

Interest growing in Eastern Europe

Professor Milenko Gudic, the research co-ordinator at the Bled School of Management in Slovenia, says that Eastern Europe is still in the midst of structural change. This affects business management thinking, and both a new generation of managers and teachers are required to bridge what he calls "a generation gap" between thinkers and the current crop of corporate managers in the region.

"The role of the school is to be an agent of change," he said at the recent EABIS conference. His institution in Slovenia, said by some to be the best small business school in Europe, incorporated business ethics into teaching as early as 1991.

Bled uses a broad range of teachers, from arts and philosophy as well as management, to help convince students of the importance of responsible behaviour. But the disconnection between local bosses beliefs and practices, and management theory, remains a problem. "Integrating an ethics culture into leadership is a key challenge," he admitted.

sibility matures there is a growing, in-depth scrutiny by researchers and activists of the integration of corporate responsibility processes into business practices. Increasingly, this means that the use of management systems and metrics within, say human resources, and in wider performance management, are vital indicators of long-term health.

The growth of companies factoring CSR issues into the "balanced scorecard" method of progress assessment, or similar approaches, means corporate support of useful academic research looks set to grow much faster in the coming years.

Growing demand from students, increasing corporate and government funding, regulatory pressures on ethical issues and the rising levels of interest in academia may yet mean the Holy Grail will indeed be found. ■

Useful links:

www.eabis.org

www.wri.org

Ethicalcorp.com keyword searches:

EABIS, business schools, ethics teaching

Ethical ratings

Playing the numbers game

By James Rose

Covalence's new ethical ratings report of major multinationals is an impressive piece of work but highlights some of the shortcomings of all such studies

Rating companies on their ethical performance is always fraught with dangers. Among them is the risk that companies which are most attacked by NGOs and activists tend to reflect their high profile in their corporate responsibility policies. There are potential conflicts of interest, futile attempts at objectivity and, paradoxically, claims of subjectivity as well. Those who wade into the task are either brave or a little insane.

The latest such report arrived in the Ethical Corporation in-tray early in January. It has been put together by a relatively new, Geneva-based, ratings service called Covalence (the company was founded in 2001), carrying a highly comprehensive methodology and a dose of Swiss meticulousness. And perhaps a bit of insane bravery.

Overall, the ethical reputations of 220 leading multinationals have been plotted

for the 2005 ratings. The 220 are selected on the basis of being the largest in market capitalisation among those included in the Dow Jones World Index.

Pharmaceuticals leads the way

The company with the best ethical score on a cross sector list is the mighty UK pharmaceutical multinational Glaxo-SmithKline. Also in the top ten are fellow pharmaceutical companies Merck, Bristol Myers Squibb (ranked two and three in the report) and Boehringer Ingelheim.

The rest of the top ten was made up of Starbucks and Unilever from the food and beverage sector; automobile giant Toyota, Hewlett-Packard representing technology hardware, Alcoa of the mining and metals sector and multinational bank HSBC.

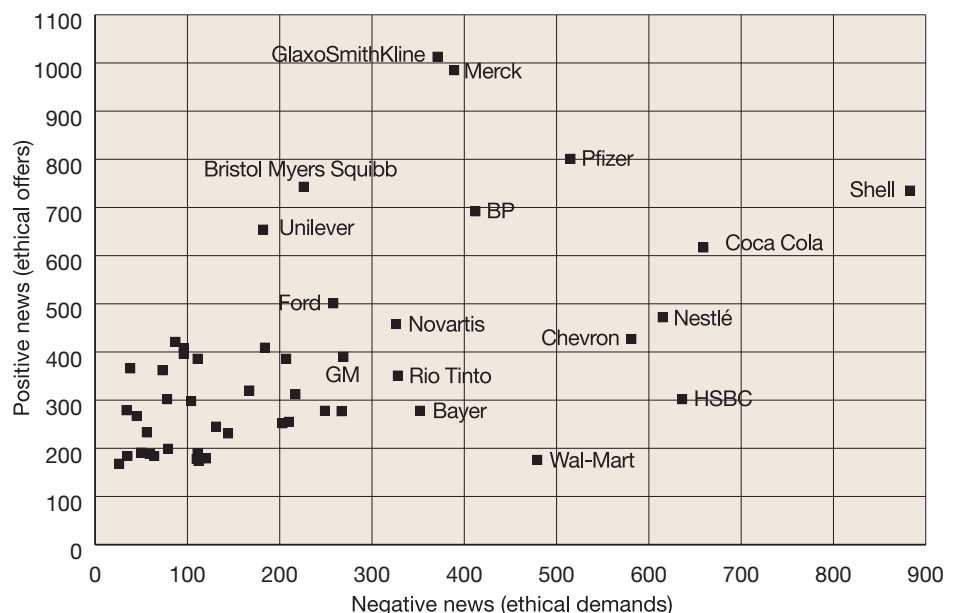
In all, ten major multinational sectors were surveyed. Other sectoral leaders that did not make the overall top ten are BP, BASF, Phillips and Carrefour.

The inclusion of some of these companies may raise some eyebrows. Many have been in the firing line from any number of anti-corporate, anti-free trade, anti-capitalist activists. Most, if not all, have been attacked on a number of relevant issues, including environmental impact, human rights and community relations.

Their presence may, in fact, underline one of the criticisms of such ratings. They may simply be a reflection that these companies have large sustainability footprints and

Positive and Negative news regarding 50 multinationals and 45 ethical criteria, 2000-2005.

Source: Covalence EthicalQuote



have been pressured by external forces into addressing sensitive issues, and are thus seen to be progressive by doing so.

Covalence's research director Antoine Mach agrees this is an important issue and notes that: "Companies making the most positive news are generally also the one receiving the most [criticism] ... It is very difficult, or impossible, to know which companies are the most ethical."

Certainly, Shell is a prime example of a company receiving negative reports that also generates positive stories. (See chart.)

Clever methodology

If the volume and variety of research material used is any useful indicator, Covalence's methodology is certainly sophisticated. The group lists some 5721 publications and websites as sources of information on the companies researched.

Covalence has devised 45 criteria of ethical business performance and plots companies on a curve according to whether there have been positive or negative reports from the research sources.

It looks impressive, but volume should

not, of course, be a substitute for quality of research. This writer remembers being baffled following two separate media briefings on the research methodology of another leading Europe-based ethical rater some years ago, and recalls that many others found it difficult to work out how the information was assessed and integrated.

It was all intended to look very clean and scientific, but, of course, there tends to have to be a subjective decision somewhere along the line. How that was done, and by whom, was lost in the complexity of the methodology itself.

Subjectivity inevitable

Antoine Mach subscribes to the view that some degree of subjectivity inevitably enters the picture in corporate sustainability ratings. While he argues the ratings reflect "perceptions" rather than some sort of ultimate reality, he admits, "our company has to make choices and take decisions".

Overall, says Mach, "Such a ranking should help investors, consumers and potential employees have a dynamic view of how companies are perceived in the ethical field."

This gives a clue to another problem these ratings often have: some of the researcher's clients are the same companies being researched. In turn this cuts to the wider issue of how to construct a workable business model out of ethical surveys and safely navigate the inevitable conflicts of interest.

Mach believes they go some way to creating an appropriate balance by having "several different company clients and not only one or two big ones". He also notes that companies are not required to answer questionnaires, thus the researchers are not reliant on the co-operation of the research target.

The term covalence refers to the linking of atoms. It pretty well sums up the lot of the SRI rater. But, while the term is from science, ethical ratings are closer to an art. Like the most challenging and worthy art works, their beauty is in the eye of the beholder. ■

Useful link:

www.covalence.ch

Ethicalcorp.com keyword searches:

Covalence, ethical ratings, GlaxoSmithKline



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