

Can Corporations be Civil?

Many of Britain's best-known companies are already redefining the traditional roles of the corporation. They are recognizing that every customer is part of the community and that social responsibility is not an optional extra.

Rt Hon Tony Blair MP, British Prime Minister¹

If business is so powerful, and is now doing so much good; why is so much wrong in the world?

Oded Grajew, President, Instituto Ethos²

The role of business in society is the 21st century's most important and contentious public policy issue. Business is increasingly moulding societal values and norms, and defining public policy and practice, as well as being the dominant route through which economic and financial wealth is created. How business is done will underpin how local and global communities of the future address social and environmental visions and imperatives. This is true whatever one believes to be critical in creating a just and sustainable world. Economic welfare, peace and security, global warming, human and animal welfare – to name just a few – are and will continue to be deeply informed by business in practice.

Our views of business today hang in the balance. On one hand, business is in the limelight of increasingly concerned public scrutiny. The popular media carries daily fresh allegations of its misdemeanours. An outpouring of books, pamphlets, films and conferences challenge and debate its social and environmental performance. Grass-roots, anti-corporate demonstrations adorn the streets outside city offices, and regularly surround meetings of the world's leaders and major international institutions. On the other hand, recent years have seen the emergence of the philosophy and practice of 'corporate citizenship'. Corporations have sought under this umbrella to gain broader trust and legitimacy through visibly enhancing their non-financial performance. Today, the focus is shifting from philanthropy to the impact of core business activities across the broad spectrum of social, environmental and economic dimensions represented by the vision of sustainable development.

Surprisingly little has been said about where this critical debate and practice might lead us in the future. Activists leading the assault on corporate power and influence have in the main remained entrenched

in their negative critique. Few have mapped out credible alternatives for generating and distributing sufficient economic wealth to provide a decent quality of life for a growing world population. Similarly, few advocates of corporate citizenship have addressed the challenge of whether or how such approaches are likely to deliver adequate social and environmental gains to reverse the underlying pattern of growing levels of poverty, inequality and environmental insecurity.

In addressing the *why*, the *how*, and the *so what* of corporate citizenship, this book seeks to establish what should and can realistically be expected from the business community in addressing the imperatives and aspirations underpinning sustainable development. It goes on to address whether and how these expectations can in practice be realized. It seeks to achieve this by exploring:

- contemporary forms of corporate citizenship emerging from the dynamics of the New Economy;
- new patterns of civil governance underlying emerging partnerships between business, governments and private non-profit organizations;
- the scope for engagement, learning and advocacy which corporations have in maximizing their contribution to sustainable development; and
- under what conditions corporate citizenship can play a significant role in addressing the darkest sides of unsustainable development.

GLOBAL BALANCE SHEET

Much happened in the last century. As a species we became taller, faster and stronger. We learnt how to dominate our natural environment – and to appreciate its ability to strike back. We experienced terrifying excesses of nationalism and racism – and matched this with expressions of universal values such as those underpinning the vision of the United Nations (UN). Democracy, at least the elective version, came into its own in the 20th century, building from the revolutions of the 19th century to South Africa’s liberation struggle.

But the most pervasive outcome of the last hundred years has been the incredible growth of economic wealth and the associated level of material consumption. Certainly, the technological revolutions of the 18th and 19th centuries marked the onset of a rapid acceleration in the income and wealth of a small but significant minority in Europe and North America. But it was during the 20th century that this acceleration took on quantum proportions. The global economy at the turn of the millennium was driven by annual expenditure on consumption of almost US\$30 trillion, a doubling in just 25 years.³ By the turn of the 20th century, a billion or so people were experiencing extraordinary material standards of living. Average incomes across this group rose at least six-fold between 1900 and 2000.⁴

Economic growth has unquestionably delivered real gains. Few could quibble about the improvements in most of the better-known indicators of human development, such as personal health, literacy and longevity, for enormous numbers of people. As the United Nations *Human Development Report 1999* concluded:

People in many countries live a much longer and healthier life than just two decades ago. In 31 of the 174 countries included in the Human Development Index (HDI), life expectancy has increased by more than a fifth since 1975... Between 1975 and 1997 most countries made substantial progress in human development, reducing their shortfall from the maximum possible value of the HDI. Of the 79 countries for which HDI trends between 1975 and 1997 are available, 54 made up more than 20 per cent of their shortfall, 31 more than 30 per cent and 19 more than 40 per cent.⁵

The United Nations *Human Development Report 2000*, similarly, highlights that:

The achievement of human potential reached unprecedented heights in the 20th century... Worldwide, 46 countries, with more than a billion people, have achieved high human development... In developing countries during the past three decades, life expectancy increased by ten years... adult literacy increased by half... and the infant mortality rate declined by more than two fifths.⁶

Well-documented facts are equally clear on the negative side of the equation. Nearly one in three of the world's workforce is unemployed,⁷ 1.2 billion people live on less than US\$1 a day,⁸ and 840 million people go hungry each day.⁹ The world's 225 richest individuals have a combined wealth of over US\$1 trillion, equal to the annual income of the world's poorest 47 per cent – about 2.5 billion people. A further 100 million in the so-called developed world are relatively impoverished.

Over the same period, the state of the natural environment has worsened. The climate has noticeably changed, half the world's original forest cover has disappeared, and overall the capacity of the Earth's ecosystems is estimated to be degrading at about 3 per cent a year.¹⁰ The growth in consumption has been underpinned by a mushrooming in the use of natural resources, and in the levels of waste and emissions; a quintupling of fossil fuel use since 1950; and a doubling of the use of fresh water since 1960. As the ecologist and writer Paul Hawken poetically notes about the US economy, 'For every 100 pounds of product we manufacture... we create at least 3200 pounds of waste'.¹¹

Consumption patterns of the materially well-off have taken on proportions that would be comic if they were not equally tragic. The UN points out that Europe and the US spend almost US\$13 billion annually on perfume, and almost US\$18 billion on pet food; Europeans annually spend more than US\$50 billion on cigarettes, and Japanese business runs up an

annual entertainment account of almost US\$35 billion.¹² Against this must be compared the profile of consumption of the typical household in a developing country, where about 80 per cent of income goes on buying basic foodstuff. Equally it compares with the annual cost of only US\$40 billion, according to the UN, that it would take to achieve universal access to all basic services; such as basic education, water and sanitation.¹³

Confusing Causalities

Facts abound, but what do they mean? Is the heady consumption of wealthier citizens a constraining factor to development for others – the zero-sum view that the wealth of the few condemns many to poverty? Or is such profligate consumption the salvation of those currently in poverty? Many argue, after all, that what is needed is for those without enough to emulate, catch up and join the party. Sakiko Fukuda-Parr, Director of the UN Human Development Office, captures perhaps the middle path between these views when she argues that:

It is not a matter of more or less consumption. I cannot agree with the hair-shirt view that less consumption will make the world a better place. The issue is what kind of consumption – of ensuring that consumption is not environmentally destructive, and that it challenges poverty and inequality.¹⁴

Such diversity of opinion feeds through, naturally, to contested views about the role of economic growth in promoting human development and environmental security. As the UN, amongst many, reminds us:

The link between economic prosperity and human development is neither automatic nor obvious. Two countries with similar income per capita can have very different HDI values; countries with similar HDI values can have very different income levels. Of the 174 countries, 92 rank higher on the HDI than on gross domestic product (GDP) per capita (purchasing power parity, PPP\$), suggesting that these countries have been effective in converting income into human development. But for 77 countries the HDI rank is lower than the GDP per capita (PPP\$) rank. These countries have been less successful in translating economic prosperity into better lives for people.¹⁵

Our understanding of what-causes-what is not obviously enhanced through increased volumes of data. The economically wealthiest countries certainly offer up the most comprehensive data imaginable, but the results continue to confound us. Economic competitiveness, we are often told, is the foundation of long-term societal success. But we know, equally, that economic competitiveness does not always yield the promised social dividends. For example, the Republic of Ireland, US, and UK figure in the top ten competitive nations,¹⁶ according to Jeffrey Sachs and the World Economic Forum. But this efficient club of three turns out to be the same

group identified by the UN as having the highest levels of poverty and inequality among industrialized nations.

Among the 17 industrialized countries included in the HPI-2 [measure of human poverty], Sweden has the lowest human poverty, with 7 per cent, followed by The Netherlands and Germany, with 8.3 per cent and 10.4 per cent. The industrialized countries with the highest poverty according to the HPI-2 are the United States (16.5 per cent), Ireland (15.3 per cent) and the United Kingdom (15.1 per cent).¹⁷

Tramline Debate

The most confusing facts of all concern the contested contributions of business, particularly the corporate community, to the positive and negative sides of last century's overall accounts. The corporate community is vast and rapidly growing. Of the 100 largest 'economies' in the world today, 51 are corporations.¹⁸ The top 200 corporations have sales equivalent to one quarter of the world's total economic activity.¹⁹ General Motors has annual sales equivalent to the GDP of Denmark, and the annual income of Sears Roebuck is comparable to the total annual income of over 100 million Bangladeshis.²⁰ There has been a 12-fold increase in world trade since 1945, dominated by a small number of global corporations. This trade now accounts for about 20 per cent of measured, global economic income. The 1990s witnessed a massive growth in the pattern of international capital flows to developing countries. In 1990, public sources accounted for more than half of the international money flowing to developing countries. By 1995, 77 per cent came from private sources.²¹ The volume of foreign direct investment nearly quadrupled over the same period, jumping to US\$96 billion by 1995.²² Foreign direct investment increased by 27 per cent in just one year, 1997.²³

With so large a footprint, one might expect that corporations' contribution to the global accounts would be utterly obvious. Far from it. Indeed, the facts have underpinned a largely polarized debate about the contribution of the corporate community. Facts abound, but they seem inadequate to the task of building a common view as to whether corporations are at the leading edge of positive change, or irreducibly part of the problem. This polarization is plain to see in the veritable outpouring of publications about the future of the corporation, backed by conferences, workshops, Internet-based debates, counselling-based 'confrontations', and every other possible form of interaction. Every possible statistic, anecdote and mystical vision has been fashioned to demonstrate that corporations are good, bad or just plain ugly.

Debate on the future roles of the corporation is guaranteed to bring out people's most extreme and often bunkered views. The tramline nature of the debate is not surprising. Stories, even those that make ample use of facts, are written for specific audiences. They need to be understood in

terms of how they seek to persuade and influence. This is certainly true in the area of corporate citizenship. Some people's words and deeds are meat and bread to corporate audiences, but stick in the throats of those who campaign against the World Trade Organization (WTO) or Monsanto. Similarly, the views of those who target the would-be activist as audience are in the main dismissed by those charged with the practical challenges of navigating these corporations into the future.

Paul Hawken and Amory and L Hunter Lovins describe this debate as being made up of the pro-marketers ('blues'), the believers in socialism ('reds'), and those who see the world in terms of ecosystems ('greens'). They encourage us to become 'whites' – essentially synthesists who do not 'entirely oppose or agree with any of the other three views, and are optimistic in adopting a path of 'integration, reform, respect, and reliance'.²⁴ Hawken and the Lovinses are astute in the caricatures they paint. But it is not clear that the 'rational way' must be for the 'whites' to lead the charge of real change, as they suggest. The paths of those with opposing views about the corporate community do of course cross and at times even converge. Increasingly, innovative partnerships and processes are generated at these unlikely intersections. However, these interactions have also stimulated new generations of opponents, often disappointed and embittered by their sense of a lack of real progress in addressing underlying social and environmental challenges. The increasingly vehement public demonstrations against the WTO, the World Bank (WB), and the many other symbols of the so-called Washington Consensus,²⁵ more than anything reveal the accumulated frustration following a decade of tentative engagement. Lynda Yanz, co-organizer of the Canadian-based Label Behind the Label coalition sums up this frustration:

The view 'from the ground' on codes is so very different from what it looks like when you're zooming in from the international angle. The worlds are so different... Almost every group we're working with has a different beef with one or more of the Northern-based campaigns or initiatives we're working with.²⁶

Oded Grajew, a Brazilian businessman and President of Brazil's leading business association for social responsibility, Instituto Ethos, similarly and even more starkly summed up the underlying confusion and frustration in a question tabled at an annual conference of the business network, Business for Social Responsibility: 'If business is so powerful, and is now doing so much good; why is so much wrong.'²⁷

Debate about the corporate community brings out in people the worst of either evangelical optimism or narrow cynicism. And there is no shortage of fuel to feed either habit. There are ample cases of corporate misconduct with bad and sometimes catastrophic social or environmental consequences. When yet *another* case of under-aged workers is uncovered in Nike's supply chains, it only serves for many to reinforce a deep sense

of cynical anger and frustration. Similarly, there are many examples where corporations *have* 'done the right thing'. With hundreds of high-profile branded corporations and tens of thousands of less-known multinationals, there is more than ample scope for digging-up and exhibiting examples that seek to 'prove' one view or the other.

The tramline character of the debate is therefore understandable. It is unsurprising that polarities are hard to overcome when people have such different world views, experiences and information, and often an undisclosed cocktail of anger and disappointment, confusion or just simple ignorance. Objectively, the stakes are high, and historical outcomes have for many been less than satisfactory. It is foolish to dismiss what appears to the 'balanced observer' as extremism of one sort or another that merely needs to be 'flushed from the system' for rationality to prevail. The confrontational features of the current debate cannot be eroded by a 'middle path' that neither appreciates nor engages a fuller spectrum of views and interests. Neither can they be marginalized by repeated demonstration, however convincing, that some companies can indeed behave in better ways in increasingly competitive markets. No side will emerge victorious by either inductive or deductive proof that there is 'only one way to go'. A deeper process is needed that will deliver on three fronts. First, the myths about corporate behaviour – both good and bad – need to be revealed and dismissed. Second, there is a need to identify the varied and often opposing possible pathways that this implies for corporate social and environmental performance and impact. Third, is a need to make a considered judgement of what can be expected from different strategies, and in all honesty what cannot.

THE NEW ECONOMY OF CORPORATE CITIZENSHIP

Corporate citizenship has emerged in its contemporary forms within the context of the emerging New Economy. The New Economy embraces far more than its exotic variants of (now largely defunct) dot.coms, and extends beyond the communities of wealthy over-consumers and business-2-business Internet relationships. It is, as the 'first great philosopher of cyberspace', Manuel Castells, points out, a social revolution that implies radical changes in the nature of the institutions of the state and business, and redefines the roles of the citizen, both individually and collectively.²⁸ The New Economy is characterized by the acceleration of every aspect of social life; the collapse of geographical distance as a basis for defining and sustaining difference; and the growing significance of knowledge and innovation as the primary source of business competition and economic value. As such, the New Economy impacts on the livelihoods of Mexican and Indian farmers, just as it shifts the terms on which wealthy New Yorkers consume to secure their self-esteem.

Corporate citizenship is about business taking greater account of its social and environmental – as well as its financial – footprints. The last decade has certainly witnessed a renaissance in corporate citizenship. However, it would be foolish to assume that this has been underpinned by a widespread moral ‘road to Damascus’ or evolution in human consciousness. Although individuals’ values, vision and moral commitments are often enabling factors, corporate citizenship as an institutional phenomenon is essentially an outcrop of the New Economy. Success in the New Economy is as much about a corporation’s ability to build a sense of shared values with key stakeholders as it is about the technical quality of products and services. Corporations that achieve this will extract the maximum premium for their branded, lifestyle products, get the best employees on terms that secure their committed labour to the business, and most effectively offset criticism from increasingly globalized networks of non-governmental organizations (NGOs). Accounting for broader societal and environmental outcomes *from this perspective* is merely another way of expressing Milton Friedman’s proposition that corporations will and should focus on maximizing financial performance, if necessary by engaging more effectively with stakeholders that can make or break the business.

Understanding corporate citizenship as emerging from underlying structural shifts in the economy does not, unfortunately, mean that the New Economy necessarily creates good companies. Corporate citizenship is not the same as *good* corporate citizenship. Taking stakeholders into account does not automatically translate into ‘doing good things’ for people and the planet. Just as the New Economy opens opportunities for businesses to strengthen their competitive position by positively addressing social and environmental aspects of their performance, so too does it offer ample scope for businesses to externalize social and environmental costs. Economic globalization offers profitable pathways for businesses to behave unethically, to drive down labour standards, to minimize their tax contributions, and to exert undue influence over governments anxious to attract their investments. Different stakeholders, after all, have very different ‘social’ interests. The need must therefore be to identify and enhance the drivers of corporations’ more progressive engagement in the vision of sustainable development.

THE CIVIL CORPORATION

The aspiration of sustainable development leads many people to talk of the need to create ‘sustainable business’. While understandable, this imaginative leap creates more confusion than good. Social, environmental and economic gains and losses arising from particular business processes cannot simply be added up. We do not know, for example, whether an additional four weeks of employee training, minus a dozen or so trees,

plus a ton of profit, add up to more or less sustainable development. We cannot in all honesty predict the contribution of energy and other resource intensive corporations to the cause of sustainable development, given the complexity of their direct and indirect impacts over time. In fact, we do not and probably cannot know enough about the system to understand in this sense the relationship between the activities of one organization and the whole system.

There is little point in blaming pigs for not being able to fly. Similarly, there is little point in condemning an organization for something beyond its control. Microsoft did not, after all, invent computers, and can hardly be entirely blamed for their costs or congratulated for their many benefits. Similarly, there is little point in blaming Nestlé for the impact on the South African economy of a collapse in gold prices, South African Breweries for the level of HIV/AIDS across the African continent, or Credit Swiss First Boston for the state of Britain's railways. Judging and ultimately guiding corporate performance requires an examination of whether a business is *doing what it can do* given its range of external options and internal competencies. Internally, this concerns the formal, explicit policies and processes, organizational cultures and values, and patterns of leadership. Externally, this is a question of the multitude of business drivers, from direct, short-term market pressures through to longer-term strategic challenges and opportunities.

A business's contribution to sustainable development therefore needs to be understood in terms of its viable options and what it makes of them. Internal and external factors together create a spectrum of possibilities at any point in time – that define a corporation's practical scope for making decisions between viable choices. Whether and how a corporation acts within its degrees of freedom must be the test of responsibility, and indeed the basis on which management decisions are framed. These are the fundamentals of the *civil corporation*. A corporation that is said to be civil is understood here as one that takes full advantage of opportunities for learning and action in building social and environmental objectives into its core business by effectively developing its internal values and competencies. This formulation provides a sound basis for grounding our expectations of business, and how strategy can be conceived and developed, to address the aspirations and challenges underlying sustainable development.

CIVIL GOVERNANCE

The emergence of NGOs acting as *civil regulators* of corporations through public campaigning and other forms of pressure is one of the notable features of the last decade. More than any other body of institutions, NGOs have driven the process of popular education and political and economic mobilization around social and environmental issues. As with

the corporate community, NGOs' increased visibility and influence is itself a manifestation of the New Economy, which brings with it associated opportunities and risks. In their civil regulatory role, NGOs have engaged with increasing intimacy with their target, the corporate community. In so doing, they have increased their knowledge of the business process and how to influence it through personal relationships, the development of management and accountability tools, and by otherwise impacting directly on the markets within which business operates.

This increased level of intimacy has, however, also provided a basis through which business has been able to penetrate more deeply into the NGO community. This in turn has provided them with leverage over future NGO activities, and indeed the very shape of future generations of NGOs. In so doing, they are increasingly influencing, and sometimes effectively undermining, new challenges and opportunities emerging from the NGO community. At the same time, some are thereby deepening their knowledge of civil society processes as a basis for enhancing their ability to respond positively to social and environmental challenges in commercially viable ways. In practice both tendencies are, and will continue to be, in play, the balance depending on many factors. It is significant, however, that the continued effectiveness of NGOs in challenging business behaviour is unlikely to be secured by seeking to sustain their separation from the corporate community. Rather, the shift from a challenge-based phase of civil regulation into more intimate, binding relationships between NGOs and corporations will necessitate a more complex set of strategies and tactics on the part of NGOs if their effectiveness as a driver for progressive change is to be sustained.

It is in this context that civil partnerships have emerged as a vehicle through which new frameworks of rules have been negotiated within which the corporate community might operate in a more legitimate and, hopefully, progressive manner. Civil partnerships are far more than a 'more effective form of delivery'. They are evolving, organic governance structures and processes that go beyond elements of the cut-and-thrust forms of civil regulation into more institutionalized rule-based frameworks. Some of these frameworks may eventually find their way on to the statute books of national governments or international institutions. In some instances this can be with the active blessing of elements of the corporate community seeking, for example, to level the playing field or to re-externalize costs into strengthened public sector institutions. Other rule frameworks, however, will remain outside the statutory realm, overseen by increasingly sophisticated partnership arrangements. Corporate codes of conduct created through and overseen by multi-sector partnerships are an early manifestation of these developments. More generally, companies are increasingly seeking to stabilize their commitments and risks by nurturing partnerships that involve human rights and development NGOs.

This is the essence of the *new civil governance*, which lies at the heart of the New Economy of corporate citizenship. It comprises processes

through which rules are built around and within markets in relation to which corporations find themselves subject. These rules are negotiated and overseen by a spectrum of institutional arrangements and processes ranging from public scrutiny and debate through to partnerships and more traditional statutory structures. These different elements have certainly always existed in some form. What is new is that there is no longer a *de facto* (or for many even an aspirational) pecking order that places statutory rules as higher, more legitimate, or more effective governance instruments. Furthermore, there is no longer a presumption that different rule systems will be stable, well bounded, or even consistent with each other. The new civil governance is most of all marked by an acceptance of partial and temporary rule systems co-existing in an often dynamic relationship, overseen by diverse players and institutional arrangements with complex and often unstable bases of legitimacy and effectiveness.

CIVIL NAVIGATION

The civil corporation needs to understand what nuts and bolts will help it to identify ‘best thinking’ from the often confused reality of divergent, contested views. It will need to be able to assess and influence its degrees of freedom within what are generally high-risk, complex, dynamic market environments. Perhaps most of all, it needs to be able to manage its relationships with key stakeholders in ways that support learning and change without unnecessarily risking commercial disaster that would bring misfortune to many of these stakeholders.

There are no magic bullets that will create civil corporations. There are no standard systems that substitute for real-life, messy solutions made up of cocktails of unusual leadership, coincidence and luck, and really hard work. But the effective systematization of such cocktails is, nevertheless, a critical ingredient of longer-term success, both in developmental and in commercial terms. Many systems aimed at aligning core business strategies and processes with elements of social and environmental aims and outcomes have emerged in the last ten years. Equally prolific has been the outpouring of books and reports either advocating their development and use, highlighting their irrelevance, or predicting their imminent demise. For most, and most of all for business, it is all rather confusing, and indeed increasingly irritating. In fairness it must be said that ‘it is early days’, which both explains and in a sense justifies the chaos. After all, it is barely 15 years since environmental management systems began to be taken (and so developed) seriously by mainstream business. However, these ‘early days’ are taking their toll in terms of rising concerns and cynicism by stakeholders both external to, and within, the corporate community.

There is a need for tools that enable corporations to be civil across the practical dimensions of, for example, information and knowledge

management; engagement, dialogue and communication; decision making and governance; and performance assessment. This is not a matter of turning over a clean sheet of paper and starting the design process all over again. Existing tools for organizational learning provide many elements of the kit that is needed. At the same time, this is not a matter of pursuing a cut-and-paste approach. There is a need to go back to basics to understand what are the possible uses of existing tools and what adjustments need to be made to their design and operation. There are, furthermore, notable gaps where new tools need to be developed or at least existing ones substantially upgraded.

The application of best thinking to the development of tools is itself a dynamic process in every sense of the word. Our understanding of sustainable development itself changes over time. What is a priority today may not be the most critical issue in a decade, or even tomorrow. The manner in which priorities are made will also change, both for societies and for corporations. For example, child labour is not a new phenomenon, yet today it is a far more critical issue for global corporations than it was just a few years ago. Similarly, the rights of indigenous people to set the terms of access to natural resources has become far more significant for oil and mining companies than ever before. Today, the notion of a global living wage may seem implausible. In years to come it could well be the reality for workers and business alike.

It is too early to say which standards, guidelines, systems, procedures and practices will turn out to make most sense for any one company, let alone for the wider business community, and society at large. It is unclear, for example, whether the more daunting 'The Natural Step' will prevail over the pragmatic ISO14000 series, or whether the labour code and monitoring standard, SA8000, will prove to do the job compared with alternative approaches that embrace wider dialogue and engagement. How this will all, moreover, fit into tools like the Balanced Scorecard or Total Quality Management is entirely unclear. Indeed, we do not know if these latter tools will even survive the coming years. And it is in any case a complete mystery how such approaches – all designed for relatively stable manufacturing systems – will fare in the New Economy where the social and environmental footprints of dominant corporations are less clearly defined.

Effective *civil navigation* lies at the heart of making the most out of the opportunities afforded by the New Economy of corporate citizenship for enhancing social and environmental benefits and minimizing associated costs. This is true for individual corporations, but is also the case for the system as a whole. The trick, however, is not to place all one's bets on a particular approach. Better at this stage is to look for the underlying principles needed to guide the evolution of appropriate approaches in the future. This is the aim of the book's third and final section, which identifies and explores the fundamental principles underlying four particular dimensions of corporate behaviour:

- (1) *Setting boundaries* of learning, accountability and responsiveness.
- (2) *Building engagement* that forms the basis for learning.
- (3) *Creating measures* that validate and make knowledge effective, and so form the basis for decision-making and actions.
- (4) *Institutionalizing trust* in ways that create a virtuous circle of practice and further engagement with stakeholders.

IS BEING CIVIL ENOUGH?

Corporations can be civil. But can they and will they be civil enough? Can even the most enlightened business improve its social and environmental performance sufficiently to reach universally accepted standards while remaining a viable business? It would be fair to say that not a single major corporation has achieved this to date across the bulk of its social and environmental footprint. Furthermore, even if some could achieve this by virtue of their visionary leadership and powerful market position, would they remain worthy but isolated examples within what is otherwise a swamp of poor social and environmental performers? Finally and most importantly, will all these developments add up to a coherent response to the question of what roles good corporate citizenship will play in addressing the really big social and environmental challenges of both today's and tomorrow's world?

The cases drawn on throughout this book highlight just how much individual corporations acting alone can achieve. But these cases, and the accompanying analysis, also suggest that even the strongest and most progressive corporations, acting alone, will rarely be able to sustain *significantly* enhanced social and environmental performance for extended periods of time. Another way of looking at this is that if such corporations are not emulated by their competitors, it means either that the corporation has failed to achieve any competitive advantage through its good practices, or that its competitive advantage exists only within a restricted market niche that has high barriers to entry and does not threaten the broader market (and so will not have extended impact). From this perspective, corporate citizenship based on leadership practices that are not institutionalized beyond the individual corporation is unlikely to make a major contribution to achieving a sustainable development path.

But corporate citizenship *can* become a significant route for overcoming global poverty, inequality and environmental insecurity. This requires that it evolves to a point where business becomes active in promoting and institutionalizing new governance frameworks that effectively secure civil market behaviour, globally. Leading civil corporations will therefore be those that go beyond getting their own house in order, and actively engage in promoting governance frameworks that enable the wider business community to address, effectively and without contradiction, the aspirations underpinning sustainable development.