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Social Responsibilities

Several broadcast messages were sent out today talking about corporate social responsibility in the Economist. These articles shook the foundation of CSR and you should be aware of the controversy.

Two kinds of stakeholders: shareholders and stakeholders. There is a business-bias that shareholders are more important to business because they generate revenue through stock purchases.

A number of students asked for information about the company but don’t really want to delve into those level of details. Instead you should just make some assumptions and work from there.

S: You said there were 2 owners and then saying the employees were part of the company. I’ve known many businesses that are owned by a few people but then the work is done by contract work (ie poultry business). In a way those contracted employee own part of the business.

P: This week I decided to make it into an employee owned business in the case.

Social issues are an issue with every business and Suzanne Farver brought to the forefront several social issues that are part of sustainability. These social issues need to be part of SD.

Returning to economics, you need to be able to ask questions regarding the financial performance of the company.

Two books were mentioned this week - OpenBook Management- turned his business over to the employees because he was going bankrupt and the employees were able to salvage his business. The 10 Day MBA- describes curriculum of 10 best business schools. So this book helps you to understand a person who works as an MBA (accounting, taxes, finances, quantitative analysis).

In a community, businesses are the major employers. And there is a relationship between businesses and the communities in which they operate. There is a lot to be said about having a good relationship with your surrounding community and there are financial benefits the come from a good relationship.
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- The Economist’s articles on CSR state that giving money to social causes is wrong because the business's money does not belong to the CEO to give away on behalf of the business. Instead, employees should give their own money to the social causes if they believe in the cause.
- Many employers give their employees time off to do social activities as part of how that business decides to interact with the community. Typically they make money doing this—brings happiness to employee leading to improved relationship with their owner and are more likely to retain that employee, also acts as PR for the company so free advertising and good branding, etc.
- Don’t get too wrapped up in the financial details of the company—it is okay to just make some assumptions.
- Everything up until spring break are the “what’s” associated with SD. After spring break is the “how” you make SD happen.
- S: The article you sent us were interesting. They talk about 3 types of CSR—my question is when we have the take home midterm, when we find evidence of the non win-win CSR, can we cite those instances?
- P: Yes, if you can cite it or support it then yes you can discuss those topics.
- License to operate only takes place in developing countries and it doesn’t apply to US was mentioned on the board. But this statement is not exactly true and there are instances in the US where the license to operate has had huge impacts on businesses in US.
  - In Boulder, CO housing developments are encroaching on farm land and the residents of these housing developments do not like living next to farms (agro chemicals, smells, etc) and they try to change the operations of the farms. So despite the fact that they consume the produce from these farms, animosity grows between these neighbors. This builds friction and goes towards the license to operate.

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- Frequency these businesses are present in the community before the housing developments but once residential developments occur, the industry becomes a target and they want them to be shut down.
- Paper mills are another good example—the odor from paper processing is very strong and smells like hydrogen sulfide which were once acceptable when they were the largest employer but under regulations and community pressure (which can drive regulation) the companies were pressured to reduce their odors and subsequently clean up their operations.
- Without a good license to operate, it does influence the ability of a company to get their permits. For instance 3M was the 14th largest source of chemical emissions but they got their permits in half the time it took other companies because they had a 3P program which was a program that focused on pollution prevention, and they designed pollution prevention into their new products. This proactive stance fast tracked their permitting.
- Some were worried about the religious tone—in this case was lifted from the City of Cambridge surveyed these 5 churches and found that those individuals doing these projects in churches never brought it to the attention of their employers even though this would have been leveraged their efforts.
- Instead focused on Churches because they are basically big, empty boxes that have high heat and cooling demands. They use a lot of energy and electricity.
- There is a relationship between printers and churches—churches print out songs, programs, etc. so there is a connection.
- There are a lot of churches in communities, so it is an important component of a community.
- S: We don’t have a lot of issues like the rest of the work, for instance human rights. Have you ever worked with a company that has human rights issues?
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- Some of the stuff you buy and some of the clothing you wear is made with child labor. With CRP, paper is heavily regulated and is getting harder to make in the US and Mexico and China are big paper exporters. So that will influence human rights issues. It is hard for us to judge— in Romania, I work with a chemical engineer and paying him a pittance by US standards.

- Essay 8000 allows you to explore social issues by telling you what questions you should ask so that you are aware of how you can interact with an agencies.

- S: High tech sectors moved to Mexico, and then that sector moved to China. The Mexican workers who migrated to these sectors were then out of a job, but the communities negotiated skills trainings in these companies so that these towns had skills once the multinationals left.

- Walmart is #1, Target is #2 and they have the exact same practices but media attention is focused on Walmart this allows Target to make more money because they don't have all the hassles associated with deflecting social issues.

- S: Getting away from international scene, in the US, can you talk about for-profit prisons?

- Prisons in the US are run by for-profit prisons.

- S: Is that a sustainable community?

- The communities are doing quite well financially, but that is a good point. Is this forced labor?

- S: You can put a price to a better life?

- S: I raised the prison issue for a point because this could be considered a sustainable community even though it is basically using forced labor and is socially unsustainable.

- END HOUR 1

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- EcoParties are a popular and it asks several things:
  - Do you compost food scraps?
  - What portion of your garments were purchased used instead of new?
  - Dyes and raw materials for the clothes (cotton) have a large environmental impact
  - S: One of the issues raised last week, how far can you go with replacing petrochemicals? Currently governments are promising everything from agriculture?
  - P: It will be a balancing act. You must be wise and make decisions.
  - S: Could you say that each of the 3 responsibilities, economic=$, environment=carrying capacity, and for social= equity. If there isn't social equity you will lead to social unrest and revolution. What is a good metric for social responsibility?
  - Equity is part of this issue. Equity must also be inter-generational in order to be sustainable.
  - S: Can you keep it in the social framework?
  - P: Here is equity in China, should each person in China have a McMansion with a 5 bedroom house, multiple cars, high tech toys?
  - S: It doesn't harm them socially but it harms them environmentally.
  - P: It is a problem if it bankrupts the work based upon environmental carrying capacity. But there foments an idea of hatred if someone else ruins your opportunities.
  - S: If I'm working and make people have an extremely hard live, I'm oppressing that class so it is perpetuating social inequity. You would have a more sustainable society if given a better wage.
  - S: I have a question about standards for multinational company, social responsibility is very cultural and minimum wage is very culturally dependent. Cultural standards cannot be strictly enforced.
  - P: You can't say the CRP is not involved with multinational companies because a multinational company could be one of their clients.
  - S: Touching back on separating out the 3, and touching on the idea of your friend with all the toys. What about a sailboat? This is a luxury item- it doesn't raise any environmental problems so is there a social problem with redistributing an item like a sailboat with no env. Associations?
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-S: Equity is intrinsically unattainable?
-S: Many people in many different cultures do not want the luxury it is not equity.
-S: Equity has a different value or number for different cultures. It is a matter of human needs and doing things that are appropriate for the culture in which that person lives.
-S: Equity is not purchasing power. It is social issues such as happiness, feeling like you have an opportunity, protecting good health, providing opportunities for advancement...
-S: I'm glad we're having this talk because typically this talk always loops back to environment. So having inequities in pay is okay, but this is about a social issues that are beyond pay. But you can't have a pay inequality such that it generates a social revolution.
-S: Mennonites is a good example because they have adapted slightly to modern society while still maintaining a very simple and sustainable lifestyle.
-S: The thing that bothered me with this week's case, when it came to social issues, they thought to go to the community. There was no discussion of social responsibility within the company. Maybe they should focus in house on their own employees as well as the impacts of some of their policy decisions (soy ink) has on downstream communalities?
-S: Isn't the whole idea we learned early on is to ask your employees what they want to do? If it is an employee owned company, then they have a huge stake in the business.
-S: Doesn't an employee owned company mean they are sharing the profits?
-It really depends on how the business is set up and someone brought that up on the discussion board.
-S: The EcoParty checklist is an attempt to control the behavior of the employees. One example is Henry Ford and he paid more but to qualify for that wage you had to be a no smoking/no drinking and live a temperate lifestyle because he thought he was building a better social world.
-Transparency is key.
-EcoParties are a tool being used in Cambridge at the moment that is part of their global climate change initiative, but greenhouse gases are not decreasing. But this is true for all towns.

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- In this class we want to is to integrate on two planes: community-business, and business-employee.
- S: This is a good approach as long as it is voluntary- you can’t force people.
- For the graduate student projects- send Dr. Pojasek an email and he will help you define your projects. You all need to write a prospective that is a brief outline and your purpose for doing this, but Dr. P won’t be around the week of spring break so contact him this week. What you have to do is to follow your business through the milestones presented in the class (weekly topics).