is being challenged, by the way, in many countries these days, particularly is Latin America. Patrick is on to something. That there are fractious, that there are disruptions. Stephen mentioned this a lot in his conversation.

How to build trust, how to build civility, how to pay back in simple terms, how to build a civil society, how to influence citizens in this country and perhaps citizens abroad to contribute to the common wheel, to well-being. That's the subject for this afternoon. What we're finding, what we're doing.

I approached the issue from the standpoint of nation-state of behavior and nation-state diplomacy. I guess you might say my background in diplomacy, before I joined the faculty, leads me to think about these issues from the standpoint of world opinion and the standing of the United States. Another threat that came out of this morning's conversation, and this afternoon's too, is how much the United States stands as a representative of the diverse world

public's that we see: how many people coming here, how many issues that exist here that have impacts abroad, how many issues abroad that have impacts in the United States.

Well, this is certainly on the minds of decision makers in Washington. I was down at the State Department yesterday talking to a number of people about another project I'm involved in. We observed that the U.S. standing in the world is at its lowest since the Vietnam War period. In fact, in my research, it's lower. The Iraq war, the policies in the Middle East, if you will, the perception around the world that we're unilateral, that we're not listening. You might say the employees of the world, this is a gross overstatement, are complaining about the management of the world in that, kind of, corporate metaphor. There's not enough transparency, we're not listening well enough, the whole litany of complaints about the United States that you've heard about so far.

In response, the Undersecretary of State for public diplomacy and public affairs has come up with an idea, which I find very far-reaching. It's called the Diplomacy of Deeds. It may be a little corny for some people. What she's talking about is for the United States to try and develop a sense of shared commitments with other people and other governments around the world. The list that she came up with very briefly was a shared commitment against extremism, a shared commitment to humanitarian responses, to long term commitments of foreign aid, particularly in the health area, to the beginnings of an effort of the United States part to open our own markets, open up the markets of the EU, change some of the trades patterns that have existed so that trade and not aid will be dominant.

We observed the fact that remittances are a huge part of the international economic equation. Just this weekend, there was an article in the *Times* magazine's section: there are 200 million people who send remittances of about \$300 billion a year, vastly overshadowing foreign assistance possibly second only to business doing business openly and competitively.

Well, the open and competitive business, the movement of people, the movement of finance, the acceleration exponentially of telecommunications and information flows are all contributing factors to the lowered trust that we have in our institutions here and to the lowered trust that people have in the United States as a global community in microcosm as a nation-state actor, as a leader.

That's the kind of diplomatic or nation-state perspective that I come to in introducing the discussion today. I think the conversation we've had this morning fits neatly with that construct that we need to look at not just the domestic aspects of civility and civil responsibility and participation, and openness in communication within institutions and among institutions, but we have to look at it internationally.

Everything we do here domestically is heard overseas and seen overseas, has an impact overseas and increasingly, what happens overseas affects our daily lives and the decisions that decision makers make here, whether they be in the corporate world, the academic world or government. Thus, the panel discussion on civic engagement of American citizens and institutions abroad, picking up on Joy's comment about the importance of institutional civic responsibility. I want to stress that again.

I'd like to introduce our speakers for today. I'm going to obviously ask that we compress our remarks so that we have lots of time left. If we do go into the reception time we'll bring out the chocolate and the cheese and the wine and we'll continue to discuss for a little bit.

Nancy Smith-Nissley is senior coordinator for the Office of Economic Policy and Public Diplomacy in the State Department Bureau of Economic Energy and Business Affairs. She has a long background in business outreach and community service through business and marketing and public relations in the corporate world, in the academic world and in the U.S. government. It's really a treat to have Nancy here. Nancy is the manager of the State Department's Excellence and Business Award, which she will describe. It's a pioneer effort by the Department of State to lend the good office then the support of the United State's government to business that does good domestically as well as overseas.

Terrence Guay is a colleague of mine from the Maxwell School. He is also now a professor at Penn State University who has been working in the field, has sort of cut across the dimensions of political science, international relations and business policy in his courses and in his research. He had done a lot of work on research that relates to good business process.

Dr. Paul Jhin has a distinguished career in the Peace Corps and public service. He is now the liaison from the Peace Corps to the White House Initiative on Asian Americans and Pacific Islanders, AAPIs, with the Department of State's interagency working group, with the White House initiative on digital freedom and the United Nations Secretary General's office. He has been director of the Office of Planning Policy and Analysis of the Peace Corps for the past five years, has a long record of public service in Asian affairs dating way back, and has a background in education with many degrees, five degrees, I think, in math and science, has served in the District of Columbia as the assistant superintendent for educational technology.

Francis . . . sorry, Francis, I misplaced your bio, but I can tell you a little bit and you can tell us . . . Francis Skrobiszewski is the director of the U.S.-Polish Trade Council here in Washington D.C, a long-term colleague of Joy's and ours, and a supporter of the AACR. He has been paving the way in dealing with the many bilateral issues that involve the U.S. and Poland today. Poland is one of those exemplars of the integration into a modern world economy and all that goes with it. Certainly there are strong and deep ties between the Polish and the American community in the United States that are very meritorious.

With that, I'm going to ask Francis to lead off a bit and then I'll turn to Nancy and Terrence for their comments and we'll join in the conversation.

**FRANCIS SKROBISZEWSKI:**

Esq., Director, U.S-Polish Trade Council, Washington, D.C.

Thank you Mike. When Dr. Cherian asked me to speak about the U.S.-Polish Trade Council as an example of "Civic Engagement of American Citizens and Institutions Abroad," I realized my own involvement in such outreach goes back another 15 years to my service as an officer of the Enterprise Funds in Poland and Hungary, and I'll describe those activities as well.

The U.S.-Polish Trade Council was established in 2002 to promote science and technology exchange and stronger commercial ties between Poland and the U.S. – essentially "building bridges" between the scientific and business communities of the two countries.

The USPTC is comprised of an all-volunteer group of international business leaders with professional and technical accomplishments in both Poland and the U.S. There are only eleven of us who serve as officers or directors and a couple of advisors, but unlike many not-for-profit corporations that pay honoraria or salaries, we all have to make a contribution when invited to serve.

We work with various networks of Polish and American corporate, academic and government organizations. We connect U.S. business leaders primarily in the Silicon Valley, where the USPTC is headquartered and most members are located, and we advocate Poland as a destination for technology investment and cooperation.

We have organized special events and symposia in Silicon Valley/San Francisco, Warsaw and Washington, D.C., where I am located. For example, I briefed the rectors of leading Polish universities in DC on the role of venture capital in technology transfer, and my colleagues hosted them next in Silicon Valley with briefings and introductions. Then, we invited one of the leading legends of Silicon Valley venture capital to Warsaw for a reception with the rectors and other leaders from Poland's scientific, business and government communities. In 2003, when the Polish Prime Minister was planning a trip to Los Angeles, we convinced him that a Silicon Valley visit would be more valuable for Poland and we introduced him to U.S. IT industry leaders, who in turn became more interested in investment opportunities in Poland. In 2005, USPTC held a symposium on Stem Cell Research in the U.S. and Poland, and in 2006, we held a symposium on Web 2.0 Wave in the U.S. and Poland. Last month, USPTC was a sponsor and organizer of the Global Technology Symposium at Stanford University, bringing together business, government and academic leaders, primarily from Central and Eastern Europe, but also other countries, and their counterparts in the USA.

Turning briefly to the Enterprise Fund program: in 1989, then-President Bush and Congress recognized that the U.S. private sector would need to play a role in helping develop the Polish and Hungarian private sectors, as those countries made a transition from Soviet-style command economies to free markets.

They conceived of privately-managed investment funds capitalized with public money—\$240 million for the Polish-American Enterprise Fund and \$60 million for the Hungarian-American Enterprise Fund—to provide equity and debt financing of local businesses promoting private sector development.

The Funds were established as not-for-profit corporations—private, not U.S. government entities—but subject to oversight, with their Boards of Directors, appointed by the President. The U.S. directors, who are senior investment executives and other professionals, have served without compensation – some for over 17 years now – that is real civic engagement!

In PAEF's 10 years of operations, before returning its capital to the U.S. Treasury:

- it invested \$200 million in 50 Polish companies
- participated in nine IPOs on WSE
- provided \$300 million in loans to 10,000 SMEs
- extended \$180 million in loans to over 30,000 "micro-enterprises"

Both PAEF and HAEF have returned capital to the U.S. government and established foundations in-country to continue their good work.

That is an example of successful civic engagement, which I am proud to have been associated with.

**NANCY SMITH-NISSLEY:**

Economic Policy and Public Diplomacy, Bureau of Economic, Energy and Business Affairs, State Department, Washington, D.C.

Thank you very much. I've really enjoyed this whole lively discussion this morning. I just want to start out by saying even though many people may not realize this, but the State Department very much supports and promotes corporate citizenship, corporate social responsibility as we're talking about today, civic responsibility of a global scale. It does, in fact, tie in with our foreign policy agenda, our economic bureau's mission of co-economic engagement and, of course, the Secretary of State's annual award of corporate excellence.

You all should have this little brochure in front of you. It describes the criteria of this award. We just, in fact, now, launched nominations for ambassadors around the world for the 9th Annual Awards Appropriate Excellence program.

Clearly, corporate citizenship goes hand in hand with the realities of globalization. We talked about globalization for the past at least hour of our conversation today. With the advances of technology and communication and transportation, we very much realize at the State Department that we're not into moving goods and services, but we're now also moving ideas and values. This ties in with our foreign policy agenda.

We know that American businesses are philanthropic. We recognize their efforts. We saw what the American business community did with Tsunami. In fact, I just got a press release about what Chevron is doing with USAID to build and develop a polytechnic institute in a province in Indonesia. These are the good news stories that we'd like to promote and support at the State Department.

I need to address how this all fits in with the whole CSR concept. Let me quote Franklin Delano Roosevelt: "True individual freedom cannot exist without economic security and independence. People who are hungry and out of a job are the stuff of which dictatorships are made." So, poverty and political unrest walk hand in hand. This is where we actually see the integration of corporate social responsibility in our foreign policy agenda.

Total economic engagement is putting all of the players together. This is why we are so keen on the development of public/private partnerships. Perhaps that term has become a cliché but we actually really promote and sustain and encourage this.

The bureau to which I am assigned, the Bureau of Economic Energy and Business Affairs recently changed its name. I'm still trying to get used to it. We used to be EB. Now we're EEB. We want to emphasize the importance, of course, of the energy sector and what role it plays in our economy. The role it plays in our economy, likewise, the work that some of the energy companies, in fact, are involved in when it comes to corporate social responsibility. If you look at the flyer inside this brochure you'll see the winners from back to 1999 when I helped launch this program, the ACE program.

I'd like to talk about it quickly, because this program is a nonpartisan program. It was launched under Madeleine Albright. It was carried to great heights under Colin Powell and has been actually raised in its visibility and its stature with Secretary Rice.

You can see the criteria that make up the award program. A little bit earlier we were talking about, how do you measure CSR and what are the guidelines and what should we focus on. We at the State Department support the OECD guidelines, the Organization for Economic Cooperation and Development. We support the guidelines, and the criteria for our ACE program were actually based on OECD guidelines. The focal point of the OECD process in the State Department in the United States is actually in our bureau, in our Economic and Energy Business Affairs Bureau.

I want to skip over some of my other remarks. I think it's important that I mention to you that we support corporate responsibility through the OECD guidelines, through the award for corporate excellence, through promoting the important role that the private sector has abroad, in promoting development, and of course, through the G8 initiatives, which are expansive. Everything from entrepreneurship to investment to Africa to the Broader Middle East and North Africa Initiative.

I'll focus now just on the ACE itself. As I said, our ambassadors do the nominating. It's not a self-nomination process. It's large companies and small companies that are nominated and are awarded this award by the Secretary of State each year.

You'll see, for example, last year we had a sterling, really outstanding small business by the name of Sambazon that's headquartered in San Clemente, California, for the work that they did in the Brazilian rainforest with the indigenous people in Brazil.

We also had two large business winners, because the principals who make the decision and deliberations, which is an interagency selection committee, actually could not decide between the two large businesses.

General Motors won the award for their work in Columbia. They are involved in environmental, educational and crime prevention programs as well as helping former members of Columbia's paramilitary integrate back into civil society.

Goldman Sachs won for endowing the gift of 680,000 acres of wilderness in the Tierra del Fuego to the Wildlife Conservation Society for National Preserve.

What I'm trying to get at here is the way we look at corporate social responsibility at the State Department or global civil responsibility, whatever term you want to use, is that basically it goes beyond philanthropy. We're talking about companies that are doing well by doing good, but also they are exemplars of American values, American principals and best business practices.

I'm going to stop right there and I will take questions later. Thank you.

**TERRENCE GUAY:**

Clinical Assistant Professor of International Business, Smeal College of Business, Pennsylvania State University, University Park, PA

Thanks, Mike. Thanks for inviting me here today. I found a lot of the things we've talked about very helpful for my research. As Mike said, I'm a professor at Penn State so I guess I'm the academic guy to go along with all the practitioners here today doing really interesting things.

I guess what I want to talk about is my work on NGO, Non-Governmental Organizations, particularly in the international context in which they've been operating. One of the things I've been interested in the last two years is how corporate social responsibility and NGOs and businesses have been in some cases working together and some cases not working together in various other parts of the world. This sort of combines my interests in doing international affairs things like Michael mentioned and what I'm doing in international business.

What I want to do is quickly talk about three things that I've been doing research and publishing on in the last few years. I'll keep the "isms" out. I hate isms and abstract theories as well. I'll

try to just give you the basics of the types of things that I've been working on. I'm going to try and draw some conclusions that tie in to the other things that we've been talking about.

One of the things that I was interested in a few years ago was what was happening in Burma. As many of you may know there's a military dictatorship there that came to power. There was a lot of pressure put on U.S. companies to do something about their operations in Burma. NGOs have played a very influential role here in trying to persuade companies to get out of Burma. They went around the United States to a number of states and a number of cities and tried to persuade these local governments to not buy things from companies that were doing business in Burma as a way to put pressure on these companies to leave Burma and therefore put pressure on the Burmese government. NGOs were very influential here in working with the local governments and using their technology like cell phones and fax machines and everything else to try to persuade other local governments to do those kinds of local laws against international companies.

This ultimately went to the Supreme Court. The NGOs got knocked down as a result of this and the states that tried to do this. The bigger point that I found interesting was how NGOs were trying to solve global problems by working not with national governments, but with sub-national governments, states and cities to try and persuade them to try to take an active role in international affairs.

The second area that I've done some work on are codes of conduct. Not the kinds of codes of conduct that we've been talking about so far today, the internal corporate codes of conduct, but labor environmental codes of conduct that a lot of companies are now getting involved with as a way to try to deal with global environmental and global labor issues. In here, this is where a number of NGO's have been involved. My co-author and I, we looked at a number of codes that had been done in the labor environmental area internationally.

We tried to get a sense of when NGOs have a lot of impact here. When governments get together or international organizations like the OECD or ILO or even the UN to the Global Compact Trade Deal. With social responsibility issues, NGOs don't have very much impact. When they do have impact is when they work directly with businesses; when businesses form a partnership with NGOs to try to address some of these social responsibility issues. Things like the Forestry Stewardship Counsel that put pressure on retailers to buy their lumber and paper products from sustainable forestry companies. NGOs had a pretty influential role. Areas like Rug Mart that tried to get rid of child labor in the making of the rugs and carpets in South Asia. NGOs played a very active role there. Thing like the Global Reporting Initiative triple bottom line reporting where companies were persuaded to buy financial and environmental and social audits. If you're interested in the more common financial side again NGOs are very influential in getting companies to move down that direction.

The third area that I've been doing some research on is looking at comparing the U.S. and Europe and trying to get a sense of why NGOs have more influence in Europe than they do in the United States. It really comes down to, in my view, to institutional issues. The fact that the U.S. and the way that it makes policies dealing with lots of business related issues is much more decentralized. There's national government. There's a local government. There are states. This whole sort of federalism business makes it much more difficult for NGOs to have a lasting impact on public policies whereas in Europe there's a growing trend towards doing things at the EU level. There's a longer tradition of having social movements involved in policymaking. NGOs and other stakeholders get a greater say in a lot of the things that happen in European countries. Boards of Directors often include labor groups and other stakeholders. Again, much different than the U.S. institutional environment.



Those are the three things that again, just briefly, I wanted to describe that I've been doing research on. It combines NGO social responsibility and international business interface. If you have more specific questions, I'd be happy to answer them.

I just want to finish by coming up with one conclusion of this, one question, and also on observation as a result of other things that I've heard here this morning and this afternoon. The first is that NGOs and social responsibility seem to be having—rather they impact together and they can make a difference. In many cases businesses are very willing to work with NGOs to try and solve these problems. NGOs, particularly some of the environmental ones, have some ideas that many businesses are interested in finding out more information about, they have access to this information, and NGOs are resources for information for these businesses trying to deal with international issues.

It's not always a controversial area where NGOs and businesses are fighting with each other—that tends to be played a lot in the media. In a number of instances, NGOs and businesses are working closely together to try to deal with these social responsibility issues.

The question that I have is whether this is a good thing or not. Is having NGOs more influential in dealing with these issues really that helpful? Chad had mentioned earlier this morning that there is no right answer and even with this there is no right answer here. For example, are children who are working in sweat shops that Nike had in various parts of Asia better off working on the streets, on the farms, prostitution, instead of working in factories making Nike products? That's a moral and ethical issue. Everybody is going to have a different answer to that question.

I think more broadly, do we really want a situation where entities outside of the public sphere, outside of the policymaking, the regulatory and government and democratic system, making decisions that affect the rest of society? Do we really want NGOs going off with businesses to try to solve the world's problems or would we be better off to have this done through more typical policymaking process?

It certainly leaves out the issue of the free writer companies, the free writer entities that are not involved in these voluntary activities. It does certainly raise questions about the legitimacy of them when they are kept out of the more traditional political processes.

The last thing I want to mention here is the observation I've had based on some of the other discussions we've had and what's the role of the individual, the role that the individual should play in many of these social and civic responsibility issues. I think on one level there's a question what these social responsible investors want and what do they try to do. I think on one level that's an individual issue. If you don't like some of the activities a particular company is doing, that's an individual question of whether you want to avoid or sell the shares that you have in that company.

The same is true for a customer. If you are concerned about some of the labor practices a company might have, it's up to the consumer to make some decisions based on the information they've collected in deciding whether they're going to not buy products from a particular company or particular store and those kinds of issues.

The third issue that came up that I really wasn't expecting to be thinking about a whole lot was the role of students. Certainly being a professor that's something I think about a lot. It goes to how students are trained and how students are learned about some of these issues, social responsibility issues. What I found in teaching international businesses courses at Penn State –

I try to frame questions in the business case vs. moral/ethical case, sort of, framework, most of my students come down on the business case side. These are issues that businesses have to address. Yes, you may be uncomfortable about some of the moral dimensions, but it's a business decision that we have to ultimately make. We talked about this in class just a couple of days ago. About the Internet companies in China, the Googles, the Yahoos, some of the decisions they've made to comply with what the Chinese government wants. Is that a social responsibility issue? Some of my students seem to argue that, well, that's the rules of doing business in China. That's the way we have to do business there. We can't change what the Chinese government wants. I can go on with some of the other discussions we've had in that area.

I think this last subject of the role of individuals and shaping civic responsibility, corporate responsibility is a rather important one.

**PAUL JHIN:**

Director of Special Initiatives, U.S. Peace Corps, Washington, D.C.

Dr. Paul Jhin presented to all participants the historic development of and the mission and values driving the U.S. Peace Corps program. He reminded everyone that it was 46 years ago when President John F. Kennedy, in his campaign speech at the University of Michigan, launched the program. Dr. Jhin further noted that U.S. Peace Corps volunteers are "the best diplomats we can have because they have compassion in their heart and this is how they build trust." He further stated that President Bush's desire to double the number of Peace Corps volunteer is highly important since today is the best time to promote peace and understanding in the world. He also encouraged all participants to consider becoming Peace Corps volunteers or to share the invitation to explore this with those they know.