

CARNEGIE COUNCIL *for Ethics in International Affairs*

Corporations as Agents of Change

Impact: Where Business and Ethics Meet

Christine Bader, Carole Basri, Wayne Brody, Aneel Karnani, Alice Korngold, Julia Taylor Kennedy

Audio

Can today's powerful multinational corporations be a force for social good? Should they be, and if so, how should this be implemented? Are they out for themselves, their customers, society, or some combination of all three?

Transcript

JULIA TAYLOR KENNEDY: You're listening to Impact from the Carnegie Council.

Each episode, we explore a topic in global business ethics. This time, it's corporations as agents of change.

I'm Julia Taylor Kennedy.

CAROLE BASRI: Hi, this is Carole Basri.

JULIA TAYLOR KENNEDY: Basri is an adjunct professor at Fordham Law School and has worked in corporate compliance and corruption law for decades. She's also executive director of Fordham's new compliance program. And about 10 years ago, she went to Iraq to help draft anti-corruption legislation for the fledgling government there.

CAROLE BASRI: I wrote the whistleblower statute. I worked on a commission on public integrity and wrote that statute and put the inspector generals into the various ministries. And I worked on the board of supreme auditors and reorganized that.

JULIA TAYLOR KENNEDY: Basri saw bribery in Iraq she had never before encountered in her entire career as a corporate lawyer. One time, she ran an ethics training for the Ministry of the Interior, which oversaw all of the large, state-owned companies in Iraq.

CAROLE BASRI: One of the directors said that he had been bribed or he was asked to take a bribe of \$30,000. He said, "They told me they would kill me within a week if I didn't take the bribe. I refused the bribe." One of those directors—there were 10 in the room—was killed that week. I've never found out if it was him or not.

JULIA TAYLOR KENNEDY: But the message Basri got? Opting out of corruption was incredibly risky in that environment. In a nation at war, in a state as near to anarchy as possible, with a weak government and an economy in chaos, ethical behavior went out the window.

CAROLE BASRI: I always thought you could refuse a bribe and still be safe. Here was a man who stood up and announced to everyone else that he had turned down a bribe and that his life was in danger. I had several people that I worked for there killed. That level of bribery I never want to see in the world again.

JULIA TAYLOR KENNEDY: This picture is about as bleak as it gets. It shows what risk people undergo—just in the course of doing their jobs—when anarchy takes over. And here's one of the strangest parts of Basri's story: she was working in an environment that was nearly devoid of multinational corporations. She was in Iraq on a U.S. State Department assignment, writing a new legal framework for an infant government to regulate state-owned corporations.

When we think of "change agents," we often think of political leaders or activists. But according to the Hudson Institute, today, 85 percent of global investment in the developing world comes from private investment, private philanthropy, and remittances. That piece of the pie confers power to corporations, enabling them to speak with authority on all kinds of global issues that used to belong to international organizations. Whether corporations are out for themselves, out for customers, out for society . . . all of these issues are up for much debate. So bear with us as we descend into a bit of back-and-forth, and diverging views over the next several minutes. I promise we'll zoom back out and try to make *some* sense of it all in the end.

ALICE KORNGOLD: Alice Korngold, author of *A Better World, Inc.: How Companies Profit by Solving Global Problems Where Governments Can Not*, also, president of Korngold Consulting.

JULIA TAYLOR KENNEDY: As you can tell from the title of her book, Korngold is bullish on corporations as change agents on issues as wide-ranging as human trafficking, education, and labor rights.

ALICE KORNGOLD: These are cross-border issues, which means that governments have not been able to solve these.

Intergovernmental organizations, and even when governments try to work together, they have not been able to find actionable or binding agreements. NGOs often find very effective solutions, but they don't have the resources to be scalable.

Only multinational corporations have the resources, the global footprint, and the incentive of profits to solve such daunting global challenges.

JULIA TAYLOR KENNEDY: And Korngold's book is packed full of projects corporations are undertaking to make a positive impact on the developing world.

ALICE KORNGOLD: GSK, GlaxoSmithKline, the pharmaceutical company—they are working in Mozambique to increase the uptake of DPT vaccines.

JULIA TAYLOR KENNEDY: For those of us who aren't regularly around newborns, DPT stands for diphtheria, pertussis, and tetanus. It's a pretty important vaccine.

ALICE KORNGOLD: Babies need a series of three vaccines to be protected. And, when newborns are born to their moms, GSK works with Vodafone to have the healthcare workers and the moms register the kids by phone so that there are reminders to the moms to come back for the second and third inoculation.

JULIA TAYLOR KENNEDY: So the moms get a text, and then they head back to the clinic on time with their kids.

ALICE KORNGOLD: By doing that, they have increased the returns and therefore the uptake of the vaccination. And this is saving thousands of lives. And the plan is to roll this out to other countries in Africa, which could ultimately save hundreds of thousands of lives of babies. So this is, of course, good for the world. It's also a profit opportunity for GSK.

ANEEL KARNANI: I like Glaxo doing this, but at the same time, what I would like is Glaxo not to cut corners in other places.

JULIA TAYLOR KENNEDY: As University of Michigan economist Aneel Karnani sees it, the reputational bump that GlaxoSmithKline gets from its vaccination program in Mozambique could carry enough weight with the company's core consumers in the developed world to translate into profits. But, he's quick to point out, it could be a distraction. GSK has recently been accused of spending more than 500 million dollars to bribe doctors in China.

ANEEL KARNANI: They do a lot of other things that are plainly illegal, let alone just at the border. I'd much rather companies stop doing that, rather than emphasize what they do a little bit in social responsibility, elsewhere.

JULIA TAYLOR KENNEDY: So for Karnani, the corporate profit motive really compromises the way companies approach becoming change agents.

ANEEL KARNANI: If the company is going to make more profit by doing it they will do it. Then you don't need to tell them. The companies are pretty well-managed. They're smart.

But if they are going to make less profit, they will not do it, and we're fooling ourselves into thinking that will happen.

JULIA TAYLOR KENNEDY: Karnani doesn't blame the companies themselves for this behavior. He thinks the concept of "corporate social responsibility" is flawed.

ANEEL KARNANI: We want to achieve society's goals, but when they're in conflict with the company's profitability goals, asking the company to behave voluntarily is not going to do the trick. We need government regulation to ensure that society's goals are achieved, in that case.

JULIA TAYLOR KENNEDY: So for Karnani, corporations can't be pure agents of change. Profit motives create too much self-interest. And since corporations can't be trusted with the greater good, governments must take responsibility for protecting society.

CHRISTINE BADER: We absolutely need people on the outside regulating, advocating, banging on the door. But we still need people deep inside the company who understand the culture, understand the dominant rhetoric or frame of conversation, who can serve this translation role.

JULIA TAYLOR KENNEDY: Wait, I forgot to tell you who's speaking.

CHRISTINE BADER: Christine Bader.

JULIA TAYLOR KENNEDY: Bader spent many years working at BP before joining the UN to work on human rights in corporations. She's since left the UN and she used her experience and many interviews to inform her recently published book, *Evolution of a Corporate Idealist*. [For more on Christine Bader and *Evolution of a Corporate Idealist*, check out her recent *Carnegie talk*.]

CHRISTINE BADER: A corporate idealist is someone who believes that business can be a force for good in the world, someone who personally wants to have a positive impact on the world and sees the potential of big business, sees its drive, its innovation, its scope, its potential reach, and thinks, "I can put that to good use" but also understands that there are risks of working in the corporate world.

JULIA TAYLOR KENNEDY: Bader understands the need for stronger regulation. But she also thinks the need for corporate idealists will never go away.

CHRISTINE BADER: I think that apparel and light manufacturing companies, some of them have started to figure out that, "Oh, gee, if you treat your workers better, your productivity is higher. Your turnover is lower."

So I think that there is a business case for almost every issue that we're talking about here. But I think we need people inside the company to keep making that case.

JULIA TAYLOR KENNEDY: As an analyst at BP, Bader was that person on a few different projects. One of them was a joint project, a 50-50 partnership between BP and Sinopec, a state-owned Chinese energy company.

CHRISTINE BADER: My first week there we were going over the latest estimates for the cost and the timeline for this massive chemicals plant that the joint venture was all about.

JULIA TAYLOR KENNEDY: So, the folks from BP and the folks from Sinopec went down an Excel spreadsheet line by line, reviewing all the numbers.

CHRISTINE BADER: We got to a number "8" and the label hadn't yet been translated into English.

So one of my BP colleagues said, "Oh, what's that number '8'?"

And his Sinopec counterpart said, "Oh, that's the projected number of fatalities."

And he said, "Excuse me?"

And he said, "Yeah. Based on a project this big with this many man hours we would expect eight fatalities."

And my colleague said, "The target is not eight. The target is zero."

And his Sinopec counterpart said, "Well, that's not realistic."

And at first, of course, I was appalled but then I realized actually he's right. Based on their track record this is about what they would expect. How do you even start to have that conversation when you're starting from such different places?

JULIA TAYLOR KENNEDY: A bit daunted, but still determined, Bader set about getting the number changed.

CHRISTINE BADER: I came in saying, "OK, we're going to protect the human rights of our contract workers and of our local communities." And that just fell flat. And then I tried, "OK, these are the standards that BP uses around the world for its projects so we're going to use them here." And that just came off as incredibly arrogant.

JULIA TAYLOR KENNEDY: After all, in a 50-50 venture with Sinopec, BP couldn't just say "our way is better" without offending Sinopec's way of doing things.

CHRISTINE BADER: So I finally had to shut up and listen for a while to what motivated people, to what drives them, to what gets them out of the bed in the morning, to what they're worried about. So finally I came back with, "OK, I understand that you guys want this to be a world class model project. If that's the case, these are the standards that world class model projects use, so we have to use them here." And they were like, "Oh, okay. Why didn't you say so?"

JULIA TAYLOR KENNEDY: She got the goal changed from eight fatalities to zero. And, indeed, the

project had zero on-site fatalities.

CHRISTINE BADER: Hooray.

JULIA TAYLOR KENNEDY: It just took a bit of listening.

CHRISTINE BADER: Which sounds so inane. But to figure out what drives people and to frame the things that we think are right in terms of what other people are worried about without trying to impose our own value system on theirs, that's the winning way.

JULIA TAYLOR KENNEDY: But, in the long run, with the juxtaposition of these two differing cultural approaches—and the zero fatalities winning out—perhaps there is culture change, norm change, value change that BP imposed. That's certainly how some see the corporation as an agent of change: each corporation, after all, has its own culture and can influence the way its employees behave and even how they see the world.

WAYNE BRODY: I'm Wayne Brody and I'm a senior advisor with LRN here in New York.

JULIA TAYLOR KENNEDY: Full disclosure: Wayne Brody and I worked together for a couple of years at LRN, a company that advises major corporations on how they can use their mission and values to drive employee behavior and compliance. Brody was chief compliance officer of a major electronics firm before joining LRN, and he's an interesting mix of hard-bitten, seen-it-all attorney and idealist who truly believes global corporations change lives every day. He's also got some great war stories.

WAYNE BRODY: Some years ago, I was working with a major multinational corporation. And we got a call through the help line, the alert line, that there was sexual harassment going on in a factory in Penang, Malaysia.

JULIA TAYLOR KENNEDY: Apparently, the factory had ethnic tension because the managers tended to be of Chinese descent and the laborers tended to be Malay. Gender politics also came into play.

WAYNE BRODY: As we showed up and I investigated, I learned that the manager was, indeed, taking a "lucky" young female worker off the line once every week to join him on a weekend escapade, which he actually thought was a reward to them and would frequently, by way of a parting gift, give them Monday off.

JULIA TAYLOR KENNEDY: Understandably, Brody found the whole thing unacceptable.

WAYNE BRODY: Obviously, this is the sort of behavior that is just really revolting. He literally went just down the line and said, "Okay, you, you" as if they were chattel property.

JULIA TAYLOR KENNEDY: Brody fired the manager, and he also fired the manager's colleagues and supervisors who had known about the practice and turned a blind eye.

WAYNE BRODY: There was nothing remarkable about that. I think anyone in my position would have done it. And when you speak to chief compliance officers and others around the world, that's the kind of thing—that's the reason we do the job we do and did the job that I did. It is very rewarding, because you just feel like you've stepped in and changed somebody's lives.

JULIA TAYLOR KENNEDY: So, the decision itself didn't interest Brody. The significance to the workers is what mattered to him.

WAYNE BRODY: The women on the line there saw that what was an abstract, this idea of a 24-hour, 88-language help line that they could pick up if they were in trouble a) had been effectively

communicated to them; b) had been useful, had actually communicated between them and headquarters; and c) that it had a real impact. That what they said, what they wanted, and what we promised all came together to make something happen.

JULIA TAYLOR KENNEDY: So while the internal hotline helped, it was the way the company responded that showed the true benefit of working for this particular factory.

WAYNE BRODY: That created expectations, particularly because we then looked very hard to develop and sustain a cross-ethnic, if you will, or a diverse perspective, to hiring management through the ranks. We took the team leads from the assembly and began to develop them assiduously into managers and beyond.

But all of that came from that phone call, came from that connection from Penang to New York, at the time. And through that connection, values traveled. The possibility traveled. Not my values replacing someone else's, but the stated company values in practice taking this idea forward.

Was it perfect? Was it wonderful? Not necessarily. But did it make a dramatic difference in the lives, not just of those people at that time, but of their families? People began to say, "There's an advantage to being with this kind of outfit, because good things could happen. Lives could change."

JULIA TAYLOR KENNEDY: We've covered a lot of ground here: corporations as agents of change, filling in where the public sector cannot; a plea for governments to step up to the plate, since the profit motive complicates—and can undermine—corporate acts in society; a call for corporate idealists to hold their employers and their employers' supply chains to international standards; a recommendation that company leaders see their own mission and values statements as a strategy to change culture at the very grassroots, personal level for each employee.

Taken together, these messages seem mixed at best, confused at worst. Maybe the best way to make sense of them is to acknowledge that, even though they pump hundreds of billions of dollars into the developing world each year, corporations cannot, and will not, act alone as saviors of our society. If there was one point of agreement among all of these points of view, that was it.

WAYNEBRODY: If you remember old-fashioned pinball back when they used to have tables and balls and pins, that sort of thing, there were bumpers everywhere. And the ball would bounce off the different bumpers and no one of those bumpers made the game.

JULIA TAYLOR KENNEDY: So, how to keep the ball in play? How to keep a corporation working for the benefit of society and minimize its harmful effects? Well, keep a lot of bumpers active.

Author Alice Korngold:

ALICE KORNGOLD: The companies that are successful in finding solutions to global problems do so in partnership with NGOs and sometimes with each other.

JULIA TAYLOR KENNEDY: Corporate idealist Christine Bader:

CHRISTINE BADER: If a company is being proactive and doing outreach and meeting with stakeholders, that's great. But at the end of the day, those people walk out the door and the company is left with figuring out, "Okay, what does this mean for us? What do we have to do on Monday?" And corporate idealists are the ones who are going to serve that translation function and say, "Okay, here's what they were saying. Obviously we can't do all of it, but here's what we can do and here's what we must do."

JULIA TAYLOR KENNEDY: In trying to figure out what's possible in war-torn Iraq, professor and

compliance expert Carole Basri remains an idealist about how employers can impact the lives of their employees in positive ways all over the globe, and how governments can work to help make that happen.

CAROLE BASRI: I was working with the Ministry of Transportation and they said, "We had a number of bus drivers who took their buses home with them for safekeeping when the U.S. came in. And they brought the bus back so that when we were able to start the transportation system a couple weeks later again, we had buses."

There were some people who stood out with a rifle to protect their bus from being harmed.

JULIA TAYLOR KENNEDY: Some of the others who didn't stand guard sold their buses. Others had their buses stolen.

CAROLE BASRI: I said, "Well, you'll never know exactly who these people are. It will all be rumor. But what you can do is, anybody who brought back the bus, those people should get something going into their file so that the next promotion, they're first in line."

JULIA TAYLOR KENNEDY: The government didn't have the money to reward these people financially, but they were rewarded with recognition.

CAROLE BASRI: I keep thinking about that, because that kind of simple thing makes a big difference. That person who got that recognition, that bus driver was a hero. He made it possible for people to get back to work, to be able to get to the hospitals, to be able to begin to function in society again, because they took the responsibility as a bus driver seriously.

JULIA TAYLOR KENNEDY: Maybe one lesson in that story is one we can all take with us: recognizing the true heroes; punishing, or at least embarrassing, the bad actors; and taking our own place as bumpers that keep corporations in play in this high-stakes global game of pinball.

Back to Bader:

CHRISTINE BADER: I think the choice of where each of us sits is deeply personal. Some people are going to thrive outside, some people are going to thrive on the inside, but we absolutely need people on the inside.

JULIA TAYLOR KENNEDY: Thanks for listening to Impact from the Carnegie Council, and a special thanks to our production team Mel Sebastiani, Terence Hurley, Deborah Carroll, and Amber Kiwan. I'm Julia Taylor Kennedy. You can find out more about this podcast at carnegiecouncil.org.

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