Global Business Citizenship and Voluntary Codes of Ethical Conduct

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ABSTRACT. This article describes the theory and process of global business citizenship (GBC) and applies it in an analysis of characteristics of company codes of business conduct. GBC is distinguished from a commonly used term, "corporate citizenship," which often denotes corporate community involvement and philanthropy. The GBC process requires (1) a set of fundamental values embedded in the corporate code of conduct and in corporate policies that reflect universal ethical standards; (2) implementation throughout the organization with thoughtful awareness of where the code and policies fit well and where they might not fit with stakeholder expectations; (3) analysis and experimentation to deal with problem cases; and (4) systematic learning processes to communicate the results of implementation and experiments internally and externally. We then identify and illustrate the three attributes of a code of conduct that would reflect a GBC approach. The three attributes are orientation, implementation, and accountability. The various components of these attributes are specified and illustrated, using website examples from six global petroleum companies.

KEY WORDS: Business citizenship, business ethics, codes of conduct, corporate citizenship, ethics codes, international business, petroleum industry, social responsibility

Executives face enormous challenges today because the demands and expectations of corporate stakeholders are increasing while the range of discretion to achieve many objectives is narrowing. Shareholders want better performance, employees want more job security and compensation, customers expect higher quality products, communities vie for greater economic development, and this just indicates what traditional stakeholders expect of corporate leadership. Other stakeholders are asking for greater support of human rights, a higher concern for the natural environment, more genuine stakeholder dialogue, and more information about the decisions and impacts of organizations. At the same time, technological innovation has increased global competition and scrutiny of business behavior.

Global business citizenship (GBC) is offered to executives and to stakeholders as a theoretical prescription to deal with these challenges more effectively. GBC in its simplest form has four steps, which are described below. Voluntary codes of conduct are the primary focus in the first step of the GBC process and are essential to the remaining three steps. This article explains GBC as the 21st-century evolution of corporate social responsibility (CSR) and then focuses on the attributes of voluntary codes of conduct that reflect a GBC perspective.
The language with which firms communicate with their employees and other stakeholders indicates not only information about the content of code specifications, such as whether the company has a policy on bribery, but also reveals much about the company’s values and the degree of concern it has about its ethical and citizenship responsibilities. We identify three attributes – orientation, implementation, and accountability – by which code language can be evaluated and provide a number of examples of language that reflect GBC and several examples that do not. The paper concludes with directions for future research on measuring the language and content of codes.

Challenges for today’s executives

Business executives today often perceive the environment as hostile and dangerous. Traditional expectations for corporate behavior remain strong. Executives are expected to increase shareholder value, provide “smooth” earnings growth, and attain ever-higher levels of innovation to forestall competitive attacks to their lucrative markets. In today’s business environment, it is difficult to maintain a competitive advantage for very long. As transactions costs shrink because of technological advances, barriers to entry in many industries have become weaker. Thus, competitors can copy one’s product or service very quickly and more cheaply, turning brands into commodities and making life ever more difficult, even for market leaders.

In addition, globalization has meant rising and expanding expectations placed on companies by their many stakeholders. The stakeholder set keeps growing too, as more groups are better able to make their demands known and to raise support from NGOs, customers, and investors. For example, small coffee growers in Guatemala can use Oxfam and the Internet to let customers know how they suffer from price squeezes instituted by mega-buyers, and pressure can then be put on coffee distributors to attend to the fairness of their purchasing practices (see the Oxfam website at www.maketradefair.com).

Internal corporate practices that used to be in the exclusive purview of top managers have been opened to outside scrutiny as stakeholders demand to know more about what companies are doing. Scrutiny has been amplified much more with the recent financial scandals of a number of large companies. CEOs and other top officials who became accustomed to being lionized in the press in the 1990s have now found themselves vilified for illegal and unethical actions and for the salaries, stock incentives, perks, and other benefits considered to be excessive. Government regulation of business, which had been waning in the U.S. since the so-called “Reagan revolution,” increased very significantly in 2002, when Congress passed the Sarbanes-Oxley Act.

Labor conditions and human rights, along with environmental practices, have assumed a place of prominence for global stakeholders. These two areas of concern contain a vast number of specific issues on which little or confusing guidance is available to multinational enterprises. Even more powerful is the mounting pressure for global social justice in trade practices, compounded by severe concerns about job loss and downward income pressures in developed countries.

GBC: a solution?

These pressures can be seen as threats and responded to with fear and aggression, or they can be seen as challenges to be juggled and balanced, or they can be seen as potential opportunities for new behaviors to be rewarded. Global business citizenship (GBC), at a minimum, will help executives transform threats into challenges. Even better, GBC can illuminate the many opportunities for responsible, ethical business practices to guide and ultimately define the course of beneficial and fair globalization for all the world’s peoples.

We define a global business citizen as follows (Wood and Logsdon, 2002b, p. 82):

A global business citizen is a multinational enterprise that responsibly implements its duties to individuals and to societies within and across national and cultural borders.

Global business citizenship requires a set of policies and practices that allow a business organization:

- to abide by a limited number of universal ethical standards,