PART II

Corporate Social Responsibility on the Global Stage

Global Business Citizenship

Global Codes of Conduct

Multinational Corporations (MNCS)

GLOBAL BUSINESS CITIZENSHIP

Global business citizenship (GBC) is an emerging theoretical framework that extends the concept of corporate social responsibility into a globalized environment. It is an alternative to prevailing frameworks in finance and economics in that it accepts the validity of stakeholder claims on firms. The GBC framework offers a process that multinational managers can use to consistently implement social responsibility and ethics within and across nations and cultures.

CONCEPT HISTORY

The GBC framework was developed to address several problems with predecessor concepts and to offer an alternative to views of the firm as merely a nexus of contracts or a tool of capital owners' interests. GBC's principal conceptual ancestor is corporate social responsibility (CSR), the obligation of corporations to use their power wisely and to respond to societal needs. Developed in the United States from the 1960s onward, CSR was built on an assumed moral base that was never adequately articulated. The dimensions and processes of CSR were never well-defined, so businesses had little guidance in identifying or exercising social responsibilities. Furthermore, CSR was typically defined in terms of a business's responsiveness to social demands, or responsibility to particular societies, with little attention paid to a company's own core values or to real cultural differences in ethics.

GBC is also a conceptual replacement for corporate citizenship (CC). Although some scholars have attempted to define corporate citizenship as a broad-based enactment of a business organization's social and ethical obligations, the term is much more commonly used to narrowly indicate firms' voluntary participation in philanthropy and community affairs.

GBC does not view the firm as consisting solely of contracts or as a single-purpose tool for shareholder value. The GBC concept is counterposed to these perspectives in several ways: (1) GBC accepts the view from traditional

organization theory that firms are entities, not fictions; (2) GBC recognizes a broad range of relationships, rights, and duties between a firm and its stakeholders; and (3) GBC requires an explicit, principled, comprehensive moral foundation for firm policies and practices.

BUSINESSES AS CITIZENS

Citizenship ordinarily defines the relationship of persons and political units. Citizenship typically involves certain protections based on rights guaranteed by the polity's legal infrastructure, often including rights to liberty and rights to protection and welfare. Citizens may also have duties; Aristotle's observation that citizens participate in taxation, governance, and defense is still largely true in modern democracies.

On three counts, nation-state citizenship for persons does not provide an adequate metaphor for companies: Can businesses be citizens in the same way that persons are? If so, what is the polity of which businesses are "global" citizens? Finally, what kinds of citizens can businesses be? GBC, thus, requires attention to and expansion of the citizenship metaphor.

First, there is considerable debate over the question of whether organizations can be citizens as humans are. The issues concern who should have what rights and duties, how organizations should participate in government, and whether businesses should be thought of as citizens in any manner, given the presumed special moral standing of human beings and the overwhelming power and influence of large organizations. The GBC framework does not assume that businesses are equal to humans in moral status or that businesses should be accorded equivalent rights. Instead, businesses are thought of as secondary citizens—a convenient status for accomplishing certain human goals.

Second, in the absence of world government, to what polity do firms owe allegiance as citizens? Globalization has made nation-states increasingly irrelevant to economic activity, so older notions of firm allegiance to the "home" country no longer offer a basis for a business citizenship metaphor. To answer the question, the GBC framework relies on the idea of universal citizenship, as in the works of Rousseau and other "natural law" thinkers. To be a "citizen of the world" means to hold allegiance to the human race rather than to any particular subgroup. "Global citizen" reflects a perspective, not a legal status.

With respect to the third question, political theory—a branch of philosophy that attempts in part to answer the question, "How can we live well

together?"—can be used to categorize the ways in which businesses can be citizens.

Minimalist theories, such as libertarianism, public choice theory, and agency theory, view the firm as a nexus of contracts with no independent substance and no loyalties other than those specified in its contracts. In this view, the firm can be a citizen only in the minimal sense of being law-abiding; it has no justification for considering the common good or the interests of noncontract holders, and its executives are not likely to see it as a citizen. Minimalist firms may indeed behave ethically within and beyond the demands of law, but their guiding perspective does not require that they do so.

Communitarian theories, with a focus on boundary maintenance and group identity, view the firm as an important player in the local environment, and so the firm can be a "corporate citizen" in the usual sense of a business that voluntarily "gives back" to local communities. Communitarian firms are likely to abide by the ethical principles governing their communities of allegiance, and they may or may not apply those principles when dealing with "outsiders."

Universalist theories, whether deontological or teleological, emphasize the rational consideration of others' interests as well as the interests of the whole, in addition to self-interest. In these views, firms accept responsibilities to a broader range of stakeholders as well as a general responsibility to act in ways that are consistent with universal ethical principles and that advance, or at least do not harm, human well-being.

Only from the lens of universalist political theories can firms be viewed as global business citizens. This does not imply that other lenses produce unethical, irresponsible firms. A minimalist firm may be law-abiding and ethical, but its focus is on generating wealth for capital owners and it will not hold an image of itself as a citizen. A communitarian firm is likely to be law-abiding and ethical at home, but may not extend these behaviors elsewhere. A universalist firm will attempt to consistently and responsibly exercise its rights and implement its duties to individuals, stakeholders, and societies within and across national and cultural borders.

THE GLOBAL BUSINESS CITIZENSHIP FRAMEWORK

The GBC framework is developed by considering relationships between a company's choices of global *strategy* and the degree of *ethical certainty* with respect to particular issues and environments. The framework is shown in Table 1 and the explanation follows.

Table 1 The Process of Implementing Global Business Citizenship: Ethical Certainty and Strategic Approaches

Degree of Ethical Certainty	*Multidomestic Strategy*	*Globally Integrated Strategy*
High certainty: Principles—a limited number of basic, universal ethical rules	(Ethical relativism)	Step 1: Code of conduct
Moderate certainty: Consistent norms—variations in practice consistent with principles	Step 2: Local implementation	(Ethical imperialism)
Low certainty: Incompatible norms—variations in practice inconsistent or in conflict with principles	Step 3: Problem analysis and experimentation	Step 4: Organizational and systemic learning

Source: Adapted from Wood, D. J., Logsdon, J. M., Lewellyn, P. G., & Davenport, K. (2006). *Global business citizenship: A transformative framework for ethics and sustainable capitalism.* Armonk, NY: M. E. Sharpe.

The Strategy Dimension

In international business, companies use a multidomestic strategy that tailors its operations to local conditions, or a globally integrated strategy that strives to achieve a unified approach across all units, or a hybrid model combining elements of the two.

The Ethical Certainty Dimension

The GBC framework acknowledges varying degrees of ethical certainty about what is right. A GBC firm has high certainty about its principles, such as, "It is wrong to harm innocent persons." However, there are situations where local custom demands variations in implementing principles without violating them. And there are situations where local norms are in conflict with principles, application of the principles will cause unintended negative consequences, or where local managers cannot tell whether local customs conform to or conflict with company norms. In such cases, the degree of ethical certainty is much lower.

GBC'S Hybrid Approach

Table 1 shows the nature of the hybrid approach that best allows companies to consistently and responsibly exercise rights and implement duties within and across national and cultural borders. Two cells are eliminated from the model and the remaining four cells form a process for implementing GBC.

The two eliminated cells are ethical relativism and ethical imperialism. First, a multidomestic strategic approach cannot be applied by GBC companies in situations of high ethical certainty, because once one accepts universal ethical principles, they must by definition be operative everywhere. Ethical relativism allows companies to violate those few big principles by which they aspire to operate. Second, ethical imperialism is also eliminated, because a globally integrated approach requires that identical practices occur everywhere a company does business. This can be dysfunctional because it fails to recognize and respect legitimate differences in practice that do not violate principles, and it, therefore, creates stresses and hostilities where none are necessary. The four remaining cells constitute rational steps in the hybrid process of implementing GBC.

Steps in the GBC Process

Step 1: Development of a Code of Conduct

To implement GBC, companies first accept a small, reasonably comprehensive set of ethical principles that are near-universal and easily justifiable. Principles of liberty and welfare contained in the Universal Declaration of Human Rights, or the 10 principles of the United Nations Global Compact, are examples. Principles serve as the basis for the company's code of conduct, developed from a comprehensive inventory of the company's exposures, liabilities, and stakeholder challenges.

Step 2: Local Implementation

Sometimes a company's code and policies can be implemented straightforwardly. Sometimes, however, modifications will be demanded to conform to local law or custom. An acceptance of cultural relativism does not necessarily imply acceptance of ethical relativism. Companies can often implement policies in culturally sensitive ways without violating basic principles. Doing so may involve a measure of stakeholder engagement and concentrated effort to listen and learn, but it need not involve conflict or compromises in basic values.

For example, child labor prohibition is a near-universal principle. But there are legitimately different ideas about what the age limits and constraints should be. UN guidelines say that children less than 14 years should not be employed full time. This can be construed as a minimum, with some nations having 16 years or older as the age of compulsory education. And, in some less developed cultures, a child of 12 years might legitimately be employed in a family enterprise as long as schooling continues and the child is not exploited.

Step 3: Problem Analysis and Experimentation

When the company is faced with high ethical uncertainty, managers at Step 3 of the GBC process respond with analysis and experimentation to situations in which their company's principles cannot readily be implemented, or are violated by, seem to conflict with, or do not cover observed local practices. Experimentation involves testing various ways of satisfying the demands of universal principles and the constraints of local cultures. Outcomes may range from discovering that there is no conflict after all to deciding that the company must exit the region because its principles cannot be applied.

Step 4: Organizational and Systemic Learning

In the final step in GBC implementation, the company engages in a continuous process of systematic learning from its experiences and making the results accessible to all company decision makers. In addition, the company engages in systemic learning. GBC is aimed at sustainable capitalism, not merely competitive advantage for particular firms; so GBC companies will share what they learn with other companies so that overall harms are lessened and benefits are enhanced for people, social institutions, and the earth itself. Systemic learning can happen through trade and industry associations, conferences, scholarly research and publications, and increasingly through the posting of data on the World Wide Web.

Examples

Companies that have adopted universal principles as their guiding values (Step 1) include export contractor W. E. Connor & Associates, in their role in supplier certification of child labor–free production, and computer giant Hewlett-Packard, which spearheaded industrywide supplier codes of conduct. Local implementation examples (Step 2) are plentiful on the UN Global Compact website (www.unglobalcompact.org). Experimentation (Step 3) can be seen in

Bouygues Telecom's employee experiments to find the most satisfactory way to recycle office paper and in the partnering of gold mining company AngloGold Ashanti with several global nongovernmental organizations to address the HIV/AIDS crisis among its African workforce by delivering both basic health care and HIV/AIDS drugs to employees and their families. Organizational learning (Step 4) is illustrated by clothing retailer the Gap's response to stakeholder criticisms with an extensive regional reporting of sweatshop conditions in its supply chain and a process for follow-up and improvement. Systemic learning (also Step 4) is seen in Interface Inc.'s transparency about and advocacy of its ongoing efforts to create and market environmentally friendly carpets and to reduce the company's overall "environmental footprint" or impact.

—Donna J. Wood

Further Readings

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GLOBAL CODES OF CONDUCT

A global code of conduct may be defined as a set of guidelines or principles for business practice that establish ethical standards for business and employee conduct, especially for those firms operating in the international business environment. Global codes of conduct have grown in importance as we have witnessed the rise of global business as a critical element in the world economy. This rise is one of the most significant developments in business during the past 50 years. This period has been characterized by the rapid growth of direct investment in foreign lands by the United States, Western Europe, Japan, and increasingly other Asian countries. Global business has grown by leaps and bounds as technology, communications, and competitive forces have pressured firms to seek new markets.

In recent years, there has been evidence of a backlash against global capitalism. One reason for this is the complexity of the transnational economy and the opportunity for ethical issues to arise as companies increasingly do business across cultures. It is inevitable that as the clash of cultures and ethics increases, the need for business to take more affirmative action to head off these problems also occurs.

Protests in recent years have been led by environmentalists, who are concerned about the degradation of natural resources, and by human rights activists, who are concerned about treatment of human rights and fair treatment of the world's workers. Many protestors are today being referred to as antiglobalists because they believe global capitalism has gone too far and has been creating more disadvantages than advantages. These antiglobalists argue that multinational corporations have created ethical problems with respect to consumers, employees, human rights, developing nations, and the natural environment.

It is against this backdrop that the issue of global codes of conduct have arisen and become more important in recent years. It should also be observed that global codes of conduct are just an extension of traditional codes of conduct that have been used by companies for decades before international business and global competition became a widespread and integral part of the business world.

As global ethical issues have become more of a serious concern, there has been a growing need for effective responses on the part of business to these issues. Companies have taken many different steps to help restore confidence and trust in business. Consequently, global extensions of corporate social responsibility, corporate citizenship, and business ethics initiatives have become commonplace in the past two decades. Thus, global codes of conduct have typically been embedded in broader programs aimed at improving corporate conduct around the world, especially in developing countries. In this context, global codes of conduct may be seen as just one element in business's overall global corporate social responsibility initiatives.

GLOBAL CODES OF CONDUCT DEFINED

A global code of conduct may be defined as a set of guidelines or principles for business practice that establish ethical standards for business and employee conduct. These global codes are established at a variety of different levels. Corporations may create a global code applicable to just the firm in question. Industry-wide codes of conduct may also be established. For example, industries such as shoes, apparel, forest products, mining, and paper have established industry-level codes of conduct. In addition, global codes of conduct have been established by international organizations. Some of these international organizations may be government based, nongovernmental organizations (NGOs), or other nonprofit, special-interest organizations interested in improving business ethics internationally.

Code Formats

Most global corporate codes of conduct are voluntary in nature. That is, there is no legal enforcement mechanism governing their implementation. Such codes may be expressed in a variety of different formats. In a major study of corporate codes, The Conference Board, a nonprofit, business advocacy association, has found that these codes may be formulated and distributed in several different formats. Codes may be stated as compliance codes. These are usually a set of directives that give guidance to managers as to what to do or not to do with respect to various business practices. Another form used is that of the corporate credo. These are composed of broad, general statements of business commitment to various constituencies, or stakeholders, and may embrace value statements and strategic objectives. Finally, management philosophy statements may be the

format used. These are similar to corporate credos but may just explicitly summarize the company's or the CEO's approach to doing business.

In its own study, the U.S. Labor Department has differentiated among the following different kinds of code formats. *Special documents* include written codes of conduct that summarize company standards, principles, or guidelines in a number of different arenas. These special documents communicate standards to the public and to affected stakeholder groups such as suppliers, customers, competitors, and shareholders. *Circulated letters* are another format. Such letters expressly state company policies on a specific issue to affected stakeholders. *Compliance certificates,* another format, are documents that require suppliers, agents, or other contractors to agree in writing that they will comply with the company's stated standards. Finally, *purchase orders or letters of credit* are written documents that make compliance with a company's policy part of a contractual obligation on the part of suppliers or other contractors.

THREE TYPES OF GLOBAL CORPORATE CODES OF CONDUCT

Previously, it was stated that global corporate codes may be established by individual companies, industry groups, and international organizations. A more careful exploration of these three types of codes reflects details clarifying how each type is developed and used.

Corporate Global Codes of Conduct

Corporate codes of conduct are typically just one element in a company's overall ethics program. Today, many companies have ethics programs that are often managed by ethics officers. These ethics programs typically include codes of conduct, ethics training, whistle-blowing mechanisms (e.g., ethics "hotlines"), ethics audits, and responsibility for a variety of different ethics-related aspects of the business such as ethical decision-making processes, discipline of violators, board of director's oversight, corporate transparency efforts, and effective communication of company standards.

Since the creation in 1991 of the Federal Sentencing Guidelines, which reduce penalties for companies with ethics programs, most large corporations today have embraced the idea of ethics programs and codes of conduct. According to these U.S. Sentencing Guidelines, a key feature in an ethics program needs to be a statement of *compliance standards,* and this is what is typically reflected in a company's global code of conduct.

Regarding these compliance standards, companies are expected to have established a set of standards that then serve as the basis for detecting and preventing legal violations. The code of conduct states these standards. Beyond this, a set of ethical principles or guidelines are also helpful to extend beyond what is required by law or to address topics that may not be covered by the law. Other U.S. Sentencing Guidelines requirements state aspects of the code of conduct's implementation that make a difference in its effectiveness. For example, it is expected that the code of conduct's implementation will entail high-level personnel in the company (such as ethics officers); will prevent the undue delegation of inappropriate discretionary authority; will be effectively communicated; will contain systems for monitoring, auditing, and reporting; and will embrace effective enforcement. Furthermore, companies are expected to take action when offenses have been detected, thus preventing future offenses, and to keep up with industry standards. This means that companies are expected to carefully monitor industry standards and practices and make sure that it is at least keeping up with industry standards.

Beyond the fact that companies may suffer less severe penalties if they have ethics programs and codes of conduct in place, what other benefits do companies receive from global codes of conduct? Various studies have shown that companies believe that they get some of the following benefits from codes of conduct:

- Legal protection for the company
- Increased company pride and loyalty
- Increased consumer and public goodwill
- Improved loss prevention
- Reduced bribery and kickbacks

The literature on corporate codes identifies that companies create such codes for both normative and instrumental reasons. From a *normative* point of view, the corporate codes serve as principles intended to guide corporate behavior in the most ethical directions. These have been referred to as "aspirational strategies," the purpose of which has been to describe how employees and agents of the firm *ought* to behave. From an *instrumental* point of view, corporate codes have been motivated by a variety of justifications. According to Krista Bondy, Dirk Matten, and Jeremy Moon in 2004, some of these motivations are their being a part of an internal control system, their being a part of a strategy of differentiation in the marketplace, their being a signal to

stakeholders concerning a company's quality and reputation, reduced insurance premiums, peer pressure within an industry, improvement of customer relations, maintenance of standards within a supply chain, and preemption of boycotts and formal accusations.

As to what subjects or topics global codes of conduct address, the following represent some of the most frequently addressed topics found in these corporate codes:

- Conflicts of interest
- Receipt of gifts, gratuities, and entertainment
- Protection of company's proprietary information
- Giving gifts, gratuities, and entertainment
- Employee discrimination
- Sexual harassment
- Kickbacks
- Bribes
- Employee conduct
- Employee theft
- Proper use of company assets
- General conduct

To make sure that corporate codes are more than platitudinous statements of aspiration, S. Prakash Sethi, an expert on this topic, believes that companies need to create codes of conduct for their multinational operations, but that it should not stop there. Sethi recommends that companies should permit their activities and practices to be monitored by external and independent sources. An example of this model would be the Mattel toy company, which Sethi has worked with, in setting up a code, standards, and monitoring procedures. In the case of Mattel, the independent reviews of the company's practices are posted on a website, where they may be viewed by others. The company would have the opportunity to correct any factual errors, but beyond this they may not alter the monitor's report. They may write their own report disputing the findings or reporting on how the company would be responding to the findings. Sethi argues that the best global codes are those voluntarily written by companies because such a code may be carefully scrutinized and evaluated by outside parties and only the company itself can be held responsible for its actions. Some corporations have taken their global codes a step further by stipulating that their business partners and suppliers also adhere to their codes.

For example, on the subject of global outsourcing, some companies such as Nike, adidas-Salomon (formerly adidas), Levi Strauss & Co. (LS&Co.), and the Gap have striven to monitor not only their own companies but also those with which they do business.

Specific Corporate Examples

As reported by Tara Radin in 2003 and 2004, two different companies in different industries serve as modern exemplars of the use of global codes of conduct: Chiquita Brands International and LS&Co. Chiquita, operating primarily in Latin America, employs a values-based approach to management and monitors its global conduct through the umbrella of a corporate responsibility officer. Chiquita monitors its performance through both internal and external means. Chiquita issues annual corporate responsibility reports in which it presents and evaluates both the strengths and weaknesses of its social and ethical performance.

In contrast, LS&Co. operates almost exclusively through sourcing partners scattered throughout the world, including Latin America. LS&Co.'s initiatives have served as a model for others in developing outsourcing standards and guidelines as many companies operate throughout the world in a similar manner. LS&Co.'s *Global Sourcing Guidelines* include both regular country assessments as well as analyses of the extent to which its sourcing partners are adhering to the company's "Terms of Engagement," which were established in 1991. These Terms of Engagement represent the actual standards by which the company expects its global partners to comply. LS&Co. implements its initiatives through a corporate level director and regional compliance officers. The company conducts widespread monitoring of its suppliers, and is increasingly seeking to employ external monitors. In many respects, LS&Co.'s program is more difficult to implement because it operates through private contractors, while Chiquita, in contrast, operates as a direct employer. Both these companies have served as exemplars for other firms seeking to employ global codes of conduct. The experience of both these companies points to the critical importance of internal and external monitoring to give their codes of conduct integrity.

As it will become apparent with both industry-based corporate codes and international groups' codes, the issue of monitoring is crucial to the effectiveness of global codes, whatever the level of their implementation. Internal monitoring may occur by special teams or consultants and represent a necessary first step in developing effective code implementation. External monitoring, often made

possible through a strategy and practice of corporate transparency, allows external groups to conduct their own analyses of the codes' effectiveness. External monitoring sets the stage for higher levels of accountability as NGOs and other stakeholder groups are able to independently evaluate the firms' progress and achievements.

Industry-Based Corporate Codes

Beyond the individual company level, some industries have begun initiatives to create global codes of conduct for the companies competing in that industry. This makes a lot of sense because often the firms in a given industry are identified as a group and the actions of one affect the reputations of others. Furthermore, if firms operating in an industry can agree on ethical standards, this places the member firms on a level playing field in terms of treatment of stakeholders and issues affecting the industry.

As suggested earlier, one of the first industries to recognize the common interests of those in the industry was the defense industry in the United States. Due to corporate scandals surfacing in the 1980s, companies in the defense industry saw that one way to promote common interests was through some form of self-regulation that might deter further government regulatory strictures. The various initiatives in the industry included codes of conduct and the creation of ethics programs, ethics officers, and ethics training. These efforts eventually led to the Defense Industry Initiative on Business Ethics and Conduct, which would be classified as an industry-based set of guidelines or corporate code.

Over the years, other industries have developed global corporate codes as their commercial activities became more internationalized. Industries that have moved in this direction by creating various forms of corporate codes include apparel/garments, lumber, paper, mining, banking, and manufacturing, in general. Thomas Hemphill has termed such initiatives as attempts at industry self-regulation.

In recent years, the controversy surrounding "sweatshops" and some of the questionable practices associated with them have spurred the creation of a number of different industry groups determined to set standards for the firms participating in the apparel industry. In many instances, these different associations have come into competition with each other, as each is striving to become the standard-setter for the industry. Two industry-level groups trying to regulate industry behavior with respect to sweatshops include the Fair Labor Association (FLA) and Social Accountability International (SAI).

According to its webpage, the FLA is a nonprofit organization that coordinates the work of industry, NGOs, and colleges and universities to promote adherence to international labor standards and improve working conditions worldwide. The FLA conducts independent monitoring and verification to ensure that the FLA's workplace standards are upheld where FLA company products are produced. Through public reporting, the FLA provides consumers and shareholders with trustworthy information to make responsible buying decisions. The FLA "workplace code of conduct" includes ethics standards for such categories as forced labor, child labor, harassment or abuse, nondiscrimination, health and safety, freedom of association and collective bargaining, wages/benefits, work hours, and compensation for overtime work. The FLA takes these standards one step further by expecting that signees to these standards also require its licensees and contractors, or suppliers, to abide by local laws in the country in which they are operating and with the standards set forth in the FLA code.

According to its webpage, SAI has the mission of promoting human rights for workers around the world as a standards organization, ethical supply chain resource, and programs developer. SAI promotes workers' rights primarily through its voluntary SA8000 system, which is based on the International Labour Organization (ILO) standards and UN Human Rights Conventions. SAI argues that SA8000 is widely accepted as the most viable and comprehensive international ethical workplace management system available. What is interesting about SAI and to some extent the FLA is that they both originate in specific industries that compete globally but have drawn other organizations, including governments and other nonprofits, into their networks. Thus, although they began as industry-based initiatives, they evolved to be more comprehensive in scope, membership, and affiliation.

Another example of industry-level global corporate codes is the banking industry that has developed its Equator Principles, which are a set of guidelines developed by the banking sector for dealing with social and environmental issues with respect to the financing of economic development projects. The Equator Principles truly represent a global industry set of standards for financial institutions as member banks currently come from most of the major countries of the world.

International Organizations' Global Codes

Over the years, a number of different international organizations have sought to develop global codes of conduct that would serve as overarching guidelines

for multinational companies doing business across country lines. These international organizations have included faith-based groups, NGOs, and even some political entities that have sought to set standards for companies operating globally or in particular countries. Their standards have been dubbed "group based." Examples of these group-based global codes of conduct that have been developed by various international groups include, but are not limited to, the Sullivan Principles for South Africa, later renamed the Global Sullivan Principles, the Caux Principles for Business, Principles for Global Corporate Responsibility, the Global Reporting Initiative, and the UN Global Compact. A brief statement of several of these is illustrative of the types of groups putting them together.

Caux Principles

The Caux Principles were issued in 1994 by a group known as the Caux Round Table. The Round Table was composed of senior business leaders from Japan, Europe, and North America. The Caux Principles are an aspirational set of recommendations and guidelines for corporate behavior that seeks to communicate a worldwide set of standards for ethical and responsible business conduct. The Principles address the social impact of company operations on the local communities.

Principles for Global Corporate Responsibility: Benchmarks

These principles were developed by the Interfaith Center for Corporate Responsibility (United States), Taskforce on the Churches and Corporate Responsibility (Canada), and the Ecumenical Council for Corporate Responsibility (United Kingdom) in 1998. These principles are intended to provide a model framework through which stakeholders can assess corporate codes of conduct, policies, and practices related to Corporate Social Responsibility expectations. The standards include 60 principles and benchmarks that can be used to assess corporate social and ethical performance.

UN Global Compact

The Global Compact was issued by the United Nations in 1999. It includes a set of 9, later expanded to 10 principles, that endorsing companies would agree to abide by. According to its webpage, the UN Global Compact asks companies to embrace, support, and enact, within their sphere of influence, a

set of core values in the areas of human rights, labor standards, the environment, and anticorruption.

Global Reporting Initiative (GRI)

A revision of the GRI was issued in 2000 by the Coalition of Environmentally Responsible Economies. GRI is an international reporting standard for voluntary use by organizations reporting on the social, environmental, and economic aspects of their products, services, and activities.

Global codes of conduct at this level have typically been created by a variety of different groups, often working in conjunction with governments and NGOs, to create standards that serve as guidelines for companies doing business in the international sphere. Many different companies have become signatories to these codes and some companies have agreed to comply with multiple codes.

CONCLUSION

Global codes of conduct are an important way by which companies and industries may strive to conduct their activities on a legal and ethical plane in the international sphere. Most codes began as domestic focused, only later to become globally focused in keeping with the increasing globalization of commerce worldwide. Such codes have been created primarily on three different levels—the level of the firm itself, the level of industry associations, and the global level at which international organizations have created principles and standards for all firms doing business in the world or a particular part of the world.

To some extent, the idea of global codes of conduct has been controversial and not supported by everyone. It is difficult enough to implement conduct codes at the domestic level but extremely difficult at the global level. Some commentators have thus been critical of the idea, thinking they represent more of an ideal than a realistic possibility. In spite of this, the trajectory of global codes continues to grow.

Global corporate codes seem to have a bright future. It is axiomatic that increased ethical conduct and practice can only follow from standards that have been expressly established, communicated, adopted, and monitored. As the trend toward corporate transparency continues, the monitoring activities

that have begun will continue. It is expected that all three levels of corporate codes will continue to flourish in the future as companies, industries, and the business community strive to build and retain trust and credibility with customers, employees, countries, and other stakeholders. To date, the use of global codes of conduct has had a positive impact on international labor practices, and thus, they are expected to continue.

—Archie B. Carroll

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MULTINATIONAL CORPORATIONS (MNCs)

The term *multinational corporation* (MNC) can be defined and described from differing perspectives and on a number of various levels, including law, sociology, history, and strategy as well as from the perspectives of business ethics and society. Certain characteristics of MNCs should be identified at the start since they serve, in part, as their defining features. Often referred to as "multinational enterprises," and in some early documents of the United Nations they are called "transnational organizations," MNCs are usually very large corporate entities that while having their base of operations in one nation—the "home nation"—carry out and conduct business in at least one other, but usually many nations, in what are called the "host nations." MNCs are usually very large entities having a global presence and reach. Names and company logos such as those of Coca Cola, Exxon Mobil, Mitsubishi, and Royal Dutch Shell are good examples. Today, however, we are also witnessing a rapid growth of smaller- and medium-sized enterprises that also conduct business in multiple nations and also have a global presence and reach. Hence, MNCs can be understood as either large or smaller corporate entities that operate on a global scale even though most people think of the MNC as a huge conglomerate with business offices, plants, or facilities worldwide.

MNCs have also undergone great structural changes over the years and they engage in many different and varied kinds of businesses. In addition to the basics of the production, manufacturing, and trading of goods, today MNCs can be found working within a host of business activities that include the delivery of services such as banking or communications both locally and globally, knowledge-based industries, foreign investment and currency exchange, maintaining branch offices or feeder plants in host countries, the extracting of natural resources, the assembly of products in one region (e.g., the maquiladora program in Mexico and elsewhere) for sale in another region, and various forms of technology transfer, among quite a few others. Hence, a picture of the typical MNC is difficult to draw, since there are so many variables and characteristics that can be depicted in the contemporary version of the MNC.

THE MNC, BUSINESS ETHICS, AND SOCIETY: INTERNATIONAL CORPORATE RESPONSIBILITY

From the perspective of business ethics and society, the MNC often becomes an object of scrutiny by academic specialists who teach and write about business ethics and business and society issues. There are a number of ethical issues, problems, and dilemmas that have to do with MNC practices, and several classic case studies involving specific MNCs have been analyzed and discussed in the literature of business ethics. As a result of this academic attention, a branch of business ethics has emerged in which the ethics of MNCs and the ethics of international business practices are central. Again, this subdiscipline has been called the international corporate responsibility (ICR).

ICR, taken as a conceptual movement, explores whether MNCs have been cognizant of and have included the rights of stakeholders, and their responsibilities and their obligations to them, in their business strategizing. Questions that an ICR specialist might address include whether international businesses have conscientiously monitored their labor practices, respected the integrity of local cultures and the basic human rights of the individuals within those cultures, carefully measured and reported the environmental impact that they might have, or contributed fairly to the well-being of their "host countries." ICR takes many forms, and those interested in it have much work both in the conceptual clarification of the main ideas of ICR and in continuing empirical studies of how organizational responsibility is or is not fulfilled by MNCs.

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