Citizens of the World?
The Uneven Development of Corporate Social Responsibilities

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Comments and suggestions welcome.

Competing Stories

I want to start off by talking about storytelling. The world of corporate social responsibility (CSR) abounds with stories. Hartwick (1998) has argued that contemporary commodity-making involves “geographical disguise,” “hiding, through image-making and myth, the conditions prevailing along the interlinked spatial lines of connection of commodity chains, especially conditions of production” (Hartwick 1998: 427). The stories behind the products we buy, the ecosystems that provide the resources, the labor that puts them together, and the complex transportation and distribution networks that bring them to stores near us, are concealed.

Activists have tried to overcome this disconnect by telling stories in front of retail outlets, at corporate headquarters, and at annual meetings. As Naomi Klein writes, consumers are increasingly being “introduced to the laborers behind their toys and clothing, [and] … the people who [grow] their coffee at the local Starbucks” (2000: 30). At a protest outside a Taco Bell in Denver, Colorado, farmworker “Matthew Beaucicot, a 47-year-old immigrant from Haiti, said he gets up at about 5 a.m. to fill a 32-pound bucket of tomatoes for 40 cents a bucket. The burn marks on his hands are a result of exposure to pesticides, he said” (The Denver Post, March 7, 2002). The Coalition for Immokalee Workers (CIW) has been organizing protests at Taco Bell restaurants across the country since 2001 as part of their “Truth Tour” to highlight tomato pickers’ working conditions in Immokalee, Florida. In 2003 members of the CIW took their protests to Taco Bell headquarters in Irvine, California where they staged a 10-day hunger strike to protest working conditions of Taco Bell’s tomato suppliers (The Guardian, March 17, 2003). A farmworker involved in some of the demonstrations noted, "[w]e want [consumers] to know we are the people who bring food to their table" (St. Petersburg Times, February 19, 2001). Similarily, activists concerned about the connections between diamond mines and human rights violations in Sierra Leone and Angola have set up shop outside Cartier and Tiffany’s stores on Fifth Avenue (New York) and other affluent addresses. In 2000 activists from Amnesty International and Physicians for Human Rights “gathered outside of Tiffany's jewelry store in Chevy Chase, Maryland, a prosperous suburb of Washington, D.C. … to protest the trade in ‘conflict diamonds’ – diamonds mined in Sierra Leone and Angola whose sales have enriched violent and cruel rebel forces. Carrying large signs with messages like ‘Diamonds Cost an Arm and A Leg,’ (a reference to the Sierra Leone rebel force's appalling practice of severing the limbs of men, women, and children), the demonstrators lined both sides of Wisconsin Avenue in front of Tiffany's.”[1]

Activists do not have a monopoly on storytelling, however. Corporations are increasingly producing their own stories, not of corporate crimes, but of corporate good deeds. Pfizer’s corporate citizenship brochure showcases comforting pictures of children and families next to descriptions of their efforts to provide affordable drugs to those in need through donations of “medicine to more than 110,000 people living with HIV/AIDS

[1] Information from Physicians for Human Rights website:
<http://www.phrusa.org/students/newsletter121100.html> Last accessed October 29, 2004.

in more than 1000 sites in 24 countries."[2] Shell's website describes how they are winning back trust at sites such as "SAPREF, Southern Africa's largest crude oil refinery" by reducing emissions and "increasing local community dialogue and involvement."[3] Moreover, their ads in *Fortune* magazine proudly proclaim their "commitment to contribute to sustainable development, balancing economic progress with environmental care and social responsibility."[4] Consumer brands such as Starbucks are also eager to highlight their progressive interventions in the supply chain. Their most recent corporate social responsibility (CSR) report, entitled "Striking a Balance," describes the evolution of their Coffee and Farmer Equity (C.A.F.E.) practices and includes many photographs of coffee farmers in dialogue with Starbucks representatives and partner groups. It also showcases the story of Ervin Pohlenz Cordova, a coffee farmer in Chiapas, Mexico who "wasn't earning enough for his crops to cover the farm's expenses." According to the story, Cordova was able to evade bankruptcy by investing in quality improvements and sustainable farming practices, and partnering with Starbucks to produce high-quality coffee and reap premium prices.[5]

In contrast to the activist stories of ruthless exploitation and complicity in state violence, corporate CSR reports portray multinational corporations as catalysts for sustainable development and community partnerships. How are we to reconcile these stories, then? Is it simply a case of bad corporations versus good corporations, of greed versus enlightenment? Unfortunately it is not that simple. Indeed, many of the corporations that have begun publicizing their CSR or corporate citizenship efforts are the same ones that continue to come under heavy criticism. Starbucks highlighted the problem of competing images in its CSR report with a quote from a coffee roaster in Montana: "Is Starbucks responsible? I don't know."[6] The problem is that there is an uneven development of corporate social responsibilities. This uneven development means that there is plenty of fodder for competing stories of any single corporation's social or environmental performance. In other words, environmental protection or community partnerships in one area do not preclude controversy or devastation elsewhere, and vice versa.

Just a Matter of Time?

The goal of this paper is to explore the causes of this uneven development of corporate social responsibilities. It would be unfair to expect corporations to revolutionize their production systems and community involvement patterns overnight, therefore we might explain this uneven development as the result of on-going capacity-building and diffusion of technologies and best practices. Indeed, many corporations portray their CSR initiatives as an ongoing journey. Starbucks argues: "While we are

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[2] Availble online at: http://www.pfizer.com/subsites/corporate_citizenship/Pfizer_CorpCit.pdf
[3] Available online at: http://www.shell.com/home/Framework?siteId=royal-en&FC2=/royal-en/html/iwgen/environment_and_society/case_studies/zzz_lhn.html&FC3=/royal-en/html/iwgen/environment_and_society/case_studies/trust_sapref.html
[4] Shell ad in Fortune magazine October 6, 2003.
[5] Available online at: http://www.starbucks.com/aboutus/CSR2004fullbook.pdf
[6] Page 2 of Starbucks' 2004 CSR report.

proud of our accomplishments, we recognize our challenges. Our effort to revolutionize the coffee industry through C.A.F.E. Practices will not happen overnight and will remain an ongoing journey."[7] Similarly, one of BP's ad campaigns paired a series a statements about its efforts to move "Beyond Petroleum" with the proclamation: "It's a start" (*The New York Times* December 8, 2002). However, I am going to argue that, contrary to the "just a matter of time" hypothesis, the CSR initiatives of U.S. multinationals in particular, are guided by a regime of risk reduction that necessarily results in systemic uneven development.

This argument is based on research on the informal regulation of multinational corporations. Specifically, I studied corporate campaigns targeted at publicly-traded, U.S.-based multinationals.[8] Corporate campaigns target individual transnational corporations on social and environmental issues such as climate change, ecosystem protection, labor rights, and community compensation. These campaigns are generally organized by transnational coalitions of shareholders, consumers, unions, NGOs, and local communities, and they employ a wide range of tactics, from shareholder resolutions to negotiations with corporate managers and demonstrations outside of retail outlets and corporate headquarters. I believe that corporate campaigns provide an important insight into corporate social responsibility because they generally encompass stakeholder demands that remain unaddressed by state regulation or by voluntary initiatives. In other words, they are a form of informal regulation that attempts to fill regulatory or philanthropic gaps. The goal of my research is to identify broad trends in corporate responsiveness to corporate campaign demands rather than focusing on the specificities of a particular case study. My findings suggest that successful campaigns require reputational risk and access to dialogue with the targeted corporation. I am going to argue that the nature of both of these elements, reputational risk and access to dialogue, have significant consequences for the uneven development of corporate social responsibilities.

Uneven Outcomes

As discussed above, there are a myriad of case studies and stories that testify to corporate abuses on the one hand, and significant improvements in corporate responsibility on the other. In order to get a better sense of the broad trends in corporate responsiveness to specific campaign demands, however, I developed a database of 179 corporate campaigns[9] and found that 74% of the campaigns were successful in realizing at least one of their campaign demands. Table 1.0 (below) displays the success rate by general campaign issue, showing that campaigns for labor rights were the most

[7] Page 3 of Starbucks' 2004 CSR report. C.A.F.E. Practices stands for Coffee and Farmer Equity Practices, a set of practices developed in conjunction with Conservation International (CI).
[8] This research was undertaken over the past year and a half and consisted of a mixture of quantitative and qualitative methods. I participated in industry and NGO workshops and conferences on corporate responsibility, conducted interviews with 41 campaign proponents (including socially-responsible investors, non-governmental organizations, and community groups) and corporate executives, and collected and analyzed data on 179 corporate campaigns.
[9] I included all campaigns that I could find that were targeted at publicly-traded, U.S.-based multinationals.

successful, followed by environmental campaigns, then consumer protection campaigns, and finally community welfare campaigns. Moreover, Table 2.0 (below) shows that campaigns focused on global issues (such as climate change or sexual orientation discrimination in the workplace) were the most likely to be successful, while campaigns focused on specific locations within the developed world (or global north) were more likely to be successful than those focused on the developing world (or global south). Finally, and perhaps most significantly, 81% of the 72 successful campaigns that petitioned for changes in more than one location saw an uneven implementation of corporate changes. In other words, changes were implemented in some locations and not others.

Table 1.0 – Campaign Success Rate by General Issue

General Issue	Success Rate	Number of Campaigns
Community Welfare	63%	19
Consumer Protection	70%	23
Environment	72%	78
Labor	82%	59

Table 2.0 – Campaign Success Rate by General Location of Concern

Location of Concern	Success Rate	Number of Campaigns
Developing	65%	55
Developed	75%	28
Global	78%	96

These statistics imply that that corporate responsiveness to campaign demands comprises several forms of uneven development. First, there is a basic uneveness among corporations in their willingness to engage stakeholders and respond to campaign demands.[10] Second, there is uneveness in response rates to different types of campaign issues, as illustrated in Table 1.0 above. Third, developed world demands have at least a slight advantage over developing world demands, as depicted in Table 2.0. Finally, no matter where the broad location of concern, implementation of corporate changes is likely to be uneven across specific locations of production.

Driving Change

Now that we have established the uneven development of corporate responsibilities, it is important to understand the drivers behind corporate responsiveness to campaign demands. I decided to test the explanatory weight of different factors using discriminant analysis on my database of corporate campaigns. Table 3.0 (below) shows

[10] My data shows that there are differences in responsiveness even within particular industries and campaign issues.

the variables that I incorporated into the analysis.[11] I tried to incorporate corporate characteristics, campaign characteristics and contextual factors that are cited in the literature as significant determinants of corporate responsiveness. I was limited, however, to the information that I was able to collect within the timeframe of this research, therefore there are certainly other indicators and variables that would be useful for further research.

Table 3.0 – Variables Used in the Analysis of Factors Driving Corporate Change

Variable	Definition
Campaign Length	Number of years the campaign lasted
Impending Regulations	Are there any impending regulations, either in the U.S. or other other jurisdictions (i.e. EU, multilateral) around the issue in question?
Competitor Changes	Have competitors made the changes requested by the campaign?
Consumer Brand	Does the targeted corporation sell goods or services directly to consumers?
CEO Change	Did the targeted corporation change CEOs over the course of the campaign?
Number of Employees	Number of employees working directly for the corporation
Vertical Integration	Are the corporation's operations (related to the campaign issue) vertically integrated?
Stakeholder Type: (a) Shareholders (b) Large NGO (c) Local Organization (d) Union (e) Consultants (f) Religious Group	Did the campaign include representatives from these stakeholder groups?
Stakeholder Diversity	Number of stakeholder types (as identified above) involved in the campaign
Campaign Strategies: (a) Dialogue (b) Shareholder (c) Resolutions (d) Lawsuit (e) Protests (f) Consumer Action (g) Regulatory Enforcement	Did the campaign use these campaign strategies?
Campaign Issue: (a) Environment (b) Labor (c) Community (d) Consumer	Did the campaign center around this issue?

[11] Additional variables were included in the campaign database but I was unable to find data for all of the campaigns therefore they were excluded from the statistical analysis.

Variable	Definition
Competing Issues	Number of other social and environmental shareholder resolutions proposed during the campaign period
Location of Concern: (a) Developing Countries (b) Developed Countries (c) Global	Was the corporation primarily focused on an issue in this region?

My unit of analysis for the statistical analysis is the corporate campaign. I compiled data on 179 stakeholder campaigns, and each of these campaigns represents a single case in the database. The dependent variable for the analysis is campaign success. Most of the campaigns consist of more than one desired change, but I coded the campaign as successful if at least one of their key demands was realized. It is important to note, however, that this measure of success is different from simple corporate responsiveness to the campaign. Many stakeholders and analysts have argued that corporations often engage in greenwashing or counter-attacks to minimize the potential reputational damage of a stakeholder campaign. Such defensive reactions are not coded as a campaign success for the purposes of this analysis. The signficance of this differentiation is that the purpose of this research is to identify what factors determine the incorporation of stakeholder concerns and interests into corporate practice, rather than what factors trigger any corporate response, be it defensive or in the actual stakeholders' interests.

The statistical analysis returned a discriminant function comprised of the Consumer Brand and Dialogue variables. Both of the variables are positively correlated with the function, meaning that the presence of a consumer brand and a dialogue between corporate executives and campaign proponents each contribute positively to campaign success. I have labelled this discriminant function the Risk and Access function because consumer brands are generally perceived to be more vulnerable to reputational risk than corporations that do not sell directly to consumers. Therefore, the function suggest that reputational risk and access to dialogue with corporate managers are the foundations of campaign success. It should be noted that this function provides only a preliminary and necessarily weak model for discriminating between successful and unsuccessful campaigns, as the data collected clearly does not cover all of the variables that affect each campaign.[12] Moreover, since each campaign issue exists within a different universe of impending regulations, industry initiatives, public opinion and other infuential factors it is exceedingly difficult to develop a universal explanatory model. That said, the signficance of these two factors (risk and access) across a broad range of campaign issues was reinforced by the responses from the corporate campaigners and corporate executives that I interviewed.[13] In the rest of this paper I am going to show how the processes of creating and assessing reputational risk and gaining access to dialogue with corporate

[12] The full details of the statistical analysis and results are available upon request.
[13] The statistical analysis was completed after I conducted the interviews therefore the interview questionning was not biased towards these two factors specifically.

managers help explain the uneven development of corporate responses to stakeholder demands across different locations and issues.

Risky Business

The corporate campaign is based on an "understanding [of] the corporation as a social institution, and a potentially vulnerable one at that" (Manheim 2001: ix). Reputational risk is the cornerstone of this corporate vulnerability, and the foundation for most corporate campaign strategies. One of the shareholder activists I interviewed argued:

> the only way we're gonna get a good vote is to present the case such that institutional shareholders will realize that it's an issue, and this phrase has been very popular in the past four years: reputational risk. It's really just been a relatively recent phenomenon. A lot of times the resolutions early on made more of an ethical or moral judgment but the only way we're gonna a lot of the institutional investors to vote in our favor is if they see this really could have an impact on shareholder value, and how.[14]

Damage to brand image and brand value is often invoked as a potential consequence of reputational attacks, prompting the editors at *The Economist* to suggest "Far from being evil, brands are an effective weapon for holding even the largest global corporations to account" (*The Economist* 2001b: 28). Increased global competition has led corporations (especially large, multinational corporations) to focus on brand image as much as price or product quality for competitive advantage (Connor 2002, Manheim 2001, Klein 2000, Pinfield and Berner 1992). Indeed, in 1992 Nike CEO Phillip Knight explained that after years as a "production-oriented company" focused on "designing and manufacturing the product," they now understood that "the most important thing [they] do is market the product" (as cited in Connor 2002 and Klein 2001). Nike's spending patterns reinforce this new orientation with advertising expenditures increasing tenfold in ten years, from 50 million dollars in 1987 to 500 million in 1997 (Connor 2002, Klein 2001). Klein also notes that "Philip Morris purchased Kraft for $12.6 billion – six times what the company was worth on paper. The price difference, apparently, was the cost of the word 'Kraft'" (2000: 1-2). When your brand is worth many multiples of your physical assets, brand assaults may become a significant vulnerability. Corporate viability, therefore, is increasingly tied to reputational capital, to public trust and confidence (Haufler 2001, Manheim 2001, Harrison and Freeman 1999). Moreover, advances in global communications and transportation technologies and increased media coverage of corporate activities (especially the big brands) provide the foundation for corporate

[14] This quote refers shareholder resolution votes at annual general meetings. Any shareholder owning over $2000 of stock for a period of one year has the right to introduce a shareholder resolution for vote at the annual general meeting, and resolutions on social and environmental issues are becoming an increasingly popular campaign tactic. Institutional shareholders include public and private pension funds, mutual funds, etc.

campaigns' ability to uncover and draw attention to discrepancies between corporations' operations and social expectations.

Clark and Hebb propose a theoretical model of how market pressure might drive CSR initiatives based on corporate managers' sensitivity to the corporation's price/earnings (p/e) ratio.[15] To summarize, they suggest that substandard social and environmental performance sends reputational signals into the marketplace that are translated into reduced earnings which then negatively impact the corporation's price/earning ratio, signalling to investors to drop the stock and to corporate managers to take corrective action.[16] Furthermore, they argue that large institutional investors, and presumably other stakeholders, can persuade corporate managers to take pre-emptive action on various social and environmental issues in order to reduce the risk of future reputational and earnings losses. While they present a valuable explanation for successful stakeholder advocacy efforts, Clark and Hebb's model does not explain the inaction of other firms similarly targeted for their social and environmental performance. Based on my interviews and background research, I have identified two aspects of the process of creating and assessing reputational risk that will shed light on the unevenness of corporate responses to stakeholder demands: visibility and legitimacy.

Visibility

Corporations are more likely to perceive stakeholder concerns as legitimate risks when they become visible to a broader audience. When the Rainforest Action Network (RAN) decided to target Citigroup to demand that they take environmental impacts into account in their investment decisions, the campaigners observed:

> It didn't appear that we were anything more than a mosquito in the tent to quote *Fortune* magazine, but we continued escalating the pressure and I think the deciding point really came when we went to New York City with several of our activists and spent a good three months there outside of their corporate office, visiting Sandy Weill when he was giving his speech at his alma mater, and really just occupying the whole psychic space of the decision makers of the company, and eventually it started to have an impact.

Similarly, campaigners increasingly bring their demands to corporate annual meetings. Indeed, 63 percent of the campaigns in my database used the corporate annual meeting as a location of engagement.[17] The annual shareholder meetings of some of the biggest brands have become public spectacles with celebrity appearances overshadowing financial forecasts and dividends discussions. At Wal-Mart's annual meeting this year

[15] Clark and Hebb note that there are many ways of valuing a firm, including using a corporation's price/earnings ratio as a shorthand representation of the market's reponse to it's reputation and risk profiles.
[16] Clark and Hebb outline a number of different scenarios depending on the corporation's brand equity and other factors but I believe this general argument is sufficient for the purposes of this discussion.
[17] This ratio is understandably high because all of the campaigns in the database targeted publicly-traded corporations.

Patti LaBelle, Susan Lucci, Halle Berry and Paula Abdul joined former Wal-Mart chief executive David Glass in the Wal-Mart cheer and promoted products sold by the company (*USA Today* June 4, 2004). More annual meetings are also being broadcast over the Internet. The public can now view live webcasts of the annual meetings of Pfizer, Krispy Kreme, Lockheed Martin, Wendy's and a bevy of other companies.

At Coca-Cola's annual meeting this year "Ray Rogers, a member of New York-based Corporate Campaign, took to the microphone early and loudly protested about a laundry list of problems at Coke – from the company's alleged complicity in anti-union violence in Colombia to water issues in India. When Chairman and Chief Executive Doug Daft tried to quiet Rogers, noting that he had exceeded his allotted speaking time, Rogers yelled back, 'Please do not interrupt me, Mr. Daft!' With that, several members of the crowd issued catcalls for Rogers to sit down. When he didn't, security staffers surrounded him. In a scuffle, Rogers fell to the floor and flailed, while Daft pleaded from the podium for the staffers to 'just be gentle, please.' At one point, the chief executive turned to his side and said quietly to someone near him, 'We shouldn't have done that.' Then, speaking into his microphone, Daft said, 'Security people, please stand down. Stand down, please, please.'" (*The Atlanta Journal-Constitution* April 22, 2004). The CEO's concern for Rogers suggests an awareness of the publicity implications of annual meeting controversies.

One of my interviewees, a socially responsible investment (SRI) campaigner, compared annual meetings to weddings, arguing

> these guys [CEOs and other corporate executives] don't want to be the bad person, that's why speaking at shareholder meetings works. This is the one time of year they get to say everything good about themselves and I am guaranteed by law three minutes to say something bad. I did this at Starbucks' [annual meeting] and they had this big auditorium, they had these bands come down, they had these guest speakers, all these famous basketball players, people from all over the world doing performances and it's this big show, and I'm there up on the big screen and I'm saying: You're doing this that and the other thing, you're using milk that's outlawed in every industrialized country except the U.S. and all this other stuff, and that's not what they want to hear. Starbucks cut me off immediately, as soon as the three minutes were up that microphone went off, and that's, if at your wedding I'm guaranteed to get up and say she kicks the dog, she doesn't have money, she's already sleeping around, have a nice wedding, [that's not what you want people to hear]. At some point it's very human.

Similarly, an environmental activist I spoke with argued

> if you have a shareholder meeting where 90 percent of the questions are about environmental issues, you can't ignore, you can try to ignore it but if at the meeting itself 9 out of 10 people are standing up and asking about

> that resolution [on the environment] then that's a major hit, something that at that point they can't ignore. … Maybe you could ignore it if it was just a [private] meeting but a [shareholder] meeting gets press.

The theory goes that corporations may be willing to negotiate at their annual meetings in order to save face and prevent further public bad-mouthing. This seems to be why I heard from several campaigners who were able to secure meetings with corporate executives when they brought up concerns about lack of corporate responsiveness at the annual shareholder meeting. For instance, I heard from a campaigner working on genetically modified organisms (GMOs) in food products who was able to secure a meeting commitment from Kraft executives at the annual meeting after unsuccessful attempts behind the scenes. In another case the director of an environmental group pursuing Ford on climate change

> went to the Ford shareholder meeting, it was their 100th year anniversary meeting, in Detroit and said, 'Listen, we've been writing to you, talk to us, we're making a difference out there in the world, we want to talk.' And meanwhile we were talking to their corporate governance staff people about the fact that we were about to go forward with the boycott campaign and we got a commitment from Ford Jr. at that meeting to work with the environmental community and we decided to withdraw our ad [attacking Ford] which was going to come out the next day in *The New York Times.* [18]

Legitimacy

While many campaigns attempt to make stakeholder concerns visible through public spectacles and story-telling, their impact is shaped by the perceived legitimacy of the stakeholders' claims. In other words, reputational risk is shaped by the combination of visibility and perceived legitimacy of stakeholder claims. Science is an oft-used means of establishing the legitimacy of stakeholder demands. One environmental campaigner that I interviewed suggested that the science behind many of the environmental issues that corporate campaigners address has become difficult to refute. When I asked him if companies still question and attack the science behind his organization's claims, he argued:

> Ten years ago if you had asked that question I think the response would have been well the jury's still out, we don't know that there really is a crisis in biodiversity, we don't really know that there is a crisis in forest cover, we don't know that there is a crisis in the climate, but today, I think it's increasingly difficult for a company to take that position, just because there really is a scientific consensus on most of these issues. There are still the isolated instances of say an Exxon Mobil who still claims that, along with the Bush administration, that the human impact on climate change isn't clear, but it just doesn't make sense anymore so you can't tell

[18] From an interview with the director's colleague.

> that story certainly to the American public anymore and I think it's just untenable from a public relations perspective. I mean, a recent poll, I think it was conducted in 1999, indicated that 75% of the American public would essentially boycott a company involved in logging old-growth forest, so you can't tell the story that it's ok to log old-growth anymore, it just doesn't make sense.

On the other hand, as one campaigner working on genetically modified organisms noted, it can be difficult to make even the most legitimate scientific or financial arguments heard when you are "fighting Monsanto which is putting out a 25 million dollar PR campaign." And the battle for public opinion is as important as scientific legtimacy. The same campaigner noted

> I know Kellogg's checks focus groups on GMOs all over the place, because when we ask them "Well, what are you doing about Greenpeace?" they say "Nothing. Everytime Greenpeace does something there's a spike in phone calls and letters but our focus groups all across the country show concern about GMOs is not rising so we know we can sit it out."

Corporations may attempt to delegitimize stakeholder demands in many ways, but the local standards defense is a common, and apparently successful, practice. Many corporations claim to adapt to local "best" practices, allowing them to delegitimize campaign demands for social and environmental improvements by showing that their current standards, especially wages, are consistent with local practice. A longtime shareholder activist that I interviewed suggested

> they're partly right that they're usually not paying the worst wages in the town because then they're not going to get good people who are going to want to come and work for them. And then they're going to say that it is not in their interest, or how would they say it, it's not their responsibility to pay a wage level that meets a worker and their family's needs, it's their responsibility to pay a competitive and legal wage. So, our comeback has to be, which it is, yes you can pay a competitive wage, yes you can pay a legal wage, but that wage still might be, to use a pejorative term, a sweat wage, you're still running a sweatshop even if you have a clean, safe workplace that's paying a starvation wage. So, they haven't gotten rid of the PR problems by framing it that way, but I'm going to be candid with you, it's one of the more credible answers. You have kids chained to machines, it's pretty hard to defend that. You say, here's my employee base, look at all these happy young women, well dressed, they work ten hours a day, we feed them, they've got recreation, and they're paid above the local average, you can sell that to some people. You're not going to sell that to labor, you're not going to sell that to student groups, you're not going to sell that to religious groups, but some people will buy it.

It seems that one of the most successful ways to legitimize a stakeholder demand is to get Wall Street to start paying attention. For instance, a campaigner working on genetically-modified-organisms (GMOs) noted that Kraft started taking the campaign much more seriously after a front-page article appeared in the Wall Street Journal. Although the article cited a Kraft executive claiming that there was scientific consensus regarding the safety of GMOs, it also noted that there has been a longstanding debate in Europe about the safety of GMOs. Moreover, it noted that campaigners were gearing up for a 170-city campaign to draw attention to "what it calls 'the public-health and environmental concerns' associated with genetically modified foods."[19] In addition to coverage in the Wall Street Journal, campaigners noted the significance of getting traditional financial analysts and investment groups to take notice of stakeholder concerns. One shareholder activist noted

> some people, some investment groups that would generally not take information or would just kind of blow us off have now started to ask questions, clearly about climate change and some other issues. I think when the resolutions went up that caught their attention.

Although some issues, such as climate change, are gaining traction on Wall Street, one of the difficulties of getting Wall Street to pay attention to stakeholder concerns is the lack of comprehensive social and environmental reporting requirements for corporate annual reports. The U.S. Securities and Exchange Commission (SEC) regulates what publicly-traded corporations must disclose, and social and environmental reporting is limited to issues deemed material to shareholder value. Currently corporations are required to report "environmentally related administrative or judicial proceedings … if the proceeding involves a claim, sanction or expenditure that exceeds 10% of current assets, or if the proceeding involves a governmental authority seeking potential sanctions over $100,000" and "any significant developments in labor-management relations" such as impending strikes and work stoppages (Chan-Fishel 2002: 10970). Otherwise, there is no definitive or static list of issues that are considered material to shareholder value. In 1999 the SEC made a significant clarification, stating in a bulletin that "qualitative information can be material, and that 'exclusive reliance on certain quantitative benchmarks to assess materiality in preparing financial statements and performing audits of those financial statements is inappropriate; misstatements are not immaterial simply because they fall beneath a numerical threshold.' The bulletin provides several cases in which disclosures that fall beneath the 5% threshold can in fact be material, such as when the disclosure refers to a company's regulatory compliance, or if it relates to an important portion of the registrant's business operations" (SAB 99 as cited in Chan-Fishel 2002: 10970-10971). Despite this clarification, and a 2001 memorandum from the head of the SEC's Division of Corporate Finance stating that consumer boycotts and other non-financial issues "can be considered material, and thus subject to disclosure under SEC rules," companies still systematically under-report social and environmental issues (Chan-Fishel 2002: 10973). In fact, a 1998 U.S. Environmental Protection Agency (EPA) study found that 74 percent of companies unlawfully withheld such information. These information gaps affect stakeholders' ability to legitimize their

[19] The article is available on the campaign website: http://www.krafty.org/articles/kraft_foods_draws.html

claims with concrete data, and it seems that many corporations are loath to change the situation. Table 4.0 (below) shows that of the various types of campaign demands, demands for reporting changes were the least likely to be successful.

Table 4.0 – Campaign Success Rate by Type of Change

Type of Change	Success Rate	Number of Demands[20]
Operational Changes	64%	171
Policy Changes	60%	40
Reporting Changes	45%	76

Based on this initial glimpse into the process of risk creation and assessment, then, we can surmise that certain issues, such as climate change, are more amenable to the financial risk assessment of Wall Street analysts. Moreover, it is clear that certain stakeholders in certain places are more likely to achieve th necessary visibility of their claims by virtue of their connections to well-placed and well-funded NGOs and shareholder activists.

Getting a Seat at the Table

The results of the statistical analysis suggest that campaign success is not built on reputational risk alone. Access to a dialogue with corporate executives is the other foundation for campaign success. My interviews revealed that certain stakeholder group are able to gain a seat at the table more easily than others. Table 5.0 (below), based on the experiences of my interview subjects, shows the rates of access to direct dialogue with corporate executives by stakeholder type. It reveals that shareholder activists are the most likely stakeholders to dialogue directly with corporate executives, followed by campaign strategists and consultants, large NGOs, and finally local organizations. At only 29 percent, local organizations are significantly less likely to engage in direct dialogue with corporate executives than any of the other stakeholder types.

Table 5.0 – Access to Dialogue with Corporate Managers by Stakeholder Type

Stakeholder Group	Direct Dialogue With Corporate Managers	N
Shareholders	100%	11
Strategists & Consultants	83%	6
Large NGO	70%	10
Local Organization	29%	7

Access to dialogue is a function of several factors, the first being institutionalized relationships. Since corporate executives have a fiduciary duty to their shareholders, it should come as no surprise that shareholder activists are the most likely to get a seat at the negotiating table. Indeed, many of the shareholder activists I spoke with noted that

[20] The total number of demands is greater than the number of campaigns (179) because many of the campaigns had more than one key demand.

many corporations have developed regular communication channels with the socially responsible investment (SRI) community through sustainability and CSR reporting, conference calls, webcasts and even face-to-face visits.

In addition to their institutionalized relationship with corporate executives, shareholder activists, along with campaign strategists, consultants and large NGOs, also have the benefit of geographic proximity to corporate headquarters. I found a significant concentration of corporate campaigners in Boston, New York, Washington, Chicago and San Francisco. Their location in the major financial and policy-making centers of the country provides these stakeholders with more regular contact with corporate executives, as well as easier access to the press, institutional investors, financial analysts and other influential resources. As discussed in the preceding section, press coverage and the legitimizing influence of Wall Street can be powerful influences on corporate responsiveness to stakeholder demands.

The benefits of location extend beyond mere proximity, however. Since social regulation requires a combination of risk and persuasion, corporations are often more responsive to those who speak the same language and belong to a similar professional culture. A good example of this is the alliance between the Jesse Smith Noyes Foundation, a charitable foundation based in New York city, and the Southwest Organizing Project (SWOP), a grassroots community organization based in Albuquerque, New Mexico in a campaign targeting the Intel corporation. "In 1993 SWOP prepared a report, Intel Inside New Mexico, raising questions about Intel's expansion of their chip manufacturing facilities in New Mexico … . Among the problems detailed in the report were excessive water usage in the manufacturing process (recall New Mexico is a desert state); excessive emissions into the air; questions about jobs for New Mexicans; and the true cost of the state's subsidies. SWOP tried to engage Intel to discuss their report, but to no avail."[21] The Jesse Smith Noyes Foundation, a shareholder in Intel and donor to SWOP, decided to try to use their shareholding power to facilitate a dialogue between Intel and SWOP. According to Stephen Viederman, then president of the Noyes Foundation, Intel executives were much more willing to fly to New York to meet with him to assuage his concerns than to deal with the community stakeholders themselves. From Viederman's perspective:

> Basically we got into a conversation about the differences in corporate cultures [between our two organizations]. I had indicated to them that not only did I not have the information [about SWOP's concerns] but it was in our culture not to get in the way of SWOP's dealings with them. And I didn't say it as such, but I think it's the issue that they probably felt a bit more comfortable in dealing with me as a white male than they did dealing with a bunch of Hispanics. But, they got the point and the process began, they paid for a facilitator that was jointly acceptable to both sides and that facilitation went along reasonably well.

[21] A history of the collaboration is available on the Jesse Smith Noyes website: http://www.noyes.org/97pres.html

According to Viederman, the Noyes Foundation decided to give SWOP some of their Intel shares in order to provide them with more leverage to get a seat at the negotiating table:

> Halfway through the process we realized one thing we hadn't done but could do was to provide some shares to SWOP so that they had both role as stakeholder and shareholder. They are the lead filer [on the shareholder resolutions] so this all evolved and I think a key was the fact that we assured SWOP, with whom we had good relationships, that we would never on any occasion take action vis a vis the issue without consulting them.

According to one of the current directors of SWOP, Intel has now developed a community advisory panel that surveys residents' concerns. It is important to note, however, that the concerns raised in the community dialogues still need to make their way up the decision-making hierarchy in order to have an impact on corporate practice. In the words of the co-director of SWOP:

> they had their site manager at the meetings and we still interface with them but the folks [corporate managers] here at the local level, they don't have the power to change stuff, it comes from corporate headquarters. They can make recommendations and I think we bug them enough to really go back and say "Look, you guys have got to give us some tools to deal with these folks because the pressure and the scrutiny is intense."

Intel has since responded to some of the community's concerns, including reducing the use of certain chemicals, and they continue to engage in community dialogue.

Again, it is apparent that some issues and communities are more likely to make it to the negotiating table either by virtue of their institutional or geographic access to decision-makers, or by their relationships with other influential stakeholder groups.

Conclusion

It should be clear that just because a corporation is in the public eye and has a brand connection to consumers, does not mean that it will automatically respond to stakeholder demands in order to prevent reputational damage. First of all, the stakeholder claims need to be made visible to the wider public. Second, the claims have to be perceived as legitimate. Moreover, stakeholders need to gain access to actual dialogue with corporate executives in order to develop, implement and monitor corporte changes. I believe that examining this complex process of social regulation provides a better understanding of the uneven development of corporate social responsibilities. These twin processes of risk creation and dialogue necessarily privilege certain issues, certain stakeholder groups, and certain places. That said, the goal of this paper is not to reject the potential of informal regulation in general, or corporate campaigns in particular, but rather to shed some light on the processes behind the current uneven development of responsibilities in order to inspire ideas for overcoming this unevenness.

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