Ten principles of corporate citizenship

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Abstract

Purpose – This paper aims to reflect briefly on some of the major principles that have emerged from the developing policies, practices and debates about corporate citizenship in the last ten years or so.

Design/methodology/approach – Considerable scholarly work has been conducted on corporate citizenship in the past, and will continue to be done in the future. This paper is deliberately written for a non-scholarly audience.

Findings – Ten principles are outlined, all of them focusing on developing a cultural aspect of corporate citizenship as good business.

Originality/value – The basic premise of this paper is that significant cultural change, through corporate citizenship will only take place by business implementing policies, and practices based on the sort of sound (but basic) principles presented here. These ten principles, in this format, are original to this paper.

Charters of corporate behaviour

Many companies have, for several years now, been carefully developing policies and practices of good corporate citizenship, demonstrating to both internal and external stakeholders, shareholders, supply chains, politicians and customers/clients that it is not only socially and environmentally “right” for a company to be a good corporate citizen, but that it also makes good business sense. An increasing part of a company’s commitment in this area has been the formal development of a company ethos of behaviour, often expressed in the form of a code of conduct and more recently as charters of corporate behaviour. These codes and charters have been in practice for a long time now, but more and more companies are now including some form of commitment to corporate citizenship and/or corporate citizenship within them. A good, and globally pioneering, example in Japan, is the Japan Business Federation (Nippon Keidanren), one of Japan’s leading organizations for major corporations, which has been used for many years by numerous companies worldwide as a model for formally stated commitments to good corporate behaviour which recently revised its long-standing, and well known, Charter of Corporate Behaviour, to include corporate social responsibility (see Appendix). Together with this Charter, the Federation also provided a detailed Guide for Implementing the Charter of Corporate Behaviour to its member companies, dealing with issues which have become increasingly important to all major companies worldwide, like corporate governance, ethics and compliance, information disclosure, environmental preservation, human rights in labour, and philanthropy. The Guide provides a road map in many ways for the best ways a company should engage with its communities, consumers, customers, clients, the market, shareholders, the environment, society, employees and other businesses in general. Similar charters, codes and guides have been produced in some considerable numbers by other
organisations over the last few years’ all dealing with some aspect or other of corporate behaviour and citizenship.

The very large Ricoh Group, for example, was a pioneer in such charters, developing as early as 1993 the Ricoh Business Behaviour Standards Guidelines, from which more recently emerged the Ricoh Group Corporate Social Responsibility Charter, which specifically deals with how every company in the Ricoh Group should engage with integrity in corporate activities, harmony with the environment, respect for human beings and harmony with society. In effect this Charter establishes behavioural standards for every company and member of staff in the entire Group. Every member of staff receives the Charter in booklet form and related educational materials have been developed in both video and CD-ROM formats.

It has to be made very clear though, that the development of such behavioural standards is not simply a “good” socially responsible thing for business to do as an add-on to its core business practices, but is increasingly being seen as an a non-negotiable part of that core business. For example, the NEC Group Charter of Corporate Behaviour, which first appeared in April 2004 states:

The NEC Group works to improve profitability through sound business activities and to achieve dynamic development so as to benefit society. To this end, the Group is aware of the need to enhance its corporate value not only by observing all relevant laws and regulations, but also by fulfilling its social responsibilities as a good corporate citizen. At the same time, the Group must win the trust of customers, shareholders, investors, suppliers, the community at large, its employees, and all other stakeholders.

There is still a long road to travel for many companies with respect to corporate citizenship, but there is sufficient evidence to demonstrate that corporate citizenship is seriously on the business agenda now, and as a consequence there are valuable lessons to be learned from the work of the last ten years or so, and I draw out some of those lessons here in a framework of ten principles of corporate citizenship as follows.

1. Extending corporate responsibilities beyond core business

One of the first principles of corporate citizenship to have been developed is well expressed by the large pharmaceutical company Pfizer, in its document *Good Business Practices: Integrating Citizenship Throughout Our Company*, where under the heading of “Our Companywide Responsibilities”, the very first principle in enabling Pfizer's core business “to discover and develop medicines, and help make medicines available around the world”, is that “all Pfizer colleagues have responsibilities beyond their specific jobs”. This is a crucially important first principle. Every employee of every business, no matter how small or large, needs to be educated in the basic idea that there are responsibilities beyond a particular position description or business role, whether that role is senior management, or as a receptionist or cleaner. The sorts of responsibilities that Pfizer, and many other companies, have articulated in recent years in their codes and charters of good business practice and behaviour include:

1. practising good governance;
2. ensuring compliance and ethical behaviour;
3. social and environmental responsibility;
4. participation, where appropriate, in public policy debates;
5. commitment to the public good overall and business-relevant communities in particular, often expressed in some company-specific detail as in Pfizer's Charter:

- support our communities;
- protect the safety of employees, the community and the environment,;
- respect the welfare of animals;
- respond to all public, media and government inquiries appropriately;
- conduct political activity responsibly; and
- cooperate lawfully with our local host governments.

These are not only ways to educate staff in any business to think beyond the narrow box of a particular task orientation in their work, but a means for them to see themselves as part of the bigger picture of the business they work in. Such a repositioning of employees' and management thinking from the traditionally understood concept of the workplace is a major feature of contemporary thinking about good business practice where the employees and management are now increasingly considered as internal stakeholders and so therefore have a contribution to make beyond a particular set of defined tasks.

2. Interactive and not just “transactive” communication with communities

The Fujifilm Group sees success not simply in terms of its own financial bottom line, though this always needs to remain paramount in business thinking and practice, but as part of a bigger social picture of the company contributing to what it calls “the creation of affluent communities”. This brings me to the second basic principle which I believe underscores the development of corporate citizenship policies and practices in recent years, which is what the Fujifilm group refers to as “interactive communication with our communities”.

There are two main challenges to any business in this second basic principle. First, a business needs to be able to define and articulate exactly who its communities are, and there is no doubt that one of the major lessons of the corporate citizenship journey, in recent years, has been the inability of many businesses to be able to do this at all well. The second challenge, once the communities have been defined (and many businesses have multiple communities to engage with) is what then constitutes “interaction” with those communities.

I believe that for any business to simply refer to all of its customers/clients as if they are a single homogenous group or market and to treat them all the same, is poor business practice. Really understanding the diversity of a business's communities, and the potential those communities have for contributing to the business beyond their traditional role as customers/clients, for example, requires a level of engagement and interaction which enables the business to more fully understand the diversity of thinking in its communities and to then find strategies and activities to capitalise on that diversity in order then to return increased value for everyone, community and business alike. Transactive corporate citizenship (e.g. chequebook philanthropy and sponsorship) is always going to be necessary, but for longer-term sustainability of community-business relations, a more interactive approach is the key. This is a major lesson from the development of corporate citizenship thinking in the last ten years or so.
3. The importance of local knowledge

Understanding community diversity is an important step towards what I argue here as a third basic principle and that is to use local knowledge to contribute beyond what is generally considered to be core business. For example the IGA chain of supermarkets across Australia, as part of its corporate citizenship profile, donates a small percentage of its takings to community groups and projects, but such donations are made not as a faceless decision in Head Office, but in close, local, consultation with the customers of particular stores in very specific locations. In other words, the customers of a particular store are able to contribute, beyond their traditional role as customer in a supermarket, to decisions about community funding for local charities, school groups and other needy organisations in the vicinity around the particular store. In other words, this approach is a direct business encouragement of good customer citizenship as an integral part of corporate citizenship – driven, and managed – by business interaction with its communities beyond traditional business and customer roles.

4. Reducing the divide between private and public cultures

A further lesson from the journey that many companies have made along the corporate citizenship route in recent years is the recognition of corporate citizenship not simply as a set of activities, donations, programs or transactions, between business and various community groups, but as an enabling vehicle for cultural change, both in business and in society overall. This has been an important development because in recognising this, business, and its staff and management, are drawn into an understanding of the bigger picture involvement of business as part of a broader public culture, and not simply seeing itself as a private enterprise making as much money as possible without any thought to the larger social and environmental consequeneces of its actions. The important cultural change that has occurred – and continues to develop – as a result of this thinking is that an older, more traditional, view of the workers leaving their own values and morals behind at the factory gate or office door, and picking them up again as they go home, is redundant business thinking. But it has been a very prevalent model over many years. Increasingly now, though, in less restrictive workplaces at least, staff are able to contribute their different ideas, thoughts, values, experiences and cultures to the business and workplace overall, beyond their own defined set of day to day workplace tasks. Staff are increasingly positioned as internal stakeholders not simply as workers. As such I think it is reasonable to develop a fourth basic principle, learnt from corporate citizenship in general, and applicable to the development of a more rigorous business case and understanding of the value of organisational citizenship overall, and that is to see corporate citizenship as a bridge between the private culture of a particular business, and the public culture of that business’s operations in its communities and beyond, and its consequent impacts upon, a particular market, customer base and community.

Recognising this then starts to add a different set of opportunities for business to engage with its staff and customers/clients/communities in ways that can bring them more closely together, so that the often very alienating divide that can be developed between business and community, and vice versa, can be reduced. Such a divide, for example, was a major feature of the entire banking system in many countries for many years until the large banks caught up with the corporate citizenship journey that some of the smaller banks had started to make in the late 1990s. Breaking down existing cultural divides between the “private”
world of the business and the “public” world of the community, and ensuring that such divides do not grow up again, is crucial, and enabling and encouraging corporate citizenship should, I believe form a crucial basic principle for the reduction and/or elimination of this divide.

5. Going beyond compliance

A fifth basic principle which I believe has emerged in recent years, particularly from the corporate governance debates and crises around the world, but also from the increased corporate engagement with environmental issues, is the principle of “going beyond compliance”. There are clear definitions in many areas of business for what constitutes legal, ethical, environmental, health and safety and other responsibilities, many covered by strict legislation and regulation, others covered by self-regulating codes and guidelines. Any business is expected to meet the very minimum compliance to such standards and regulations, but there is a very strong business case to be made (and which is put into practice by some companies with an eye to the competitive edge it can give them) for going beyond compliance, and making sure that business markets, customers and stakeholders, and others, particularly government and licensing agencies, are aware of the fact that a business is going beyond compliance. To do so is to give a very strong signal that a business is seeking to do more than is expected of it, and in a world where customer and client awareness, expectations, and disatisfactions with the business world is growing, such a signal is a very important one to make, as more and more customers, in particular, make many decisions about who to give their business too, beyond simply cost considerations.

For a business to demonstrate that it is prepared to go beyond compliance in a whole range of issues, for example the health and safety requirements of a particular mining site, sends a strong signal to the community that it is being considered beyond simply what is required from the business, and so therefore, that community may well be prepared to respond to this move in more effective citizenship terms, themselves going beyond compliance to the expected and traditional role of a customer or client, or community member impacted by the business. There is a clear potential, I would suggest when applying the principle of beyond compliance in a corporate citizenship environment, for creating increased business value.

6. Empowerment

A sixth basic principle to emerge in recent years across a number of related debates in the changing face of business behaviour, is what some have called empowerment, though this is a term not generally favoured by some in business and is sometimes replaced with “enablement”. This is really about the support and encouragement for personal (as against business-relevant professional) development beyond the required tasks of a particular job description. With such support, there has been a growing awareness of business to recognise and encourage an increased dignity and self-respect amongst all its staff and management, regardless of their role and status in the workplace. This is a philosophical change of mindset in business which has increasingly put phrases like “We put people first” in their mission statements and corporate codes of conduct and behaviours. Issues of equity, non-discrimination, and access to a much more diverse workforce has resulted in this changing thinking about the importance of workers as people first, and like all of the
basic principles I have extrapolated from the various corporate citizenship debates and practices of the last few years, this is a principle about cultural change.

7. Change through education

Cultural change is the key to the development of any new thinking in business, but it is very difficult to bring about. Any changes are likely to be long-term, and those companies, for example, who have mandated a particular set of values of corporate citizenship have not been as successful as those who have sought to see them through by a carefully thought-out education process. This awareness brings me to the seventh basic principle applicable to any development in corporate citizenship, and that is the overriding need for change to be achieved through education in the workplace and not from a directive from “above”. What is needed from “above” is for the CEO in particular, and the senior management in general, to be champions for cultural change, not dictators expecting immediate responses, because what we are talking about here is a shift of thinking from the creation of business value from tangibles only, to the creation of business values from the more intangible, “softer”, less easily accounted-for and measurable activities, like the encouragement of corporate, employee and customer citizenship.

As such, any form of organisational citizenship, like corporate citizenship has become for many companies in the past, needs to be positioned by its champions through a carefully constructed education process specific to each business. It needs to be an “agenda item” at each level and stage of any business thinking and reflection about itself, just as health and safety, marketing, procurement and all the other now standard agenda items are for any business meeting.

8. Think ethically

An eighth basic principle, and one that perhaps appears to be self-evident but which has been brought to the fore in recent years because of a variety of corporate scandals and collapses, is the need for business to not only operate ethically, but also to think ethically. The emphasis I put on thinking here is crucially important, and is perhaps not as widely considered as it should be. Business ethics has often been limited to the ethics of business practice, but it seems clear to me that unless business thinking is ethical, no amount of codes of conduct or legislation will create greater integrity or more ethical behaviour. Thinking ethics is particularly relevant to the development of good corporate citizenship, because unless considerable thought is given by business as to how to demonstrate that it is an ethically aware business, as well as a business concerned for all the other things I have talked about in these basic principles, then there is unlikely to be any motivation to go beyond their traditional role.

Again, this is about intangibles much more than it is about the tangible. A factory, for example, could post on its walls an ethical code of behaviour for its workers, but this could be completely redundant in value if that same factory has not given any thought not just to the ethical behaviour of the staff running the place, but to the education of the ethical thinking of its staff, so that every decision a staff member makes, no matter how large or small, always has them asking an ethical question about the decision itself and its impact on others. Again, this principle is about achieving cultural change, not simply compliance to
a set of practices developed by someone else in the business and expected to be adhered to unthinkingly by every member of staff.

9. Ownership

Some years ago an incoming CEO of a very large, global, mining company developed and issued a charter of values for the company, laminated on a small card that could fit into the wallets and purses of all the many thousands of its workers. However, the only person who had any real ownership of these values was the CEO himself, because there had been little or no staff involvement in the development of the values; they were simply cascaded down through the organisation failing to have any major impact throughout the descent. The Singapore government developed a similar set of five “Asian values” some years ago, designed to be applicable to (and implemented by) all Singapore citizens but it is highly likely that if asked, most, if not all Singaporeans, would not be able to name all (and probably most not any of) the five values.

Without ownership of an idea or a policy or set of protocols there is little purpose if any sort of cultural change is to be brought about. It is for that reason that I include here the ninth basic principle that I believe applies to the development of corporate citizenship, and that is that everyone involved in the business needs to be able to have ownership of any developments, education, policies or practices that will encourage increased organisational citizenship. Without it the sort of business value that can be returned, as is now being returned by many business who have developed ownership by their staff of corporate citizenship policies and practices, will not be returned.

10. Create new value

Finally, the tenth, and final, basic principle I develop here for the building of an effective business base for corporate citizenship, and for which all other preceding principles are related and relevant, is the fundamental need for everyone in business to create new value for that business – staff, management, workers and customers, communities, irrespective of the role and status of any of the members of that workplace. This principle, which has been emerging in recent years in a number of areas of business, particularly in internal stakeholder theory, effectively breaks down the once highly marked out boundaries between workers' roles in a business, where only a select number of people were responsible for strategic thinking and the creation of new business value. There is an opportunity, particularly through the emerging intangible corporate and organisational citizenship developments I have been discussing here, for everyone in the business to contribute to the creation of new value, (and hence increased profitability across all aspects of the triple bottom line) and as such, I would suggest, needs to be at the heart of any business case for corporate citizenship developed for any business in any relevant sector.

In summary then, the ten basic principles I have developed here for building effective corporate citizenship are:

1. Develop a culture where everyone in a particular business, irrespective of role and status, should have responsibilities beyond their specific jobs.
2. Ensure that business is able to engage in interactive (and not just ‘transactive’) communication with its communities.
3. Use local knowledge to enable the business to contribute beyond what is generally considered to be core business.
4. Find ways to lessen the divide between business perceived to be a private culture and the public culture in which it functions.
5. Go beyond compliance.
6. “Empower” the people involved in the business.
7. Seek to effect cultural change in business through education not mandates.
8. Not only operate ethically but think ethically.
9. Create ownership for relevant staff in any new developments.
10. Ensure that everyone in business is able, in some way, to contribute to the creation of new value, and be recognised and rewarded for it.

Appendix

Charter of Corporate Behaviour

Member corporations of Nippon Keidanren (The Japan Business Federation) are expected to conduct themselves in a socially responsible manner, observe both the spirit as well as the letter of all laws and regulations applying to their activities both domestically and overseas in accordance with the following ten principles. We believe that corporations exist not only as economic entities designed to pursue profits through fair competition, but also as social entities which must make a contribution to society at large.

Member corporations of Nippon Keidanren (hereafter referred to as “members”) by the development and provision of socially beneficial goods and services in a safe and responsible manner shall strive to earn the confidence of their consumers and clients.

Members shall promote fair, transparent, and free competition between corporations. They shall also ensure that their relationships and dealings with government agencies and political bodies are of a normal and proper nature.

Members shall engage in the active and fair disclosure of corporate information, not only to shareholders but also to members of society at large.

Members should recognize that a positive involvement in environmental issues is an essential part of their activities and their very existence as a corporation, and should therefore approach these issues positively.

As “good corporate citizens”, members should actively engage in philanthropic and other activities of social benefit.

Members should strive to respect the individuality and differences of their employees, to promote safe and comfortable workplaces, and to ensure the physical and mental well being of their employees.

Members shall reject all contacts with organizations involved in activities in violation of the law or accepted standards of responsible social behaviour.
Members shall respect the culture and customs of other nations and strive to manage their overseas activities in such a way as to promote and contribute to the development of local communities.

The highest levels of management within member corporations must assume the responsibility for implementing this charter and for taking all necessary action in order to promote awareness of it among all those concerned. Management must also heed the voice of their organization's stakeholders, both internally and externally, and promote the development and implementation of systems that will contribute to the achievement of ethical corporate behaviour.

In the event of a violation of the principles of this charter, management of member corporations must investigate the cause of the violation, develop reforms to prevent its recurrence and make information publicly available regarding their intended actions for reform. After the prompt public disclosure of appropriate information regarding the violation, responsibility for the violation and its effects should be clarified and disciplinary action should be taken which includes the highest levels of management where necessary.

About the author

David Birch was the founding Director of the Corporate Citizenship Research Unit, Deakin University, Melbourne, Australia in 1997, and General Editor of The Journal of Corporate Citizenship, 2005-2006. He is on the editorial boards of Asian Business and Management, Asia Pacific Public Relations Journal, The Journal of Corporate Citizenship, International Journal of Business Governance and Ethics, and Social Responsibility Journal, amongst others. David Birch can be contacted at: birchd@deakin.edu.au