Corporate Social Responsibility and Competitiveness

Presentation of
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The Inaugural OECD Global Forum on International Investment
Mexico City

November 27, 2001

Introduction

Thank you for this opportunity to speak at this important inaugural OECD Global Forum on International Investment.

I am Enrico Massimo Carle, Honorary President of Carle & Montanari Company in Italy.

Today, I am pleased to be speaking on behalf of BIAC, the Business and Industry Advisory Committee to the OECD, which is the official channel for the voice of Business at the OECD. I have been asked to speak today on the topic of corporate social responsibility (CSR) and competitiveness.

The Facts About the Corporate Role

Businesses have been investing and trading internationally for as long as history. With them, they have brought the market-based economy and have bound together the peoples of the globe in commerce.

Globalisation is a word to describe, for better or worse, the acceleration of this economic integration, and corporate social responsibility has become a hot topic for business, governments and the community at large.

Today, there are calls for business to take on more responsibility for human rights, the environment, for social conditions, poverty reduction, even for education, as if the tablet were blank.

But in fact, corporate responsibility has always been fundamental to a company's competitiveness and long term success. Through their investment choices, research programs, personnel policies, manufacturing processes, and customer service orientation, international firms have led the way on many fronts.

Companies have been and continue to be key players in promoting innovation and sustainable growth and are significant agents of positive change at all levels of the polity.

Corporate Social Responsibility – The Instruments

First, there are the laws. Second, there are regulations. These are requirements.

The notion of corporate social responsibility is quite separate.

From the start, is important to remember that corporate social responsibility is about the voluntary measures that a company takes to develop good management systems, which in turn enhance a company's ability to sustain their franchise, build a record of sustained growth and do so by engaging positively with the societies in which they operate.

Corporate responsibility objectives, or goals of "better practices," may or may not be derived from "codes" but are reflected through the implementation of management systems.

The decision by a company to adopt a corporate code of conduct or one of the many corporate responsibility pacts, systems, initiatives or other instruments that are being promoted today, will depend on the objectives of the individual company and the relative value added each code or initiative can offer. The primary audience for many codes often remains the company itself, namely its business units, managers, employees and shareholders.

Most importantly it is the behaviour of the company that counts – not the existence of a formal set of business principles to which management "signs up." So whether or not a company decides to adopt and publish a business code, vision, principles or similar communication vehicle should not be seen as an indicator of its commitment to good business practices.

Many companies with a deep commitment to modern management and corporate social responsibility are too busy producing sustainable growth and shareholder value to engage in what some consider showmanship or self-serving puffery.

But today, an increasing number of companies are investing significant resources to communicate to the public what has always made them competitive in the first place – their good management systems—which aim at implementing good company practices and policies related to environmental health and safety, quality of the working environment, employee benefits and community relations, all essential to the private sector's role in contributing to economic development.

For example, a recent survey of U.S. manufacturers conducted by the National Association of Manufacturers and the Manufactures Alliance, illustrates a number of practices followed by manufacturing companies with respect to ethical, labour, and environmental standards in developing countries.

The survey shows how manufacturing companies are creating benefits in these areas through implementation of their management systems in developing countries, and how the direct positive impact of these companies on labour and environmental standards in the broader policy context, can be more effective than punitive actions, for example trade sanctions, against developing country governments. (1) You can find this study on their web site, www.nam.org.

Generally, multinational enterprises apply uniform environmental and personnel practices in the different locations in which they operate. According to a recent study by the Global Environmental Management Initiative, GEMI, in many cases, they apply higher standards than those required by the host government or followed by local companies. This study can be found at www.gemi.org.

OECD Guidelines for Multinational Enterprises

With respect to the various corporate social reponsibility global instruments, that are available to business, I would like to speak for a moment about the OECD Guidelines for Multinational Enterprises.

As the only comprehensive set of voluntary principles for international business collectively endorsed by governments, the OECD MNE Guidelines serve as an important benchmarking tool for companies as they develop their internal management systems. They have played that role for more than 25 years.

The clear aim of the MNE Guidelines is to improve the climate for foreign direct investment, sustainable growth, and to promote the positive contribution that multinational enterprises can bring to society.

At the outset, the Guidelines were intended to provide government recommendations for good business conduct and, as part of the wider OECD Declaration on International Investment and Multinational Enterprises, to encourage a balance of responsibility between international business and governments.

BIAC and its member organisations continue to communicate and promote the Guidelines at international, national and, local levels. In working towards this goal, the MNE Guidelines continue to be valued and taken seriously by business in the implementation of improvements in company policies and practices.

The OECD MNE Guidelines are voluntary and they are a tool. They are not law or regulation. They are not enforced but utilised.

There are Limits

While a company is dedicated to protecting its corporate image, brand integrity and employment reputation in all the markets in which it operates, at the same time, it is clear that there are limits on what should be expected from company performance.

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[1] U. S. Manufacturing Industry's Impact on Ethical, Labor, and Environmental Standards in Developing Countries: A survey of Current Practices. Manufacturers Alliance/MAPI and the National Association of Manufacturers. April 2001. The survey can be found on the Internet at www.NAM.org.

Companies cannot substitute for governments in building the policy mosaic, that is the co-ordinated legal framework and basic infrastructure, needed to establish fully functioning market economies that attract business and are necessary for a company to flourish.

In order to trade and invest in open markets, companies seek out market environments with economic and societal stability, established rule of law, regulatory frameworks that promote competition, enabling infrastructure, quality education and training opportunities, protection for intellectual property rights, real competition, and the absence of corruption.

Those framework conditions attract opportunities economic growth. Their absence signals at least caution if not avoidance. Good public governance is essential to attract FDI and trade, which in turn increase consumer choice, create jobs, and most importantly generate revenue for public spending on education and training that is essential for economies to adjust to and sustain the benefits of growth.

While economic integration, investment, trade and diffusion of technologies support growth, they also induce adjustment by the persons and economies that reap their benefits. A fundamental requirement for addressing these adjustments lies with an adequate education system and the availablity of training in basic skills. Education – including lifelong learning -- is essential to enable a society to cope with the inevitable shifts and opportunities in the labour market.

In short, open markets encourage development of good public governance. The integration of markets and increased removal of trade and investment barriers make the instruments of governance all the more important to ensure contestable markets, and good public and private governance is essential to maximising the benefits of investment by responsible business.

Conclusion

Business is faced with a plethora of instruments, codes and principles which are being developed at national, sectoral, and international levels. It is important that policy makers keep in mind that the benefit of such initiatives is the implementation of effective management systems within companies.

With this in mind, both governments and business alike need to be sure that policy decisions in these areas enhance and do not inhibit the benefits of trade and investment that can be gained by developing and developed countries alike.

BIAC represents the business community, the companies, of the 30 OECD member countries. The global presence of many of these companies involves them, potentially, in every corner of the world market contributing jobs, technology, training, and – not least – capital.

Business will continue to be the key player for sustainable economic growth as it continues to focus on its core activity: creating prosperity, in a responsible and engaged manner.

Thank you.