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Corporate America Searches for its Conscience

By Tess Gadwa

CEOs gather to discuss social and environmental responsibility

On a rainy spring weekend, with war looming and markets gloomy, approximately 120 chief executives announced their support for universal health care, annual environmental reporting, reduced greenhouse gas emissions, and ending the educational divide between rich and poor students. CEOs voted to adopt these and other "collective intentions" at the close of the Forum for Corporate Conscience, held March 14-16, 2003 in Charlotte, North Carolina, at the exclusive Ballantyne Resort.



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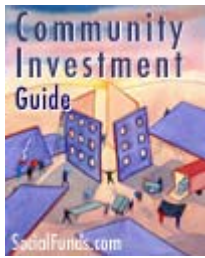


Executives hailed from corporate giants like Bank of America, Mitsubishi, PricewaterhouseCoopers, Duke Energy, and Wachovia. While "green" companies like Patagonia and Georgia-based carpet manufacturer Interface were part of the mix, so were industries with more dubious reputations, such as oil, pharmaceuticals, aerospace, and steel. Big name speakers like Warren Buffett, Tom Wolfe, Jeremy Rifkin, and Paul Hawken dotted the schedule; former presidential guru David Gergen moderated. Prominent environmental and social advocates attended, including Marian Wright Edelman, Alice Tepper Marlin of Social Accountability International, Mindy S. Lubber of CERES, and Ernesto Cortes, Jr. of the Industrial Areas Foundation. All events were closed to the public; union leaders and local activists were conspicuously absent.

The opening mood on Friday, March 14, was somber, even penitential. "We knew better," said former Bank of America chairman Hugh McColl. "Before the bubble burst, when companies seemed to be pulling revenue projections out of thin air... Some of us spoke up. Some of us - me included - did not speak up enough." McColl, a Charlotte native who still wields enormous influence in his hometown and beyond, chaired the forum.

That same evening, Warren Buffett warned the assembled corporate executives that class war was raging in America - a war where "my class is winning." While praising the American business model and the opportunity it creates, the billionaire investor called for reigning in CEO salaries, raising taxes on the wealthy, continued campaign finance reform, and equal public education for the poor and the middle class. Buffett also told an overwhelmingly white, male audience that he was unsure whether affirmative action was still necessary in American society.

From early Saturday morning through midday Sunday, participating CEOs, advocates, and experts spent most waking hours in a series of large and small-group discussions centered around six topics: Economics, Leadership, Justice, Environment, Community, and Family. In perhaps the most striking evidence of delegates' seriousness, executives from basketball-crazy



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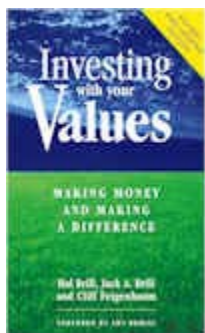
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North Carolina worked straight through March Madness and the fabled Duke-UNC game. The end result: a statement of collective intentions released at the close of the forum.

In addition to strong language on health care, environmental reporting, greenhouse gases, and educational equity, the CEOs' statement includes more general calls for corporations to make corporate reporting "more transparent and comparable," "recognize and reward performance consistent with corporate sustainability," and partner with government, Non-Governmental Organizations, and community stakeholders. Delegates name the Global Reporting Initiative (GRI) as a potential sustainability reporting framework. They also agree to personally review their human resources policies in an attempt to make them more family-friendly. And in a nod to the imminent war, the final goal urges participating companies to make up the difference in benefits and pay for employees called to active military duty.

While the actual CEO working sessions were closed to the press, anonymous notes from the sessions were released as part of a white paper at the end of forum. These notes show that discussion in the small groups often went further than what was included in the final collective statement. A few sample quotes:

"Taxes are the price we pay for civilization."

"We have to refuse to work [in some countries] because we can't make money as long as competitors cheat and refuse to comply with regulations."

"Clearly there are 'invisible filters' that are unjustly restricting minorities."

"No one is in favor of destroying the rain forest, but it's very hard to act alone."

Also present was a tacit recognition that when corporations fail to address an issue, the result may be government regulation unfavorable to their interests; the Sarbanes-Oxley Act of 2002 weighed heavily on the minds of some participants.

One of the most controversial topics was executive compensation; while the subject came up in nearly every working group, the final provisions adopted were relatively modest - calls for corporations to "establish meaningful minimum holding periods" for top executives' stock grants and stock options, require top executives to hold "a substantial amount" of company stock, and base their compensation "on specific short- and long-term performance benchmarks." Absent was a definition of those benchmarks, any kind of ratio linking executive to worker pay, or even a clear recognition that executive salaries are simply too high.

Speaker and noted sustainability expert Paul Hawken only had the chance to meet a few CEOs, and felt that the CEOs he did encounter "were not well versed on the issues of social justice or ecological degradation. But that is why they came, I presume."

Hawken characterized his message for mainstream corporate America this way: "...They have a responsibility to change the conditions that cause business to be destructive to the environment and society. There is still an attitude that individual companies can make a difference.

Yes, in that one company can do better than another, but all companies are locked into a system which transforms social and natural capital into money in a non-sustainable way. I believe that responsibility entails the willingness to understand both the problem and the nature of the damage being done."

Hawken's breakfast speech on the forum's final day was rousing and motivational, even visionary. He talked about a second industrial revolution made possible by "radical resource productivity." Currently, an incandescent light bulb is only about 5% efficient and an automobile is only 1% efficient -the rest of the bulb's energy is lost in heat and transmission from the power plant along the line, and the rest of the car's energy is lost in heat, friction, and braking. Hawken argued that the next generation of technology can dramatically improve these efficiencies, while "closing the loop," so that materials, toxic and otherwise, are safely re-used in new products. "We are eliminating the necessity of the EPA all together - because the flow-through does no harm," Hawken remarked in his speech.

He cited as an example the fact that 99% of a new Volkswagen can now be re-used, thanks to Germany's legislated "return" principle. Hawken then challenged his audience to go one step further and think about restoring as well as sustaining. Recounting an anecdote of a little girl who decided to draw a picture of God, he called on CEO participants to "imagine a different world" in the forum's final sessions.

How do the results of the forum measure up to the grand aspirations of Hawken's speech or the delegates' collective intentions? It's probably too soon to tell.

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Forum producer Mary Tribble was optimistic about the results. "I think we will see spin-offs and results and new initiatives for many years."

She has already received calls, letters, and emails from CEOs who want to be involved in follow-up. One participant wants to organize a similar forum for his own state. Organizers intend follow up with executives in six months, and again in one year. And plans for a second forum are in the works. "We are absolutely talking about it right now..." said Tribble. "There was a clear indication from the board that this was worthwhile, that they would like it to continue in some form."

One CEO participant who declined to be named was more guarded in assessing the forum's impact; "I think it all depends on McColl's dedication to the mission."

Sixty-seven-year-old McColl has agreed to stay on as chairman, at least for now. From 1983 to 2001, as his banking empire steadily expanded - from North Carolina National Bank to NationsBank to Bank of America - McColl ruled the city of Charlotte like a kindly czar. His phone calls had power elected officials could only dream of. From the rebirth of downtown to supporting the arts to early childhood education, no single individual has done more to shape the contours of present-day Charlotte.

"I think the corporate community in Charlotte feels good about itself, and it has been involved in just about everything good for the community," McColl told reporters in a briefing. He then went on to list the areas where he felt his hometown had farther to go, notably race relations and inequities in education. "We are running two school systems inside of one... we have better schools for rich children than for poor children... we are not getting the job done and everybody knows it."

As a city where large corporations donate generously to the community, Charlotte is in some ways a model of corporate social responsibility. But in other ways, it's a cautionary tale - a city where political involvement is stunted and business dominates civic life to the exclusion of nearly all other voices.

When asked how to build better measures of accountability for corporate institutions that sometimes have more money and resources than sovereign governments, McColl replied that the only way was "by voting with your feet."

"The consumer is the ultimate determinant of how corporations behave," McColl continued, citing the boycott as a potential mechanism for social change. He then warned that as Americans demonstrate their preference for low-cost goods by shopping at Wal-Mart and Target, "they have to understand that they are part of the equation that causes jobs to be lost because goods are then sourced from low-cost manufacturers overseas."

True enough, but what about people who can only afford to shop at Wal-Mart and Target, because they have already lost that factory job and are working for minimum wage at Denny's? Consumers' power, information, and choices in the marketplace are often limited. Those limitations make consumers unreliable as the sole check on corporate power.

Two other time-honored forces for accountability are governments and community activists. The forum's collective intentions call for "interaction" and "engagement" with these entities. To what extent and on whose terms remains to be seen, as does the potential role of organized labor.

Dani Moore, associate director of the Common Sense Foundation, a statewide progressive watchdog group, was able to attend the forum, but only as a member of the press. Said Moore, "I was pleased with who the speakers were, how interesting and varied they were, but we didn't actually get to hear many of them. My biggest question would be about media and community-based access, and who was included in the conversation."

Still, she was impressed with how hard the CEOs worked and hopes to join in their conversation in the future. "I would like the Common Sense Foundation to be one of a number of groups that investigate what came out of the forum, with the opportunity to dialogue and discuss," Moore explained.

The time to broaden this discussion has never been riper. "Ethics" is suddenly a buzzword. Recent charges against Enron executives and the first-ever Sarbanes-Oxley CFO guilty plea are keeping these issues on the minds of corporate officers, even while the general public is

distracted by the war in Iraq.

Business leaders are notoriously prone to groupthink. Ideas with far less sound economic basis than sustainable development have become wild, overnight successes - the dot-com bubble is only the most recent example. As executives talk to other executives, as follow-ups and spin-off conferences multiply, could a "tipping point" be reached, where corporate social responsibility becomes the next big thing?

Stranger things have happened. But even if this concept catches hold among the corporate elite, meaningful change requires a broader coalition. If the Forum for Corporate Conscience is to have lasting impact, independent stakeholders must hold CEOs accountable to their promises and engage them in genuine conversation. And corporate leaders must be willing to let this conversation happen, even when they don't like what they hear.

For more details about the event, and to view a copy of the white paper and collective intentions, visit- www.forumforporateconscience.com

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