

## THE CORPORATION AS ACTIVIST – EMBODYING SUSTAINABLE DEVELOPMENT

*Monica Richter*

Coordinator Sustainability Program,  
Australian Conservation Foundation  
SlaM Board Member

These views are her own and  
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The Door: *The unfortunate one is he who averts his head from this door.  
For he will not find another door.* (Shah;1968:91)

### **Introduction**

We live in a challenging time, a time of immense change at a personal, social, professional, community, global and environmental level. No matter how we view the world the choices we make today will affect us tomorrow. The pace of change is fast and our ability to control and manage the consequences of our action is diminishing. Likewise the challenge facing corporations is equally complex. Corporations are forced to meet the institutional systems' current demands of delivering improved quarterly returns to shareholders, complying with legislative requirements, keeping abreast of trends and ahead of one's competitors internationally, as well as looking for improved strategic performance for the longer term. Unless there is a paradigm shift in our approach we will remain on the downward spiral of our five-fold crisis, namely: "the growth of a consumer, throw-away society, the crisis of poverty, the destruction of ecology, increasing social strife and the crisis of spirituality and morality." (Singh, 2002/3:9)

Capitalism has created societies where people are driven by their own self interest and the pathologies inherent in the system act against the collective. "Unfortunately modern capitalism is sustained by consumerism, the notion that happiness and contentment are obtained through material consumption, power and status, as demonstrated by the conspicuous consumption of even more goods and services." (Diesendorf & Hamilton, 1997:324) This drive was originally kept in check by a puritan ethic of hard work and modest living, long left behind for the dream of wealth and easy living. Our financial institutions reinforce this paradigm by for example indiscriminately offering consumers easy access to credit even when they are unable to manage their own personal debts.

However if we want our society to change it is incumbent upon us individually and collectively to help be a part of the paradigm shift. We can create a society where corporations are motivated more by the benefits to humanity than pure profit, where there

is greater understanding, tolerance and respect for all peoples of the world and where the environment can be honoured for its intrinsic value and preserved for future generations.

At the December 2001 Spirituality, Leadership and Management (SLaM) conference where the theme was 'Redefining Success and Reinvigorating the Workforce' Baptist Minister, Tim Costello, paralleled the conference theme by coupling the words of *worship and justice, prayer and activism, evangelism and advocacy, and spirituality and engagement*. Throughout his address the theme of work as 'vocation', 'a calling' and 'occupational therapy' was emphasised as important in providing individual meaning in our lives. By defining spirituality as 'living consequentially with one's values' he proceeded to suggest that our task - our work - was to create greater social and ecological integration. This task is at the heart of what I consider to be sustainable development, ie defining and living one's values so that we contribute to a better world.

Relating the need to truly live one's values to the corporation, if we take corporate citizenship (or corporate social responsibility) as a two-way relationship between society and the corporation (Mcintosh et al, 1998: xxi), then sustainable development is also at the heart of being a good corporate citizen.

For the corporation committed to embracing sustainable development in its entirety, they must be able to display first-class leadership qualities such as foresight, vision, courage, and in particular activism. An 'activist' is somebody who takes an 'active' part in seeking to effect positive political, social and environmental change.

To achieve this corporations need to affect both internal as well as external change. Attempts to uniquely focus its corporate activism internally may lead to isolation while a uniquely externally focussed effort will be frowned upon by the environmental and social watchdogs amongst the NGO community. Success will ensue from achieving sustainable internal change and ensuring that the government and other regulators play their parts as well. However swimming against the tide was never easy. If progressive corporates avert their heads from this 'door' (as the verse of poetry from Idries Shah suggests), they will not find another door.

### **Snapshot of today's corporation and economic consequences**

Today's corporation operates in a political and economic context of what is commonly referred to as globalisation: "the increasing interdependence of national economies, financial markets, trade, corporations, production, distribution and consumer marketing...driven by two mainsprings...[1] technology [and 2] the fifteen-year wave of deregulation, privatization, liberalization of capital flows, opening of national economies, extension of global trade". (Henderson;1999:1)

While globalisation has brought some positive benefits such as instantaneous communications and a freeing up of information exchange through the internet, these changes have also seen governments retreat from their traditional roles, a loss of trust by the public in our institutions, corporations coming under increasing public scrutiny and

being required to meet imposing societal expectations, and huge growth in societal inequalities along with massive environmental degradation. This homogenised approach to economic development has seen the rise of anti-globalisation protests around the world expressing huge public discontent with our current capitalist/democratic system that rewards those able to compete in the international market place.

Warnings about the unintended consequences of our current economic system were mooted over thirty years ago. The conclusions contained in the original and much cited *Limits to Growth* document were:

- 1 If the present growth trends in world population, industrialisation, pollution, food production and resource depletion continue unchanged, the limits to growth on this planet can be reached sometime within the next 100 years. The most probable result will be a rather sudden and uncontrollable decline in both population and industrial capacity.
- 2 It is possible to alter these growth trends and to establish a condition of ecological and economic stability that is sustainable far into the future. The state of global equilibrium could be designed so that the basic material needs of each person on earth are satisfied and each person has an equal opportunity to realise his individual human potential.
- 3 If the world's people decide to strive for this second outcome rather than the first, the sooner they begin working to attain it, the greater will be the chances of success. (Meadows;1972:24)

Information collected by various agencies including the United Nations Human Development Report are leading to similar conclusions. Our current business-as-usual approach is promoting a growth model that is giving the majority of people less and not more:

*Jobless growth*: where the overall economy grows, but does not expand opportunities for employment

*Ruthless growth*: where the fruits of economic growth mostly benefit the rich

*Voiceless growth*: where economic growth is not matched by democracy or individual empowerment

*Rootless growth*: where people's cultural identity withers as economies grow

*Futureless growth*: in which economic growth consumes its very natural foundations, squandering resources needed by future generations. (Singh,2002/03:8)

### **Environmental Reputation Survey: what it's telling us about corporate Australia**

Over the last four years, I managed Greenpeace's participation in assessing the environmental reputation of the largest 100 corporations in Australia.<sup>1</sup>

Given that the 100 companies surveyed are Australia's financial market leaders, one might hope that they would also be Australia's environmental leaders. Alas, the survey revealed the environmental performance of corporate Australia was generally very poor. Little improvement has taken place over the last few years. In the race toward sustainability, around a quarter of these companies have not yet left the starting blocks.

The rest meanwhile, are strolling down the track – when urgency dictates they should be running a 200 metre sprint.

Greenpeace's assessment process of the Environmental Reputation Survey is underpinned by the *precautionary principle* - which suggests that if something poses unknown risks, a cautious approach should be taken. The survey also assesses the *long-term environmental sustainability* of a business - based on Greenpeace's campaigns to address climate change, stop the nuclear threat, protect our forests and oceans, to stop toxic pollution and prevent the release of genetically engineered organisms.

The 2002 survey concluded that of the 100 companies assessed:

- Only 30 companies produce a public 'stand alone' environmental report;
- 24 have their environmental reports independently verified;
- 38 disclose some environmental information in their annual report, with only one fully disclosing their impacts;
- 46 companies do not measure their greenhouse gas emissions and one only partially measures across selective business units;
- 82 companies do not purchase any kind of green power with those that do purchasing 10% or less;
- 78 companies do not know the origin of their wood-based products (including paper);
- Of the seven companies involved in logging of high conservation forests, three continue to log and have no phase out plan;
- Of the 14 food companies surveyed, only one has fully excluded all GE derived ingredients (including foods sourced from animals fed on GE stock feed);
- Three companies surveyed are connected with the nuclear threat due to involvement with uranium, radioactive waste, power generation or the building of nuclear facilities such as Sydney's second Lucas Heights Reactor;
- Of the four supermarket retailers selling fresh fish, only one partially audits its fish sources; and finally,
- 78 companies surveyed produce POPs (persistent organic pollutants) - the most dangerous toxic pollutant known. These companies have no plans for phasing out its production.

These results do not hold much hope that things have improved. Instead, they are a clear indication that Australia's largest companies are still not incorporating environmental consequences adequately into their business model in any large or systemic way, and that they do not really understanding the kind of paradigm shift that is required.

### **Where to from here?**

There is no doubt that today's corporations are under significant pressure. They strive to achieve double-digit growth figures each quarter to please shareholders. However surveys like the Millennium Poll on Corporate Social Responsibility demonstrate that the public expects more from corporations than what is currently being delivered. Interviewing 1000 citizens in 33 countries, the survey showed that two in three respondents wanted companies to go beyond their historical role of making profit, paying

taxes, employing people and obeying all laws; they wanted companies to contribute to broader social and environmental goals as well. Overall the main findings were that business should:

- Demonstrate their commitment to society's values and their contribution to society's social, environmental and economic goals through actions.
- Fully insulate society from the negative impacts of company operations of its products and services
- Share the benefits of company benefits with key stakeholders as well as shareholders and demonstrate that the company can make more money by doing the right thing, in some cases by reinventing its business strategy. (Birch,2001:7)

A small number of 'switched on' business leaders and boards, for example, have recognised the opportunity these times represent and have begun to actively engage with these issues. Ex-Chief Executive Officer of the Australian Institute of Company Directors, Ian Dunlop, said: "The entire system under which we operate is up for grabs at this time... The companies that get it right will have clear competitive advantage for quite some time... [Sustainability] is the biggest governance issue that we will be confronted with over the next few years and that will continue for 20-30 years before we get it right." (Dunlop,2000)

Zadek and others believe that corporate citizenship can become a significant route for overcoming global poverty, inequality and environmental insecurity as long as businesses evolve to a point where they become 'active' in promoting and institutionalising new governance frameworks that effectively secure civil market behaviour, globally. "Leading civil corporations will 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". (Zadek,2001:13)

He outlined three generational stages of corporate citizenship:

*First generation* – can corporations be responsible in ways that do not detract from, and may add commercial value to, their business?

*Second generation* – are more responsible companies likely to prosper in the future?

*Third generation* – is corporate citizenship likely to make a significant contribution to addressing the growing levels of poverty, exclusion and environmental degradation?

(Zadek,2001:79)

The simple answer to the *Third Generation* challenge is that "current, essentially voluntary approaches by individual companies to corporate citizenship will alone not contribute significantly to resolving deeply rooted social and environmental problems." (Zadek,2001:74) If we are to individually and collectively make a significant difference in addressing our social and environmental problems, we will need to radically change the way we go about doing things including an expectation that government will take a more hands-on (rather than currently a hands-off) role in forcing this change. Given that this is not the direction we are going in, it is therefore also likely that the behaviour and

performance of our current leadership will need to also change to be more visionary, insightful and compassionate.

The call by Tim Costello to live one's values and thereby to take an active role in shaping the world around us is salutary. As a first step in this direction it requires each of us to address the excesses of our personal and professional lives that are contributing to our current crises. Paul Ekins describes the four major world crises as follows:

1. The existence and spread of nuclear and other weapons of mass destruction and the overall level of military expenditure;
2. The affliction with hunger and absolute poverty of some 20 per cent of the human race, mainly in what is misleadingly called the third world;
3. Environmental pollution and ecosystem and species destruction at such a rate and on such a scale that the very biospheric processes of organic regeneration are under threat;
4. Intensifying human repression resulting from the increasing denial by governments of the most fundamental human rights and the inability of increasing numbers of people to develop even a small part of their human potential.

I would add a fifth point to our crises that I believe crystalises them all, namely:

5. Humankind has become so isolated from its roots of existence, so bankrupt in its soul, we have lost our ability to connect with each other and natural world. The world of today is an external reflection of the internal reality. We operate so much from fear of the other that we fear connection. This is a 'spiritual crisis', a crisis of meaning and a crisis of a broken heart and no amount of wealth and money can fix it.

Individually and collectively our society has put 'money' in all its guises (economic growth, shareholder return, market economy, productivity, efficiency, net income, credit card limits, etc) as the most important measure of our success rather than other quality of life measures. I coined the word moneycentrism<sup>ii</sup> to illustrate that our crisis was one of being one-eyed or money-centric and that this direction was not meeting one of our fundamental human needs. Max-Neef identifies human needs as follows: protection, subsistence, affection, understanding, participation, idleness, creation, identity, and freedom. (1991:18). While a certain level of money should meet some of our basic needs, our obsession with it has pushed us further into disconnection with ourselves and others in the community.

Seeking ways to address today's crises requires us to challenge our own and our leaders' ways of looking at issues. Once we recognise this we can start moving away from the moneycentric view of the world. Hamilton (1994) argues that

“there is no denying that money gives us power over things and other people. But the satisfaction from that power is only fleeting; and we know underneath that it is a false power, one that cannot give us what we truly want... what we truly want is to transcend the division between ourselves and the universe, to attain the godhead and

achieve immortality, but that we attempt to attain it by false means, by money.....[i]t should not surprise us to learn that the motivation was, and remains, essentially religious.”(101-104)

Business as the harbinger of capital must therefore come to be seen as a major player within the spiritual community, seeking to fulfill a far greater purpose than profit maximisation. “Spirituality may not be the traditional rallying cry for business but once we recognise that a business’s greatest resource has to be the people it connects together to get jobs done then we must recognise that relationships which already exist within the organisation will have some sort of spiritual dimension.”(Welford:222)

### **Corporation as Activist**

There are a number of things corporations can do to bring their spirituality more fully into the world and to therefore become more ‘activist’.

#### **A. Lifting the bar of government regulation**

It is not the usual thing for corporations to be asking government to lift the regulatory bar. In fact governments have consistently and usually delivered “lowest common denominator decisions” (Tate;2001) based on a concern about how certain sections of industry will respond. However in order for companies to be put on a more even playing field and to not be penalized for taking stronger environmental and social positions in the market place, lobbying governments to do this can create positive change.

Such regulations might include, for example, requiring companies to disclose in financial reports their social and environmental liabilities, and hence their potential future financial risks. Such disclosure is likely to benefit those progressive companies that have already looked proactively at their operational risks. This form of regulation would speed up the agenda of sustainable development. There are many other examples where progressive corporations could contribute positively to getting government regulatory support.

Corporations could also encourage governments to create incentives for the emergence of new and innovative business activities that reduce the national or state environmental externalities. Two examples are: the Californian Clean Air Act demands substantially reduced emissions including that 10% of all new vehicles are at ‘zero emissions’ by 2010, and the EU Regulations pertaining to the banning of CFCs and HCFCs in refrigeration. The results of these are that the motor vehicle manufacturing and refrigeration industries were respectively motivated to invest heavily in R&D seeking environmentally benign technologies to replace existing dinosaur technologies. The development cycle from this research kick-started new industries. Without such regulation, the motivation would not have been forthcoming for a number of years if at all.

Of course even if corporations do lobby governments, they require cooperation from governments to do it.

B. Better understanding of systems thinking and longer term environment and financial risks

A better understand of our biological system would help people to realise that humans are firstly biological beings that have adapted over many thousands of years and that survive like other animals on the need for clean air, water, food, sunlight, etc. Although our understanding is changing, our dominant thinking about the market place and the goods we produce is still largely linear rather than cyclical, ie, what inputs we put in at one end won't affect what happens at the other end.

Rachel Carson's *Silent Spring* (1963) was the book that brought to worldwide attention the concern about toxic chemicals being released into the environment. It helped people understand the cyclical nature of the impacts from the production of these chemicals, in particular the negative affect on the reproductive organs of human and animal species. One of the consequences was the banning of DDT and while much has been done since then (although many environmentalists believe this is not enough), it was the beginning of the learning about systems thinking.

The next area of potential risk to companies and the community is the development by biotechnology companies, of genetically engineered (GE) food crops. Although Australian government authorities have declared GE food safe to eat, internationally, uncertainty persists around the impacts of this technology – both to public health and to the environment. Innovest Strategic Value Analysts (specialising in environmental risk assessment) found that GE crop developers Monsanto face “significant market and financial risks” (2003:5) due to increasing market rejection of GE and due to risks to human health and the environment. This case study provides a timely insight into an environmental issue that is set to become a real financial risk for investors and for the planet.

C. Trade liberalisation

Given the international nature of our economy, activist corporations will also willingly shoulder the responsibility for investigating and influencing international institutions such as the World Trade Organisation (WTO). Clearly there is a conflict of interest between the WTO charged with reducing barriers to trade and the maintenance of high social and environmental standards. For this reason WTO negotiators and their predecessors from GATT have deliberately excluded social and environmental agendas for fear that these may be used as trade barriers. However, by not fully integrating social and environmental aspects into our trading rules, we create rules that hide the externalities associated with the manufacturing and production of goods and services covered by the agreement. This in turn slows down our progress towards sustainable development. Corporations committed to the sustainability agenda should therefore encourage governments to lift WTO standards to include social and environmental elements.



#### D. International financial market reform

Another area requiring fundamental reform is the international financial markets. They are perceived to: lack accountability, have control over government decision-making, be divorced from individual livelihoods and environmental impacts, and put substantial and perhaps unreasonable pressure on corporations to perform. A number of reform proposals have been put forward over the years. These include a Tobin Tax on all capital markets transactions and making foreign exchange trading more transparent and accountable through a public reporting system designed to stabilise currency markets and prevent bear raids. (Henderson, H: 1999)

Though Governments have seemed reluctant to find the political will to force such changes through, given the dominance that the capital market has over decision making processes, progressive corporations would do well to encourage such changes to occur in an effort to weaken the capital markets ever-tightening squeeze.

#### E. Company directors' fiduciary duty

Another area where progressive corporations can influence government is in seeking to modify company directors' fiduciary duty. Currently boards of directors are bound by law to have a duty of care towards all of their shareholders, a duty which may at times conflict with what directors might perceive as their companies' broader role in society.

In a climate where corporations do not generally perceive more stringent government regulation as being beneficial, solutions such as those suggested here may appear to challenge the status quo.

#### F. 'Just do it' because you should

This December will be the twentieth anniversary of the world's worst industrial accident, when 40 tonnes of lethal gas escaped from the Union Carbide pesticide factory in Bhopal, India. In December 1984, 8,000 people died from gas poisoning within three days of the accident. Another 12,000 people have died since that time and at least 500,000 people have been injured. Today over 150,000 people continue to suffer debilitating exposure-related health effects. People who live near the site drink poisoned water and build with contaminated soil. Their children play in poisoned ground and pools.

Although the Indian Government demanded US\$3 billion in compensation, only 16% of this amount (US\$470 million) was actually paid out by Union Carbide. So far survivors have only received around US\$500 each, barely enough to cover medical expenses for five years.

New evidence indicates that Union Carbide installed a poorly designed factory and cut costs to compromise on safety and maintenance systems. Criminal charges were filed against Union Carbide's Chairman at the time, Warren Anderson, and other top

executives. Anderson has been proclaimed a fugitive from justice by the court of the Chief Judicial Magistrate (CJM) in Bhopal. On August 28 2002, the CJM's court reaffirmed that Warren Anderson stands accused of "culpable homicide" and causing grievous assault.

Anderson was tracked down to his luxury home on Long Island in August a few years ago and served with a copy of the warrant for his arrest. A trial date was set for December 16 in India but so far no extradition has taken place.

Dow Chemical merged with Union Carbide in February 2001, Dow paying US \$10 billion. In its annual report after the merger, Dow stated that while its accrued liability for probable environmental remediation and restoration costs was US \$444 million, it could end up being twice that amount. (Dow Chemical;2001:37)

We may never know whether Bhopal featured in the calculations but we do know what Dow's rhetoric is. Dow says it wants to be a "responsible corporate citizen" and that "protecting the people and the environment must be part of everything we do and every business decision we make". Dow is also a member of the World Business Council on Sustainable Development and has been ranked as the top performer in the global chemical industry class for the Dow Jones Sustainability Index.

It is difficult to see how Dow can claim to be a sustainability leader while it is not accepting responsibility to address the ongoing tragedy in Bhopal.

Now that Dow Chemical has purchased Carbide, the liability for cleaning up the factory site should rest with them. Yet they have taken no action to cleanup the poisoned site or take responsibility for the people of Bhopal who are ill and dying. At the time of the merger Dow said: "[Dow] is enormously aware of Bhopal and the fact that particular incident is associated with Union Carbide, [but Union Carbide has] done what it needs to do to pursue the correct environment, health and safety programs".

Dow has accepted other Union Carbide liabilities in the United States. On 9 January 2002, it settled a Texas asbestos lawsuit originally filed against Union Carbide. One wonders whether Union Carbide and now Dow would be allowed to get away with such behaviour if the same accident had occurred in the US or any other Western nation.

Whether companies realise it or not, their 'social license to operate' comes from civil society. What is now considered to be an automatic right will be continuously questioned if companies don't walk their own talk and take responsibility for their past and present actions. It is the abandonment of the people of Bhopal that is now fuelling an international push for mandatory regulations to hold corporations criminally and financially liable for industrial disasters and ongoing pollution. Companies need to face up to their corporate responsibilities. Dow Chemical should accept responsibility for the world's worst chemical disaster that still claims casualties.

This is quite within Dow's means. Assuming it would cost Dow \$500 million over 10 years (averaging \$50 million per year), it would cost Dow less than 2.5% of its annual earnings for the next 10 years to pay for clean up costs of Bhopal, (based on Dow's average returns for the last three years (1999-2001) This is not a significant amount and will not have a material financial impact on the company's profits.

Dow should 'just do it', commit to cleaning up the mess, and do something positive to help the vulnerable people of Bhopal. If this was to occur it would truly be the act of a spiritual corporation.

### Conclusion

There have been many calls for corporations to show greater leadership. This is consistent with what Tim Costello is encouraging us to do; to embody our spirituality, to question the current system and encourage better social and environmental integration. However, as the harbingers of the current system progressive corporations have a responsibility to display activism and other first-class leadership qualities such as foresight, vision and courage in an effort to find solutions to our current social and environmental disintegration. If they miss this opportunity to walk through the door there will not be another door.

As I bring palm to palm I pray that we see more activism on the part of corporations. Corporate activism may well redefine success; surely it will create meaningful workplaces.

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<sup>i</sup> See [www.reputation.com.au](http://www.reputation.com.au) or [www.reputex.com.au](http://www.reputex.com.au) for more details.

<sup>ii</sup> Moneye – Middle English term used for money. Dual meaning as it also refers to ‘one-eyed’.