CASE IN POINT

Can social responsibility sustain a global business?

The big idea: Although the idea of corporate social responsibility (CSR) has existed for some time, its meaning and practice vary by country. CSR has served as a common concept for companies accountable for activities beyond making money and complying with regulations.

In 2001, France adopted laws that required all public firms traded on its stock markets to report its CSR activities. Several business leaders supported the role of an independent European agency to rate and evaluate companies on CSR efforts.

The scenario: One of the first rating agencies in France was Arèse, whose activities were soon taken over by a new firm called Vigeo. Its leader: Nicole Notat, a respected figure in France who had credibility with employers, investors and unions.

Vigeo provided evidence that socially responsible investment no longer meant giving up a return. Whether driven by regulation, pressures or social considerations, doing the responsible thing seemed to be catching on.

As Notat began to examine the previous agency's assessments, it was unclear why CSR criteria were chosen. Her newly hired director, Fouad Benseddik, noted, "I asked an analyst which was the best company in Europe's telecommunication sector and then why. When I was told who, and asked the analyst to explain why, the reply was, 'Because it is my opinion.' "

Notat wondered whether it would be possible to build a universal definition of CSR. Values such as diversity could mean one thing in the United States and another in South Africa. They realized they had challenges ahead of them.

The resolution: Thinking about the idea of universally accepted norms, Vigeo looked to the U.N. Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights. "After realizing that CSR is about respecting human rights, we realized it was also related to human resources," Benseddik said. "And it was also related to business behavior."

Eventually, six domains were defined: human rights, human resources, business behavior, corporate governance, environment and community involvement. Analysts created criteria to represent the interests of each category of stakeholders. Each was tied to an international law or norm that suggested how a company should react. CSR was not an obligation or a legal requirement; instead it was a voluntary behavior based on commitment from the company. The Vigeo standard became:

A "socially responsible company" is one that not only fully complies with the obligations of applicable legislation and conventions, but also one that accounts for how it integrates social and environmental factors into its global strategic decision making, policies and practices.

The lesson: Notat realized that Vigeo had to develop an approach that was transparent and based on existing universal norms of independent legitimacy. By creating criteria approved by most of the world's governments, the agency avoided much of the criticism directed at other uses of CSR and built credibility in the global marketplace.

– Andrew C. Wicks

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