

University of San Diego

Digital USD

School of Peace Studies: Faculty Scholarship

School of Peace Studies

11-16-2022

Why Corporate Success Requires Dealing With the Past

Sarah Federman

Judith Schrempf-Stirling

Follow this and additional works at: <https://digital.sandiego.edu/krocschool-faculty>



Part of the [Business Law, Public Responsibility, and Ethics Commons](#), and the [Peace and Conflict Studies Commons](#)

Why Corporate Success Requires Dealing With the Past

Pre-print

Sarah Federman and Judith Schrempf-Stirling

Customers, employees, and citizens expect companies to address historic transgressions and work toward a positive legacy.

Businesses' past involvement or complicity in atrocities and human rights abuses such as slavery and genocide is a pressing concern for stakeholders today. Managers who meaningfully engage with their companies' past actions can address historic harms while simultaneously contributing to their companies' future success. The authors examine the factors that are pushing companies to take action now, and they offer guidance to help leaders begin the process of moving forward.

Keywords: Reputation, Strategic Communication, Human Rights, Stakeholder Management, Corporate Social Responsibility, Marketing Strategy, Ethics

In the age of information, digitalization, and social media, it is impossible to hide from public exposure.

It's better to address the past proactively rather than hide in vain until called out.

Addressing the past should be a collaborative and inclusive effort, but accountability rests with the company's top leadership.

Addressing historic transgressions helps support ethical decision-making in the present and can guide companies toward a better future.

Between the 17th and 19th centuries, the venerable British company Lloyd's of London sold insurance policies on enslaved people and the ships that transported them.¹ In recent times, events such as the May 2020 killing of George Floyd by police in Minneapolis, together with ongoing concerns about racism and racial injustices, have intensified the pressure on companies to recognize their contributions to the trans-Atlantic slave trade. In June 2020, Lloyd's of London issued a direct and unambiguous apology: "We are sorry for the role played by the Lloyd's market in the 18th and 19th century slave trade. This was an appalling and shameful period of English history, as well as our own, and we condemn the indefensible wrongdoing that occurred during this period." Since then, the company has hired an archivist to examine its role in the trans-Atlantic slave trade more thoroughly and opened its archives. It has also made a commitment to develop Black and minority ethnic

talent, increase its share of minority employees, and prevent its complicity in the use of slave labor in supply chains.

Today, corporate success requires dealing with the past. Throughout history, companies have been complicit in human rights violations and mass atrocities such as slavery, genocide, wars, and harms related to colonialism. Businesses' involvement in these events remains a great concern for stakeholders today as momentum for social justice and equity builds within society. Many people — including customers and employees — increasingly expect companies with these ties to acknowledge and respond to their historic transgressions, even when they are generations removed from culpability.

We have conducted extensive research on historic corporate social responsibility, including interviews with corporate executives, legal professionals, and victims of mass atrocities and their descendants, plus reviews of news and corporate publication archives. What we have found is that managers who meaningfully engage with their company's past can address the resulting harm while simultaneously contributing to their company's successful future. Those who try to avoid historical issues, on the other hand, risk the company's reputation and sometimes more.

The Forces Behind Today's Historical Reckonings

The range of reasons that compel companies to deal with their past includes five key groups. Some forces, both internal and external, press companies to acknowledge and right past wrongs, while others take the form of opportunities for a better future.

1. Stakeholder Pressure

Stakeholders, including employees, investors, institutions, and consumers, are increasingly expressing concern about the ethical records of the companies with which they engage. A recent example of legislative scrutiny is requests sent by U.S. Reps. Maxine Waters and Al Green in June 2022 to top U.S. banks and insurance companies asking them to disclose their historic connections to slavery. An earlier illustration of stakeholder pressure: The fall of the Berlin Wall and Germany's reunification in 1989 made formerly unavailable archives and other types of information accessible, and questions about the role of German companies in World War II resurfaced from Holocaust victims as well as politicians. This wave of inquiries pushed many companies to formally examine their activities during the Nazi regime and publish their corporate histories.

German-owned conglomerate JAB Holdings' inquiry into its actions during the Holocaust started in-house, as did Lloyd's of London's investigation, when some Black employees sought to uncover the company's deep ties to slavery. Failure to address such internal efforts risks dividing and alienating talent. Those who ignore both internal pressure and external pressure from activists and others risk damaging relationships and tarnishing their company's reputation.

This damage can translate to material losses. For example, France's national railway, SNCF, struggled to acquire contracts in Florida, California, and Maryland when survivor litigants and their descendants made visible the company's role in the Holocaust.² Chemical company Degussa almost lost a contract worth more than half a million euros to provide an

anti-graffiti coating on Berlin's Memorial for Murdered Jews, because former Degussa subsidiary Degesch supplied Zyklon B, a poison used in Nazi gas chambers.³

2. Public Exposure

In the age of information, digitalization, and social media, it is impossible to hide from public exposure. It's better to address the past proactively rather than hide in vain until being called out.

Take the current litigation in a French court against Monsanto, Dow Chemical, and 12 other chemical companies that provided the herbicide Agent Orange to the U.S. military during the Vietnam War. Agent Orange contained dioxin, one of the most toxic chemicals known to humans.⁴ Trần Tố Nga, a war correspondent and French citizen now in her 80s, shared with the court the enduring impact of Agent Orange on her, her children, and roughly 3 million Vietnamese. U.S. veterans also suffered from exposure.⁵ Filed in 2014, the case was dismissed in May 2021, with an appeal now pending. Whatever the final outcome, the case has brought years of ongoing scrutiny to the defendants' past actions. This history was stirred up in public discussions yet again when Russia accused the U.S. of developing chemical weapons to supply Ukraine.⁶ The chemical companies' contribution to the suffering of millions is likely to resurface each time the ugly topic of chemical weapons arises, until they issue an apology to victims or perform other acts of atonement. But that may never happen. For example, as of November 2022, [Dow Chemical's website](<https://corporate.dow.com/en-us/about/legal/issues/agent-orange.html>) denies any responsibility for the company's involvement in Vietnam, stating that "the U.S. government bears the responsibility for its own military actions, including the development and use of Agent Orange."

Some companies have tried to escape their histories by changing their names or being acquired, but such strategies have proved ineffective over time. The American private military company originally founded as Blackwater has changed its name twice, to Xe Services in 2009 and then Academi after a 2011 acquisition, in attempts to erase its connections to the killing of Iraqi civilians in 2007. Yet many years later, we still find news articles about Academi referencing the original name Blackwater and the company's actions in Iraq.⁷

3. Corporate Identity

Companies construct their identity through mission and value statements and also through an origin story. Creating an authentic corporate identity requires looking at how the company got where it is, and calls for more authenticity have been rising.⁸ When a company's actions depart from or betray stated commitments, its leaders need to address the gap and then state new commitments.

Volkswagen's recent mission statements position the company as a positive partner and contributor, particularly in the area of sustainability. For instance, its current environmental [mission statement](<https://www.volkswagengroupofamerica.com/en-us/environment>) is, "For all our products and mobility solutions we aspire to minimize environmental impacts along the entire lifecycle." While these environmental commitments matter as we face climate-related challenges, they do not speak to other ethical concerns about the company,

such as a recent emissions scandal or historical ties to the Nazi regime during World War II, and a secret collaboration with the Brazilian military in the 1960s. The “History” page on Volkswagen’s website tries to do some of this work today — for example, by offering a report (in three languages) detailing the company’s involvement in Brazil and, in an effort to provide greater transparency, inviting people to access its archives. In exposing past human rights violations, the company aims to rebrand itself as a partner for good. The authenticity of Volkswagen’s commitment will be tested by current and future leadership, including how the company chooses to proceed with its operations in China’s Xinjiang province, where the Chinese government has faced accusations by human rights organizations of forcibly assimilating minority groups.

4. Corporate Legacy

Confronting their predecessors’ past actions helps current company leadership understand how future generations might judge their own decisions and actions. This transgenerational perspective can increase leaders’ sense of social responsibility in the present and even a sense of noblesse oblige.⁹ In other words, when they realize the important historical role they can play, some leaders will rise to the challenge.

For example, the widespread move for businesses to pull out of Russia and make public statements during the country’s invasion of Ukraine reflects their desire to not only be “on the right side of history” but to write their legacies as companies and leaders who took a moral stand.¹⁰

Companies that want to reestablish a positive corporate legacy after public exposure of historical transgressions need to first maintain a clean record going forward and then make ongoing efforts to atone for past harms. Here, SNCF has made some progress. The company is now more transparent about its role in the Holocaust, *and* it continues to contribute to Holocaust commemorations. Its logo can be seen at many current Holocaust commemorative and education events in France.

Companies may experience other benefits as well. Research in psychology has shown that humans are eager to assign meaning to their lives, contribute positively to the world, and ensure that their actions — and those of their companies — matter.¹¹ Dealing with the past contributes to this urge to leave a positive legacy, spurring companies and leaders to strive for a more positive impact on the communities around them.

5. Contributions to a Respectful Future

After World War II ended, German publishing house Bertelsmann shared the legend that the company had refused to publish Nazi propaganda, a stance that led to the forced closure of the company during the war. When doubts about this story arose decades later, the company created an independent commission of historians that discovered Bertelsmann had benefited from the rise of the Nazi regime and did in fact publish antisemitic material. Bertelsmann not only publicly acknowledged these findings in 2002 but also stressed the importance of embedding historical accuracy and transparency in its DNA as a publishing company.¹²

Addressing historic transgressions helps support ethical decision-making in the present and can guide companies toward a better future. The look back helps us reflect on current actions that may seem innocuous because they are currently permissible or legal but might not be condoned later on.

How to Start

Given that the past is always present, companies might as well engage in ongoing conversations and initiate open discussions about their pasts, before litigants come to them.¹³ The first step is to hire independent historians and share their findings in-house and then with the public. A corporate response has the most integrity when it emerges through conversations with affected communities.

Each company's response will be different, depending on the harms uncovered. The following section addresses some of the most common and pressing questions from leaders about how to begin the conversation about their company's history.

I suspect my company might have a dark chapter or two. When do I start doing this work?

Begin now. Any company over 50 years old likely took some actions or had internal policies that will not hold up to the ethical standards of our time. Do not wait to be sued or smeared publicly to address past or present ethical transgressions. In the 1990s, Nike became one of the first companies to be confronted with labor rights issues in its supply chain. In contrast with many companies that remained quiet and dismissed it as an issue unique to Nike or the garment industry, Hewlett-Packard took this as a cue to look into its own supply chain. The tech company uncovered problems similar to Nike's and began managing labor issues proactively by introducing a supplier code of conduct.

This offers a good example for companies to follow: Do your homework, respond to the harm, and set up guidelines and processes to prevent recurrence.

We discovered some dark chapters. What do we need to do? While it's tempting to tiptoe around an issue by, say, adding a brief statement to the corporate website or placing a memorial plaque, we find it's best to develop a comprehensive approach in conjunction with harmed communities. After SNCF executives were confronted with the company's role in transporting roughly 76,000 Jewish deportees in cattle cars to the German border, it eventually partnered with the Shoah Memorial and Holocaust activist Serge Klarsfeld to map a way forward. While its efforts did not meet the true needs of all survivors, the partnership allowed an opportunity for productive conversations and an ongoing relationship.¹⁴ Today the company is a major financial supporter of the Shoah Memorial.

Again, the nature of the contribution depends on the harm caused. Rather than thinking about what percentage of the damage your company is responsible for, look at what needs the harm created and how best to meet those needs. For example, banks that participated in redlining in Baltimore, which prevented people of color from acquiring mortgages, can offer grants, not loans, to individuals renting in neighborhoods disadvantaged as a result of those practices. They can also help to redevelop those neighborhoods by investing in schools or creating parks.

Who within our company should lead the conversation? Addressing the past should be a collaborative and inclusive effort, but accountability rests with the company's top leadership team. Individual corporate departments bring specific shortcomings when tasked with leading the charge. If left on their own, legal departments, which are designed to protect the company from liability, will shy away from statements and activities that suggest any financial obligation to the harmed. Genocide, slavery, and harms related to colonialism are too vast and deep to be spun by simple corporate communications.¹⁵ These departments ought to be part of the conversation, and organizations with teams focused on corporate social responsibility or diversity, equity, and inclusion should include them in the work as well. If you have employees from affected communities, involve them, too. They can help you develop a robust program and serve as a bridge to the public. Ultimately, however, the company's top leadership determines whether the efforts are taken seriously by the staff as well as stakeholders.

Other companies were involved. Why should we be the ones to accept responsibility?

Companies need to examine their own histories and involvement in past events, but they can benefit from sharing their findings in conversation with other companies. Member institutions of the [Universities Studying Slavery](<https://slavery.virginia.edu/universities-studying-slavery/>) consortium, for example, come together each year to share their findings and pathways forward. A similar organization for corporations does not yet exist but could be established. The financial and insurance industries, for example, with the participation of historians, could engage in a similar process regarding slavery. Working together will help them understand the context in which their companies were operating.

After companies faced a wave of World War II-related claims in the 1990s, the German government and the German Industry Foundation Initiative each contributed 5.2 million deutsche marks for the creation of the [EVZ (Remembrance, Responsibility, and Future) Foundation](<https://www.stiftung-evz.de/en/who-we-are/history/founding-history/>). The foundation's mission is "to keep the memory of National Socialist persecution alive, to accept responsibility in the here and now, and to actively shape it for the future and for subsequent generations." Over 6,000 companies contributed to the foundation, which in turn provided compensation to war survivors and their descendants.

The same could be done for slavery or various sites of colonial destruction. This can be done while simultaneously supporting industry codes of conduct.

Looking Back to Move Forward

Companies cannot undo misdeeds from the past. As a leader, what you can do is focus instead on learning about your company's history, correcting misleading company materials, finding ways to address the harm, and making sure today's activities reflect the image you want for your company. Keeping the focus on addressing the harm versus simply looking good in the process increases the chances that the company can develop meaningful and lasting responses.

Understandably, many company leaders choose to respond to this era of atonement by making ethical commitments to, say, protect the environment, ensure an ethical supply

chain, and increase opportunities for historically marginalized groups. These contemporary ethical commitments, however, must be coupled with a willingness to look back and respond to the unaddressed harms of their predecessors. This begins with asking questions about the company's past ("Who were we, and what did we do?"), listening to and engaging with those who approach the company about its past, and then creating a plan of action that responds to the harm and demonstrates the company's current ethical commitments.

Revisiting a company's past is not a step backward but a step forward toward companies' stakeholders and long-term success.

References

- ¹ "[The Transatlantic Slave Trade](<https://www.lloyds.com/about-lloyds/history/the-trans-atlantic-slave-trade>)," Lloyd's of London, accessed Nov. 3, 2022, www.lloyds.com.
- ² S. Federman, "Last Train to Auschwitz: The French National Railways and the Journey to Accountability" (Madison, Wisconsin: University of Wisconsin Press, 2021).
- ³ "[Work on Holocaust Memorial Stopped Over Degussa Role](<https://www.dw.com/en/work-on-holocaust-memorial-stopped-over-degussa-role/a-1014293>)," Deutsche Welle, Oct. 27, 2003, www.dw.com.
- ⁴ C. MacLeod, "[Fifty Years Later, U.S., Vietnam Deal With Agent Orange](<https://www.usatoday.com/story/news/world/2012/11/07/agent-orange/1660871/>)," USA Today, Nov. 7, 2012, www.usatoday.com; and P. Dung, "[Agent Orange in Vietnam: Legality and U.S. Insensitivity](<https://thediplomat.com/2022/04/agent-orange-in-vietnam-legality-and-us-insensitivity/>)," The Diplomat, April 14, 2022, <https://thediplomat.com>.
- ⁵ N. Phan Qué Mai, "[America, Please Don't Forget the Victims of Agent Orange](<https://thediplomat.com/2022/04/agent-orange-in-vietnam-legality-and-us-insensitivity/>)," The New York Times, April 29, 2021, www.nytimes.com.
- ⁶ Dung, "Agent Orange in Vietnam."
- ⁷ A. Stevenson and C. Buckley, "[Blackwater Founder's New Company Strikes a Deal in China. He Says He Had No Idea](<https://www.nytimes.com/2019/02/01/business/erik-prince-xinjiang-china-fsg-blackwater.html>)," The New York Times, Feb. 1, 2019, www.nytimes.com; and S. Sweeney, "[Blackwater Mercenaries Training Far-Right Militia in Ukraine, Donetsk Military Commander Claims](<https://morningstaronline.co.uk/article/blackwater-mercenaries-training-far-right-militia-ukraine-donetsk-military-commander-claims>)," Morning Star, Jan. 31, 2022, <https://morningstaronline.co.uk>.
- ⁸ A. Hamilton and D.A. Gioia, "Fostering Sustainability-Focused Organizational Identities," in "Exploring Positive Identities and Organizations: Building a Theoretical and Research Foundation," eds. L.M. Roberts and J.E. Dutton (New York: Routledge, 2009), 427-451; and D. Hamilton, "[How Organizations Can Balance Authenticity With Propriety](<https://sloanreview.mit.edu/article/how-organizations-can-balance-authenticity-with-propriety/>)," MIT Sloan Management Review, May 9, 2022, <https://sloanreview.mit.edu>.
- ⁹ L.P. Tost, K.A. Wade-Benzoni, and H.H. Johnson, "Noblesse Oblige Emerges (With Time): Power Enhances Intergenerational Beneficence," *Organizational Behavior and Human Decision Processes* 128 (May 1, 2015): 61-73.
- ¹⁰ J. McGee, "[Brands Leaving Russia Are on the Right Side of History](<https://www.independent.ie/business/media/brands-leaving-russia-are-on-the-right-side-of-history-41463620.html>)," Independent.ie., March 20, 2022, www.independent.ie.
- ¹¹ K.A. Wade-Benzoni, H. Sondak, and A.D. Galinsky, "Leaving a Legacy: Intergenerational Allocations of Benefits and Burdens," *Business Ethics Quarterly* 20, no. 1 (January 2010): 7-34; and M. Fox, L.P. Tost, and K.A. Wade-Benzoni, "The Legacy Motive: A Catalyst for Sustainable Decision Making in Organizations," *Business Ethics Quarterly* 20, no. 2 (April 2010): 153-185.
- ¹² C. Booth, P. Clark, A. Delahaye, et al., "Accounting for the Dark Side of Corporate History: Organizational Culture Perspectives and the Bertelsmann Case," *Critical Perspectives on Accounting* 18, no. 6 (September 2007): 625-644.
- ¹³ J. Schrempf-Stirling, G. Palazzo, and R.A. Phillips, "Historic Corporate Social Responsibility," *Academy of Management Review* 41, no. 4 (October 2016): 700-719.
- ¹⁴ Federman, "Last Train to Auschwitz."
- ¹⁵ Janssen, "Addressing Corporate Ties to Slavery."