



# ETHICS AND CORPORATE SOCIAL RESPONSIBILITY

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by David Simpson

**W**HEN MARIA EITEL joined Nike in 1997 as the new vice president and senior advisor for corporate responsibility, she knew she was in for a challenge, but she remained optimistic. That was not an easy thing to do considering that, as the ink was drying on her employment contract, Nike was being assailed by critics in almost every major newspaper and magazine as one of the worst examples of corporate social responsibility (CSR) with respect to its labour practices.

"That experience forced us to really decide who we were when it comes to corporate social responsibility," Eitel told an audience of business leaders, ethics practitioners, academics and non-government organization (NGO) representatives assembled for the annual Canadian Business Ethics Summit. Nike's response was that if corporate social responsibility was to be meaningful, it had to be more than just optics and public relations (PR); it would have to be at the core of the company's business and implemented at every level of the corporation.

"As long as companies perceive CSR as something 'on the side' – away from the main business decisions – they will continue to be vulnerable," says Eitel, noting that it is in their everyday business activities where companies have the biggest impact on society. It is at the core of the business that companies decide such things as what to invest in, where the business will grow and how to achieve specific targets. Many companies will develop perfect ethics codes and design wonderful PR campaigns espousing their corporate responsibility, but unless they integrate ethical practices into their actual business decisions, they have little more than ethical wall art and PR gloss without any substance.

**Ethics and CSR from the Inside Out**  
In the aftermath of Nike's experience, many business people would ask of

Eitel: "Did it damage your brand?" "Did you lose sales?" "How did it hurt your business?" Eitel responds emphatically, "The way it hurt our business was that it hurt our people."

Individual employees at Nike began to wonder what kind of company they were working for and what message was being sent about the people who worked there. "That was the biggest damage for the company and that is where we had to spend a lot of energy," recalls Eitel. The challenge for Nike was that it had to deliver not just to the outside world but, perhaps more importantly, internally to its staff, because ultimately they are the ones who have the energy, creativity and skills to create, market and sell the products.

Unfortunately, the principal driver for many companies that become involved in ethics and CSR seems to be gaining recognition in the sense of a PR campaign; that is, focusing on winning approval outside the organization, regardless of how it resounds internally. According to Len Brooks, the executive director at the Clarkson Centre for Business Ethics, Rotman School of Management, University of Toronto, these companies have got it backward. "If you're not walking the talk inside the organization – and being honest with yourself – people are going to know it and they'll stop trusting you."

Toronto Hydro Corporation is attempting to address this issue by

building ethics as well as social and environmental responsibility into the very core of its vision and values. "Our business strategy has environmental responsibility and environmental leadership right up front," says Courtney Pratt, president and chief executive officer of Toronto Hydro and former chair and president of Noranda Inc. From the CEO on down, he says, "the responsibility of delivering clean and green energy becomes a very critical part of what we do."

### Is the CEO the Key?

The role of the chief executive officer in promoting an ethical orientation throughout an organization is critical, say many in the business ethics community. Ideally, an organization's ethics flow from the top down and back up again to permeate the entire organization. "The CEO's values set the culture for the entire organization," says Dr. Anne Golden, president and CEO of the Conference Board of Canada. "The leader must not only model ethical behaviour, he or she must also articulate and communicate the principles that guide the organization." Eleanor Clitheroe, president and CEO of Hydro One, believes that employees increasingly want to work for an organization and senior management they respect. "It's not enough for business leaders to just exhibit their codes of ethics, they also have to live by them and be seen by employees to be living them." While some senior executives such as Clitheroe have re-appropriated the initials CEO to mean chief ethics officer, this does not signal that she and other senior executives are the only ones who must demonstrate ethical leadership. There needs to be ethical and socially responsible leadership demonstrated at every level.

The question is how. One approach is that of Bell Canada, which recently rolled out an innovative, Internet-based program for training employees on its code of conduct. Today, with 30,000 managers, executives and front-line staff already trained, the program is a real success story and has been recognized by the federal Competition Bureau for its proactive

approach to training employees about principles of ethical values and legal conduct encountered in their day-to-day work situations. "Our high ethical standards are the blueprint of our success," explains Joan Grass, associate director of Competitive Business Practices at Bell Canada.

Other examples of best practices in this area include Husky Injection Molding Systems, which initiated a unique share rewards program for its employees based on social and environmental responsibility; Suncor Energy, which has shown its commitment to comprehensive stakeholder engagements; and VanCity and Metro Credit Union, which are leading the way on social responsibility reporting in Canada.

## Today's citizens are demanding more from companies and business ethics has never been more relevant


CEOs have learned from experience that integration is key. In the late 1980s and early 1990s, Noranda won many awards and positive public recognition outside the company for its social and environmental responsibility. However, as Pratt, Noranda's then president, recalls, "despite all the positives and public recognition, we were still having the spills internally, we were still having the errors, we were still having our accidents." Significantly, the message the company was sending out around the world about its achievements wasn't necessarily the same message it was receiving from the communities in which it was operating and from its own employees. This was a problem.

"We realized for us to truly be a leader," says Pratt, "we needed the total company to be involved. We needed each employee to work consciously to be environmentally responsible and see themselves as being environmental ambassadors in their communities." If a company is

serious about its ethics and corporate social responsibility, those objectives must flow directly from its vision, values, mission and strategy.

The results? The company continued to get outside recognition but, perhaps more importantly, the corporation's values became more broadly embedded and understood throughout the organization and consistent with its corporate strategies and values. This ultimately enabled Noranda to turn ethics and CSR into a competitive advantage, says Pratt. "It helped us sell our product. It helped us recruit and retain employees. And we believe that ultimately it helped us create shareholder value."

There has been a lot of discussion in recent years in Canada about ethics and corporate social responsibility and some suggest the business climate is changing. Only a few years ago, many executives were timid to even talk about ethics and CSR, says Steven Cross, executive director of [ethicscentre.ca](http://ethicscentre.ca) (formerly the Canadian Centre for Ethics & Corporate Policy), but that seems to be changing: citizens are demanding more from companies and business ethics has never been more relevant. "Companies are not afraid to talk about it any more," says Cross, "but I think the more pressing question is this: are they really doing it operationally or are they just engaging in a PR initiative?"

Back at Nike, Eitel is busy laying the groundwork for the company's next publicly available CSR report. With 500,000 employees in 58 countries around the globe, Nike's challenges are considerable. But Eitel remains determined to make a lasting impact. For her, it is important that companies not just take the easy way out. "Companies can do all sorts of things to make themselves look good," says Eitel, "but if you're just tinkering around the edges and ignoring the fundamentals of the everyday business activities, then you're just wasting your time – and it won't pay off in the end." 

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