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Company Stakeholder Responsibility: A New Approach to CSR

R. Edward Freeman
S. Ramakrishna Velamuri
Brian Moriarty

Featuring a *Thought Leader Commentary™*
with Charles O. Holliday, Jr. Chairman and Chief Executive Officer, DuPont

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FOREWORD

The Business Roundtable Institute for Corporate Ethics is an independent entity established in partnership with Business Roundtable—an association of chief executive officers of leading corporations with a combined workforce of more than 10 million employees and $4.5 trillion in annual revenues—and leading academics from America's best business schools. The Institute, which is housed at the Darden Graduate School of Business Administration, brings together leaders from business and academia to fulfill its mission to renew and enhance the link between ethical behavior and business practice through executive education programs, practitioner-focused research and outreach.

Institute *Bridge Papers*™ put the best thinking of academic and business leaders into the hands of practicing managers. *Bridge Papers*™ convey concepts from leading edge academic research in the field of business ethics in a format that today's managers can integrate into their daily business decision making.

Company Stakeholder Responsibility: A New Approach to CSR is an Institute Bridge Paper™ based on the research of R. Edward Freeman and S. Ramakrishna Velamuri. Based on a stakeholder approach, this paper outlines a new capability for organizations to develop.

The accompanying interview with Charles O. Holliday, Jr., Chairman and Chief Executive Officer, DuPont, provides a CEO perspective on how to embed a Company Stakeholder Responsibility mindset across the enterprise and in a firm's overall value proposition.

INTRODUCTION

Assume that the CEO of a well-respected corporation is asked the following: "Your company's products improve consumers' lives. Suppliers want to do business with your company because they benefit from this relationship. Employees really want to work for your company, and are satisfied with their remuneration and professional development. And, you're a good citizen in the communities where you are located; among other things, you pay taxes on the profits you make. You compete hard but fairly. You also make an attractive return on capital for shareholders and other financiers. However, are you socially responsible?"

If a company like the aforementioned organization is enriching the lives of its stakeholders, then asking the additional question of whether or not it is "socially responsible" simply makes no sense—it is a meaningless question. If a firm is doing all the things that this company does, then it deserves to be applauded and offered as an example for other firms to emulate. If it is not doing them as satisfactorily as particular stakeholders think it ought, then these stakeholders could perhaps offer to help it do them better, rather than appeal to actions and responsibilities that lie outside its day to day activities.

By talking of business and social responsibility as if they are two separate things, we unintentionally promote the idea that they involve discrete thought processes and activities. The challenge is to promote a different way of doing business that integrates considerations of business, ethics, and society.

Herein lies the problem with "Corporate Social Responsibility." Corporate social responsibility (CSR) reinforces the "separation thesis"—the idea that we can separate "business" from "ethics or society." This separation is an idea that reaches very deeply into Western culture. It is reinforced by the disciplines of business, by our major theoretical frameworks in management, and by many executives and business thinkers themselves. At its worst it generates an absolutely destructive idea of capitalism—that capitalism is about "anything goes." After all, the theory says, "it's just business." Viewed in this way, corporate social responsibility becomes an "add-on" to ameliorate the supposedly harsh consequences of this view of capitalism.

Let us go back to the example of the previously described corporation. By hiring employees, has it done something that is "for the business?" The answer to that question is a resounding and unqualified, "Yes." Has it done something that is "for society?" The answer to that question is also a resounding, "Yes." So, how do matters of employment count—in the social ledger or the business ledger? A similar argument can be made for customers, communities, suppliers and financiers. These individuals and organizations are all full-fledged members of society—if they benefit in their dealings with a company, then society benefits too, directly and indirectly.

Corporate social responsibility is often about seeming to "do good works." And, while there is certainly nothing wrong with doing more good, there can be an implication that companies need to do good works because the underlying structure of business is not good, or morally neutral. This is a destructive idea—it fails to recognize the central role business plays globally in improving the well-being and prosperity of hundreds of millions of people. And, it can cause companies to act in bad faith and get involved in matters where they have little expertise.

This is not Milton Friedman's argument that the only social responsibility is to increase profits; rather it is a practical matter—giving money to the opera doesn't make up (in any moral sense) for short-changing customers or communities.[1] We need to focus on how value is created in the basic business proposition. How does this company make customers, suppliers, communities, employees, and financiers better off?

Capitalism is a system of social cooperation—a system of working together to create value for each other, value which none of us could create on our own. In this sense, business is already an enterprise with moral ramifications. Seeing it any other way can lead to dangerous social policies, and to the tarnishing of the one institution—business—that still has to play a central role in lifting hundreds of millions of more people out of poverty across the globe.

The second problem with corporate social responsibility is that it is focused on "corporate" social responsibility. Why is it not called "business social responsibility?" The focus on "corporate" implies that corporations, due to their size and success and perhaps their shareholding pattern, have to shoulder responsibilities that smaller and more closely held businesses do not. Why? This view is highly problematic when companies with fewer than 50 employees employ more than three times the number of U.S. workers (47,347,000) than companies that have 1,000 or more employees (15,138,000).[2]

In short, if you take a "creating value for stakeholders" approach to business, and if you acknowledge that ethics and values are as important in these relationships as they are in our other relationships with one another, then the idea of "corporate social responsibility" is superfluous. A conceptual scheme that separates the social responsibilities of a corporation from its business responsibilities has long outlived its usefulness.

It is time to replace "corporate social responsibility" with an idea of "company stakeholder responsibility," assigning a different meaning to CSR.[3] This is not just semantics, but a new interpretation of the very purpose of CSR. "Company" signals that all forms of value creation and trade—all businesses—need to be involved. "Stakeholder" goes back to the first paragraph of this paper and suggests that the main goal of CSR is to create value for key stakeholders. And "Responsibility" implies that we cannot separate what we do in the workplace from ethics.[4]

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COMPANY STAKEHOLDER RESPONSIBILITY IN PRACTICE:

Four Levels of Commitment to the Stakeholder Approach[5]

Company stakeholder responsibility requires that companies be committed to a stakeholder approach to management on the following four levels.

Level 1 - Basic Value Proposition
At this most basic level, the entrepreneur or manager needs to understand how the firm can make the customer better off, and simultaneously offer an attractive value proposition to employees, suppliers, communities, and financiers.

- How do we make our stakeholders better off?
- What do we stand for?

Level 2 - Sustained stakeholder cooperation
The competitive, macro-economic, regulatory, and political environments are so dynamic they necessitate constant revision of the initial stakeholder arrangements. Each revision upsets the delicate balance struck in the basic value propositions to various stakeholders. Managers must have a deep understanding of how these trade-offs affect each stakeholder, the amount of sacrifice a given stakeholder will accept, and how these current sacrifices can be compensated.

- What are the principles or values on which we base our everyday engagement with stakeholders?

Level 3 - An understanding of broader societal issues
Today's managers must recognize and respond to a rising number of international issues, without the moral compass of the nation, state or religion as a guide. Managers may need to take positions on issues that apparently are not purely business related. A pro-active attitude is necessary towards all stakeholder groups, both primary, i.e., those that have direct business dealings with the company, and secondary, such as NGOs and political activists, who can affect the operations of the company.

- Do we understand how our basic value proposition and principles fit or contradict key trends and opinions in society?

Level 4 – Ethical leadership
Recent research points to a strong connection between ethical values and positive firm outcomes such as sustained profitability and high innovation.[7] Proactive ethical leadership is possible only if there exists a deep understanding of the interests, priorities, and concerns of the stakeholders.

- What are the values and principles that inform my leadership?
- What is my sense of purpose? What do I stand for as a leader?

There are 10 general principles that collectively develop a "mindset" necessary for entrepreneurs and managers to understand and practice all four levels of Company Stakeholder Responsibility.

TEN PRINCIPLES OF COMPANY STAKEHOLDER RESPONSIBILITY

(1) Bring stakeholder interests together over time.

The very idea of managing for stakeholders is that the process of value creation is a joint process. Companies need to show returns to its shareholders, meet obligations to debt holders, banks, and others. Profits don't conflict with other stakeholders—they are a scorecard indicating how well the company is managing the whole set of stakeholder relationships. Managers must keep these stakeholder interests in balance, hopefully mutually reinforcing each other.

The online auction firm eBay constantly updates its user interface and back office processes to meet the expectations and desires of multiple stakeholder groups—in particular, people who use the site to buy and sell goods. The company's ability to consistently meet the needs of a broad range of consumers and sellers—from small startups to leading national retail operations—has also been of great benefit to the firm's shareholders, with the stock price increasing roughly 400% from 1999 to 2006.

(2) Recognize that stakeholders are real and complex people with names, faces and values.

We often make assumptions that business people are only in it for their own narrowly defined self-interest. Most human beings are more complicated. Most of us do what we do because we are both self-interested and interested in others. Business works in part because of the urge to create things with others and for others.

Employees are far more motivated to give their time, energy and creativity when they believe in their firm's overall mission and goals. The firm in turn needs to live its values.

For example, Merck's stated mission is "to provide society with superior products and services by developing innovations and solutions that improve the quality of life and satisfy customer needs, and to provide employees with meaningful work and advancement opportunities, and investors with a superior rate of return." [8]

Led by CEO Roy Vagelos, in 1987 Merck decided to develop, produce and distribute millions of doses of a medicine to treat river blindness—a terrible fly-borne parasitic illness affecting tens of millions of the world's poorest people in the African and Asiatic tropics.[9] This was an extraordinary action, because Merck did it free-of-charge—the people in need of the drug could not afford it. In so doing, Merck lived its value of "preserving and improving human life," and showed all of its stakeholders that the core purpose of the company was alive in practice.

(3) Seek solutions to issues that satisfy multiple stakeholders simultaneously.

Issues and problems come at managers from many sources, in many forms. Managers need to find ways to develop programs, policies, strategies, even products and services that satisfy multiple stakeholders simultaneously. The first step in that process is to actually recognize the need to look for simultaneous solutions.

In developing new products, Sun Microsystems focuses on both customer needs and environmental impact. When the company launched its Sun Fire x64 servers, the product consumed about one third the energy and cost half as much as comparably configured servers—while providing one-and-a-half times the performance. Sun was able to offer its customers great value—with the bonus of cheaper energy costs—by having a sustainability mindset in their product development.[10]

(4) Engage in intensive communication and dialogue with stakeholders—not just those who are friendly.

Obviously we need intensive dialogue through multiple methods with customers, suppliers, employees, and shareholders, but communities, the media, critics, and other secondary stakeholders count as well. Critics are especially important dialogue members—they represent unmet market needs.

After declining to issue a corporate responsibility report for three years, Nike decided to issue a comprehensive report in 2005. As part of this process, Nike invited experts from academia, trade unions, NGOs and the investment community to help them shape a report that for the first time not only listed the company's 700 active contract factories, but also graded each of these factories in terms of safety and labor conditions.[11] Within a span of months, Nike transformed itself from being a routine target of these secondary stakeholder groups to a leading model of corporate transparency.

The very idea of managing for stake-holders is that the process of value creation is a joint process.

(5) Commit to a philosophy of voluntarism—manage stakeholder relationships yourself, rather than leaving it to government.

The challenge for managers is to reorient their thinking and managerial processes voluntarily to be more responsive to stakeholders. A situation where a solution to a stakeholder problem is imposed by a government agency or the courts must almost invariably be seen as a managerial failure.

Spurred on by Warren Buffett, the widely-admired Chief Executive of Berkshire Hathaway and corporate investor, the Coca-Cola Company and The Washington Post Company have been leaders in the movement to count stock option grants to employees as compensation. Both companies began reporting these awards as compensation in 2002, well before the U.S. Securities and Exchange Commission began to consider requiring similar reporting measures in January, 2006.[12]

(6) Generalize the marketing approach.

We need to "over-invest" on understanding stakeholder needs, using marketing techniques to segment stakeholders to develop a better understanding of their individual needs and using marketing research tools to understand the multi-attribute nature of most stakeholder groups. "Investing" may be in terms of more time, more energy, or whatever the relevant resource that is required by a given stakeholder group.

Johnson & Johnson (J&J) is one of the biggest investors in terms of proactively assessing stakeholders' needs and taking the pulse of their firm's reputation among various groups. By all accounts this investment has shown

In today's world no one "gets it right" all the time. Whatever your interactions and strategies are with stakeholders, they can always be improved.

great dividends in the company's brand strength, with J&J garnering the top ranking in Harris Interactive National Corporate Reputation Survey for seven consecutive years.[13]

(7) Never trade off the interests of one stakeholder versus another continuously over time.

Just as many successful companies think in terms of "how to serve the customer" or "how to serve the employees," it is possible to generalize this philosophy to "how to serve our stakeholders."

Consider the example of a company that trades off the interests of customers in order to maintain its stock value for shareholders. In August of 2000, Firestone recalled millions of their tires deemed to be defective. Firestone managers had been aware of the problems associated with this product for years before they became public, but they had chosen "to settle cases confidentially, one at a time, making it difficult for consumer watchdogs or government regulators to discern a pattern that could have pointed to a broad public safety issue."[14] When these settlements became public, the Firestone brand was essentially destroyed.

(8) Negotiate with primary and secondary stakeholders.

If a group or individual can affect a company or be affected by a company then there needs to be some interaction and some strategic thinking. In our relatively free and open society, the consequences of not negotiating with a broad range of stakeholders is that they use the political process to "negotiate" indirectly by pressuring government to enact a set of rules that is not likely to be optimal to company interests.

(9) Constantly monitor and redesign processes to make them better serve stakeholders.

In today's world no one "gets it right" all the time. Whatever your interactions and strategies are with stakeholders, they can always be improved.

Penske Truck Leasing owns 216,000 trucks in 750 locations. Because Penske's back office processes were not centralized, customers would receive accounts payable calls from 10 or more different agents and often the calls would continue well after payment had been received. This process was not only highly inefficient for Penske, it was terribly annoying for their customers. After the company outsourced and centralized several of its back office processes, customers with payments 38 days past due receive a single phone call about their invoice, delinquent payments have been reduced and the staffing for this area has been cut by 30%.[15]

(10) Act with purpose that fulfills commitments to stakeholders. Act with aspiration towards fulfilling your dreams and theirs.

Businesses can have a purpose. Purpose is inspirational. The Grameen Bank wants to eliminate poverty. Fannie Mae seeks to make housing affordable to people at every income level. ITT Industries tries to make products that improve people's lives. All of these organizations have to generate profits, or else they cannot pursue their purposes. And, they cannot generate profits or fulfill their purpose without intense engagement with their stakeholders.

A NEW CSR—COMPANY STAKEHOLDER RESPONSIBILITY

Corporate Social Responsibility has outlived its usefulness, because it is flawed in two respects. First, it promotes the "separation thesis," the idea that business issues and social issues can be dealt with separately. This endorses the destructive idea that the underlying structure of business is either not good or is morally neutral. A stakeholder approach acknowledges the intertwined nature of economic, political, social, and ethical issues. Centered in the practice of management, it provides the manager with a pragmatic framework for action. The second flaw with Corporate Social Responsibility is its focus on corporations. Social responsibility does not only apply to corporations—it applies to all organizational forms. A stakeholder approach applies as much to an entrepreneurial start-up and to a mid-sized closely-held firm as it does to a corporation with diffuse ownership.

A stakeholder approach applies as much to an entrepreneurial start-up and to a mid-sized closely-held firm as it does to a corporation with diffuse ownership.

Based on a stakeholder approach, a distinct CSR—*Company Stakeholder Responsibility*—outlines a new capability for organizations to develop.

Ten Principles for Company Stakeholder Responsibility

1. Bring stakeholder interests together over time.
2. Recognize that stakeholders are real and complex people with names, faces and values.
3. Seek solutions to issues that satisfy multiple stakeholders simultaneously.
4. Engage in intensive communication and dialogue with stakeholders not just those who are "friendly".
5. Commit to a philosophy of voluntarism—manage stakeholder relationships yourself, rather than leaving it to government.
6. Generalize the marketing approach.
7. Never trade off the interests of one stakeholder versus another continuously over time.
8. Negotiate with primary and secondary stakeholders.
9. Constantly monitor and redesign processes to better serve stakeholders.
10. Act with purpose that fulfills commitments to stakeholders. Act with aspiration toward your dreams and theirs.

A THOUGHT LEADER COMMENTARY™ with Charles O. Holliday, Jr., Chairman and Chief Executive Officer, DuPont

Q: How do you identify your stakeholders and balance their interests in today's rapidly changing environment? How can business leaders best engage stakeholders who may be critics of their firm or industry?

Charles O. Holliday, Jr.: We have traditionally identified four stakeholder groups important to DuPont—shareholders, customers, employees and society. We fully understand the shareholders are the owners. Their best interest is served by the other three. At different times in our history, emphasis has shifted among those stakeholders. But that set provides us with an enduring template for identifying and engaging the people and groups who are vital to the continued success of our enterprise. We balance their various interests by listening and through dialog. We regularly poll our employees to find out how they see the company and how they feel about their ability to contribute to its growth. Our public affairs and issue scans enable us to maintain a good sense of the trends and developments important to stakeholder groups.

I personally participate in conferences and other events where I am able to state our company's position relative to public issues and to talk with others who approach the same issues from different points of view. So while we rely to a great extent on information that we gather, there is really no substitute for some first-hand interaction with leaders in other sectors, whether friends or critics.

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Charles O. Holliday, Jr.

Q: How else does the company embed the Company Stakeholder Responsibility mindset, discussed in this Bridge Paper, across the enterprise in its overall value proposition?

Holliday: First, DuPont is a leader in terms of Company Stakeholder Responsibility through safety. For more than 200 years, DuPont has placed a concern for safety above all others. We have the most stringent and effective safety policies in our industry, which our trading partners, suppliers, and even competitors use as a benchmark. In 2000, we created a safety consulting business now worth over $100 million annually to provide training, certification and development around safety issues.

Second, the shift of DuPont's products from a chemical basis to a biological basis has allowed our products to have a substantially smaller footprint on the environment. Having a diversity of disciplines as the foundation of our science allows us to invent and manufacture products that are both innovative and socially and environmentally responsible. Our regard for the environment is what will allow DuPont to thrive and survive in our third century.

Q: DuPont has an over-200 year-old legacy supporting its core values of safety and health, environmental stewardship, ethics, and respect for people. In particular, DuPont is well-known for its "safety moments" that are deeply engrained in all DuPont employees. How would you advise corporate leaders whose companies don't have such a long legacy and want to build similar lasting core values?

Holliday: Because our core values have been part of our company's culture for so long, it's hard for us to imagine operating without being able to consistently refer back to the values that drive us. As we moved through a historic transformation of the company in the past eight years, we indicated that everything was open to change except our core values. What's more we measure and gauge our progress opposite those values with a lively set of metrics that employees have access to. For example, any employee can see our statistics on year-to-date safety and environmental performance every day by clicking on a link accessible through our daily electronic newsletter. In every written letter or video message to employees I make some mention of core value performance – and in those rare few instances when I didn't, I heard about it! Our core values work for us. They make us a more desirable company to do business with or have operating in your back yard. They give us a set of standards that make good and capable people want to work for DuPont. They give real backbone to interaction with our stakeholders.

For us, core values are central to our identity of who we are as DuPont, and they are the link through the generations of DuPont employees over our 204 year history. For companies that don't have a set of values that can help them accomplish that, I would recommend

As we moved through a historic transformation of the company in the past eight years, we indicated that everything was open to change except our core values.

that they take the time to understand and identify what values inform their behaviors and underlie their operating principles and the way they do business. Once those values have been identified you have to drive them everyday in what you say and what you do. You have to act in a way that proves beyond a doubt that they are true non-negotiables. You have to measure your performance against them, and where you don't measure up, your stakeholders have to see you make the necessary adjustments to get on track and stay there.

Q: You have been at DuPont for 36 years. During that career progression, what are some defining moments that have contributed to both your own and DuPont's current approach to sustainability?

Holliday: As a company, we have learned from scientific insights into the safety of our products and from changes in environmental laws. In the 1970s, DuPont was the world's largest producer of CFCs. As CFCs became more closely linked to environmental change, we started the process of eliminating CFCs from our product offerings.

As a global leader in sustainable business practices, DuPont now works to direct the chemical industry toward developing more environmentally and socially friendly products. We influence the chemical industry most by constantly setting the bar higher on what is expected of a chemical company, by creating more biology-based products, and by considering the needs of the communities our business affects. For example, DuPont is the world's leading producer of soy protein, which is now being used in various products that were traditionally chemically-based, such as printers ink.

Personally, I have learned more from interacting with our many talented employees – engineers, scientists, managers, front-line plant workers, and others – based in over seventy countries. Interaction with leaders of other companies and with U.S. and international government leaders has also taught me a great deal. There are various trade and development organizations DuPont is part of. Recently, I represented DuPont at meetings of the World Business Council for Sustainable Development and the World Economic Forum.

Q: You are the Chairman of Business Roundtable's Environment, Technology and the Economy Task Force, you have served on other leadership groups like President Bush's National Infrastructure Advisory Council, and you have co-authored the book *Walking the Talk*, which outlines the business case for sustainability—what drives you to lead change in this broader arena outside of your own company?

Holliday: DuPont's long history has demonstrated to us that no company, however strong and competitive, can go it alone. Involvement in outside organizations and endeavors is a way of learning and leading. Working with other companies, we can learn from the rich variety of experiences that they share. I never walk away from a Business Roundtable meeting without a new insight that affirms something we're doing or challenges me to think in a very different way. The S.E.E. Change initiative we kicked off a year ago was aimed at precisely that—dozens of companies visibly doing creative things to work more sustainably so their successes might trigger equally good but different ideas among their peers. The whole idea of sustainability as a realistic goal for industry came about because organizations like the World Business Council for Sustainable Development kept hammering away at it and offering up real life examples.

We can lead in those areas where our experience positions us to effect positive change. Ultimately, all this is good for our company and makes a lasting impression on our stakeholders.

Q: This paper argues that business leadership involves setting industry standards, not just following them. Why is it important for firms to manage stakeholder relationships themselves rather than leaving it to regulatory agencies? How can government and business work together most effectively to set standards that create value for multiple stakeholders?

Holliday: The complexities and opportunities of modern business and industry are too great to assume that regulation alone can get us where we have to go. Regulation, as we have seen historically, is not a precision tool for change. But it can overcome inertia and gets things going. The landmark environmental legislation of the 1970s and 1980s set in motion the kind of change that in the U.S. has led to cleaner air and water. No one doubts that. But how would you go about regulating sustainability? We can expect that government will identify some pressure points where regulatory instruments can advance the cause. But real progress in sustainability will come from what we build into products and services, in the way we design and operate our plants and distribution networks, in the way we think about the ultimate disposition of the things we make, even – and especially – in the way we direct our research and development. It's hard to imagine regulatory protocols that can encompass all of that.

Industry has to be imaginative and proactive and show that we can accomplish the things our stakeholders expect of us, especially those things that go beyond the letter of the law. We reduced our greenhouse gas emissions by 72 percent since 1990 because our stakeholders expected us to be proactive and lead in this area. Right now one of the most exciting things we're doing at DuPont in sustainability is the construction of a plant for a bio-based route to a key ingredient for our Sorona® polymer. It will be on stream this year. To be sure, work we did in bio-refinery development funded by the Department of Energy helped us understand the potential of such processes. But no one told us we had to do it. We worked with a business partner to make this happen because we think this is the way profitable businesses will operate in the future. Our stakeholders understand this and they expect it of DuPont.

Industry has to be imaginative and proactive and show that we can accomplish the things our stakeholders expect of us, especially those things that go beyond the letter of the law.

ABOUT THE AUTHORS

Developing Ethical Leadership

R. EDWARD FREEMAN is the Academic Director of the Business Roundtable Institute for Corporate Ethics. He is the Elis and Signe Olsson Professor of Business Administration at The University of Virginia Darden Graduate School of Business Administration and co-Chair of Darden's Olsson Center for Applied Ethics, one of the world's leading academic centers for the study of ethics.

S. RAMAKRISHNA VELAMURI is an Assistant Professor of Entrepreneurship at the IESE Business School. He has a PhD in Entrepreneurship, Business Ethics, and Strategy from the Darden School of Business and an MBA from IESE Business School, Spain. Professor Velamuri is also a visiting professor at the University of Saarland in Germany, Nile University in Egypt, and the University of Piura in Peru. He has previously taught at the University of Virginia, Boston University and the Ecole Nationale des Ponts et Chaussees.

BRIAN MORIARTY is Associate Director for Communications at the Business Roundtable Institute for Corporate Ethics.

Thought Leadership Commentary

CHARLES O. HOLLIDAY, JR. is the chairman of the board and chief executive officer of DuPont. Holliday is the 18th executive to lead the company in more than 200 years of DuPont history. He became CEO on February 1, 1998 and Chairman on January 1, 1999.

Holliday has been with DuPont for more than 30 years. He started at DuPont in the summer of 1970 at DuPont's Old Hickory site after receiving a B.S. in Industrial Engineering from the University of Tennessee. He is a licensed Professional Engineer.

In 2004, he was elected a member of the National Academy of Engineering. He became chairman of Business Roundtable's Task Force for Environment, Technology and Economy the same year. Holliday is also past chairman of the World Business Council for Sustainable Development (WBCSD), The Business Council and the Society of Chemical Industry – American Section. While chairman of the WBCSD, he co-authored a book *Walking the Talk* which details the business case for sustainable development and corporate responsibility.

Holliday also serves on the board of directors of HCA and is Chair of the Board of Directors of Catalyst. In addition, he is chairman of the U.S. Council on Competitiveness and is a founding member of the International Business Council.

Under Holliday's direction, DuPont established the mission to achieve sustainable growth – increasing shareholder and societal value while decreasing the company's environmental footprint.

NOTES

1 Milton Friedman, "The Social Responsibility of Business is to Increase its Profits," *The New York Times Magazine*, September 13, 1970.

2 US Census Bureau, *County Business Patterns 2003*, (Washington: DC, 2005), p.3.

3 The ideas in this paper have been developed with a number of co-authors over the years in several places. In particular see Wicks, Freeman and Parmar (2005); Freeman and McVea (2001); Freeman et al (2004); and Freeman et al (2005). We are grateful to a number of people for helpful conversations, in particular Professors Gianfranco Rusconi, Dr. Lorenzo Saccone, Dr. Valeria Fazio, Dr. Mette Morsing, doctoral students at the Copenhagen Business School doctoral consortium on Corporate Responsibility, numerous participants in the EABIS conference in Gent, Professors Jeff Harrison, Robert Phillips, and Andrew Wicks.

4 Here "ethics" is used its broadest sense to encompass obligations to employees, and other stakeholders. This is sometimes referred to as an "American" usage, whereby the "European" usage is much narrower.

5 The first three levels of commitment are explored in greater detail in Wicks, Freeman, and Parmar (2005). The origins of these ideas can be found in part in Freeman (1984) in the idea of "enterprise strategy."

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Business Roundtable
Institute for Corporate Ethics

Business Roundtable Institute for Corporate Ethics
100 Darden Boulevard
Charlottesville, Virginia 22903
(434) 982.2323
info@corporate-ethics.org
www.corporate-ethics.org