At the founding of the United Nations in 1945, political and business leaders as well as scholars shared the conviction that commerce could play an important role in fostering peace. Half a century later, with the emergence of the interlocking global economy and the enormous new reach of business, the business community faces new challenges in its engagement with societies emerging from conflict.

While business still retains its core responsibilities of creating jobs and wealth and thus contributing to poverty alleviation, under the rubric of global corporate citizenship business is increasingly developing new policies and practices aimed at promoting human rights, preventing violent conflict, and contributing to more peaceful societies. A prominent forum for such efforts is the United Nations Global Compact, a new initiative (started in 2000) intended to increase and diffuse the benefits of global economic development through voluntary corporate policies and actions. Over three thousand businesses throughout the world have already signed on as participants.

The ten principles of the Global Compact focus on human rights, labor rights, concern for the environment, and corruption and are taken directly from commitments made by governments through the UN: the Universal Declaration of Human Rights (1948); the Rio Declaration on Environment and Development (1992); the International Labour Organization’s Fundamental Principles and Rights at Work (1998); and the UN Convention Against Corruption (2003). The principles are as follows:
Introduction

Human Rights
Principle 1
Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and
Principle 2
Make sure that they are not complicit in human rights abuses.

Labor
Principle 3
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4
The elimination of all forms of forced and compulsory labor;
Principle 5
The effective abolition of child labor; and
Principle 6
Elimination of discrimination in respect of employment and occupation.

Environment
Principle 7
Businesses should support a precautionary approach to environmental challenges;
Principle 8
Undertake initiatives to promote greater environmental responsibility; and
Principle 9
Encourage the development and diffusion of environmentally friendly technologies.

Corruption
Principle 10
Business should work against corruption in all its forms, including corruption and bribery.

The Global Compact was designed as a voluntary initiative. A company subscribing to the Principles is invited to make a clear statement of support and must include some reference in its annual report or other public
documents on the progress it is making on internalizing the Principles within its operations. The company must also submit a brief description of this report to the Global Compact Website. Failure to submit such a description within two years of becoming a signatory to the Compact (and subsequently every two years) will result in being removed from the list of participants. The intention is that, through leading by the power of good example, member companies will set a high moral tone throughout the world. The overall thrust of the Global Compact is to emphasize the moral purpose of business, as summarized well by Ban Ki-Moon, the Secretary-General of the United Nations: “Business practices rooted in universal values can bring social and economic gains.”

The ten Principles of the Global Compact have been given added force by the Millennium Development Goals (MDGs), a blueprint for action agreed to by all the countries of the world as well as leading development institutions. With the target date of 2015 for completion, the eight MDGs are (1) eradicate extreme poverty and hunger; (2) achieve universal primary education; (3) promote gender equality and empower women; (4) reduce child mortality; (5) improve maternal health; (6) combat HIV/AIDS, malaria, and other diseases; (7) ensure environmental sustainability; and (8) develop a global partnership for development. Commitment to these ideals has brought businesses into new collaborative relationships with an unlikely partner: nongovernmental organizations (NGOs). In places such as Darfur, South Africa, Nigeria, and Afghanistan, NGOs and private firms are combining their unique capacities and strengths to provide an important new avenue for achieving social development.

To be sure, this new paradigm is not without its problems. This may appear to be a marriage of convenience or perhaps even an attempt to mix oil and water. Some of these issues have surfaced in debates over NGO participation in the Global Compact; several NGOs have actively participated as members of the Compact to promote change, even as others vigorously denounce it. Yet there is evidence that, at their best, such partnerships can yield positive results for developing countries while at the same time fulfilling the goals of the participating partners.

This volume will discuss what leading businesses are doing with NGOs in developing countries and explore the characteristics of successful partnerships. It seeks to advance the understanding of the conceptual foundations of the role of business in society and to encourage new and more effective partnerships. The book also hopes to lay the foundation for
new courses in business schools on *Peace through Commerce*. This follows the recommendation of the Association to Advance Collegiate Schools of Business International (AACSB), through its Task Force on Peace through Commerce. The task force, chaired by Carolyn Woo, dean of the Mendoza College of Business at the University of Notre Dame, issued a report that is summarized in appendix 3.

The book opens with a foreword by Sir Mark Moody-Stuart, former chairman of the Royal Dutch/Shell Group of Companies, and now chairman of the Board of Directors of the UN Global Compact Foundation. The overarching theme of this volume is captured in Moody-Stuart’s reflection that “All of us, including everyone in business, have a strong stake in the sound working of society.” Moody-Stuart gets to the heart of the matter when he asks, *What is the object of business?* His answer, which opens the way to much discussion in future chapters, is that the object of business is to bring goods and services to the consumer, not to make a profit. Profit is the enabler of business, but it is not the end.

Part one of the volume has two chapters designed to direct our attention to the purpose of business. Marilise Smurthwaite, in chapter 1, offers a comprehensive survey of the literature and explains her own perspective based on Catholic Social Thought: “In fact, the purpose of a business firm is not simply to make a profit, but is to be found in its very existence as a *community of persons*, who in various ways are endeavoring to satisfy their basic needs and who form a particular group at the service of the whole society.” Her overview of the literature forms the context for much that follows in later chapters.

Tim Fort, one of the acknowledged pioneers in the scholarship on Peace through Commerce, and his colleague Michelle Westermann-Bahaylo argue that it is only a business with a “fairly sophisticated level of moral maturity” that can actually implement programs that consciously strive to build communities. “The higher good is pursued not for instrumental ends, but regardless of them, because it is intrinsic in the identity and culture of the corporation to help and to build community.” Chapter 2 outlines how this might be possible using a “good trust” model of a partnership with NGOs.

Part two presents some conceptual issues from related disciplines that may be helpful in understanding the Peace through Commerce concept. Douglass Cassel and Sean O’Brien offer a legal perspective on the role of human rights in corporate action in chapter 3. John Paul Lederach, a
Oliver F. Williams, C.S.C.  5

scholar of peace studies, presents helpful concepts from that field in chapter 4. Chapter 5, authored by Willie Esterhuysse, a philosopher and advisor to the South African government, outlines how partnerships can vary depending on the context. In South Africa, because of the legacy of apartheid and the enormous socioeconomic inequalities that still exist today, the government has mandated a role for business designed to shape a more just society. One such initiative, the Broad-Based Black Economic Empowerment Act of 2003, is highlighted.

One NGO leader and one business leader offer their perspectives in part three. Mary Anderson, a respected spokesperson for the NGO community, draws on a large body of experience and points the way for corporations to ensure that they do not do more harm than good. She is convinced that business can play a constructive role in achieving peaceful societies, but there is a need for circumspection. She addresses these issues in chapter 6. In chapter 7 David Lowry, a former vice president of Freeport-McMoRan, a leader in the extractive industry, reflects on his experience and offers some suggestions on how business can make economic and social development as peaceful and beneficial as possible.

Part four presents the reflections of two experienced business leaders on this new role of business in society. Donal O’Neill, in chapter 8, argues that the only way to ensure that business has a positive effect in a host country is to anticipate problems and devise solutions in advance of the investment. He outlines an “impact assessment” process that strives to foresee social, economic, and environmental problems that could arise with an investment. Forging partnerships with NGOs and other institutions often is the key to finding solutions to socioeconomic problems and, therefore, to shaping a more peaceful society.

Chapter 9 is authored by Klaus Leisinger, who is both a business leader and a scholar. Leisinger asks how we can enhance and increase the efforts of business to reduce poverty and accelerate human development. He suggests that while some corporations may work for human development because it is the right thing to do, it may be advisable to employ a more market-driven approach for other firms. “Reputation capital”—the respect and admiration consumers might show for a socially responsible company—is a powerful incentive for many businesses to get involved in development programs. Education of the consumer about these issues is crucial. Another key issue identified by Leisinger is that today society’s expectations for corporate involvement in the problems of society are
Introduction

quite high. When has a business done enough? What does it mean to be a
good corporate citizen? The answers to these questions are clearly a work
in progress.

Part five of the book contains ten case stories detailing what some
companies are doing with regard to aiding development. While not all
the companies profiled here are signatories to the Global Compact, they
certainly do subscribe to its ideals. The first case, profiled in chapter 10,
is authored by Ofelia Eugenio and describes a public-private partner-
ship formed with the United Nations Development Program (UNDP),
Chevron-Texaco, and the government of Angola. Called the Angola En-
terprise Program (AEP), the goal of the project is to reduce poverty thru
private sector development by supporting micro, small, and medium en-
trepreneurs. Eugenio offers some lessons learned for future projects.

Chapter 11, by Brigitte Hélène Scherrer, discusses how the NGO the
Business Humanitarian Forum joined in a multistakeholder partnership
with the European Generic Medicines Association, a local Afghan in-
vestor, and the UNDP to establish a generic medicine factory in Kabul,
Afghanistan. The chapter also has a very helpful discussion of the phases
of the partnership process. Emphasizing the crucial task of rebuilding
trust in war-torn countries like Afghanistan, the chapter concludes with
some lessons learned.

Authored by David Wheeler and four colleagues, chapter 12 focuses on
growth enterprise development in post-conflict Southern Sudan and
Darfur. This report shows how micro enterprises could assist in healing
and peace building by restoring the social fabric of the community and
preparing the way for private sector development and partnerships. The
role of enterprises led by women is stressed in the study.

Chapter 13, authored by Gerald Cavanagh, S.J., along with another
scholar and two senior managers of the Ford Motor Company, argues that
Ford’s reputation capital is a significant factor in selling vehicles. Thus
Ford has social and environmental policies in place that are designed to
meet society’s expectations. The chapter outlines three areas of such
policy: human rights and working conditions, greenhouse gas emissions,
and material use and recycling. An interesting observation in the essay is
that while the traditional role of the nation-state is to pursue the common
good—by working for stability, peace, and prosperity—there is now a re-
versal of roles in a global economy. For example, with stakeholders in two

© 2008 University of Notre Dame Press
hundred countries, Ford cannot afford to view its concerns in narrow, national terms but must pursue its quest for peaceful societies globally.

Chapter 14 focuses on Nestlé and is coauthored by the academic Lisa Newton and Nestlé executive John Bee. Eschewing the notion of charity, the authors argue that partnership necessarily entails some self-interest: “in a true partnership, all the parties benefit, and each is committed to the success of the others at least in part out of self-interest.” Drawing on the notion of sustainability, the case is made that all activity should pass not only an economic test but also ethical and environmental ones as well. Examples of Nestlé partnership projects exemplifying sustainability in Pakistan, Colombia, South America, and Nigeria are discussed.

Chapter 15 is by the IBM executive Stanley Litow. For IBM the core concept in this discussion is corporate citizenship, which “describes a company’s total dealings with the community, —local, regional, national, or global—encompassing traditional corporate philanthropy but also going far beyond.” The author discusses many partnerships and sees their value as a way to tap into community interests. Social investments and policies flow from IBM’s core values and business strategy and most often involve sharing technology innovations with communities in developing countries. IBM contributes about $150 million a year to such projects.

Why does IBM do this? Litow notes that the Financial Times estimates that the reputation capital of IBM is worth about $55 billion; reputation capital, in part, tries to capture the payoff of corporate citizenship projects in such things as brand value, employee morale, and so on. While Litow is clearly an advocate of corporate citizenship, he is not unmindful of the problem raised earlier by Leisinger: When has a company done enough? IBM helped organize a group of companies to study the issue of how high to set the bar for citizenship. Called the Global Leadership Network, the coalition of companies continues to reflect on the corporate citizenship issue.

Chapter 16 is authored by Marshall Greenhut and Bob Corcoran and discusses General Electric’s approach to corporate citizenship, focusing on its program to improve health care and infrastructure in hospitals in Africa. The chapter offers an excellent overview of poverty in Africa and the work of the Millennium Development Goals. It concludes with some insightful reflections on why a business like GE becomes involved in this sort of project.
Chapter 17, authored by Daniel Malan, an official of KPMG, discusses Barloworld, a diversified industrial company. The chapter offers an example of a partnership formed during the 1980s in the struggle against apartheid in South Africa. This partnership may provide a model for the resolution of many current problems in developing countries. In chapter 18 Alexandra Guáqueta discusses the implementation of a human rights, conflict-sensitive corporate code of conduct involving major multinational companies in the extractive business—Occidental Petroleum and Cerrejón—in partnership with global and local NGOs. The chapter offers much insight for others in similar situations. Based on the company’s mission statement, “to extend and enhance human life,” Bristol-Myers Squibb embarked on a program in nine African countries to help with the HIV/AIDS pandemic. Chapter 19 by Tom Costa, an official with Bristol-Myers Squibb, describes how the company dedicated over $150 million to this project through private-public partnerships.

Part six, the final section of the book, offers some concluding reflections and a vision for the future. Chapter 20 is authored by the well-known scholar in finance and ethics Lee Tavis. Drawing upon many of the insights and lessons learned from the partnerships discussed in the book, Tavis argues that partnerships are the new form of social responsibility in this era of Peace through Commerce.

In chapter 21 I argue that while corporate social responsibility is certainly not a new idea, what is emerging in some of these company accounts is a new role for the firm within society. Some companies have a view of corporate citizenship that implicitly envisions a state-like role for the corporation, which becomes a quasi-public institution that goes far beyond the traditional division of labor between corporations and governments. While affirming and applauding this view of corporate citizenship, Williams suggests some additional measures that will strengthen the democratic nature of society while the firm implements this new role.

Finally, appendix 1 lists the Principles for Responsible Management Education, a new initiative to expand corporate citizenship education; it was developed by a number of business schools in cooperation with the United Nations Global Compact. Appendix 2 lists the Principles for Responsible Investment, a program launched in April 2006 and coordinated by the UN Global Compact and the UN Environment Programme Finance Initiative (UNEP FI). By 2006 institutions representing more than
Oliver F. Williams, C.S.C.  9

$2 trillion in assets owned had signed the Principles for Responsible Investment. Appendix 3 is a summary of the report from the Task Force on Peace through Commerce of AACSB International.

I am most grateful for our many benefactors who help support the work of the Center for Ethics and Religious Values in Business at the University of Notre Dame, and, in particular, William Lehr Jr. Also, a thank you is in order to Deb Coch, administrative assistant at the center, whose work enabled this project to move from an idea to a finished product. I am also grateful to Marshall Greenhut and Julie Ratliff, recent graduates of the Notre Dame M.B.A. Program, who provided outstanding assistance. Most of the essays in this volume were first presented at a conference in November 2006 at the University of Notre Dame; the conference was organized by the center with the cooperation of the United Nations Global Compact Office, the Joan B. Kroc Institute for International Peace at the University of Notre Dame, and AACSB International. To our partners, we owe a great debt of gratitude, in particular to Georg Kell, executive director of the Global Compact; Hal Culbertson, associate director of the Kroc Institute; Michael Wiemer, assistant vice president of AACSB International; and Lee Tavis, professor in the Mendoza College of Business at Notre Dame. To be sure, I want to thank all those who contributed to this volume and added to our understanding of responsible corporate citizenship.

Finally, I want to express my gratitude to Eon Smit and Frank Horwitz, directors of the Graduate Schools of Business of Stellenbosch University and the University of Cape Town, respectively. I served in a joint appointment at these universities during the 2007–2008 academic year and also as the Donald Gordon Visiting International Scholar at the University of Cape Town. This year in South Africa enabled me to focus on preparing this volume for publication, and I owe a great debt of gratitude to my many South African colleagues.

NOTES