

# Does corporate citizenship make business sense?

A company's reputation as a corporate citizen will increasingly determine whether customers choose to do business with it or not, says **Uwe Dörken**

**T**he logistics and transportation sector plays a fundamental role in economic development and as the enabler of global commerce. However, social and environmental topics such as climate change, oil tanker spills, airport noise and urban congestion are issues that we should be willing to discuss with those affected or with those who represent public interest concerns.

While we need to address the challenge of managing these impacts responsibly and in accordance with best practice, corporate citizenship requires more than this. It is about how we behave in society in a proactive way.

It is not only about putting policies in place to avoid "harming" the environment; it is also about working in ways that bring positive benefits to society – and business is included here. It is about working together with internal and external stakeholders to create "win-win" outcomes, accepting that these are not automatic but are developed as a result of partnership.

As well as providing benefits to society, corporate citizenship can generate business advantages for companies as well. These include:

» Being a "positive force" through contributing to broader social development goals beyond economic wealth generation. This has the potential to contribute to development in the countries where we work. For example, through capacity-building initiatives that help to increase the skills of managers or educators, or through supporting community projects such as new libraries.

» Dialogue with stakeholders helps companies to revisit their policies and activities, which may enable them to identify areas of risk that they might otherwise not have recognized. They will therefore be able to anticipate and

manage risks, and take action to avoid potential damage, thus enhancing their reputation and reducing the need for costly after-event crisis management.

» Increasingly, the decisions of business partners and customers regarding the selection of suppliers are influenced by the suppliers' ability to demonstrate commitment to corporate citizenship. The implementation of corporate social responsibility (CSR) policies and programmes provide evidence of this.

» Companies that are good corporate citizens will become "employers of choice". People want to work for a company that has a good reputation and meets high standards.

» Working together within a company to develop viewpoints and approaches to corporate citizenship, and developing policies and activities through consultation, provides companies with a framework within which they can begin their dialogue with external stakeholders, including government and NGOs.

The pioneering spirit of DHL since its foundation in 1969 influences our view of our company as a global corporate citizen. We are proud

of the work we have done in developing countries, as well as the progress we have made in limiting the effect we have on the environments in which we operate. But we recognize that we need a more formal, structured approach. This approach is based on the premise that corporate citizenship, for us, will always be work in progress – we are learning as we strive to meet the challenges of an evolving agenda.

## Local priorities, global solutions

The diverse markets and cultures in which we operate generate a wide range of challenges. Different issues command different levels of priority in different countries. Some of these concerns are fuel emissions, night-time noise from aircraft, security and tracking, packaging, community development projects and the delivery of humanitarian assistance.

A priority topic in western Europe, for example, might not be a priority in a developing African country.

Our definition of corporate citizenship and why it is important to DHL is drawn from the World Economic Forum (WEF). Its 2002 document *Global Corporate Citizenship, The Leadership Challenge for CEOs and Boards* states: "...Corporate Citizenship is about the contribution that a company makes to society through its core business activities, its social investment and its philanthropy programmes, and its engagement in public policy..."

DHL's rapid growth was achieved by encouraging local decision-making, bringing with it benefits in corporate citizenship terms – for example, the local sourcing of services and the employment and training of local managers. However, local decision-making leads to local solutions, and this in turn can lead to duplication and inconsistency in some areas. As a result, we have a challenge to maintain local flexibility while introducing efficiency meas-

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ures such as centralized procurement and standardized, global IT services.

DHL's approach to corporate citizenship is consequently a reflection of its close relationship with the local communities in which it operates. When disaster strikes – whether earthquakes, floods or conflict – we have always done all we can to help those affected and the humanitarian agencies that support them. We have done this as an extension of the transportation and logistics activities that are core to our business. In our view, this is not philanthropy, it is corporate citizenship.

The imperative of corporate citizenship also flows from working in countries where democracy is weak. We operate in 41 of the 42 countries categorized as “high risk” by the US State Department. This means that we have a special responsibility to ensure that our activities are consistent with best business practice when working in countries with poor human rights records. Our commitment to corporate citizenship is also demonstrated by our being a signatory of the UN Global Compact's Nine Principles on human rights, labour standards and environmental protection.

This gives us further impetus to put systems in place to support our words with action and to ensure our business activities are monitored, so that they can never be misinterpreted as complicity in human rights violations. The CSR management system we are developing will introduce a range of performance monitoring tools to enable us to measure and report on the results of our commitment to corporate citizenship, in collaboration with our stakeholders.

Corporate citizenship poses a challenge in terms of balancing responsiveness with responsibility. We have a history of being first into a country, last out when there is trouble, and first back in again when the situation improves. A case in point is Afghanistan, where we reopened

our offices in April 2002. Our presence enables us to deliver humanitarian assistance, as well as help in the re-establishment of the infrastructure needed to support the renewed operation of both business and government.

Working in such countries brings with it a special set of responsibilities. Corporate citizens are expected to play a positive role in the protection of human rights and to be ethical in their business transactions, in line with new codes of conduct such as the OECD Guidelines for Multinational Enterprises (2000) and the UN Human Rights Principles and Responsibilities for Transnational Corporations and Other Business Enterprises (2002).

Another challenge of the evolving corporate citizenship agenda is how to position corporate philanthropy and become more strategic in community development work, so that both contribute to social development.


At DHL there are two criteria that we will increasingly employ in the development and evaluation of our community investment efforts, in order to align them with our corporate social responsibility strategy and core business purpose. First, the work we support should be an extension of the business that we do – transportation and logistics (such as humanitarian assistance).

Second, we should aim to contribute to capacity building (in skills, education, health and well-being) of future generations. Increasingly we will work towards developing the portfolio of projects and events we sponsor with these objectives.

Some commentators on globalization have remarked that governments are finding it more challenging to deliver social development. This is especially the case in developing countries, where there is a growing demand for companies to expand the bounds of their responsibility.

Corporate social responsibility is not a substitute for the rightful role of democratic governments to set up regulatory frameworks and social welfare programmes for the benefit of society. It can be argued, though, that in developing countries particularly there is a need for business to be aware of some of the broader implications of an investment decision, and to address these responsibly at the local and global levels through partnerships, responsible business practice and constructive engagement.

The jurisdiction of states is limited to national boundaries and international law is not binding on business. As long as this is the case, large multinational companies must respect voluntary codes of conduct that give a practical interpretation of international law for business.

Our reputation as a responsible corporate citizen, as well as the competitiveness of our services, will increasingly be the basis upon which our customers decide whether or not to do business with us. 



#### CV UWE DÖRKEN

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## WHAT THE FORUM IS DOING ABOUT IT

### CEOs AND GLOBAL CORPORATE CITIZENSHIP

*Corporate citizenship can be defined as the contribution that a company makes in society through its core business activities, its social investment and philanthropy programmes, and its engagement in public policy. It is determined by the manner in which a company manages its economic, social and environmental impacts and its relationships with different*

*stakeholders, in particular shareholders, employees, customers, business partners, governments and communities.*

A project of the World Economic Forum, the Global Corporate Citizenship Initiative (GCCII) is working to increase business engagement in corporate citizenship as an element of business strategy. The initiative concentrates on defining and facilitating the leadership role of CEOs and boards, integrating into business practice policies that respond to the evolving expectations of society about the responsibilities of companies in a global economy. More than 40 companies are engaged in the initiative, representing different industry sectors, from 18 countries.

At the forum's Annual Meeting 2002, the initiative launched a joint CEO statement: Global Corporate Citizenship: The Leadership Challenge for CEOs and Boards.

Signed by more than 40 business executives, the statement recommends a framework for action that business executives can use to develop a strategy for managing their company's impact on society and its relationships with stakeholders.

In preparation for the World Economic Forum's Annual Meeting 2003, the initiative has conducted a CEO survey, asking the original signatories of the CEO statement to share facts and experience on some key corporate citizenship issues facing their company and industry sector.

With a response rate of 80%, the survey explores issues such as: the role of the CEO in providing leadership on corporate citizenship issues within the company and externally; what communication, training and incentive structures companies have in place to advance the corporate citizenship agenda through their management teams and in their business networks; a ranking

of what the CEOs consider the key drivers of corporate citizenship and key stakeholder groups.

The results of the survey will be published in a report to be launched at the World Economic Forum's Annual Meeting 2003. Although the report represents a relatively small and self-selected sample of CEOs, they offer insights from 14 countries and 14 industry sectors, and from publicly owned, state-owned and privately owned companies. These messages are relevant to all business leaders with an interest in addressing the increasingly interlinked challenges of good corporate citizenship, governance, and competitiveness in the global economy.

To see the report or for more information on the corporate citizenship initiative, please visit our web-page [www.weforum.org/corporatecitizenship](http://www.weforum.org/corporatecitizenship) or contact us at [corporate.citizenship@weforum.org](mailto:corporate.citizenship@weforum.org)