

## The curse of good intentions

by: Jon Entine

Now we have a dialogue! In a recent edition of EJROT, Colby-Sawyer College Professor Leon-C. Malan responds to my article on "The Messy Reality of Socially Responsible Business" which appeared in the first issue. On some key points we agree:

- business, and therefore "socially responsible" business, is complex and "messy"
- "good intentions are not always enough to produce results that satisfy the whole range of stakeholders" (to quote Malan)

Fine, so far. But Malan soon wanders into a thicket of political correctness with the following unsubstantiated assertions:

- "organizations that attempt a different approach are subject to criticism and attack"
- it is possible, indeed necessary, to determine "the real intent of organizations"
- "those organizations that sincerely try to meet the expectations of multiple stakeholders run the risk of unforeseen consequences and then become easy targets for criticism."
- The moral significance of Ben & Jerry's, Body Shop and the like is that "they are trying and in doing so, they are raising the consciousness of consumers at large."

Let's examine Malan's central premise: that he has the ability to read the moral calculus of a company and ascertain, apparently independent of its actions or the consequences of its choices, its intentions. In the case of Ben & Jerry's, we can not know what was in Ben Cohen's mind over the five years that his company issued press release after interview that deceptively claimed that it was sourcing Brazil nuts from indigenous sources.

What we do know is that Cohen was aware at all times that not one Brazil nut was ever purchased directly from indigenous sources; less than 5% were sourced from one Co-Op which eventually ended its relationship with the company claiming that Ben & Jerry's was profiting far more from this adventure than it was; and that more than 95% of the nuts were purchased on commercial markets supplied by the most rapacious, anti-environmental agri-businesses in Latin America. Other than the original impulse, which was sparked in the euphoria of a Grateful Dead concert, what exactly is the "good intention" here?

Malan isn't contending that "good intentions" are important so much as that his conception of what good intentions, which cannot be empirically judged, should be the measure. But what if someone with less scruples is the judge. For illustration, let's take a few examples to see where this logic can take us. Did Nazi Germany and Soviet Communism have good intentions? Hitler, and tens of millions of Germans, Austrians, Poles and others ascribed to his moral world-view; he certainly believed he had "good intentions" in creating the myth of Aryan supremacy. The former Soviet Union was notable for producing inspiring human rights declarations; few would deny that most of the leaders of this destructive, life-sapping political system were dedicated to a new, humanistic form of social justice. These reality-checks show how little good intentions matter in the absence of unanimity of what "good" means, and a system of checks and balances to protect you from my interpretation of that good.

But extreme examples aren't necessary to make this point. Are conservative, free-market economists ill-intentioned, as many social critics glibly contend? They are convinced, with some weight of history, that laissez faire economies bring social justice and prosperity to the greatest number of

people. Who would dare suggest that Christian fundamentalists or ultra-Orthodox Jews are not well-intentioned? The Constitution of the United States was crafted to protect against the arrogance of intentionality. The colonies were populated by outlaws and individualists with a respect for differences. Its early leaders designed a system that protected the minority against the political correctness (or good intentions) of the majority, yet embraced majority rule. Checks on authority and the balance of the four estates of Congress, Courts, Presidency and Press are the essence of the durability of the United States.

Let's return to the feel-good business movement. In effect, Malan charges social investigators such as myself with cynicism for criticizing the "good guys." But "Messy Reality" was not an attack on corporate social responsibility which is promoted in one form or another by companies as diverse as Monsanto and Tom's of Maine natural toothpaste. It embraces the premise that the community and the natural environment as stakeholders, protected in part by a free press and an activist government. Despite the bleating of libertarians and ultra-conservatives, experience has shown that threats of litigation and regulation play a necessary role in promoting environmental and social reforms.

My analysis sought neither to promote or denigrate any company but to highlight the complexity of ethical corporate behavior. Idiosyncratic vision must be matched with organizational integrity or companies are doomed to self-destruct. And my concern is sloppy critical thinking: why were the ethical floundering of heretofore models of socially responsible business overlooked deliberately or unconsciously by academics and social researchers.

Is Ben & Jerry's, The Body Shop and the like "sincerely" trying to "meet the expectations of multiple stakeholders," or just hawking expensive shampoo and ice cream? Or both? Does passion and self-delusion equate to sincerity? We call that fraud and sociopathology when its exercised by those who do not share our cultural pretensions.

Just recently, the issue of who are the "good guys" exploded into popular consciousness when talk show celebrity Kathie Lee Gifford, wife of former football star Frank Gifford, was publicly abused for her naiveté. Gifford, it turns out, had launched a line of clothing under her name in coordination with Wal-Mart only to find out many of the clothes were made in sweatshops. Surprise: retailers source goods at the lowest price. Most have learned that consumers won't pay extra dollars to cover the cost of higher wage sources.

This un-startling revelation, as startling as it may have been to bubbly Kathie Lee, provoked a tsunami of corporate ethics declarations in recent weeks. But the most highly-touted solution offered-up in the wake of the Wal-Mart sweatshop scandalette is that corporate codes of conduct on sourcing can do far more harm than good. As well-meaning as codes and mission statements purport to be, promises that companies don't or cannot hope to implement divert attention from the need for structural changes in the relationship between consuming nations and raw material suppliers. The real benefits of many well-publicized codes has gone to the companies who were embarrassed into drafting them, not the people they were designed to help.

Take Starbucks, the boutique Seattle-based coffee retailer, as an example. To earn enough to afford a pound of its coffee, a Guatemalan worker would have to pick 500 pounds of beans, about five days work. As you choke on your scone, this story has a twist: in a glittering ceremony at The Waldorf in early June, Starbucks was awarded the International Human Rights Award by the Council on Economic Priorities, a consumer organization, at its annual "Corporate Conscience" awards.

So how does a company under attack by activist labor, environmental and church groups for exploiting cheap, foreign labor become the belle of the "socially responsible" ball? The answer provides insights into the fashionable ethics-in-business movement in which "good intentions" has become the new standard of corporate ethics. Today, everyone from Monsanto to Ben & Jerry's brags about environmental commitment, investors pour billions into "socially responsible" mutual funds, and

cause-related marketing has become Madison Avenue's hottest hot-button. But as Gertrude Stein might say, is there a there there?

While some of yesterday's most vilified firms have quietly moved to the forefront of corporate responsibility with aggressive affirmative hiring and daycare benefits, or through industry-wide environmental initiatives such as the Chemical Manufacturer Association's Responsible Care program, highly-praised New Age firms that sell commodity products at premium prices have been found lacking in critical areas of accountability and honesty of marketing. Moreover, it is unheralded mainstream companies, balancing demands from employees, investors, vendors and penny-pinching consumers, that turn out essential products at competitive prices. But let's return to Starbucks for a moment. During 1994, it suffered embarrassing grassroots protests because it sources beans from export houses that pay Guatemalan workers below a living daily wage, about \$2.50 a day. Starbucks is no worse than the average wholesaler, but it has a better-than-average reputation as a new breed, values-driven corporation. So when protesters leafleted Starbucks stores, and targeted its annual meeting, a peace plan was offered. In February 1995, Starbucks became the first company in the agricultural commodities sector to announce a "framework" for a code-of-conduct.

Starbucks has contributed to CARE for four years, donating \$275,000 of its \$42 million profit in 1995. And senior vice president David Olsen rightly emphasizes that Starbucks is one of dozens of buyers, layers removed from the pickers. There are more than 30,000 farms in Guatemala, one of 20 coffee-supplying countries. Starbucks was targeted not because it could change the labor status quo -- it is a bit player in the coffee business -- but because of its high public profile. The increasingly visible protests left Starbucks with little choice to pass its code, and it costs them little. "We were 'prodded' into it", says Olsen diplomatically.

But according to CEP's Executive Director Alice Tepper Marlin, the mission statement alone was enough to earn Starbucks its honor. How has it enforced its code? "We've done nothing yet," acknowledges Olsen. "It's a slow incremental process." Very incremental. Starbucks' promised review of plantation conditions is being carried out by the Guatemalan coffee growers association, the very organization accused of perpetrating the low-wages. First condemned for labor practices it could not hope to change, Starbucks is now praised for actions it has not yet taken. What can Starbucks accomplish with its code, putting aside its obvious goal of quieting protests? "Codes are a start," says Eric Hahn of the US/Guatemala Labor Education Project. "But only if its part of a bigger strategy of industry monitoring which is one of the few tools available in an international, de-regulated economy. Otherwise it's just a balm to consumers." This is not to suggest that codes are entirely meaningless. But as the well-meaning Kathie Lee Gifford has learned, promises focus attention but solutions depend upon accountability. Considering the labyrinthine politics in impoverished coffee countries, Starbucks has no practical ability to oversee conditions, and it says it cannot risk punishing violators.

Celebrating "good intentions" in the absence of accountability goes to the heart of the corporate ethics conundrum. Yet, CEP and other organizations in the corporate black hat/white hat business invariably iconize coffee, clothes, shampoo and sneaker retailers armed with impressive mission statements. One need only read the inspiring codes of fallen angels Dow Corning, Sumitomo Corp., The Body Shop, Ben & Jerry's, Daiwa Bank and Barings PLC to realize that "good intentions" does not always extend to customers, employees, or trading partners. "Researchers have found no correlation between company ethics codes and ethical practices," says Kirk Hanson, a Stanford senior lecturer who has written on corporate responsibility.

The Gap, Levi Strauss, Nike, K-Mart and J.C. Penney, which all have admirable ethics codes, have sourced from foreign sweatshops. Or consider Reebok which gives out an annual Human Rights Award but sprints from one low wage country to the next, paying its Indonesian workers twenty-three cents an hour. We don't "impose US culture on other countries," says CEO Paul Fireman, "sort of a 'when in Rome, do as the Romans' philosophy." Of the high-profile retailers, Levi Strauss has distinguished itself for at least devoting considerable resources to identifying which shops supply its suppliers, and bringing direct pressure to establish minimum wage standards and working conditions.

But most baby boom businesses seem to want it both ways: praise and profits for promoting human rights and protection from criticism for not being in a position to practice it. Should we expect Reebok and the like to act any different than their politically-correct customers who have long since traded in Beetles for BMWs and Broncos? For many aging boomers, eating rainforest ice cream made from natural, not-tested-on-animals ingredients constitutes an ethical stand.

When asked why Starbucks was honored, CEP's Marlin says "we want to reward positive role models." Dare one suggest that CEP should have waited until Starbucks did more than pass a "framework for a code of conduct," as admirably symbolic as it may be? According to Starbucks, its code has had no effect on the way its does business in Guatemala or dozens of other countries.

When comparing Starbucks' code with the rubber-meets-the road environmental and social reforms at many less high-profile companies, one has to wonder why it racks up so many "good business" honors. Many coffee business executives will tell you that despite its good-guy image, Starbucks has more than earned a not-so-socially responsible reputation for targeting mom-and-pop coffee shops in its break-neck expansion effort. A more basic question is why do so many "socially responsible" awards go to companies that sell commodity goods to affluent consumers at eye-popping prices Starbucks for example, at which mark-ups exceed 1,000%?

Socially responsible business is not about a company's intentions. By that measure, Exxon is an ethical beacon for it had in place an oil spill crisis management plan for Valdez. Ethics are a measure of character. Human error led to the Valdez spill; the character issue arose in Exxon's bumbling, and chillingly arrogant, initial response. In that sense, Exxon is little different from icons of green business, Ben & Jerry's and The Body Shop. When it was revealed that Ben & Jerry's had sourced almost all of the Brazil nuts for its flagship Rainforest Crunch ice cream from Latin America's most exploitative agri-businesses, it excused itself on the grounds that it meant well, and kept its image machine in full-gear. The Body Shop regularly threatens journalists and has hired private eyes to stalk editors to try to suppress the story of how it stole its name, product ideas, store and bottle design from another company, and then exaggerated its image as a "caring" company with "natural," high-quality products.

Rewarding noble posturing obscures meaningful progress by "messier" companies that may not share the baby boomers fascination with turning ethics into a form of performance art. Despite regular appearances on "dishonorable" lists, controversial multinationals such as General Motors, Dupont or Gillette offer fair wages and benefits, actively engage their community responsibilities, give many millions of dollars to charity, and sell quality, competitively-priced products and services. In the past few years, the number of US companies filing independent environmental reviews has exploded from less than a dozen to more than 300. Many companies with problematic environmental histories have made considerable changes in the way they do business. Reforms can reduce litigation expenses, lighten regulatory pressures, improve company morale, and frequently can result in considerable savings in their own right. Selling necessary products with an eye to a broader definition of stakeholder responsibilities is not politically sexy, but it can promote positive social change.

It's a dangerous trend that companies promote Thoreau-like mission statements without organizational commitments to implement those ideals. Awarding "A"s for visionary rhetoric shifts focus away from corporate behavior to the never-never-land of good intentions. Codes of conduct are worth less than the paper they are printed on; their efficacy depends exclusively on the character of the companies that draft them. "So many so-called progressive companies have noble corporate philosophies," says Jon Lickerman, director of research at the Calvert Group, which oversees socially responsible investment funds, "but mistreat their own employees, vendors, and customers."

That CEP and other "green" consumer groups believe their judgments about who are the "good guys" and the "evil" corporations promotes corporate ethics doesn't obviate their responsibility for caricaturing complex problems and profiting handsomely from the debate. The Body Shop, Ben &

Jerry's and other self-promoters prospered because journalists, like academics, have wanted to believe. Body Shop estimated a few years ago that it was averaging 10,000 positive mentions a year with almost no criticism, until its myth collapsed like a punctured balloon. That hardly supports Malan's contention that "good guys" are easy targets. Journalists, and the public at large, love to create heroes and unmask hypocrites. With many New Age business icons, we've hit the Daily Double.

Character demonstrated by actions, not by the phantom of good intentions, is the only reliable measure of corporate ethics. Even a hundred years ago, Mark Twain understood. "The secret of success is honesty and fair dealing" said Twain. "If you can fake these, you've got it made." In our image-dominated society, maybe perceptions are enough.