University of Pennsylvania
ScholarlyCommons

Legal Studies and Business Ethics Papers

Wharton Faculty Research

2004

From Corporate Social Responsibility to Global Citizenship

Eric W. Orts
University of Pennsylvania

Follow this and additional works at: https://repository.upenn.edu/lgst_papers

Part of the Business Administration, Management, and Operations Commons, Business and Corporate Communications Commons, Business Intelligence Commons, Business Law, Public Responsibility, and Ethics Commons, International Business Commons, Law Commons, and the Organizational Behavior and Theory Commons

Recommended Citation

From Corporate Social Responsibility to Global Citizenship

Abstract

Multinational companies must participate in the life of multiple countries, with different cultures and expectations for their citizens. At the same time, these companies are facing new demands to address global issues such as environmental concerns and poverty. In this context, what does it mean to be a "corporate citizen"? The author examines the emergence of the concept of corporate responsibility and citizenship, including the long-standing debate about whether a company owes its allegiance primarily to shareholders or to a broad community of stakeholders. He then considers what these concepts mean in a global context. While citizenship in a single nation has typically been defined by geography or ethnicity, global citizenship is a much more uncertain concept. The author discusses some of the challenges that face business in meeting conflicting national demands for citizenship, such as the troubles faced by Yahoo! when US users of its online auctions offered Nazi memorabilia on its website, accessible in France. The sale was protected under US First Amendment rights but banned under French law. The author also discusses the emerging concept of "cosmopolitan" or "global" citizenship. It is clear that companies must address global concerns, but each individual company must determine how to define global citizenship for itself and how to balance this identity with responsibilities that it may have to various local, national, and regional communities.

Disciplines

Business Administration, Management, and Operations | Business and Corporate Communications | Business Intelligence | Business Law, Public Responsibility, and Ethics | International Business | Law | Organizational Behavior and Theory

14 From corporate social responsibility to global citizenship

ERIC W. ORTS
Wharton School

Multinational companies must participate in the life of multiple countries, with different cultures and expectations for their citizens. At the same time, these companies are facing new demands to address global issues such as environmental concerns and poverty. In this context, what does it mean to be a "corporate citizen"? The author examines the emergence of the concept of corporate responsibility and citizenship, including the long-standing debate about whether a company owes its allegiance primarily to shareholders or to a broad community of stakeholders. He then considers what these concepts mean in a global context. While citizenship in a single nation has typically been defined by geography or ethnicity, global citizenship is a much more uncertain concept. The author discusses some of the challenges that face business in meeting conflicting national demands for citizenship, such as the troubles faced by Yahoo! when US users of its online auctions offered Nazi memorabilia on its website, accessible in France. The sale was protected under US First Amendment rights but banned under French law. The author also discusses the emerging concept of "cosmopolitan" or "global" citizenship. It is clear that companies must address global concerns, but each individual company must determine how to define global citizenship for itself and how to balance this identity with responsibilities that it may have to various local, national, and regional communities.

I N February 2002, thirty-six large multinational corporations (including Coca-Cola, McDonald's, and Siemens) issued a statement pledging a renewed commitment to "corporate citizenship." These companies promised to establish "responsible behavior [as] a core part of their business" and to forge "close links with all their stakeholders."[1] A number of recent books for managers also describe

the need to develop strategies for "corporate citizenship," and they tend to take a global perspective in making their recommendations.[2]

But what does the concept of "corporate citizenship" really mean? And how can one speak coherently of becoming a "global citizen" when the demands of national citizenship remain strong and when many companies operating in different countries often face conflicting demands under different claims of citizenship? This chapter attempts to shed some light on these questions by considering the evolution of ideas of business ethics, the emergence of a concept of corporate citizenship, and their implications for global management.

The emergence of the concept of corporate citizenship

The nature and scope of ethical responsibility within corporations change over time – or should change – as both the institution of the corporation and the society in which corporations are embedded evolve. In early times when business organizations were no more complicated than personal family structures or small partnership arrangements, one could usually describe the business ethics of a privately owned enterprise to be covalent with the ethical obligations of the individual business owners. Principles of fair business practice derived from ordinary ethical judgments based on religion or other personal ethical touchstones.

The historical development of complex business enterprises has significantly changed the ethical picture. Large public corporations can no longer be easily identified with the interests and moral views of a small group of owners. It is true that the importance of individual ownership, including family ownership, continues. Tycoons have been part and parcel of the dynamic of capitalist development from the age of "robber barons" to the present age of Bill Gates and Microsoft. But as business organizations use increasingly intricate corporate forms to manage relationships of contracts, capital funding, and networks of property, the expanding scope of the business enterprise in society demands a similarly expansive normative understanding.

Corporate social responsibility is a concept that attempts to bring a broader ethical understanding to the topic of business organization. Because corporate businesses are integral to the societies in which they exist, their managers owe a "responsibility" to society in general as well as to the interests of those running the business. As an idea, corporate social responsibility has early roots in Europe. In Germany in 1917,

the industrialist Walther Rathenau argued that the business corporation could no longer be accurately described as "purely a system of private interests." Instead it had become "both individually and collectively, a national concern belonging to the community." Although the business corporation has continued to bear "the marks of an undertaking run purely for profit," it "for some time and to an increasing degree has been serving the public interest."[3]

The changing conception of the corporation as a social institution was reflected around the same time in the United States. In 1908, for example, John Dewey and his co-author James H. Tufts argued in their basic text *Ethics* that the rising size and influence of business corporations posed significant moral issues. In their words:

When . . . great corporations, each controlling scores or even hundreds of millions of capital, are linked together in common control, we have a tremendous force which may be wielded as a unit. It is easy to assume – indeed it is difficult for managers not to assume – that the interests of such colossal organizations are of supreme importance . . . The moral dangers attaching to such corporations formed solely for economic purposes are obvious, and have found frequent illustration in their actual workings. Knowing few or none of the restraints which control an individual, the corporation has treated competitors, employees, and the public in a purely economic fashion. This insures certain limited species of honesty, but does not include motives of private sympathy or public duty.[4]

Modern theories of business ethics and corporate responsibility arose to address these kinds of moral and social concerns that became especially salient with the growth of very large corporate business enterprises.

Conflicting views: in the service of shareholders or society?

Arguments for and against "corporate social responsibility" in management continued for the rest of the twentieth century and into the twenty-first. Another good example of the argument about whether corporations should include "social responsibility" as well as maximizing profits as a management objective appeared in a famous debate in the 1930s between two professors, Adolf A. Berle and E. Merrick Dodd, which was published in the *Harvard Law Review*. Berle maintained that the powers of business corporations should be "exercisable only for the ratable benefit of all the shareholders."[5] Dodd replied with

a variation of the social responsibility theme. He claimed that the corporation is "an economic institution which has a social service as well as a profit-making function."[6] Although Berle later agreed that Dodd's view had prevailed, what become known as the "shareholder primacy norm" made a strong comeback in the latter part of the twentieth century.

Milton Friedman, in a classic contribution to American business literature, argued that "the social responsibility of a business is to increase its profits."[7] Contemporary principal–agent theories in corporate finance – in which shareholders of business corporations are seen primarily as the economic "agents" of corporations – have also strongly influenced US corporate law and management practice in recent times.[8] These economic and financial ideas helped to establish a very strong "shareholder primacy norm" in the United States.[9] This principle of managing for shareholder value has been reinforced through both formal law (in the articulation of corporate fiduciary duties as well as disclosures mandated by securities law) and softer normative methods of persuasion, such as business school education and business journalism.

At the time same, many practicing managers as well as business scholars continued to promote the view that a measure of corporate social responsibility is morally required – beyond what might reasonably be argued to contribute to long-term shareholder value. Law sometimes also changed in this direction, such as in the "corporate constituency statutes" adopted by many US states in the late 1980s and early 1990s that explicitly rejected a "shareholders only" view of corporate fiduciary duties.[10] An indication of the strength of a broader view can also be found in the work of many of those writing within the growing ranks of scholars in the emerging field of "business ethics."[11] The idea of managing corporations for "stakeholders" has gained recognition in theory as well as in the practical parlance of modern corporate managers.[12]

Elsewhere in the world as well, ideas of corporate social responsibility have found fertile ground. In Asia, the idea of a broad social purpose for business fits well with indigenous ethical views deriving from Confucian, Hindu, and other religious traditions. In Japan, corporate responsibility has particularly strong roots. It is expressed in a welfarist view of managing the firm first and foremost for employees, as well as with a deep concern for the overall social well-being.[13]

Many multinational corporations have also formally adopted a "stakeholder" concept as a guide for practice. A leading example is the Caux Round Table's Principles for Business, which were formulated and adopted by an international network of business leaders (primarily from Europe, Japan, and the United States). The Caux Principles state that business responsibilities extend "beyond shareholders" to include stakeholders, which are specified to include customers, employees, owners/investors, suppliers, the communities in which a business operates, and even competitors.[14] The Caux Principles refer to central moral principles such as the emphasis given in Western philosophy to "human dignity" and the Japanese idea of *kyosei* that recommends "a spirit of cooperation" in business so that individual and social interests will work together for the common good.[15]

While much has been written about the rise of corporate social responsibility and debates about corporate responsibilities, this chapter looks at the broader question of how these issues play out on a global stage.[16] If global companies such as McDonald's, Coca-Cola, and Siemens call themselves "corporate citizens," what does this mean? Does it mean the same thing in all parts of the world or different things in different places? What are the political, moral, and legal obligations of corporations in transnational operations and markets?

Citizenship

Citizenship begins, of course, as a political term. There are two political conceptions of citizenship that one can trace historically: a "blood and soil" kind of citizenship tied to territorial and kinship identification; and "civic citizenship" tied to the identification of membership within a particular form of political state.[17]

Conceptual matters get more complicated when we consider the idea of a "corporation" having citizenship. In law, it is now well established that business (as well as municipal and nonprofit) corporations possess legal "citizenship" in the sense that they have the legal power to own property, to make contracts, and to sue and be sued.[18] Corporations may even assert constitutional rights of different kinds. In the nineteenth century, the US Supreme Court agreed that corporations were "citizens" for purposes of asserting jurisdiction. Since then, the Court has progressively extended constitutional rights to corporations as "citizens." Corporations as well as natural persons may claim

free speech rights under the First Amendment, freedom from unreasonable searches and seizures under the Sixth Amendment, and equal protection of the law under the Fourteenth Amendment.[19]

Conflicting demands of citizenship across borders

In a global society, the concept of citizenship is complex. The rights and duties of citizenship in one country differ significantly from those in another. Natural persons, of course, are usually citizens of one country or another – though cases of dual citizenship and even "people without a country" sometimes arise. The imputed "citizenship" of a corporation with operations in multiple countries poses more complicated and persistent issues. A firm's country of incorporation alone cannot resolve larger political, legal, and moral questions.

To begin with, a corporation may have to choose whether to comply with the legal obligations of one national or federal state rather than another – both of which may assert jurisdiction to govern behavior on a particular issue. "Conflicts of law" rules apply to resolve these disputes at the level of formal law.[20] But this phenomenon itself indicates how the idea of corporate citizenship becomes quickly complicated in the process of globalization.

For example, French law bans the sale of Nazi memorabilia to French citizens, while US law upholds the rights of citizens to trade in such items based on First Amendment protections of free speech. When several US sellers used the Yahoo! auction site to advertise Nazi memorabilia, the company found itself in the middle of these two views of citizenship, and on the wrong side of French law.[21] Is Yahoo! a citizen of the United States, in which case it should protect and uphold the values of free speech, or a citizen of France, in which case it should respect the prohibition on the commercial sale of Nazi relics? Can Yahoo! be a good citizen of both places, or does it have to choose? What does it mean in this context to be a global citizen?

In this case, Yahoo! litigated first in French courts and then in the United States. It lost in France and was ordered to make technical changes to its Internet auction site that would prevent French citizens from buying Nazi artifacts in violation of French law.[22] Yahoo! then turned to ask a United States court for relief from enforcement of the French order in the United States – and won on First Amendment grounds.[23]

In short, Yahoo! seems to have elected to resolve the matter through a legal strategy. But one wonders whether it would have been possible (as well as cheaper and morally superior) for managers at Yahoo! to have avoided extended international litigation by addressing the problem of international conflict with greater sensitivity in the design of its website. Google, for example, blocks selected sites in French and German in response to complaints on a case-by-case basis.[24] In any event, it seems clear that corporations with global reach through the Internet will need to develop internal policies – ideally with an ethical foundation – to address situations of conflicting national laws.

A purely legalistic approach to resolving corporate citizenship problems does not offer an easy or convincing solution. Such an approach to managing global issues regarding the Internet seems not only to have resulted in a questionable ethical position for Yahoo! in Europe, but also to be leading to another moral quagmire for the company in China. Recently, Yahoo! agreed to purge its website of material deemed "subversive" by the Chinese government.[25] From an ethical perspective, the idea that Yahoo! would flout a French ban on the sale of Nazi materials and then proceed to cooperate with Chinese censors is highly questionable. However one thinks the complex moral issues here should be resolved, the tribulations of Yahoo! demonstrate that simply "following law" is often insufficient to resolve the conflicting moral claims of international "citizenship."

The Internet is not the only source of competing claims of citizenship. As more and more companies establish global marketing, management, and financial structures, they should expect to confront a host of new issues related to "citizenship." For example, the recent Sarbanes–Oxley legal reform in the United States imposed new rules on corporations that listed securities in the United States. German companies were suddenly caught between the new US standards that required "independent" audit committees and a German corporate legal structure that made compliance with the US law impractical if not impossible. "Co-determination" law requires the supervisory boards of many large German corporations to have representatives of employees as well as managers and shareholders. German audit committees had not been established at least in part because of a fear that the labor unions would use them for bargaining leverage. The German companies petitioned the Securities and Exchange Commission for an exemption from the US requirement, and the SEC has granted a limited exemption,

though it is not yet clear that the SEC had the statutory authority to do so.[26] However this situation is eventually resolved, it illustrates how competing legal obligations can force companies with global scope in operations to weigh competing claims of citizenship. Global companies need to decide whether and how to comply with different national laws that conflict. Simply "following the law" is often inadequate. One possible approach is for a company to support the development of an international legal framework to resolve conflicts. In securities regulation, for example, a company could lobby for an international agreement to specify which national (or supranational) regulator has responsibility for particular issues that cross borders.[27] In the absence of international agreements, however, companies are left to decide for themselves how to navigate the perilous waters of conflicting citizenships.

Is Daimler-Chrysler a German firm?

Larger conflicts of national citizenship arise for international corporations that develop extensive management and financial structures that cross national boundaries in a manner that makes it difficult to say where a company has what some European corporate law calls the "real seat" (*siège réel*) of corporate operations.[28] Daimler-Chrysler provides a leading example of this larger problem. Created through the merger of two major automobile companies – one German and one American – the question arises as to whether Daimler-Chrysler must choose between the two competing nationalities. Daimler-Chrysler is incorporated in Germany, but this fact alone is not dispositive. Major headquarters are maintained in Detroit as well as Stuttgart. Managers are drawn from diverse international backgrounds. Institutional investors around the world are major shareholders. The simple fact of incorporation in Germany – and of having a slight majority of German shareholders – does not yield a conclusive determination of Daimler-Chrysler as "German."[29] With global sourcing, sales, management, and investment, Daimler-Chrysler is "a firm with multiple national identities."[30] By the same measure, many other large automobile companies have similar characteristics. Toyota and Honda, for example, are arguably corporate citizens of the United States as much as Japan in terms of their customers, suppliers, employees, and investors. The implications of the global structure of automobile companies for

corporate citizenship are profound. To describe Daimler-Chrysler as only "German" would ignore economic and social reality at almost every level. The large multinational structure of these kinds of companies requires forging a new identity as a "global citizen" – with all its attendant difficulties.

One central difficulty faced by multinational corporations developing global identities for themselves involves competing views of corporate governance. Older debates about corporate social responsibility return at the international level. In US companies, for example, high levels of executive compensation have been taken for granted as compared with more modest pay in continental European and Japanese corporations.[31] Should Daimler-Chrysler adopt an American or a German model of corporate governance in addressing this issue? Who should decide? Globalization puts pressure on different models of corporate governance within a single company, as well as more broadly in the global competitive environment. Again, the resolution of these issues cannot be avoided by an appeal to formal legal rules, because the legal systems themselves differ.

Even within Europe, it is hard for policymakers to come up with a common definition of the responsibilities of "corporate citizenship" in an environment of different national laws and cultures. Discussions about the nature of the relationship between society and business corporations have been intensified by European Commission proposals to "harmonize" national corporate laws to a common standard throughout the European Union. While a European Company Statute has been recently adopted that allows a firm to incorporate once at the European level and then have rights of operation throughout the Union, success in the endeavor of corporate governance harmonization has been mixed.[32]

The European debates have been marked by continuing disagreements about the nature of the corporation. Continental Europeans, including Germany and France, tend to view the large business corporation through the historical lens of political compromises made between labor unions and business interests. German co-determination in large public companies and its mandatory two-tier board structure is an example. It compares with the British approach, which sees the corporation much more as an entity managed solely in the interests of its owners, with a financial focus on shareholders. The European Company Statute suggests that a compromise may be worked

out for the future, but it allows for flexibility for each company on issues of worker participation and competing models of corporate governance.[33]

The continuing importance of conceptual and empirical issues of corporate governance has also been recognized by the European Commission in funding major research efforts that will be designed to inquire into different conceptions of corporate social responsibility.[34] An implicit goal is to try to provide a common understanding of current theories and practice.

In a globalizing world, it is not surprising that conceptual discussions of corporate citizenship have moved beyond a legal framework. As corporations find themselves in many different countries and responding to different legal and political claims, those who manage corporations (and those who study them) will naturally begin to question the underlying moral arguments of citizenship. In brief, citizenship makes claims of loyalty on organizations as well as individuals. But in a business organization of global scope, the conflicting claims of national loyalty call for some kind of conceptual resolution beyond formal conflicts of law rules.

Global corporate citizenship

One potentially appealing approach to the globalization of business enterprises – and the natural persons composing them (including managers, employees, shareholders, and other investors) who are spread throughout the world – is for companies to conceive of themselves as having "global citizenship." The moral identification of a global corporation as a "citizen of the world" would have important implications for corporate social responsibility.

This idea of global corporate citizenship is similar to the concept of individual "cosmopolitan citizenship" that has been discussed by political theorists. A "cosmopolitan" rather than a "nationalist" person, according to the political theorist Brian Barry, is a "citizen of the world" and feels a moral obligation to other human beings regardless of nationality.[35] As an empirical matter, some movement toward "cosmopolitanism" has been identified among natural persons. The European Union, for example, is by definition multinational in its structure and affirmatively promotes the ideal of "the European citizen."[36] Even in Europe, however, most individuals do not yet regard themselves

as strongly "cosmopolitan," though there has been some significant movement in this direction, especially among young people. One recent study found that although only a minority of Europeans felt a strong sense of cosmopolitan citizenship, the post-World War II generation was five times more likely to claim a cosmopolitan citizenship identity than their predecessors.[37]

Global corporate citizens would arguably have a broader perspective on social problems than the "citizens" of a single nation. The leading social problems for cosmopolitan corporate citizens would be global rather than local or national. For example, large global problems of environmental degradation (e.g. climate change and rampant species destruction) and radical divisions between rich and poor may figure more importantly from a global perspective than a concern about the well-being of a particular national economy and its national citizens. Even geopolitical issues of global war and peace that have been commonly thought to be within the exclusive competence of nation-states are arguably within the scope and moral responsibility of business management.[38]

This global view can be seen in the rise of the governance structures of the United Nations, the World Trade Organization, the World Bank, and the International Monetary Fund that have served to underpin the strong global economic growth of the late twentieth century. Not all regions of the globe have participated equally, and some parts (especially in Africa) have had little positive economic gain in recent decades. But in general, the legal and financial global framework of the so-called "Washington consensus" represented by the major international institutions has provided the basic stability needed for global economic investment and expansion to occur. How well these global institutions will perform in the future remains an open but very important question.[39]

A rising global self-conception can also be seen in the expansion of non-governmental organizations (NGOs). The number of NGOs with an international scope has increased from approximately 6,000 in 1990 to around 26,000 in 2000.[40] In the United States alone, there are about two million NGOs, and 70 percent of them have been created since 1970.[41] These numbers compare to about 63,000 multinational corporations having approximately 800,000 foreign subsidiaries.[42]

Ad hoc international movements have also organized around many of the same global concerns, with many of the "anti-globalization"

protesters ironically taking a very cosmopolitan view of their own citizenship. Internet technology has greatly enhanced the means to organize such transnational groups, as the recent demonstrations in Seattle, Quebec, and Genoa attest. An international anti-globalization movement presents a key risk for global business managers in terms of possible consumer boycotts or even stronger direct protests, as well as a general threat to the stability of the underlying global infrastructure. These groups – and the writers who support them – are raising questions related to global citizenship with a force and visibility that make it difficult and unwise for companies and policymakers to ignore them.[43]

Given the institutional globalization of both business corporations and NGOs, one might hypothesize the gradual development of a new level of social integration. The legitimate players in a new global society may include not only the traditional nation-states of the Westphalian system of the international order, but also global corporations, global NGOs, and global quasi-governmental organizations such as the United Nations and the World Bank. One might go so far as to say that a new global civil society has arisen that has become partially independent of nation-states. Of course, the extent to which this global civil society exists is dependent on the true strength and breadth of present and future globalizing processes.

A winding road

Should corporations adopt a global "cosmopolitan" view of citizenship? Current tendencies toward globalization characterized as the emergence of a new global level of civil society – organized in terms of multinational business corporations and global NGOs (e.g. Greenpeace, Oxfam, World Wildlife Fund, Nature Conservancy, and Doctors Without Borders) – tempt one to recommend this perspective. Perhaps an ideal world along these lines is desirable. At present, however, it seems that a global political order is still rudimentary with an infrastructure not yet able to support a universal claim of cosmopolitan citizenship.

As noted above, the percentage of individuals who view themselves as "cosmopolitan" is still relatively small. The political conditions for global citizenship may also be more fragile than they appear. Although we have enjoyed a period of relative international peace, which has been an important underpinning of globalization, the "small war"

exceptions to this rule indicate the sharp divisions that remain. Even before the outbreak of renewed hostilities in Israel and Iraq, lower-intensity "intrastate wars" were in progress in many places. By one estimate, at least fifty such wars were being fought in 1999–2000.[44] In the wake of September 11 – if no other event or statistic is persuasive – it is simply not viable to posit a pure version of "cosmopolitanism" as an alternative to national citizenship for most individuals and organizations.[45] At a minimum, it is important to recognize that the emergence of a global civil society cannot be a substitute for strong international governing structures forged through agreements among nation-states.[46]

However, the continuing relevance of national citizenship does not mean that other aspirations toward global identification should be forsaken. Instead, individuals as well as corporations should begin to transform themselves – and their self-conceptions – to include a broad sense of global problems and responsibilities. For corporations, an orientation of global citizenship has the benefit of a sense of entitlement – of rights as well as moral duties. NGOs have indeed begun to play a representative role for individuals concerned with various important issues – from the alleviation of poverty to environmental protection. But the political framework of the emerging global civil society remains vague. Democratic participation of citizens does not legitimate the exercise of power either by multinational corporations or NGOs. Yet the global problems that we face will not wait for global political governance. Instead, we must "muddle through."[47] Business corporations, NGOs, and nation-states must work to address major social problems together with multilateral governmental organizations such as the UN and the World Bank.

A middle course

In thinking about the "global citizenship" of corporations, as well as NGOs and broad-minded individuals, the political philosopher Dennis Thompson offers a useful perspective.[48] Recognizing the current tendency toward expansion of the liberal democratic model to include increasing portions of the globe, Thompson argues for a middle course in the conception of global citizenship. He rejects the utopian view of "cosmopolitanism" as problematic from a democratic as well as a practical point of view.[49] The legitimacy of multinational corporations and international NGOs does not derive directly from any

democratic structure of government. And the international legal and political infrastructure that currently exists is so fragmented that it cannot be relied upon to be representative. Thompson proposes the alternative of "civil societarianism" – a view that transnational associations, including corporations and NGOs, might compose a new global order. He sees the growth of this new form of transnational civil society as "an important and promising development in international politics."[50] Again, however, "the politics in the traditional places – local and national government – is still of critical importance to democracy itself."[51] Thompson's recommendation is to strengthen institutions that enable the capacities of a "deliberative democracy" to develop regionally and locally as well as globally.[52]

This recommendation is consistent with arguments from other quarters, such as the United Nations, for business corporations to enter into partnerships or a "Global Compact" with other firms, nation-states, NGOs, and multilateral international organizations to address major global problems.[53] It is true that such *ad hoc* arrangements to tackle global problems may suffer a "democratic deficit" in terms of a political ideal of democratic representation and participation.[54] But again, there are a number of major global problems that cannot wait.[55] As noted above, these problems should be part of the broader agenda of any individual or corporation that sees itself as a citizen of global society.

In a recent book, Jean-François Rischard lists "twenty global problems" that require immediate attention in whatever manner we can devise to address them in the next twenty years.[56] He identifies three sets of large problems. First are global environmental "commons" problems such as global warming, biodiversity loss, fisheries depletion, deforestation, and water shortages. A second set of issues relates to "what we owe to each other" as ethical human beings.[57] These issues include global poverty, peacekeeping and security against terrorism, education, fighting infectious diseases, overcoming the digital divide, and the prevention and mitigation of natural disasters. Finally, there are issues of improving the global regulatory infrastructure, including taxation, biotechnology rules, global financial architecture, illegal drugs, intellectual property protection, e-commerce rules, and international labor and immigration law.

One does not need to agree with all of the items on this list, and we may disagree about how to prioritize these challenges to world society as we know it. But the conclusion from the point of view of

forming a new conception of "global citizenship" is that business corporations, as well as individuals, NGOs, and governments, should all play a role in addressing these larger issues. Picking and choosing what one can do, and what one cannot, is part of a mature and healthy recognition of personal and organizational limitations. Business corporations cannot solve all of the world's problems. But given the gravity of many of the global problems facing us today, no group in society – especially powerful groups and individuals – can be excused for turning a blind eye to our current human situation. Creating a practical role as a "global citizen" for ourselves and the organizations in which we work is a compelling ethical calling.

Conclusions

Business leaders must act in a world in which there is no clear definition of global citizenship. Yet the expectations for companies to behave as citizens of the world are apparent and show no sign of diminishing. Whatever companies may feel about their obligations, they are increasingly seen as players on the global stage, and they will be forced to confront global issues – whether they are the environmental concerns faced by major petroleum companies or the demands for major pharmaceutical companies to provide low-priced drugs to AIDS patients in poor African countries. Companies are going to be seen and held accountable as global citizens, but business leaders have many choices to make about how they define that citizenship and how they articulate it to include responsibilities owing to various communities and shareholders.

   This is not a new problem in a certain sense. Companies have long been recognized as "citizens" at multiple levels: local communities, states or provinces, and nation states. Managers have always had to juggle the competing demands of different expectations for citizenship. For example, when an automaker moves a plant from the United States to Mexico, the move might be seen as contributing to the viability of the auto industry, boosting returns for shareholders, and providing highly paid jobs in a developing nation. Or it might be seen as destroying a local community that had previously depended upon the plant for employment. A chemical company needs to ensure the safety of a plant in a small community even if it may suffer some expense to its global bottom line. These types of tradeoffs have always been made – at least

implicitly. Global citizenship adds yet another level of complexity to the challenge of balancing multiple demands on business leaders made by a diverse group of shareholders and other stakeholders. In the case of global citizenship, the demands are broader, the "globe" less clearly defined, the regulations, and even regulatory bodies, shifting and uncertain. This makes the project of global citizenship somewhat more difficult than other levels of citizenship, but the difficulties are not intractable.

Developing an overall conception of "global corporate citizenship" can help companies to respond effectively to globalizing forces and participate in multiple societies. Global citizenship is not a universal set of principles that should somehow be recognized, adopted, and practiced by all companies operating on a global plane. Rather, each particular company should develop its own view of corporate citizenship and its own approach to being a "good citizen" according to its own best moral, political, and social view of its proper place in our shrinking and fragile world.

A company may take several practical steps in the direction of formulating its own solid identity as a "global citizen." First, it should identify the major social issues implicated in the company's daily operations or highlighted by the company's specialization. Priorities should be established, and concrete strategies should be developed. Second, a company should look for partners with similar priorities and interests – both other companies and entities in the nonprofit world and government. A third step is to adopt internal policies to involve a firm's employees, shareholders, and other important "constituents" in the process of building a unique personality as a "global citizen." Businesses that follow this path of engagement with the world and its social problems will develop a good reputation for being part of the larger solution rather than merely another thoughtless contributor to the world's problems.

Notes

1 A. Maitland, "Companies Pledge Better 'Corporate Citizenship,'" *Financial Times*, February 4, 2002; "Why Business Leaders Must Be Good Citizens, Too," *Financial Times*, February 9, 2002; "Outlook: Even Corporations Are Getting a Social Conscience," *The Independent*, February 9, 2002.

2 N. M. Tichy *et al.* (eds.), *Corporate Global Citizenship: Doing Business in the Public Eye* (Lanham, MD: Rowman & Littlefield, 1998); M. MacIntosh *et al.*, *Corporate Citizenship: Successful Strategies for Responsible Companies* (London: Financial Times and Pitman, 1998); D. T. McAlister and W. C. Downing, *Business and Society: A Strategic Approach to Corporate Citizenship* (Boston: Houghton Mifflin, 2003); S. A. Waddock, *Leading Corporate Citizens* (Boston: McGraw-Hill/ Irwin, 2001).

3 H. Kessler, *Walther Rathenau: His Life and Work* (New York: Harcourt, Brace and Co., 1930).

4 John Dewey and J. H. Tufts, *Ethics* (New York: H. Holt, 1908), pp. 498–499.

5 A. A. Berle, Jr., "Corporate Powers as Powers in Trust," *Harvard Law Review*, 44 (1931), p. 1049.

6 E. M. Dodd, Jr., "For Whom Are Corporate Managers Trustees?" *Harvard Law Review*, 45 (1932), pp. 1145 and 1148.

7 M. Friedman, "A Friedman Doctrine – The Social Responsibility of Business Is to Increase Its Profits," *New York Times Magazine*, September 13, 1970, p. 32.

8 For a good introduction to this literature, see L. Putterman and R. S. Kroszner (eds.), *The Economic Nature of the Firm: A Reader* (Cambridge: Cambridge University Press, 2nd edn. 1996).

9 See, for example, R. Romano, "What Is the Value of Other Constituencies Statutes To Shareholders?," *University of Toronto Law Journal* 43 (1993), p. 533. ("A fixed point of corporate law is that shareholders are, or should be, the ones whose interests count in corporate decision-making.") For a historical account of this development, see D. G. Smith, "The Shareholder Primacy Norm," *Iowa Journal of Corporate Law*, 23 (1998), p. 277.

10 I canvass this development in E. W. Orts, "Beyond Shareholders: Interpreting Corporate Constituency Statutes," *George Washington Law Review*, 61 (1992), p. 14.

11 For an argument contesting the view among some economists that "there is no need" for business ethics, see Amartya Sen, "Does Business Ethics Make Economic Sense?," reprinted in T. Donaldson *et al.* (eds.), *Ethical Issues in Business: A Philosophical Approach* (Upper Saddle River, NJ: Prentice-Hall, 7th edn. 2002).

12 Dozens of books and hundreds of articles have been devoted to the idea of "stakeholders" in business. T. Donaldson and L. E. Preston, "The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications," *Academy of Management Review*, 20 (1995), p. 65. Elsewhere, I explore with a colleague some limitations to the stakeholder concept.

E. W. Orts and A. Strudler, "The Ethical and Environmental Limits of Stakeholder Theory," *Business Ethics Quarterly*, 12 (2002), p. 215.

13 See, for example, Sen, "Does Business Ethics Make Economic Sense," p. 248 (citing sources attributing the success of the Japanese economic system to special characteristics of a "Japanese ethos" which draws on such sources as Confucian ethics and Samurai conceptions of honor).

14 Principle 1 carries the "beyond shareholders toward stakeholders" expression. Section 3 provides the list of stakeholders and a description of duties owed toward them. For the complete text of the principles, see http://www.cauxroundtable.org/principles.html (last visited September 13, 2003). To include one's business "competitors" in a stakeholder theory may seem odd on a first impression. Of course, this is not to say that one should manage a business for the direct economic benefit of one's competitors. Instead, the idea is to include one's competitors in the moral universe of those whom deserve moral consideration – such as fair, honest treatment.

15 Ibid., introduction.

16 For an overview of the topic, see P. Werhane and R. E. Freeman, "Corporate Responsibility," in Hugh LaFollette (ed.), *The Oxford Book of Practical Ethics* (Oxford: Oxford University Press, 2004), pp. 514–538. For a recent collection of essays on the topic of corporate social responsibility, see *Harvard Business Review on Corporate Responsibility* (Boston: Harvard Business School Publications, 2003). See also J. W. Anderson, Jr., *Corporate Social Responsibility: Guidelines for Top Management* (New York: Quorum Books, 1989) (including a historical account of the development of the idea).

17 For a critical discussion of this distinction between "blood and soil" and "civil" forms of nationalism (and their respective forms of citizenship identification), see B. Barry, "Statism and Nationalism: A Cosmopolitan Critique," in I. Shapiro and Lea Brilmayer (eds.), *Global Justice: NOMOS XLI* (New York: New York University Press, 1999), pp. 12–66.

18 See, for example, 8 Del. Code §122 (2003).

19 For overview treatments of the constitutional rights of corporations in US law, see D. Graver, "Personal Bodies: A Corporeal Theory of Corporate Personhood," *University of Chicago Law School Roundtable* 6 (1999), p. 235; C. J. Mayer, "Personalizing the Impersonal: Corporations and the Bill of Rights," *Hastings Law Journal*, 41 (1990), p. 577.

20 There are several basic texts treating the problem of conflicts of laws. See, for example, L. Brilmayer and J. Martin, *Conflict of Law: Cases and Materials* (Boston: Little, Brown, 3rd edn. 1990).

21 See E. Gulland, "All the World's a Forum," *National Law Journal*, February 11, 2002, at B13; E. A. Okoniewski, "Yahoo!, Inc. v. LICRA: The French Challenge to Free Expression on the Internet," *American University International Law Review*, 18 (2002), p. 295.

22 "L'Union Des Etudiants Juifs de France v. Yahoo!," *T.G.I. Paris*, May 22, 2000; "L'Union Des Etudiants Juifs de France v. Yahoo!," *T.G.I. Paris*, November 20, 2000.

23 "Yahoo!, Inc. v. La Ligue Contre Le Racisme et L'Antisemitisme," *F. Supp.* 2d 169 (N.D. Cal. 2001), p. 1181.

24 J. Schwartz, "Study Tallies Sites Blocked by Google," *New York Times*, October 25, 2002, p. C8.

25 "Yahoo's China Concession," *Washington Post*, August 19, 2002, p. A12.

26 J. C. Coffee, Jr., "Corporate Securities Leading Issues Under Sarbanes–Oxley, Part I," *New York Law Journal*, September 19, 2002, p. 5. The SEC's final rule discussed the special circumstances involving the partial exclusion for German companies. Final Rule, Standards Relating to Listed Company Audit Committees, 17 C.F.R pts. 228, 229, 240, 249 and 274, RIN 3235-AI75 (April 9, 2003).

27 With respect to disclosure in securities law, for example, one might choose among the following options for adopting a consistent regulatory approach: (1) focus on the nationality of the issuer of a security, (2) regulate a security in terms of the location of transactions, (3) focus on the nationality of the investors, (4) adopt global rules to be enforced universally, or (5) allow for choice of regulatory regimes by the issuers. M. B. Fox, "The Securities Globalization Disclosure Debate," *Washington University Law Quarterly*, 78 (2000), pp. 567, 568–569.

28 For an explanation of this approach, see W.-H. Roth, "Recognition of Foreign Companies in Siège Réel Countries: A German Perspective," in J. Wouters and H. Schneider (eds.), *Current Issues of Cross-Border Establishment of Companies in the European Union* (Antwerp: Maklu, 1995) pp. 29–46.

29 L. Mabry, "Multinational Corporations and US Technology Policy: Rethinking the Concept of Corporate Nationality," *Georgetown Law Journal*, 87 (1999), pp. 563, 629–632.

30 Ibid., p. 633.

31 Levels of executive compensation in US companies are at least twice as high as in their European and Japanese counterparts. S. J. Stabile, "One for A, Two for B, and Four Hundred for C: The Widening Gap in Pay Between Executives and Rank and File Employees," *University of Michigan Journal of Law Reform*, 36 (2002), pp. 115, 121 n. 22.

Ratios between executive compensation and rank-and-file salaries are even greater. In the US, corporate executives today make 400 to 500 times as much as ordinary workers, as compared with ratios on the order of 20:1 or less in Europe and Japan. See also G. S. Crystal, *In Search of Excess: The Overcompensation of American Executives* (New York: Norton, 1991), pp. 207–209; R. S. Thomas, "Should Directors Reduce Executive Pay?" *Hastings Law Journal*, 54 (2003), pp. 437, 441.

32 For an overview, see A. Kellerhals and D. Truten, "The Creation of the European Company," *Tulane European & Civil Law Forum*, 17 (2002), p. 71.

33 Ibid.

34 Researchers, including representatives of the INSEAD–Wharton Alliance, have recently been awarded a major grant from the European Commission to begin a major study in this area.

35 Barry, "Statism and Nationalism," p. 35. See also M. Cohen, "Rooted Cosmopolitanism," in M. Walzer (ed.), *Toward a Global Civil Society* (New York: Berghahn Books, 1995), pp. 223–233.

36 The topic of what it means to be a multinational "European citizen" is an issue of significant current academic as well as popular interest. See, for example, J. H. H. Weiler, *The Constitution of Europe* (New York: Cambridge University Press, 1999), p. 329 (discussing "a new concept of citizenship" as an important intellectual and practical challenge for the European Union). See also I. Ward, "The End of Sovereignty and the New Humanism," *Stanford Law Review*, 55 (2003), p. 2091.

37 P. Norris, "Global Governance and Corporate Citizens," in J. S. Nye and J. D. Donahue (eds.), *Governance in a Globalizing World* (Cambridge, MA: Brookings Institution Press, 2000), pp. 155–177.

38 I have made this argument with respect to the responsibility that corporations have in terms of their relatively direct involvement in warfare. E. W. Orts, "War and the Business Corporation," *Vanderbilt Journal of Transnational Law*, 35 (2002), p. 549.

39 For a strong criticism of the recent performance of the IMF and, to a lesser extent, the World Bank in promoting sustainable growth and prosperity in poor countries, see J. Stiglitz, *Globalization and Its Discontents* (New York: W. W. Norton, 2002). Even critics such as Stiglitz, however, recognize the importance of a global financial and legal architecture.

40 J.-F. Rischard, *High Noon: Twenty Global Problems, Twenty Years to Solve Them* (New York: Basic Books, 2002), p. 48.

41 Ibid.

42 Ibid., p. 138.

43 Some examples of the recent literature critical of globalization on political grounds include the following: C. Derber, *People Before Profit: The New Globalization in an Age of Terror, Big Money, and Economic Crisis* (New York: St. Martin's Press, 2002); J. Gray, *False Dawn: The Delusions of Global Capitalism* (London: Granta Books, 1998); N. Hertz, *The Silent Takeover: Global Capitalism and the Death of Democracy* (New York: Free Press, 2001); D. Korten, *When Corporations Rule the World* (San Francisco: Berrett-Koehler Publishers; Bloomfield, CT: Kumarian Press, 2nd edn., 2001); D. Model, *Corporate Rule: Understanding and Challenging the New World Order* (Montreal: Black Rose Books, 2003).

44 Rischard, *High Noon*, p. 96.

45 It is instructive to consider the estimates of global indirect losses caused by the September 11 attack. In addition to the thousands of people from many different countries killed outright, an estimated 10 million people in the world are expected to fall into poverty as a result of economic slowdown caused by the terrorist attacks. Also, 20,000 to 40,000 children are expected to die because of delays in fighting malnutrition and common diseases.

46 For a strong historical argument warning that some present claims for the peacemaking capacities of global civil society risk repeating errors made after World War I, see C. S. Meier, "International Associationalism: The Social and Political Premises of Peacemaking After 1917 and 1945," in P. Kennedy and W. I. Hitchcock (eds.), *From War to Peace: Altered Strategic Landscapes in the Twentieth Century* (New Haven: Yale University Press, 2000), pp. 36–52.

47 Cf. C. E. Lindblom, "The Science of 'Muddling Through,'" *Public Administration Review* 19 (1959), p. 79 (giving the classic version of the argument in favor of the need to address public policy issues in the absence of perfect institutions and with only imperfect information).

48 D. Thompson, "Democratic Theory and Global Society," *Journal of Political Philosophy*, 7 (1999), p. 111.

49 Ibid., pp. 114–115.

50 Ibid., p. 116.

51 Ibid.

52 Ibid., pp. 119–120.

53 See http://www.unglobalcompact.org/Portal/ (last visited September 27, 2003).

54 The problem of a "democratic deficit" has been expressed in the context of supranational orders such as the European Union. See, for example, Peter L. Lindseth, "Democratic Legitimacy and the Administrative Character of Supranationalism: The Example of the European Union,"

Columbia Law Review, 99 (1999), p. 628. Other international organizations are subject to similar criticism.

55 Worries about a "democratic deficit" may also downplay other important ethical values – such as survival or health – in comparison with the political virtue of democracy.

56 Rischard, *High Noon*, p. 66.

57 See T. Scanlon, *What We Owe to Each Other* (Cambridge, MA: Belknap Press of Harvard University Press, 1998).