Global Ethical Corporate Citizenship

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Abstract

The concept of global corporate citizenship is quickly evolving. Globalization, consumption, and technology are developing at a pace corporations cannot sustain without specific efforts to which they are dedicated. After many recent scandals, much emphasis has been placed on ethics and ethical leadership. This is seen as a starting foundation for any company to successfully achieve corporate citizenship. Experts separate specific character traits of ethical leaders into two areas: a personal moral compass and the ability to manage the ethics of others. Corporate social responsibility is stressed as it demonstrates a corporations’ ability to ethically interact with external factors. Decisions of social responsibility satisfy the interests of stakeholders and establish the organization’s commitment to the greater good. Corporations should establish measurable and attainable goals, allocate resources, and communicate initiatives related to social responsibility. Additionally, social aspects are ever evolving; businesses should remain acutely aware and proactive to manage their obligations. Focusing on ethical leadership, social responsibility, and environmental sustainability should be seen as an investment. If utilizing the triple bottom line approach, organizations can see a return on efforts through consumer purchasing, employee satisfaction, and the health of the environment. Overall, corporate citizenship is no longer an option. Future sustainability greatly depends on organizational commitment to global ethics, stakeholders, local communities, and the environment.

Global Ethical Corporate Citizenship

Corporate citizenship used to entail simple initiatives such as charitable giving and helping local communities. Companies had little understanding of the global impact business operations had on human resources, stakeholders, retention, the environment, and the local area. Ethical obligations were simple: do what is right. And mission statements related only to a profitable bottom line. Today, the idea of corporate citizenship has evolved into a much larger picture incorporating all of the areas in which the organization impacts. A triple-bottom-line including people, the planet, and profits is at the core of many business models. And ethics is a driving force behind core values and mission statements. Corporations are starting to understand why ethical leadership is a necessity for a productive workforce and is linked to far more benefits than profitable reporting. Social responsibility is transitioning to proactive initiatives enabling companies to be leaner, more productive, and more attractive to consumers. The internet has offered various ways for companies to communicate efforts and allow stakeholders to monitor progress. Finally, organizations are researching corporate environmental impacts and implementing the use of renewable resources, reduction of energy, cleaner, “greener” operations, and responsible sourcing. Drastic changes may seem overwhelming as such grand initiatives do require a financial commitment and dedication to changing. However, the following best practices for implementing and managing global corporate citizenship may prove vital to future sustainability.

**Ethical Leaders**

**Moral Identity**

Specifically speaking, the best corporate strategies for ethical leadership and organizational conduct will inherently differ in accordance with the nature of business. However, universal similarities of underlying foundations for such ethical leadership can be found throughout successful ethical companies across the globe. Aquino, Greenbaum, Kuenzi, and Mayer (2012) suggest that ethical global leaders carry the following three distinct qualities: being an ethical example, treating people fairly, and actively managing morality. The authors go on to describe the first two characteristics as a leader’s “moral identity,” a personal behavior that one instinctively demonstrates both professionally and on a personal level. Being an ethical example at any corporate level takes courage, sacrifice, and education. Communication with employees, consumers, and other stakeholders is a vital key to interpreting ethical action and leading by example. It is also important to note that acting as an ethical example is further represented in a reactive state. Not all corporate accidents or issues can be prevented. Thus, if a company is involved in a catastrophic event, those that ethically represent the best interest of all the parties involved can best be described as ethical leaders who lead by example.

When addressing the characteristic of treating people fairly, it is first important to identify the “people” of the discussion. Corporations have various stakeholders of which the company impacts. Employees, shareholders, partners, suppliers, and consumers are amongst the parties with the greatest interest in successful business practices. However, each of these parties may have conflicting interests that makes ethical decisions and fair treatment difficult. Ethically speaking, fair treatment is often erroneously interpreted as happiness, which can make business decisions nearly impossible. Fair treatment should in fact relate more to communication and transparency to such interested parties rather than attempting to offer happiness. For example, increasing prices may displease loyal consumers. However, explaining a change in ethical suppliers (causing a higher price in supplies) offers consumer understanding and fair dealings. Ethical leaders should not be held accountable for equal happiness of these “people,” but their moral identity should, at the very least, offer fair treatment.

**Managing Morality**

Aquino (et al., 2012) final quality, actively managing morality, is one above the scope of a leader’s moral identity. Managing morality takes leadership and management skills beyond personal behavior; it takes education and much training in global and corporate ethics. Rossouw and van Vuuren (2003.) suggest that there can be a strategic execution to managing ethics through analyzing typical responses (modes) to ethical situations. They offer five such modes as: immorality, reactivity, compliance, integrity, and total alignment. Organizations and ethical leaders alike must be prepared to combat the barriers associated with immorality and reactivity in order to ultimately have total organizational alignment. Such barriers include financial commitments, corporate attitudes, and conflicting personal beliefs. Many employees in immoral and reactive businesses are completely unaware of the unethical practices and consider such actions as “business as usual.” Once organizations have overcome immorality, they can begin preparing for compliance phases. This neutral mode offers a starting point for identifying, tracking, and managing moral performance. It can be assumed many corporations now governed by the Generally Accepted Accounting Principles (GAAP) experienced such a transition. The GAAP offered a compliance starting point that allowed leaders and employees to better understand their ethical obligations and how to monitor them. Rossouw and Vuuren (2003) suggest that the integrity mode is evident when employees are working together in morality efforts and the organization begins to reap the benefits of ethical conduct. Maintaining the integrity of ethics requires the cooperation and dedication of corporate leaders. Additionally, ethics training should become an integral component to business continuation education and continue through the “total alignment” phase. During this last mode, consistently reinforcing and rewarding ethical behavior is encouraged.

**Corporate Social Responsibility**

Corporate social responsibility can best be described as the level in which organizations responsibly satisfy the interests of stakeholders, the communities in which they are involved, and the environment in which they are surrounded. Social responsibility begins internally with ethical leaders that specifically offer fair treatment and properly manage morality. It extends to other interested parties that impact the organization and product development such as suppliers and partners. It is vital that the organization establish core ethical values, communicate the stakeholder’s role in organizational values, and consistently practice such principles. For example, companies such as Starbucks (Starbucks, 2013) and Levi Strauss & Co. (Levi Strauss, 2013) both procure suppliers and partners that share values in “green” products, sustainable resources, and pesticide-free agriculture. Finally, corporations have an obligation to engage consumers, shareholders, and the local community in its social initiatives. Communication should include product disclosures, proper uses of products, and appropriate methods of disposal.

Ethically balancing social responsibility with financial goals is a challenge that corporate leaders face regularly. Thus, best practices in this aspect of corporate social responsibility include being proactive, identify how the corporation impacts all interested parties, and allocate resources to manage it. Further, measurable and obtainable goals enhance an organization’s commitment to corporate social responsibility. Corporations should clearly communicate such goals and provide feedback on achievement to employees, shareholders, and the community. The second characteristic that best satisfies corporate social responsibility is that of addressing the triple bottom line: people, profits, and planet. While ethical leaders play a valuable role in executing initiatives to satisfy all three areas of the triple bottom line, it is the responsibility of the corporation to clearly outline individual roles in which stakeholders are to function.

Businesses are no longer simply evaluated on financial performance; social achievement and environmental contributions also help determine corporate prosperity. Thus, as the world changes, technology transitions, and business initiatives shift, it is imperative that expectations of corporate responsibility do as well. Not only do consumers expect it but research suggests that that socially-responsible companies attract higher qualified employees and millennials find CSR a requirement when job searching (Alexander & Smith, 2013). While social responsibility is not a new concept in business, balancing its execution with financial goals is. Thus, best practices in this aspect of corporate social responsibility include being proactive, identify how the corporation impacts all interested parties, and allocate resources to manage it. Further, measurable and obtainable goals enhance an organization’s commitment to corporate social responsibility. Corporations should clearly communicate such goals and provide feedback on achievement to employees, shareholders, and the community. In an effort to positively relay messages of social responsibility, corporations are incorporating their initiatives in advertisements, slogans, and on the front pages of company websites (Alexander & Smith, 2013). For instance, Kashi’s headline reads, “Nourish People and Planet with Progressive Nutrition” demonstrating initiatives to change the way people consume to be mutually beneficial. Additionally, Kashi has not only committed to health goals for consumers but helping farmers transition their farms to help achieve such goals (Kashi, 2013).

**Environmentally Sustainable Conduct**

Environmental sustainability begins at the earliest stages of the product life cycle. Even research and development can have great impacts on the planet. Well drilling, animal testing, and unexpected chemical reactions are all examples of unfavorable environmental impacts that occur before products even come to fruition. Furthermore, considerations should be made for delivery options, promotions, and market testing. Companies that focus on reducing multiple impacts to the ecosystem such as pollution, energy consumption, and chemical misuse are respected as active corporate citizens. Thus, corporations should, at the very least, know the benefits and consequences of the products or services it offers (including that of its suppliers). Additional beneficial practices of environmental sustainability aim to conserve resources and invest in renewable sources. Aveda, a skin care and cosmetic manufacturer, understands consumer demands for environmentally sound products. In response, Aveda addresses packaging, sourcing, and energy usage in such efforts. Cosmetic packaging contains eighty-percent recycled content and is decomposable. Aveda also helps to improve the areas in which products are sourced by protecting natural resources and land rights. Lastly, the company’s Minnesota manufacturing and distribution centers rely solely on wind power with plans to convert California centers to solar power soon (Edgar, 2007). Companies that are active in sustaining business through environmental initiatives may also see the mutual benefits. While investing in long-term eco-friendly programs is often a great expense to the company, corporations that are environmentally responsible often seen expense savings, less waste, and consumer attraction.

Active corporations may be aiding in environmentally sustaining the organization, but exemplary businesses are helping to environmentally sustain other organizations. In addition to sustaining its own operations, New Belgium, for instance, gives excess energy from its wind farms back to the community (New Belgium, 2011). Walt Disney’s Worldwide Conservation Fund helps wildlife and habitat protections across the globe. They also offer immediate response teams to help communities and wildlife affected by disasters (Walt Disney, 2013). As environmental stewards, both companies demonstrate the very best practices in sustainability. Solutions for environmental issues are only as possible as the knowledge that is provided. Thus, the final characteristic for sustainability is that of education. Eighty-one percent of the Fortune 500 companies offer information regarding environmental sustainability on their websites (Alexander & Smith, 2013). For best results, companies should address such information through the entire life cycle of its products including supplier information, procurement, product use, and proper disposal.

**The Triple Bottom Line**

Gone are the days of a single, financial bottom line that management and shareholders cherished dearly. Today, stakeholders value a bigger picture known as the “triple bottom line” that encompasses people, profit, and the planet. Recent changes in corporate operations, regulations, and technology has overwhelmed people with choice which greatly changes the dynamic in how businesses run. For example, employees are no longer offered pension plans, time off, or quality health care. Customers shop from their homes online: no pushy perfume saleswomen or impulse buying. And corporations ship jobs overseas to save on labor costs and overhead. Thus, addressing people as a resource (from all angles) is a vital part of the corporate bottom line. Burt’s Bees, for example, encorporate the triple bottom line into its business model. The company naturally attracts employees that are committed to the brand and sustainability. Thus, in return, the company has set a 2020 goal of having 100% employee engagement. Burt’s Bee’s is proving education and support for employees to be sustainable and “green” at home as well as work (Epstein-Reeves, 2011). Additionally, employee loyalty must be earned in new ways and two-way communication skills must be developed. Cynthia Gramm and John Schnell (2013) suggest leaders should consistently offer “commitment behaviors” to demonstrate assurance to employees for long-term employment. It would also be mutually beneficial to offer job-related training for a lower pay (while in training) to create a bond or obligation between the two parties. Industries that specialize in hiring and employee retention see employee loyalty as the most vital aspect of business and beneficial beyond human resources. Simply put, employee loyalty drives customer satisfaction and retention (Daley, 2013).

Naturally, economics and profit are a primary function in most corporations. However, even this bottom line is evolving. Profit and savings is being seen through many avenues that even twenty years ago was not an option. For instance, internet sales offer quick purchases from anywhere in the world and require no sales people. Many stores no longer even need a location. Advertisements and business promotion can be found on free social media outlets such as Facebook, Twitter, MySpace, and Instagram. Gift cards can be offered at little expense and often go unused. And many environmental initiatives are attracting unexpected customers. Corporations should be capitalizing on a variety of options to maximize profit in a positive way. Burt’s Bees took advantage of its lean operations during the recession to grow, offer new products, and be more profitable than ever. The company used its benefit of little waste and low energy and water usage to focus on profitable operations. This led to a massive expansion into twenty-five new markets in 2010 (Epstein-Reeves, 2011).

The final aspect of the triple bottom line is that of the planet. As previously discussed, environmental initiatives serve a variety of purposes with a primary goal of sustaining the earth. Incorporating eco-friendly programs into corporate goals aim predominantly at reducing the negative effects economic operations have on the planet. However, there is a direct correlation between consumers and the environmental sustainability. So much so that over fifty percent of Fortune 500’s CEOs believe that, as evident by brand loyalty and consumer trust, customers are the largest driving force of corporate environmental sustainability initiatives. Studies have shown that increased environmental CSR also increases brand loyalty and helps recruit employees (Alexander & Smith, 2013). Burt’s Bees knows that environmental efforts have a direct relationship with the bottom line. Achieving goals such as reducing waste from 344 tons to only 4.4 tons and having zero landfill waste in 2010 contributes greatly the reduction in costs and consumer attraction (Epstein-Reeves, 2011). CEO, John Replogle (2011), put it simply: “We must kill the myth that being sustainable is at odds with driving profitable business forward. Burt’s Bees is a more competitive and profitable business BECAUSE we embrace sustainable practices” (Epstein-Reeves, 2011, p. 13).

**Knowledge Gained**

Ethics is a driving force behind all of the aspects discussed: ethical leadership, corporate social responsibility, environmental sustainability, and implementing the triple bottom line. Ethical leaders must engage employees, be model managers, and walk the talk. But they must do it with a purpose; people do not always draw lines from point A to point B. Thus, corporations and leaders must support, educate, and consistently communicate the need for ethics and its impact on the organization. Measurable and attainable goals must be established for social responsibility and environmental initiatives. Finally, ethics, social responsibility, and corporate citizenship cannot accomplish goals on goals alone. Achievement requires the commitment of the stakeholders.

What is true for life is true for business: profit will only get an organization so far. Much like people, businesses must understand the relationships in which they are invested. No longer are the days where shareholders hold the heart of corporations. Today, businesses are heavily invested in relationships with its suppliers, interns, environment, and the businesses next door. It is this growing corporate citizenship that is evolving today’s workforce, consumer purchasing, and positive environmental awareness; and why not? Corporate citizenship is an attractive attribute that is catching the attention of shareholders, consumers, and the media. In fact, one could hypothesize that corporate citizenship will ultimately become the new single bottom line that encompasses all such matters as people, environment, profits, and ethics. In which case, achieving global ethical corporate citizenship could determine the overall success of a business. Thus, for current and future achievement, global ethical corporate citizenship may be the single most important initiative on which an organization should focus.

**Conclusion**

There is no doubt corporate ethical culture is drastically changing. Evolving qualities are driving the need a more than the antiquated profit bottom line. Technology has provided vast amounts of information to stakeholders regarding corporate operations, business models, and organizational ethics. Thus, consumers, shareholders, employees, and the atmosphere demand corporate responsibility in ethical leadership, corporate social responsibility, corporate citizenship, and environmental sustainability. Drawing first from the internal environment, businesses require the need for ethical leadership. Leaders can no longer simply expect employees to behave morally; nor can they assume their own actions will encourage such ethical conduct. While a leader’s personal actions do have an impact on ethical corporate culture, it is vital that they actively manage morality. Through the use of Rossouw and Vuuren’s (2003) five modes, leaders are able to identify response types, challenges, and ways to manage corporate ethics. Once an internal transition of total alignment has been made, the organization has resources to focus on external initiatives. At such point, corporations should identify the communities, stakeholders, and relationships they impact to set goals for improvement. The nature of each business will drive specific initiatives but organizations can universally improve sourcing, waste, natural resource consumption, ethical decision-making, distribution, and product disposal. Establishing sustainable programs and plans is no longer an option as businesses that refuse participation will fail. Such corporations will no longer attract customers or employees. The triple bottom line and corporate citizenship efforts are not for show. They are an investment for the future sustainability of business, the people, and the planet.

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