Two Steps Forward, One Step Back:
A Brief History of Corporate Citizenship and Corporate Social Responsibility

Stephen Jordan
with B.J. Parker
BCLC’s mission is to promote better business and society relations and improve long-term social and economic conditions by:

- Communicating the U.S. private sector’s unique and valuable contributions
- Cultivating strategies and practices that achieve positive results
- Coordinating public-private partnerships and coalitions
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What do the phrases “corporate citizenship” and “corporate social responsibility” really mean?

Every time the question comes up, someone compares it to the famous definition of profanity: You know it when you see it. There is no one standard definition.

Since the dawn of business there have been ethical dimensions to what businesspeople do. The ethical perspectives by which businesses are judged may change over the years, but one fact remains constant: Business does not exist in a moral vacuum.

Corporate citizenship, a term often used interchangeably with corporate social responsibility (CSR), is difficult to define because there is not complete agreement about what it encompasses. Corporate citizenship practitioners have an interest in ethics, community relations, philanthropy, governance, supply chain management, consumer relations, investor relations, employee relations, human capital, social capital, and more.

According to Archie B. Carroll, professor emeritus and director of the Nonprofit Management and Community Service Program at the Terry College of Business, the social responsibility of business “encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time.”

For the purposes of this essay, corporate citizenship is grounded in the values and mores of a company. Any company that maximizes those values stands to improve its social networks on five levels: the moral level, the system (institutional) level, the issue level, the community level, and the company level.

At the moral level, there are competing perspectives on the role of the corporation in society. One is the classical economic perspective, a traditional view associated with Adam Smith’s “invisible hand” and championed by the late American economist Milton Friedman. According to this perspective, the

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**What Does Corporate Citizenship Mean to You?**

When six different people were asked what corporate citizenship means to them, six different answers were offered:

“Corporate citizenship is about businesses recognizing a need in the community and finding a way to meet it with the resources they have. We couldn’t do what we do at the food bank without our public-private partnerships.” — Jerry Brown, Communications Specialist, St. Mary’s Food Bank Alliance, Arizona

“Corporate citizenship is about creating and sustaining a profitable business that permits growth for employees, customers, and shareholders. Successful enterprises add value to the community, employ people, and contribute to the tax base.” — Dave Garascia, Sales Executive, Consumer Products Industry, Ohio

“Corporate citizenship is about making sure that natural resources used for business are preserved for future generations. And if a disaster happens, businesses should try to put things back the way they were.” — Stephen Sagrera, Commissioner, Louisiana Wildlife and Fisheries Commission, Louisiana

“Corporate citizenship is about a company being aware of its impact on consumers, employees, community, and environment, and ensuring that it respects all.” — Darcy Ervick, Advertising, Account Management, Colorado

“Corporate citizenship is about being over-compliant rather than under-compliant on safety regulations. The public deserves safety.” — Earl King, Owner of King Trucking, Louisiana

“Corporate citizenship means making sure businesses have social, ethical, and moral standards that are not just situational but instead permeate everything they do from the inside out.” — Ryan Snow, Pastor, Missouri
sole responsibility of the company is profit maximization. A business that delivers useful products and services in response to the needs of the market is acting in the interest of society and promoting the common good.³

While Adam Smith is known as the “father of modern economics” for his epic work, *The Wealth of Nations*, his discussion of the “invisible hand” first appeared in *Theory of Moral Sentiments* (1759). The concept states that a worker’s economic activity invariably benefits society, even when the individual is unaware of it or is acting out of self-interest.⁴ In a market economy, an “invisible hand” transforms self-interest into societal interest. Smith’s point is that various elements of altruism are intrinsic to work itself and woven throughout economic systems—an early moral view of business that would echo down the centuries.

Another perspective on the role of the corporation in society is the stakeholder view. This approach emphasizes that businesses must serve the complex, sometimes-conflicting needs of a broad range of clients, employees, investors, local communities, and other groups with whom they interact.

A third perspective, the social model, argues that companies have direct responsibilities to society and are therefore obliged to use their resources to remedy social problems.

Not surprisingly, these differing views on the relationship between business and society lead to different objectives, operating methods, and management styles within organizations.

According to multiple “State of Corporate Citizenship” surveys conducted in 2003 and 2005 by the U.S. Chamber of Commerce Center for Corporate Citizenship (now the Business Civic Leadership Center) and the Boston College Center for Corporate Citizenship, roughly 20 percent of U.S. businesses subscribe to the classical “Milton Friedman” perspective. At the other end of the spectrum, approximately 25 percent of U.S. business leaders say that profit is not their only or primary objective, but that business has universal obligations to society. The majority of U.S. companies lie somewhere between these poles with regard to economic-versus-social value creation.⁵

Research done by the Conference Board and the World Economic Forum complements these findings. These organizations report that two-thirds of companies wish to support or partner with other organizations to address social issues but do not want to take a leadership role.⁶ Based on these consistent findings, the stakeholder philosophy seems to be the leading conceptual approach taken by U.S. companies at the present time.

Next, at the system or institutional level, companies interact with government agencies in their regulatory (rule-maker), arbitral (referee), collaborator (partner), and enforcement capacities. Traditionally, most companies have managed interaction with government agencies at senior levels or have created government affairs departments or ethics-and-compliance groups within their General Counsel office. However, with the government now embracing private
partnerships as a strategic concept, some companies have begun engaging governments at an operational level. In recent years, companies including Chevron, Microsoft, and UPS have all developed non-traditional relationships with government agencies to advance objectives of mutual interest.

Another system-level interaction involves business partnerships with non-profit organizations and advocacy groups. These partnerships form to influence public opinion, social norms, attitudes, perceptions, and relationships. Perhaps the most famous example is the Ad Council, the advertising industry’s public service arm responsible for historic campaigns about forest fires, literacy, crime prevention, safety belts, and more.

At the issue level, companies are increasingly confronting social issues that threaten economic performance. Examples include the effects of crime on community development, the impact of HIV/AIDS on the workforce, and the role of housing and transportation in workforce absenteeism. Moreover, companies recognize that their economic performance can be used to influence society. Whether it’s McDonald’s working with environmental groups or Starbucks demanding higher labor standards among its suppliers, companies are increasingly aware that their operations have social implications. For some companies, support for specific issues even becomes part of branding. For example, educators have come to recognize that Siemens Corporation cares deeply about promoting math and science, and women find comfort knowing that Avon sponsors breast cancer research.

At the community level, companies are often asked to take a lead role in addressing local concerns. In fact, the overwhelming majority of philanthropic giving is conducted at the community level. Businesses sponsor Little League teams and local charity events, and company leaders take on figurehead duties as respected members of their cities and towns. For some companies, particularly those in retail, good community relations are a natural extension of sales and marketing. For others, local engagement is a good way to promote employee interests and gain acceptance within the community.

At the company level, many firms cultivate attractive corporate cultures by developing people-oriented values, policies, procedures, and operations. One famous example, Johnson & Johnson’s longstanding “Credo” explicitly spells out the firm’s responsibilities to customers, employees, and communities. Likewise, Caterpillar’s ethics guide, “Our Values in Action: Caterpillar’s Worldwide Code of Conduct,” affirms the organization’s dedication to teamwork, excellence, integrity and commitment, from China to Peoria.7

Citizenship at the company level takes on many forms. From employee volunteer programs and flexible
work arrangements to stress prevention and work-life benefits, today’s most desirable workplaces employ strategies and initiatives that demonstrate concern for people. These firms understand that while sound ethics and human values are worthy ends in and of themselves, they can also increase productivity, social capital, and economic gain.

Given that there are five different levels to consider, it is easy to see why some companies view corporate citizenship in terms of their aspirations and goals, why others view citizenship as a set of operating principles, and why still others see citizenship and social responsibility as a set of strategies, tactics, and operations.

For the purposes of this study, we will use the terms corporate citizenship and corporate social responsibility to refer to the moral underpinnings of the approach to business. In this context, corporate citizenship will generally refer to the moral drivers that motivate companies from within the organization. Corporate social responsibility, in contrast, will generally refer to forces pressuring companies to behave morally from without.

Corporate social responsibility in English has the connotation of a sense of obligation, what companies owe to society or the legitimate standards of performance that society has a right to expect from private enterprise. Corporate social responsibility advocates often begin by focusing on what’s wrong with business or capitalism in general, and what companies can do to improve themselves. In corporate social responsibility debates, addressing company practices are the center of the conversation.

When it comes to corporate citizenship or conversations about what it takes to make a business sustainable or “built to last” (to borrow a phrase from author Jim Collins), the focus is on the issues surrounding the business that the enterprise can solve. This tradition focuses on the problem-solving capabilities of the business and how it can deliver solutions.

When Sam Walton founded Wal-Mart he focused on the problem of trying to deliver quality goods at competitive prices to rural communities. Southwest Airlines focused on the problem of how to democratize air travel. Bill Gates wanted to make computing power accessible to everyone.

Whereas corporate social responsibility debates tend to focus on what’s wrong with business in terms of how certain practices harm society or the environment, corporate citizenship discussions tend to focus on what business can do to solve social or environmental problems and meet needs. One tradition tends to be driven by non-business critics, the other tends to come from within businesses themselves.
For example, if you were to ask employees at Johnson & Johnson if the company’s values are internally driven or externally pressured, they would proudly point you to “Our Credo,” the company’s official code of ethics that explains how Johnson & Johnson adds value to society. Similarly, employees at Microsoft, Southwest, and Best Buy will also tell you that their values come from within their internal culture. The companies strive to be good citizens contributing value to society wherever they do business.

In contrast, an early enterprise like the English East India Company was compelled externally by the crown and parliament to carry out its duty to society. Similarly, history’s moral crusaders—from the anti-technology Luddites of the 1800s and the Marxists in the 1900s to the single-issue protest groups at anti-globalization rallies today—seek to impose their views of corporate social responsibility upon firms from without. In particular, outside pressure groups attempt to persuade the public that business practices create social friction.

Of course, the world is a messy place, and companies may be juggling corporate citizenship and corporate social responsibility strategies at the same time. Employees inside a company may be working on ways to improve society while simultaneously responding to outside critics who say the company is failing to do so.

As we will see in the course of this brief survey, the desire on the part of business to be good and to do good has been at the heart of corporate citizenship and corporate social responsibility since the beginning.
There is a rich and robust debate about the origins of capitalism and its moral antecedents in Europe. The German sociologist Max Weber argued that the set of behaviors associated with modern capitalism originated out of the Protestant culture of northern Europe in the sixteenth and seventeenth centuries. He noted the tension between delayed gratification on the one hand and pursuit of growth and profit on the other, and he ascribed this contradictory set of values as being rooted in Protestant ideology.

Citing such figures as Benjamin Franklin, Weber noted that particularly within Calvinism, work was given a moral dimension of its own. Weber did not argue that capitalism was inherently religious, but rather that particular religious concepts paved the way for a capitalist culture to take root, as it did in the North Atlantic. “Early to bed, early to rise makes a man healthy, wealthy, and wise” might have its roots in a Biblical text, but the Bible is not necessary to apply this maxim. What Protestantism did is cultivate a culture of personal responsibility, individual initiative, delayed gratification, and hard work—critical ingredients for the capitalist system to work.

The British historian R.H. Tawney emphasized Catholic origins of capitalism, noting the rise of the Medici family dynasty in fifteenth-century Florence.

Outside of the European context, many cultures have engaged with the issue of business ethics. Ethical business practices are embedded in the Quran—philanthropy is one of the five core tenets of Islam—and can be dated back to Mosaic law before that. When General Douglas MacArthur set up new commercial codes in Japan after World War II, he drew from Japanese practices dating back 1,500 years. Indeed, the Code of Hammurabi sought to create legal frameworks for contracts, property rights, and building construction almost 4,000 years ago.

Still other scholars argue that the modern business era takes form with the rise of Holland in the sixteenth century. The Dutch pioneered many risk management concepts, which enabled them to build up their maritime power and economic base. Despite their reputation for probity, even at this early stage, capitalism could be intoxicating. The famous “Tulipmania” bubble, which led to such economic distortions that a tulip bulb could be valued as much as a house, remains a cautionary tale to this day.

In this reading, capitalism was consolidated with the Glorious Revolution in England in 1688. Perhaps not coincidentally, this was the year John Locke published his Two Treatises of Government, which identified the safeguarding of property rights as a primary objective of government—a contentious issue for absolutist monarchs like Louis XIV, Charles I and
James II. Here the rise of capitalism is entwined with the Age of Rationalism and Enlightenment thought. Capitalism was seen as scientific and rational, and the very concept of incorporation suggested a level of abstraction and legal protection unimaginable prior to the formulation of political rights.

Regardless of the philosophical debate and the long tail of early business pioneers, the historical record indicates that the sixteenth century marks a reasonable starting point for dating the rise of modern capitalism in terms of the development of incorporation, the limited liability company, and the separation of business interests from personal interests.

By the end of the century, commercial interests had formed enough of a critical mass that the first chamber of commerce was chartered in Marseilles in 1599 to address trade issues with the municipality and between the municipality and other cities. The British East India Company, Dutch East India Company, and the Virginia Company all were chartered between 1600 and 1607.

According to the excellent survey *The Company* by John Micklethwaite and Adrian Woolridge, the first European precursors of the modern company were the joint partnerships between merchants and governments to exploit the riches opened up by the great explorers. The Crown (with the British and the Dutch being early innovators in this regard) would grant a concession or a charter to a corporation for a fixed period (21 years, for example), and this would give private investors exclusive rights over the specific type of activity sanctioned. The Dutch East India Company was basically a venture that sanctioned piracy through letters of marque; the instructions for its first voyage were “attack the Spanish and the Portuguese wherever you can find them.”

In exchange for such concessions, governments would be able to gain a share of the profits, transport missionaries, mandate the building of schools or hospitals, and commission various other works. So from a historical basis, private sector activity in Europe in its earliest incarnations was organized as a privilege that the monarchy or state could grant, regulate, and revoke. In the Capitulations of Santa Fe, the agreement between Christopher Columbus and the Spanish Crown, there are as many political and religious considerations as there are economic ones.

This practice was embedded in charters throughout the sixteenth and seventeenth centuries. Commerce was seen as having a low estate and social standing, and the Spanish conquistadors, Portuguese explorers, and English privateers saw themselves as engaged as much in political and religious missions as in business. The French took this even further with the development of the mercantilist system under Richelieu, and particularly under the French Finance Minister Jean-Baptiste Colbert in the latter half of the seventeenth century. Trade and internal improvements were defined in terms of how much they built up la gloire de la nation—national prestige and power.

The Glorious Revolution in England marked another turning point in the foundation of modern capitalism. William of Orange did not just depose James II, he institutionalized many Dutch economic innovations, affirmed the sovereignty of Parliament, and affirmed the principle that the government was designed for public benefit, not for the personal disposition of his majesty. Whereas Louis XIV might be able to say “l’etat c’est moi” in France during this time period, the Glorious Revolution enshrined the de-personalization of the state in England.
This fundamental political change, coupled with the importation of Dutch economic practices, laid the foundation for several important innovations, particularly around how private citizens could approach risk. By securing the rule of law and reducing the risk that private gains might be taken from them by fiat or private whim, the government incentivized merchants to take longer-term risks. Political and constitutional stability secured property rights and created new sources of collateral, and by extension, liquidity and capital access.

As a result, after the Glorious Revolution occurred in England, joint stock and private ventures began to proliferate, growing from two in 1688 (the Muscovy Company and the East India Company) to over 140 by 1694.10 As Niall Ferguson has written in the Cash Nexus and other writings, British capital markets increased exponentially over the following century. But the meteoric rise and fall of the South Sea Company in 1720 led to restraints in the United Kingdom that were not fully lifted until 1844. The growth of capital and the formation of private enterprises in the UK was still fundamentally tied to the state and its willingness to permit incorporation.

**The Origins of the American Capitalist Experience**

The American experience was always different from Europe’s. Even during the colonial period, at the dawn of the Industrial Revolution, American entrepreneurialism and business creation were unique. In America, companies would come together to meet common needs, but the authority or right to do so was not deemed to be granted from above. Rather, companies were created pragmatically and organically as need arose, with an eye for solving problems. An inventor might develop a different kind of plow, cotton gin, or printing press, and then identify a group of investors to launch a new venture—all without interference from a governing body. Business creation was not something that was permitted or granted, but instead grew out of the individual’s own initiative. For example, after the American Revolution, Paul Revere built a forge to hammer out church bells, copper plating for boat bottoms, and other industrial products. Eli Whitney invented his famous cotton gin as a way to save labor. Samuel Slater, the “father of the American Industrial Revolution,” built housing for the workers in his textile mills—not because of government requirements, but to attract workers.

To be sure, American colonists made concessions to England, particularly at the ports and posts, but these were exceptions rather than the rule. It was because of America’s independence and laissez faire oversight that the Stamp Act and the Tea Act were able to spark a revolt. Simply put, the colonists were not used to government interference.

Because business in the United States grew out of voluntary associations and pragmatic opportunities, it was never seen as something apart from society, but rather part of the fabric of society.

This difference in the roots and origins of capitalism in Europe and the United States would profoundly affect how corporate citizenship and corporate social responsibility on the respective continents would begin to take shape in the nineteenth century.
The Industrial Revolution really began to take off in England by the end of the eighteenth century. Cotton mills exploded after 1783, built on the inventions of Richard Arkwright’s water frame, James Hargreaves’s Spinning Jenny, and Samuel Crompton’s Spinning Mule (a combination of the Spinning Jenny and the Water Frame). James Watt invented the steam engine in 1775 and Henry Cort revolutionized iron working in the mid-1780s. England’s economy almost quadrupled between 1700 and 1820. It became the world’s center for textiles, manufacturing, and finance.

The Industrial Revolution did not just remake England’s economy. It introduced profound social and environmental changes, as well. England invested substantially in building up its canal system during the latter part of the eighteenth century. During the early part of the 19th, the countryside was criss-crossed by railroads. A society that had been predominantly agrarian the century before rapidly urbanized. Cities like Manchester and Birmingham, organized around textile mills, coal, iron, and, manufacturing, rapidly expanded. Observers of the time talked about the rise of slums. Dank squalor, poor sanitation, the rise of crime, and increased separation of rich and poor became common tropes in the literature of the era.

While child mortality plummeted and per capita incomes skyrocketed, this era of England’s development also provoked significant adverse reactions. Romantic poets, including William Wordsworth and Samuel Coleridge, began to elevate the cult of nature. Child labor practices, such as sending children as young as four to work in coal mines or textile mills, provoked significant public reactions. Housing conditions for poor people were described as cramped and miserable, and the inequality of living conditions between rich and poor was often a sore point.

Social critics—Charles Dickens, Karl Marx, and the like—denounced harsh child-labor conditions and urban pollution, laying blame on “greedy” merchants and “cutthroat” capitalists. Dickens, in his classic tale A Christmas Carol, decried the avariciousness of finance as epitomized by the character of Scrooge. Other critics of the era included Thomas Carlyle, John Ruskin, and William Morris, who gave ample fodder to Marx and ally Friedrich Engels, the son of a German textile manufacturer.\footnote{11}

Many of these early external critiques of capitalism did not call for voluntary reform within businesses so much as for strengthening the hand of the state and outside forces to ensure reform. These critics decried the entire capitalist system. Marx and Engels, the most famous standard-bearers of this approach, famously assumed that capitalism would carry with it the seeds of its own destruction, as it would undermine the aristocracy and create a working-class proletariat that would overthrow the bourgeois ownership class.

Whereas European criticisms of capitalism, particularly within the radical left, indicted the entire capitalist system, another type of criticism of capitalism originated within the U.S. faith-based community. This type
of criticism did not focus so much on the morality of capitalism as much as it focused on the morality of capitalists.

The Society of Friends (Quakers) played an influential role in changing the nature of several commercial-related industries. They were the first group to avoid purchasing any products made with slave labor, and they played a prominent role in the abolition movement. Other nineteenth-century controversies among the faithful revolved around the use of tobacco, alcohol, firearms, and weapons of war. The Quakers were joined in many of these efforts by mainline Protestant churches, particularly in the American North. Because Quakers were initially proscribed from pursuing higher academic degrees, many of them became influential in business and industry in the United States and England. The religious sect made a particular contribution to the economic power of Pennsylvania during this period.

Another factor that differentiated the U.S. experience from the European experience was the impact of the factory system on community formation. In more populated Europe, land was at a premium. In the United States, factory towns did not lead to such concentrations of population outside of New York, Philadelphia, and Boston. Communities were more decentralized, and markets were not as well developed in the early Industrial Revolution in America. No U.S. city rivaled the size of London or came close to any of the major urban agglomerations in Europe until the 1830s. Thus, the social, environmental, and community impacts of concentrated industry were not felt as strongly in the United States during the early stages of the Industrial Revolution.

**Paternalism**

In the nineteenth century, a desire to meet the societal needs of workers gave rise to various forms of paternalism. Business leaders in the Connecticut Valley, the Appalachians, Upstate New York, and Massachusetts created “company towns.” Others tried to create self-sustaining mini-utopias, such as Brook Farm, a failed experiment in communal living made famous by author Nathaniel Hawthorne.

As capitalism spread in the 1800s, large industries cropped up in strategic geographic areas and attracted entire societies of workers employed by the same employer. Naturally, as people migrated to the region to work, family life became situated around the nearby production facility, whether a lumber mill, automobile factory, or other manufacturing plant. To respond to the workers’ social needs, company leaders planned company towns. In exchange for worker loyalty and productivity, business owners provided families with company-owned housing, parks, hospitals, schools, and libraries. One of the earliest American company towns, Pullman, Illinois, developed from George Pullman’s railroad car manufacturing complex near Chicago.

Paternalism in America was unique. Unlike the paternalism that developed in socialist countries, capitalist corporate paternalism in the United States did not involve state control over citizens’ lives and work, but instead operated according to free market principles.
One noteworthy exception was the paternalism that developed in the American South on plantations. In the 1850s, southern planters argued that plantation conditions were far more hospitable to slaves than the harsh work environments experienced by “wage slaves” in the northern cities.

**CSR, Corporate Citizenship and Slavery**

Notwithstanding dubious paternal claims made by southern slaveholders, the institution of slavery had an important role in the evolution of corporate social responsibility. As attitudes hardened between the North and South, opposition to slavery produced nascent expressions of individual and corporate philanthropy. In Maryland, two respected entrepreneurs, George Peabody and Johns Hopkins, started using personal wealth to address social problems. Peabody, a hard-working banker and founder of Peabody, Morgan and Co. (the ancestor of JP Morgan Chase & Co.), famously donated millions of dollars to build institutes such as the Peabody Institute in Baltimore. In 1862, he set up the Peabody Donation Fund (the Peabody Trust) to provide housing to London’s working poor. Known to historians as the “father of philanthropy,” Peabody had a profound effect on others, most notably friend and fellow abolitionist Johns Hopkins, a Baltimore railroad magnate and large shareholder of the Baltimore and Ohio Railroad (B&O). Following Peabody’s example of social engagement, Hopkins turned his personal distaste of slavery into corporate social action.

When the Civil War broke out, Hopkins offered President Lincoln free use of the B&O railway system. The main transportation link between northern states and Washington, the B&O would become instrumental in providing munitions and transportation to Union troops. As the war raged on, the railroad participated in well over 100 raids and battles. President Lincoln even praised the railway company’s president for preventing the Confederates from seizing Washington at the Battle of Monocacy.¹³

Not incidentally, Hopkins and Peabody were Quakers. This religious group’s history of opposition to slavery expressed itself in numerous business practices, including a prohibition on investing in enterprises associated with social ills. Hopkins went on to donate millions of dollars of personal wealth to establish Johns Hopkins Hospital and Johns Hopkins University, and he also financed an orphanage for young freedmen: the Johns Hopkins Colored Children Orphan Asylum.
By the end of the nineteenth century, titans like Andrew Carnegie and John D. Rockefeller had taken the concept of philanthropy to a whole new level. Carnegie was born in a one-room weaver's cottage in Scotland that his family shared with another family. After immigrating to the United States, he worked as a bobbin boy and a telegraph messenger before joining the Pennsylvania Railroad Company at the age of 18. Making his fortune in railroads, iron products, and most significantly steel, Carnegie is said to have amassed the second greatest fortune of the era behind Rockefeller. In 1889 he published “The Gospel of Wealth,” in which he argued that the career of business leaders should consist of two parts: the making and accumulating of wealth, and the distribution of wealth for benevolent causes. Even then, detractors argued that this was whitewash to cover for his role in breaking up strikes and constructing his empire.

But Carnegie's feats were undeniable. He founded Carnegie-Mellon, the Carnegie Corporation, and the Carnegie Institute for Peace. He funded public lending libraries across the United States and Scotland. One of Carnegie's pension funds evolved into TIAA-CREF; he was also a generous benefactor of the Tuskegee Institute and Booker T. Washington. By the time he died, Carnegie had given away over $340 million ($4.5 billion today).

John D. Rockefeller started out as a grocer and food wholesaler, but he later went into the oil refinery business and never looked back. From his base in Ohio, Rockefeller steadily consolidated the oil refining business. In 1872, his firm, Standard Oil of Ohio, absorbed 22 of his 26 competitors in Cleveland. By the end of the 1870s, Standard Oil refined over 90 percent of the nation's oil.

Rockefeller received many criticisms for his business practices, but none was more stinging than Ida Tarbell's History of the Standard Oil Company. Less than a decade after the journalist published her tome in 1904, the Supreme Court ordered the break-up of the Standard Oil trust into 34 companies. Rockefeller's combined shares from all these entities climbed to $900 million, and some scholars argue that he was the world's first billionaire.

From the beginning, Rockefeller tithed his salary, and he went on to endow many universities and institutions of higher learning, including Spelman College, the University of Chicago, and Rockefeller University. Moreover, he invented new philanthropic practices such as the conditional grant, and gave his foundation over $250 million.

Other notable titans of the era include Andrew Mellon, C.W. Post, W.K. Kellogg, Milton Hershey, John Wanamaker, Julius Rosenwald, Aaron Montgomery Ward, Marshall Field, and
Otto Kahn. Yet almost to a person, philanthropy was something business leaders did outside of their business organizations—J.P. Morgan being an exception to this rule. Although Morgan’s philanthropy was considerable, it was in the course of his business that he performed his greatest act of citizenship: a last-minute rescue of the U.S. financial system during the financial panic of 1907.

Throughout the early period of philanthropy, the deeds of a business were identified with the personality of the individual heading it up. People did not expect Standard Oil to do anything but produce oil, nor did they expect corporate citizenship from Standard Oil employees. Instead, they expected John D. Rockefeller to act a certain way.

**The Demise of the Trust System**

During the 1890s, the concentration of wealth in restraint of trade became a serious political issue. The Sherman Anti-Trust Act was passed in 1889, and when President McKinley came to power he vowed to break up the trusts. But, it was left to Theodore Roosevelt to transform the relationship between business and government during his tenure as President of the United States from 1901-1909.

The philanthropy of Carnegie and Rockefeller had done little or nothing to stem the critique of business of the era. “Muckraker” journalists such as Ida Tarbell, Lincoln Steffens, Ray Stannard Baker, and Upton Sinclair portrayed commercial practices in an unflattering light. They exposed everything from the slaughterhouse and stockyard practices of Chicago to the harsh treatment of textile workers; they also examined underhanded competitive tactics and fraudulent claims associated with patent medicines. Many of these pieces were serialized in *McClure’s Magazine*, which reached nearly 400,000 subscribers in 1904—a hugely influential audience.

Whether the reform of the American business system of the time was due to the muckrakers, anti-competitive business practices of certain monopolists, or triggering events like the great coal strike of 1902 or the panic of 1907 may be up to debate. What is not up for debate is that the Progressive Era ushered in a new chapter in business and society relations, with an increasingly interventionist role for government. Roosevelt used the Sherman Anti-Trust legislation to prosecute and break up trusts in

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**Andrew Carnegie’s Life and Philanthropy**

Andrew Carnegie born in a one-room weaver’s cottage in Scotland in 1835

The Carnegie family moves to Pennsylvania in 1848

At age 13, takes first job as bobbin boy in cotton mill, earns $1.20 per week

Forms Freedom Iron Company in 1861

Founds Edgar Thomson Steel Works in 1870s

Donates first public library in his hometown of Dunfermline, Scotland in 1881

Establishes Carnegie Steel Company in 1892, Pittsburgh, PA

Publishes famous essay “The Gospel of Wealth” in 1889

Sells Carnegie Steel to J.P. Morgan in 1901, retires to life of philanthropy

Funds creation of nearly 3,000 public libraries

Founds Carnegie-Mellon University, the Carnegie Corporation, Carnegie Hall, and the Carnegie Institute for Peace

By time of his death in 1919, Carnegie has donated $340 million in philanthropy ($4.5 billion today)

Life memorialized as famous American “rags-to-riches” story
railroads, sugar, tobacco, and other industries. He established the Department of Commerce and Labor and also the Food & Drug Administration.

Looking back, the history of corporate citizenship during the eighteenth and nineteenth century was not about management practices or principles: It rested in the ideologies of the individuals undertaking the enterprises. No one then or now would have looked at U.S. Steel or Standard Oil as benevolent forces. They were seen as moneymaking machines. Carnegie, Rockefeller, Fisk, Gould, Morgan, and other business philanthropists made many notable improvements in living conditions and operations, but they did them for strictly business reasons, or because they were compelled to do so by regulators. Personal morality and business management practices were not necessarily integrated.

Where you did see the integration of values and business, however, was at the intersection of ideology or faith with commerce—the Transcendentalists and the Quakers were early forerunners of this kind of thinking.

But with a more aggressive government, the independent media, the advent of the Progressive era, and the rise of modern management theory on the horizon, a new kind of business management practice was about to emerge.
As the nineteenth century came to a close, the heavy-industry economy dominated by railroads, petroleum, and steel gave way to a new era of consumer-oriented products. The raw materials developed and refined by the Carnegies and Rockefellers of the world found new uses in the factories of automobile manufacturers, medical supplies companies, chocolate-makers, and business machine inventors.

The twentieth century got off to a shaky start. The year 1902 witnessed continuing unrest in the coal fields of Pennsylvania. The San Francisco earthquake of 1906 resulted in over $250 million in property and business losses. Most notably of all, in 1907, the New York Stock Exchange lost half its value after failed cornering schemes and trading manipulation caused wild market fluctuations and bank closings, leading panicked citizens to withdraw their deposits en masse. The rapid loss of liquidity sent the banking system into turmoil. With the economy on the brink of financial collapse, J.P. Morgan and other wealthy financiers stepped in to rescue banks and trusts with rapid injections of millions of dollars. The bold move restored liquidity and ended the run on banks. Although the market stabilized, the Panic of 1907 exposed banking sector vulnerabilities and led to the creation of the U.S. Federal Reserve System in 1913.

At the same time these events were taking place, a new breed of American business leaders were emerging, who would begin to modernize business practices. Among them, was the preeminent industrialist of the time: Henry Ford.

**Henry Ford and The Ford Motor Company**

The son of a farmer in Dearborn, Michigan, Henry Ford was a mechanically inclined youth who had a fascination with internal combustion engines. As Ford tinkered with various motors and body concepts, he dreamed of designing automobiles everyone could own, not only the wealthy. In his memoir, *My Life and Work*, published in 1922, Ford recounted his egalitarian vision for improving society with cars for the common man: “I will build a car for the great multitude. It will be large enough for the family but small enough for the individual to run and care for. It will be constructed of the best materials, by the best men to be hired, after the simplest designs that modern engineering can devise. But it will be so low in price that no man making a good salary will be unable to own one—and enjoy with his family the blessing of hours of pleasure in God’s great open spaces.” Ford established the Ford Motor Company in Michigan in 1903 and quickly got to work building various prototypes and models.

In 1908 Henry Ford introduced his dream machine: The Ford Model T. The vehicle was modest but reliable, and with the help of an innovative moving assembly line to mass-produce the vehicle, Model T sped off production floors and ushered in the era of modern transportation. Ford Motor Company sold 10,607 Model Ts that year. By the time the “Tin Lizzie’s” production ended in 1927, approximately 15 million had been manufactured. The creation of an affordable automobile spawned a massive new industry and delivered
hundreds of thousands of new jobs for the U.S. economy. Between 1921 and 1929, the U.S. GNP rose 59 percent to $103.1 billion; workers’ incomes jumped 38 percent. Ford had played a huge role in creating the modern blue-collar middle class.

But Henry Ford’s efficient assembly lines were a drain on many workers, and long hours and repetitive tasks led to sagging employee morale and high turnover. Ford responded by establishing an eight-hour workday and five-day workweek, and he raised workers’ wages to $5 per day—more than double the average pay for autoworkers at the time. Ford’s $5-a-day revolution halted turnover and boosted productivity. Newspapers praised the policy as a remarkable act of goodwill.

Ford pioneered other forms of early corporate citizenship: he built affordable worker housing and funded the first general hospital in Detroit, and he famously hired black workers, immigrants, and people with handicaps. By 1937, the automotive company counted 11,632 disabled persons in its workforce earning full pay.

Ford’s social and ethical leadership passed down to subsequent generations of family heirs, and today Ford Motor Company ranks high on annual ratings of the world’s most ethical companies.

Ford was not the only titan of the time. Henry Firestone, Walter Chrysler, William Durant, Alfred Sloan, Charles Kettering, Henry Leland, and others pioneered new technologies, management practices, extended supply chains, and engineered new relationships between their companies and the communities in which they operated. From the central innovation of the automobile and the assembly line, the ripple effects would transform American society profoundly—leading to the rise of consumer culture, market segmentation and differentiation, suburbanization, and a restructuring of the way individuals organized their lives.

**Johnson & Johnson and the Earthquake of 1906**

The entrepreneurial drive for big ideas and society-enhancing products was alive in other prominent business leaders of the period. In the 1880s, brothers Robert Wood Johnson, James Wood Johnson, and Edward Mead Johnson recoiled at the unsanitary conditions surrounding medical emergencies. Inspired by antisepsis advocate Joseph Lister, the brothers responded by inventing sterile surgical dressings and bandages. From first aid kits and aseptic sutures to Band-Aid brand adhesives, Johnson & Johnson products quickly became household items and contributed to higher survival rates of trauma patients around the globe.

In addition to delivering medical innovation, Johnson & Johnson joined Bank of America as one of the first businesses to mount a disaster-relief effort. In 1906, after a devastating 7.9-magnitude earthquake rocked San Francisco, leaving 3,000 dead and thousands wounded, Johnson & Johnson sent trainloads of bandages and first-aid kits to the city to treat survivors. A precursor to contemporary corporate-aid initiatives, Johnson & Johnson’s disaster response evolved naturally out of the company’s core competencies, products, and business operations.
Three other companies also showed remarkable corporate citizenship in the aftermath of the 1906 earthquake. A young entrepreneur named Amadeo Giannini was able to get all of the deposits of his fledgling bank out of town before his building went up in flames. As a result, he was able to set up shop again at a make-shift desk, and make loans to whoever wanted to rebuild. That fledgling bank is now known as the Bank of America.

The earthquake also caused massive insurance losses, but two American insurance companies, Hartford Fire & Casualty and Aetna, made good on all of their claims. Another company with a well-earned reputation for integrity, Lloyd's of London, also honored its commitments.

Johnson & Johnson made other historic contributions to the development of corporate citizenship. In 1906, the company integrated citizenship into its organizational structure through the creation of its Company Welfare Department. The new department devised innovative employee benefits virtually unknown in other organizations: It set up doctor-supervised medical rooms to care for sick employees and offered counseling services to help employees manage family problems. It created mutual benefit funds to help workers survive financial crises and provided English language tutoring for Hungarian immigrants.

From the outset, Johnson & Johnson hired women. The company’s female workers packaged gauzes, labored in cotton mills, and cleaned utensils and glassware in company laboratories. To address their unique needs in the workplace, the Employee Welfare Department formed an affinity group for women, the Laurel Club. Formed in 1907, the club received its own headquarters where Johnson & Johnson women hosted educational opportunities, community volunteer work, gymnastics, and a women’s basketball team.20

At a time when factories were hard on workers and mostly staffed with men, Johnson & Johnson improved working conditions by enacting people-oriented policies that gave rise to human resources departments, safe work environments, gender diversity, and work-life benefits.

**The Hershey Chocolate Company**

Meanwhile, just 140 miles to the west, a different kind of entrepreneur was establishing a generous corporation. In Derry Church, Pennsylvania, confectioner Milton S. Hershey developed a special formula for making milk chocolate, and he built a grand facility to house his chocolate making magic. The candy man’s Hershey’s bars became an instant hit, and the small town of Derry Church was soon renamed Hershey, Pennsylvania.

Milton Hershey was known not only for delightful confectionary candies, but also for tending to the welfare of employees, local citizens, and orphans. As he drew up plans for his new manufacturing facilities, Hershey mapped out an elaborate company town that would provide workers with affordable schools, parks, a trolley system, libraries, and churches. The community concept was not for U.S. workers only; in 1916, when Hershey needed new sources of beet sugar—a key ingredient of milk chocolate—he invested in cane sugar plantations in Cuba and established a sustainable worker community modeled after the one in Pennsylvania.21

But the confectioner’s dedication to community was immortalized in the 1909 creation of the Milton Hershey School, a center built to provide housing, education, and medical care to orphans. To ensure that the school would continue beyond his lifetime, Milton Hershey assigned the Hershey Trust Company—the chocolate
company’s top shareholder—to be the overseer of the school, a decision that made orphaned children the chief beneficiaries of Hershey’s corporate success. Today the Milton Hershey School provides education, housing, food, and career training to approximately 2,000 children.22

The spirit of citizenship that pervaded these businesses manifested itself in other American corporations of the era, from General Electric and UPS to IBM and Standard Oil of New Jersey. Standard Oil devised an employee program in 1922 that instituted sick leave, disability pay, two weeks’ paid vacation, death benefits, and an employee stock ownership plan—complete with matching company funds. Clarence Hicks, the designer of Standard Oil’s program, had been known for crafting ethics policies at International Harvester (now Navistar International Corporation), the first American corporation to assume responsibility for industrial accidents. Hicks was many years ahead of state-based workers’ compensation.23

**Frederick W. Taylor and the Rise of Scientific Management**

New contributions to corporate citizenship practices were not always tied to company founders. Some concepts were bubbling up within the field of management. In 1911, Frederick W. Taylor published his groundbreaking study, *The Principles of Scientific Management*, which said that any manual task could be broken down into its constituent parts, examined, and improved to achieve greater efficiency and productivity. Taylor demonstrated his theory at the Bethlehem Steel plant in 1898, where he focused on unloading iron from rail cars. By identifying the optimal physical motions and load sequencing for the task, Taylor was able to boost the single-man output from 12.5 tons per day to 47.5 tons.24 Next he offered bonus pay for steel workers who achieved the higher standard on any given day. “The principal object of management,” Taylor wrote, “should be to secure the maximum prosperity for the employer, coupled with the maximum prosperity for each employee.” 25

The scientific management approach caught on like wildfire. Efficiency experts cropped up everywhere with stopwatches in hand to improve task efficiency. Commentators hailed Taylor as a genius. Journalist Ida Tarbell, known mostly for her criticism of business, said “no man in the history of American industry has made a larger contribution to genuine cooperation and juster human relations.”26

These and other developments of the era cheered socially minded activists, especially ones like Walter Rauschenbusch, a Hell’s Kitchen, New York, minister whose Social Gospel movement argued that business had a key role improving the social order. In a discussion of business ethics penned in 1912, Rauschenbusch wrote, “With all their bitter cruelty and wrong, our factories are the cells out of which a Christianized industry must be evolved. Even now businessmen are public servants in embryo. They pride themselves on the community service they are rendering, and many a one of them would serve admirably as Bishop of the Church of Holy Industry, if he had half a chance to put his Christian good will into action.”27
This is not to say that critics of capitalism disappeared. Far from it. Tragedies like the Triangle Shirtwaist Fire of 1911, which claimed the lives of 146 garment workers, had a significant galvanizing effect on labor laws and unionization. The presidential candidate of the Socialist Party of America, Eugene Debs, garnered almost 1 million votes from his prison cell in 1920. Samuel Gompers forged the American Federation of Labor into a powerful voice for collective bargaining and higher wages. The next generation of union leaders, including John L. Lewis, Walter Reuther, and George Meany, would continue and build on the confrontational tactics of their forebears, but they would also develop more sophisticated political operations to change business practices through cooperation with the federal government. This strategy reached its apotheosis with the advent of the New Deal, which ushered in a set of laws including Davis-Bacon (1931), Norris-LaGuardia (1932), National Industrial Recovery Act (1933), Wagner National Labor Relations Act (1935), Walsh-Healey (1936), and the Fair Labor Standards Act (1938).

The trailblazers of the first ethical corporations were business leaders, not saints. Despite their many positive contributions to society, some had deeply flawed personalities. Henry Ford is a case in point: The man behind the creation of the auto industry was stubbornly autocratic, and his personal opinions were addled with prejudices and overt anti-Semitism. In addition, he was ruthless in driving out investors that stood in the way of his plan to transfer 100 percent ownership of the company to the Ford family.28

Nevertheless, it was this same Henry Ford who wrote eloquently on the necessity of corporate citizenship: “Business must be run at a profit, else it will die. But when anyone attempts to run a business solely for profit and thinks not at all of the service to the community, then also the business must die, for it no longer has a reason for existence.”29
The decades leading up to The Great Depression were a fertile period for business citizenship. Corporate social policy spread rapidly in these years, with businesses voluntarily developing pensions, unemployment benefits, and employee representation, in addition to building libraries, schools, and housing.

Between 1912 and 1930, employer-provided life insurance coverage rose from $13 million to $10 billion, covering an estimated 8 million U.S. workers. Employee stock ownership plans also gained in popularity; in 1927, 1 million U.S. employees owned stock, and employees of International Harvester and Bethlehem Steel owned more than half of all available company shares. Corporate healthcare emerged in this era as many factories opened physician-staffed emergency rooms to give free medical care to employees. For recreation, companies added swimming pools, gyms, baseball fields, and more. Seeing the buffet of benefits offered by the Procter and Gamble Company, one labor leader opined that P&G had met workers' needs far beyond any union's wildest dreams.

The Community Chest Movement: the Birth of Corporate Philanthropy

In the 1920s, corporate giving took flight with the emergence of the Community Chest movement, the first large-scale business-and-community partnership formed to address social problems. Hundreds of local charities emerged during this era to address the social challenges of the new century, and each maintained its operation by soliciting donations from local businesses and individuals. The scattered community chest groups eventually achieved national coordination by joining the American Association for Community Organization, a 1918 predecessor to The United Way organization.

Federated fundraising skyrocketed during the period. A study of corporate giving conducted in 1929 revealed that corporations were responsible for 22 percent of all funding raised by 129 community chests. As the community chest movement spread during the Twenties, corporate donations to the chests increased from approximately $2.5 million to $13 million, with nearly 34,000 firms contributing. On the heels of this growth, social welfare agency officials stepped up with ever more sophisticated solicitation pitches, and corporate philanthropy was born.

The importance of the Community Chest movement cannot be overstated. Author Morrell Heald, in his evaluation of CSR history during the years 1900 to 1960, writes,
“The relationships which developed between representatives of business and social work through joint enterprises, such as the community chests, is perhaps the most important single factor in the emergence of an informed sense of social responsibility on the part of American businessmen.” Heald adds: “Under other circumstances, even the best of intentions have led in the end to benevolent, but ultimately unsatisfactory, paternalism.”

But the movement was short-lived. In the same way the growing economy of the 1920s helped boost the new partnership between corporations and charities, The Great Depression was about to cripple American businesses and their social capacity, paving the way for a new era of Big Government.

**The Great Depression**

Stock prices slumped in September and October 1929. Analysts had grown bearish over bubbles in the economy, and market declines quickly accelerated during the month of October, culminating in “Black Tuesday,” the largest stock market crash in history. On October 28 and 29, during only two days of trading on the New York Stock Exchange, the U.S. economy saw 25 percent of its investment wealth wiped out. The revelries of the Roaring Twenties would soon vanish and the U.S. economy would sputter helplessly for more than a decade. Unemployment rates would jump to as high as 25 percent during the Thirties.

Attitudes towards business soured as citizens watched their life savings disappear. Optimistic talk of “the company soul” gave way to criticism. Congress conducted investigations of stock market chicanery, and iconic American business legends were re-branded as “robber barons.”

The 1930s mark another chapter in the evolution of the structure of the U.S. economy. Within the first 100 days of his inauguration in 1933, President Franklin D. Roosevelt would launch a New Deal for America to install strict government oversight over previously unregulated parts of the economy. As government flexed its regulatory muscles to place heavy restraints on the private sector, the nation rapidly transitioned from a *laissez-faire* capitalist economy to a mixed economy. Marginal income rates rose to the point where high income earners were taxed on 90 percent of their earnings, and over a third of the American workforce was unionized, while one in four Americans remained unemployed.

In 1932, in the lead-up to the New Deal, the United States Senate Committee on Banking and Currency launched the Pecora Hearings to investigate the causes of the Stock Market Crash of 1929. After producing few results in the first year, the investigation’s chief council, Ferdinand Pecora, received an extension of the hearings and examined under oath the nation’s top bankers and stock brokers, including Richard Whitney, Otto H. Kahn, J.P. Morgan, Jr., and Arthur Cutten. Pecora uncovered ethical violations ranging from tax evasion and the underwriting of questionable securities to insider trading and stock price manipulation.
The public turned against the Wall Street moneymen, and Congress soon churned out a slew of government regulations including the Securities Act of 1933, the Glass-Steagall Banking Act of 1933, and the Securities Exchange Act of 1934, which created the Securities Exchange Commission that oversees trading on the New York Stock Exchange. A year later, Congress passed the Wagner Act to protect labor union organizing, and also the Social Security Act, which set up the largest welfare program in U.S. history.

The accounting profession also underwent a comprehensive reevaluation. For decades accountancy had produced noble practitioners like Arthur Edward Andersen, who was dedicated to developing high accounting standards. A university professor and active member of multiple professional accounting societies, Anderson played an important role in the creation of accounting education. His expertise was demonstrated through important publications including *Duties and Responsibilities of the Comptroller* (1934), *The Future of our Economic System* (1934), and *Present Day Problems Affecting the Presentation and Interpretation of Financial Statements* (1935), and he headed up Arthur Anderson & Co. from the time of its founding in 1913 until his death in 1947. Anderson famously insisted that accountants had a primary ethical responsibility to protect investors above clients.

Nevertheless, demands for new financial regulation grew stronger after the collapse of the stock market, and the creation of the Securities and Exchange Commission granted the federal government power to audit the financial statements of public companies.

George Oliver May, an influential accountant from Price Waterhouse & Co., led a joint study by the New York Stock Exchange and the American Institute of Accountants that recommended independent yearly financial audits for public firms. Some argued that the federal government should establish the standards for auditing company financials, but George May convinced the Securities and Exchange Commission to allow the accounting industry to develop proper accounting principles and actively self-regulate. The joint study produced the publication *Audits of Corporate Accounts* (1934), which recommended a standardized format for auditor’s reports, paving the way for independent audits. In the end, while the Securities and Exchange Commission received federal authority to set accounting standards and oversee auditors, the job was left to the accounting profession.36

“Robber Barons” or “Industrial Statesmen”? The era between 1929 and the end of World War II saw large fluctuations in the public’s opinion of business. Attitudes toward industry plummeted to their depths following the Great Crash, but they slowly rebound and hit their zenith as America rallied to fight Nazi Germany.

Anti-business sentiment found popular expression during the Thirties, especially from critics of capitalism. In 1934, American journalist Matthew Josephson, a writer for *The New Yorker*, published *The Robber Barons*, an influential book that painted John D. Rockefeller, Andrew Carnegie, Andrew W. Mellon, J.P. Morgan, and others as greedy unscrupulous men who built empires of wealth on the backs of their fellow citizens.37 Josephson’s book was successful
in popularizing the pejorative “robber baron” caricature, a negative stereotype used indiscriminately to denigrate successful business leaders.

As a counter to Josephson’s book, journalist Allan Nevins made a case for the “businessman as industrial statesman” perspective, which he detailed in a two-volume biography on John D. Rockefeller. According to Nevins, Gilded Age capitalists made many positive contributions to society, not the least of which was the creation of the world’s most successful economy.

Meanwhile, a new board game called Monopoly was sweeping the nation. The Parker Brothers classic first captured the American fancy in the mid-1930s when families needed escape from long unemployment lines and lost fortunes.

Monopoly was no ordinary family amusement, however. Originally introduced in 1906 as The Landlord’s Game by Georgist activist Elizabeth Magie, the true object of the game was to persuade the masses that private land ownership invariably results in society-crushing monopolies in which a few winners accumulate all wealth while everyone else ends up penniless and property-less. Magie, like other followers of political economist Henry George, advocated state ownership and leasing of all land, an idea that finds contemporary reformulation in the policy known as ecological taxation, or ecotaxes.

Perhaps not surprisingly, the mascot of Monopoly, “Rich Uncle Pennybags”—the moustached tuxedoed top-hatted character—was created in the fashion and appearance of banker J.P. Morgan, whom Monopoly historian Philip E. Orbanes called “the greatest monopolist of all.” In tracing the character to Morgan, Orbanes writes: “As fate would have it, the legendary monopolist and soon-to-be legendary Monopoly game were united. Ironically, J.P. Morgan joined the game whose predecessor intended to discredit him and his ilk.” In contemporary popular culture, Rich Uncle Pennybags is often used as a cartoon representation of the “robber baron” stereotype.

There were bright spots during the period as well, but they were not obvious at the time.

**International Business Machines (IBM)**

In the 1930s, International Business Machines (IBM) made fresh contributions to the progress of corporate citizenship. Big Blue trained women for professional advancement, transitioned workers to a stable salary, and offered benefits such as paid vacations and life insurance. Thomas J. Watson, Sr., the company president who led IBM’s growth from 1914 to 1956, invested heavily in tabulating equipment far ahead of any demand.

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**Business Heroes and Villains in Popular Culture**

Famous characters from books, movies, and television reflect public attitudes on the role of business in society:

- **Ebenezer Scrooge (villain)**
  - 1843 - A Christmas Carol
- **Ragged Dick (hero)**
  - 1868 - Horatio Alger novel
- **Rich Uncle Pennybags (villain)**
  - 1930s - Monopoly game mascot
- **Tom Joad (anti-business hero)**
  - 1939 – The Grapes of Wrath
- **Mr. Henry Potter (villain)**
  - 1946 - It’s a Wonderful Life
- **George Bailey (hero)**
  - 1946 - It’s a Wonderful Life
- **Gordon Gekko (villain)**
  - 1987 - Wall Street
- **Mr. Burns (villain)**
  - 1989 – The Simpsons
- **Oskar Schindler (hero)**
  - 1993 - Schindler’s List
- **Donald Trump (stereotype)**
  - 2004 – The Apprentice
- **Michael Scott (stereotype)**
  - 2005 – The Office
- **Chris Gardner (hero)**
  - 2006 - Pursuit of Happyness
in the market. During the Depression, when many companies cut back on new product development, IBM increased its investment. Watson’s depression-era R&D paid off in the mid-Thirties when the U.S. government hired IBM to create and manage the employment records of 26 million Americans included in the U.S. Social Security Act of 1935.

Thomas Watson also stands out for his focus on international growth. IBM’s chief held strong humanitarian ideals and firmly believed that international trade could foster positive diplomatic relations with other nations. So dedicated was Watson to this view that in 1938 he engraved the slogan “World Peace Through World Trade” on IBM’s new world headquarters in New York City.  

**The Johnson & Johnson Credo**

Johnson & Johnson’s leadership as an ethical corporation appeared prominently again in this period. The medical-product company’s concern for people not only earned loyalty from workers and admiration among the public, but also led to “Our Credo,” the first code of ethics to address the key stakeholder groups commonly identified in contemporary approaches to corporate citizenship.

In 1943, Robert Wood Johnson II, the son of company founder Robert Wood Johnson, wrote “Credo” to define the company’s responsibilities to four main stakeholders: customers, employees, local communities, and shareholders. The groundbreaking document states that Johnson & Johnson’s first responsibility is to deliver safe affordable medical products to doctors, nurses, and patients who need them. The company’s duty to employees includes job security, fair wages, safe working conditions, opportunity for advancement, and work-life balance. Responsibility to the community involves the expectation that employees should support charities, civic improvement, health and education, and the natural environment. Finally, the firm’s economic duty requires making a sound profit, innovative R&D, and responsible financial management. More than six decades later, “Our Credo” continues to express organizational values that guide Johnson & Johnson’s decision making at all levels of the organization.

**World War II and the Arsenal of Democracy**

More than any other event that occurred between 1929 and 1945, the Second World War had the greatest impact on raising America out of its economic slump and restoring honor to corporations in the eyes of the public. In 1940, a year in which the British were struggling against Nazi forces and French armies had surrendered, President Roosevelt pledged to arm the Allies with America’s finest military supplies. During a radio address in December, FDR called the new wartime effort the “Arsenal of Democracy.”
One year later, on December 7, 1941, while America was still at peace, Japanese kamikaze pilots attacked the U.S. naval base at Pearl Harbor. Over the next few years, nearly 2 million American men would leave their homes to fight in the war, and an estimated 20 million women joined the American workforce to assemble the guns, tanks, boats, and bombers that the Allies used to defeat the Axis powers of Germany, Japan, and Italy.

The American workforce, now fronted by popular female faces including Rosie Will Monroe, a Kentucky native who riveted aircraft bombers in Michigan’s Willow Run factory, built an unprecedented arsenal in global history, manufacturing nearly 300,000 tanks and 80,000 ships. Between 1942 and 1945, Ford Motor Company halted all civilian vehicle production and dedicated its factories to the production of 86,865 complete aircraft, 8,600 B-24 bombers, 57,851 airplane engines, and 4,291 military gliders. At the height of the war effort, Ford’s mass production facilities snapped together 540 quad-engine planes per month, sometimes assembling a plane in as fast as 59.43 minutes.

In the entire history of American business there has never been a finer moment than the collective effort Americans gave during World War II. The Arsenal of Democracy is likely the greatest corporate citizenship program ever conceived and executed.

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**Corporate Citizenship Highlights in Modern History**

- J.P. Morgan saves the U.S. financial system in 1907
- Henry Ford creates the modern blue-collar middle class with the success of Model T
- The Community Chest Movement appears in 1920s
- IBM maintains production during the Great Depression and enables the creation of Social Security
- George May, AICPA, and NYSE establish modern protocols for accounting in 1934
- The U.S. automobile industry converts into the Arsenal of Democracy to help defeat the Nazis.
- The Johnson & Johnson Credo is written in 1943, inspiring many businesses to develop their own value statements
- Hewlett-Packard invents “The HP Way”
- In 1978, General Motors adopts the Sullivan Principles for how it will operate in South Africa
- American Express launches campaign to renovate the Statue of Liberty in 1983
- In 1987, Merck launches the Mectizan program to treat river blindness.
- 9/11 triggers massive outpouring of business support for terrorist victims
- Corporate aid for hurricanes Katrina and Rita tops $1 billion
The period from the end of the Second World War to 1980 marks an era of political and social change in the United States. Within this changing environment, modern concepts of social responsibility, performance, and responsiveness begin to receive their present-day definition. Through a series of events and critiques that begin in the 1950s and accelerate during the Great Society of the 1960s, corporate citizenship shifts from general awareness of social and ethical concerns to laser-like focus on issues: decentralization, employee empowerment, servant leadership, civil rights, consumer protection, and environmental sustainability.

During the Eisenhower years, two competing views emerge about the role of the individual in corporations. The first perspective is described in the 1956 bestseller *The Organization Man*, written by *Fortune* magazine editor William H. Whyte.\(^4\) Regarded as one of the most insightful early commentaries on organizational behavior, Whyte's book analyzed the impact of organizations on American society and concluded that bureaucracies and groups were producing conformity at the expense of human individuality. In Whyte's view, managers caught in a rat race to supply America with mass-produced cars, homes, televisions, appliances, and franchise restaurants were themselves becoming mass-produced entities, with no distinct purpose, goals, or meaning apart from the firm. The organization men of the 1950s, Whyte believed, were selling their souls out of a deep-seated need for belongingness and security.

With its gripping psychoanalysis of 1950s life developed through interviews with managers of General Electric, Ford, and other organizations, Whyte's book warned that unquestioning loyalty to large organizations was squelching creativity, innovation, and individual differences. The sentiments expressed in *The Organization Man* struck a chord with audiences and unleashed a flood of bleak-if-exaggerated indictments of 1950s suburbia, including Richard Yates' critically acclaimed 1961 novel, *Revolutionary Road*.

**The HP Way**

The second and vastly different perspective on the role of individuals in organizations originated in a one-car garage located at 367 Addison Street in Palo Alto, California—the birthplace of Hewlett-Packard. In 1938, two Stanford University engineering graduates, Bill Hewlett and Dave Packard, started a home-based shop to create electronic instruments and gadgets. After inventing a string of novel electronic devices, the founders devised an audio oscillator that the Walt Disney Company adopted for use in the movie *Fantasia*. Over the next three decades the engineering duo would turn their initial $500 investment into one of the largest technology corporations in the world.

While Hewlett-Packard is known for many technological achievements, the company's most enduring legacy was the invention of the “The HP Way,” a new managerial ethos that
rejected rigid bureaucracies in favor of decentralization, innovation, and employee empowerment. In the HP Way, executives set top-level objectives for the organization and then get out of the way to let employees step up with creative solutions—always with the goal of “making a contribution.” In the minds of Bill Hewlett and Dave Packard, organizations do not succeed by treating employees as just another component of an automated assembly line; they achieve success by unleashing the spirit of innovation latent in every individual.

Although the HP Way manifested early through Bill and Dave’s daily management patterns—particularly “management by walking around” and the “open door” policy—the tenets of the HP Way were enshrined decades later in written affirmations like “We have trust and respect for individuals” and “We encourage flexibility and innovation,” as well as through the Rules of the Garage, a 1999 code of conduct which immortalized early company maxims including “Make a contribution every day” and “No politics, no bureaucracy.”

Equally important was Hewlett-Packard’s articulation of the responsibility to be profitable. During a historic retreat in Sonoma in 1957, Bill and Dave met with company leaders to discuss how to handle the organization’s rapid growth. Together they crafted companywide objectives about customers, employees, and expansion that would guide all decision making going forward. The first objective read: “Profit: To recognize that profit is the best single measure of our contributions to society and the ultimate source of our corporate strength. We should attempt to achieve the maximum possible profit consistent with our other objectives.”

This careful formulation echoed the view of another groundbreaking management guru of the era, Peter F. Drucker, who taught that while businesses must never become welfare agencies, companies should organize themselves in such a way that the firm’s philanthropic interests are aligned with its fundamental economic responsibilities. As Drucker, Hewlett, and Packard all affirmed, economic viability is the ultimate test of a company’s social performance.

As proof of its own sound performance, Hewlett-Packard grew 20 percent annually for 50 years without a loss, and the company would go on to enact policies like flextime, job sharing, open cubicles, and tuition assistance. As with so many developments throughout the history of corporate social responsibility, Hewlett-Packard’s citizenship rose naturally from the founders themselves. Bill Hewlett and Dave Packard were known for their family-like concern for stakeholders, both inside and outside of the organization, and the founders gave 95 percent of their wealth to charity. Arguably no two people had a greater influence on the managerial style Silicon Valley technology firms than the gentle giants behind the Hewlett-Packard Company.

**The Great Society**

With the coming of the 1960s, America would experience a tidal wave of big government expansion that rivaled the regulatory measures instituted during Roosevelt’s New Deal. President Lyndon B. Johnson, impressed with social initiatives proposed by President Kennedy’s New Frontier initiative, launched a presidential task force to study domestic policy issues ranging from civil rights and education to public health and pollution. When the 1964 election gave the Democratic Party control over the White House and both houses of Congress, Johnson and the Eighty-Ninth Congress quickly passed 84 new bills to address social problems. Starting with civil rights, President Johnson signed into law the Civil Rights Act of 1964, which prohibited job discrimination and ended segregation. In healthcare, the administration passed the Social
Security Act of 1965, creating Medicare. To address consumer issues, the administration passed legislation for cigarette labeling (Cigarette Labeling Act), product information (Fair Packaging and Labeling Act), and lending (Consumer Credit Protection Act). To solve environmental abuses, Johnson’s “Great Society” passed acts to regulate air pollution, land and water use, and waste disposal. To oversee the complex management of the new regulatory scheme, President Richard Nixon set up the Environmental Protection Agency in 1970, and he extended Johnson’s Great Society with the 1972 addition of the Consumer Product Safety Act, which created the Consumer Product Safety Commission to monitor product safety.

The Great Society was perhaps the most active legislative period in U.S. Congressional history. The result was an expansion of the regulatory environment that affected nearly all aspects of business operations in the United States, shifting the country further in the direction of a mixed economy and away from free market capitalism.

This dramatic change in the regulatory environment would be matched by the awakening of the environmental movement and turbulence arising from energy markets and the U.S. involvement in Vietnam.

The Birth of the Environmental Movement and Oil Shocks

Meanwhile, a vigorous new movement was forming around controversial bestselling books of the period. Rachel Carson’s 1962 book about the pesticide DDT, *Silent Spring*, ignited the green movement. The book’s dire warning of ecological Armageddon influenced U.S. environmental policy, birthed a generation of environmental activists, and led to a worldwide ban on DDT, despite the chemical’s life-saving role in fighting malaria. Carson and *Silent Spring* are often cited as the origin of the modern environmental movement.

Carson’s influence on public policy was mirrored to a lesser extent by another author of the period, Jane Jacobs, whose *Death and Life of Great American Cities* (1961) argued that urban development was destroying local neighborhoods. A popular figure among city planning professionals, Jacobs was successful in organizing grassroots rallies to block urban development and expressways, including the Lower Manhattan Expressway in New York.

Meanwhile, energy prices were stable in the decades prior to 1970, but oil became a volatile commodity in the Seventies, forcing major changes in U.S. energy policy. Due to U.S. dependency on oil imports from OPEC nations of the Middle East, supply irregularities sent oil price shocks across the nation. The government instituted fuel rationing. Higher gas costs and long lines at the pump sparked a national discussion about alternative energy sources, and a new market for fuel-efficient Japanese cars opened up.

War and the Rise of “Anti-Establishment” Opinion

The Vietnam War produced additional anxiety. In 1974, President Nixon famously resigned his presidency after the Watergate scandal, but not before pulling the United States out of an unpopular war in Vietnam. After the Johnson administration entered Vietnam in 1965, a
vocal anti-war movement coordinated chaotic street protests to sway U.S. political opinion. As war-related body counts increased with no end in sight, President Nixon withdrew troops under the Paris Peace Accords of 1973, leaving the South Vietnamese helpless against the North Vietnamese communists, who quickly captured the capital city of Saigon and unified the nation under communist rule. The national mood of the United States soured through a decade of contentious social change and war, and the anti-establishment sentiment often spilled over into the business sector.

During this time frame, attitudes toward business also declined markedly. According to Gallup and Harris polls of the time, a majority of Americans had a favorable or very favorable view of big business in 1966. By 1974, only 14 percent held the same views. This was a period of significant activism led by individuals such as Tom Hayden, Cesar Chavez, Ralph Nader, Drummond Pike, and Saul Alinsky. In his 1971 handbook, “Rules for Radicals,” Alinsky laid out the strategies to bring about pressure on companies.

These corporate or comprehensive campaigns, as they have come to be known, were designed to trigger a “guided reaction” from the targeted enterprise. Organizers would seek to build coalitions between labor unions, churches, and community groups in order to bring to bear pressure on companies. These campaigns involved working to damage the brand through embarrassing public relations tactics, consumer boycotts, investor pressure, employee coercion, the leaking of trade secrets, and other tools to “disarticulate” the company’s assets.

The agendas of these activists varied widely. Some of them wanted to reform corporate practices so that company leaders would invest more in safety, wages, or inclusive business processes. Others wanted to put some of these companies out of business permanently.

**Citizenship in the Seventies**

In the midst of all these changes in the socio-political environment, various statements from the period show that business leaders of the 1970s embraced corporate social responsibility, even as they emphasized the unique economic contributions of business in society.52

Aetna founded a corporate foundation in 1972 in order to create a vehicle to fund its community development work.

AT&T Chairman John D. deButts said, “Business profits and responsible behavior enhance each other. Insufficient profits hinder a corporation’s efforts at being fully responsive to social needs, while on the other hand, the failure of a business to accept its proper social responsibilities can endanger the investor’s stake in the enterprise.”
Procter & Gamble Chairman Edward Harness noted that corporations were indeed citizens with responsibilities, yet he took issue with critics who wanted corporations to place citizenship responsibilities ahead of responsibilities to shareholders: “The only way we can carry our huge and increasing burden of obligations to society is for us to earn satisfactory profits … I am not aware of any bankrupt corporations which are making important social contributions.”

Other leaders, however, followed Milton Friedman’s catchphrase that “the business of business is business.” Henry Ford II, during his chairmanship of the Ford Motor Company, argued that the corporation is “a sophisticated instrument designed to serve the economic needs of society and is not well equipped to serve social needs unrelated to its business operations.”

**The Sullivan Principles**

At General Motors, one influential member of the board took citizenship beyond the direct scope of the firm to the level of international policy. In 1977, GM’s facilities in South Africa were bumping up against the country’s racial segregation. In response, the Reverend Leon Sullivan devised a set of principles to address injustices facing the company’s South African workers. The Sullivan Principles, as they were called, mandated that General Motors would institute equitable policies and uphold civil rights despite South Africa’s legal system of apartheid. Since their first formulation in 1977, the Sullivan Principles have spread internationally. The new Global Sullivan Principles, introduced by former UN Secretary-General Kofi Annan, address human rights and social justice across multiple countries.⁵³

After decades of uncertainty, the world was about to change course again. As the political winds shifted with the ascendency of the Reagan and Thatcher governments, the 1980s would inject market stability and deregulation back into the economy. The period would also give rise to the modern corporate citizenship movement.
If anyone were to say that the modern corporate citizenship movement originated due to a single factor or at a certain date, the proposition would not only be naïve, but also it would not conform to the complexity and diversity of the private sector. As we have already seen, the relationship between ethical behavior and business practice stretches back to antiquity.

It is clear that an inflection point occurred in the 1980s, as several factors came together to create a new understanding that corporate citizenship was not just a movement, it was a management discipline.

The first and primary factor for this shift was the swing of the pendulum away from government-oriented public policy toward a more market-oriented public policy. As author Daniel Yergin illustrates in Commanding Heights: The Battle for the World Economy, the battle over how much or how little the state should control markets was a signature theme of the twentieth century.54

As discussed in earlier chapters, presidents Theodore Roosevelt and Franklin D. Roosevelt expanded government power at the expense of the private sector in an attempt to fix real and perceived market failures of the early twentieth century. Lyndon Baines Johnson and Richard Nixon added to this expansion through the Great Society and the creation of the Environmental Protection Agency. This statist agenda was mirrored and realized even more fully in Western European countries, as well as in less developed countries like India and Argentina. It reached its apotheosis, of course, in communist controlled states.

But Margaret Thatcher and Ronald Reagan ushered in an era where the balance between business and government was about to be fundamentally altered. From Reagan’s point of view, “government was not the solution to our problems, government was the problem.” The powerful leaders of England and the United States were part of an international backlash that sought to place limits and boundaries on what the government should do. They wanted to create greater openings and solutions, not just for the private sector, but for civil society as well.

Although not fully understood at the time, the policies of Thatcher and Reagan led to a dramatic increase in the complexity and diversity of economic and social agendas. In the 1960s and 1970s, the stock market grew roughly 40 percent; yet during the 1980s and 1990s it grew over 500 percent. Public-sector financing in the 1970s accounted for 80 percent of all international transactions; by the turn of the century, the equation was practically reversed. In 1980, approximately 250,000 non-profit organizations were registered in the United States; the figure has since quintupled to over 1.5 million at the time of this writing.
Towards the end of the 1980s, the collapse of the Soviet Union and the discrediting of “hard statism”—or democratic socialism—dominated the international debate. By decade’s end, policymakers no longer saw government as the agent for delivering economic growth. Instead, the 1990s saw a rapid global expansion of the private sector. President Clinton proclaimed that “the era of big government is over.”

The new trend was not limited to the Soviet Union, the Czech Republic, and Poland. Massive privatizations occurred in Argentina, Peru, Bolivia, and Mexico, and Deng Xiaoping’s reforms began to take root in China. Other noteworthy reforms appeared in Spain, Singapore, Korea, and Chile. By 2000, new capital markets totaling almost half of the world’s population were coming online. Global GDP growth was taking off; the United States with it. In 1980, U.S. GDP was roughly $3 trillion; by 2000 it had more than tripled in size. Global GDP was over $33 trillion.

In the United States, CEOs like Lou Gerstner, Jack Welch, Bill Gates, Michael Dell, and Ted Turner were seen as larger than life. The financial icons of years past made way for the technology icons of the 1990s.

The laissez-faire politics of the 1980s also triggered enormous explosions in civil society. In 1980, cable was in its infancy, and news and information were controlled by three broadcast networks (ABC, NBC, and CBS) along with the Corporation for Public Broadcasting. Today there are more than 500 television channels, and the audience share of any individual network is usually less than 5 percent of all televisions in use. The Internet did not exist in 1980, except as a DARPA program run by a few universities. Today, however, people consume information, entertainment, and culture through a variety of new media outlets.

The concentration of power of that era seems quaint now, but in the late 1970s companies felt that they had few stakeholders to whom they were responsible. They might have one or two lobbyists and a union representative to manage public relationships, but the CEO could handle most external obligations by writing a few checks. As the 1980s progressed, it became clear that external affairs had to be reexamined to address the rapidly expanding environment in which businesses operate.
A second factor shaping corporate citizenship into a management discipline was growth and change, particularly in the form of expansions, dislocations, and mergers and acquisitions. Examples were everywhere in the 1980s: Silicon Valley began a period of massive expansion and growth, big-box retailers Wal-Mart and Home Depot overtook K-Mart and Sears, and the automotive industry underwent a wrenching restructuring. Financiers Michael Milken, Ivan Boesky, Carl Icahn, and Henry Kravis restructured industry after industry through junk bonds, leveraged buy-outs, and other financial tools.

After the initial brutal recessions due to the restructuring inaugurated by Thatcher and Reagan, wealth increased astronomically in this period. In 1980, the richest man in America was worth $8 billion; 20 years later, at the height of the dot-com bubble, Bill Gates was worth an estimated $80 billion. As growth and wealth went into hyperdrive, the need to manage their impact on employees and communities became more urgent.

Companies increasingly began to feel a sense of empowerment and to realize that they might be able to make a difference on their own. Nowhere was this feeling of responsibility and commitment more powerfully articulated than by Merck. With roots dating back to the nineteenth century, Merck had become one of the most important pharmaceutical companies in the world, pioneering anti-cholesterol drugs like lovastatin and zocor. Under the leadership of legendary CEO Dr. Roy Vagelos, Merck committed to giving away Ivermectin for the treatment of river blindness in Africa and Central America. At the time of this writing, over 25 million people a year receive some kind of treatment through this program. This is one of the most profound public health contributions by any entity, public or private, ever made.

A third factor was the growing reality that interest groups and random events could have tremendous effects on businesses—both positive and negative. During the 1970s, consumer action against the Ford Pinto significantly changed the auto industry. The accident at Pennsylvania’s Three Mile Island nuclear facility hampered development of the American energy industry. Activist boycotts blocked the sale of food and consumer products.

On the other hand, a Good Housekeeping Seal of Approval could stimulate sales, as could a clever marketing catchphrase like “Where’s the beef?”—the iconic Wendy’s slogan. Product placements could also drive sales, as with the cameo appearance of Reese’s Pieces in the movie *E.T.: The Extra-Terrestrial.*

The final factor in corporate citizenship’s emergence as a management discipline was the increasing emphasis on brand management and quality control. Over decades, brand management evolved into a powerful marketing tool that enabled national companies to charge a premium for their products. Integral to many brands was a promise that firms cared about consumers and were committed to quality. Increasingly, marketing executives recognized that it paid to be good, or at least be perceived as good. Companies like Procter & Gamble, Colgate-Palmolive, Kraft, Nabisco, Kellogg’s and General Mills began raising awareness about the nutritional and safety benefits of their products.

Around this same time, American Express and Avon advanced the field of cause-related marketing—Lady Liberty even played a part. By the end of the 1970s, the shabby, run-down quality of the Statue of Liberty was an open secret. To help preserve the national landmark, American Express launched a campaign that linked consumer card purchases to a renovation fund for the statue. The 1983 restoration campaign was a
tremendous success, both socially and economically. Significant funding was generated for the project, and American Express transformed itself over this period, as former executive Lou Gerstner and others have noted.55

Avon’s cause was public health. In the 1980s, the ravages of breast cancer were not well known, and the disease was labeled a “silent killer.” Since the New York-based cosmetics company had championed social issues in the past, executives decided to tackle breast cancer. The move seemed risky at the time, but the results were undeniable: public awareness of breast cancer skyrocketed, and so did public support for research funding. Avon partnered with the Susan G. Komen Foundation for Breast Cancer Research and empowered millions of women to get involved in the fight. As a result of Avon’s bold leadership, cause-related marketing, sponsorships, and social partnerships took off during this era.

More and more, as companies expanded their range of stakeholder interactions and social innovations, influential groups came out of the woodwork to support the corporate citizenship field. In 1983, The Boston College Center for Corporate Community Relations was founded. Indiana University and Harvard began to offer new courses on philanthropy and the role of business in society. In 1987, British author John Elkington founded the SustainAbility consulting firm and pioneered the concept of “the triple bottom line.” By the end of the 1980s, several hundred companies had developed formal corporate community affairs programs. The movement picked up speed all throughout the 1980s, but it was about to kick into overdrive during the 1990s.
While a broad variety of regulatory, finance, technology, marketing, and management changes were taking place within businesses, accidents, crises, scandals, commissions and conferences were bringing to bear new pressures as well.

In the 1980s, anti-war and environmental movements had staged massive protests aimed primarily at governments, but corporate practices also came under increasing scrutiny as well. Here are just a few of the more prominent ones:

- **1984** – the Union Carbide explosion leaked methyl isocyanate (MIC), killing 4,000 people in Bhopal
- **1985** – a string of Department of Defense procurement scandals, culminating in “Operation Ill Wind,” led to the formation of the Packard Commission
- **1989** – the Exxon Valdez ran aground in Prince William Sound, spilling 257,000 barrels of oil
- **1995** – Greenpeace took over the Brent Spar drilling platform to prevent it from being sunk in the deep sea
- **1996** – the National Labor Committee accuses Kathie Lee Gifford of using sweatshop labor in Honduras to manufacture her clothing line in Honduras

In Europe, the debate was closely linked to concerns about the environment—a focus that reflected the move away from state control toward mere state influence. The government no longer wished to be in the business of producing widgets (so-called hard statism) so much as it wanted to influence how private companies approached their jobs (so-called soft statism). As a result, influential commentators like Tom Burke, a senior advisor to three successive UK Secretaries of State for the Environment, would write: “Socialism, as an economic theory, though not as a moral crusade, is dead. The argument now is about what kind of capitalism we want.”

John Elkington contributed significantly to this discussion with the publication of *Cannibals with Forks*, a book that outlined the concept of the “triple bottom line”—a green corporate performance measure that evaluates a company’s success in terms of “people, planet, and profits.” Elkington argued that seven revolutions in corporate and public sector attitudes would trigger significant advances in sustainable development. Specifically: changed attitudes toward markets, values, transparency, life-cycle technology, partnerships, time, and governance would dramatically affect the way companies operated and how public institutions governed them.

The United Nations also developed more interest in the role of the private sector in these issues. Building on the UN’s 1972 Stockholm Conference, a commission under the leadership of Norwegian Prime Minister Gro Harlem Brundtland, published a report called “Our Common Future” in 1987. The report argued that population growth was not the cause of environmental degradation; it was the “outcome of insensitive
technology transfer that pauperized people and natural systems.” This report influenced the UN to embrace the concept of sustainable development, and paved the way for the first Earth Summit in Rio in 1992 and the formulation of the Rio Declaration.

These various incidents and influences gave rise to a host of new business groups, consultancies, and organizations to deal with cross-business issues, including the World Business Council on Sustainable Development, SustainAbility (led by John Elkington), AccountAbility (led by Simon Zadek), the Prince of Wales Business Leaders Forum (led by Prince Charles), and Business for Social Responsibility in the United States. In May 2000, the U.S. Chamber of Commerce launched the Center for Corporate Citizenship, an independent organization dedicated to advancing the positive role of business in society. Two months later, the UN announced the establishment of the UN Global Compact. In September of that same year Secretary-General Kofi Annan announced the Millennium Development Goals.

Corporate citizenship had gone mainstream, being embraced by both the United Nations and the U.S. Chamber of Commerce.

These developments also led to industry initiatives such as the Defense Industry Initiative, which developed new ethical procurement standards dating back to 1985. In 1999 and 2000, the Fair Labor Association and the Worldwide Responsible Accredited Production program were set up to address textile and apparel industry sweatshop issues. The Kimberley Process for preventing the sale of blood diamonds was set up in May 2000. The Extractive Industries Transparency Initiative for the oil, gas, and mining sectors was set up in 2002. The Equator Principles for project financing were set up for the financial services sector in 2003.

Today there are over 1,000 codes of conduct promulgated by a range of industry, non-profit, government, and multilateral organizations.

These factors influenced the way companies did business. In the oil industry, for example, BP became an outspoken champion for exploring alternative energy and became well-known for its “Beyond Petroleum” slogan. ExxonMobil took a different tack, focusing instead on its internal safety procedures. Companies like Nike, Levi’s, and the Gap re-engineered their
supply chains. Monitoring, stakeholder engagement, and new investments in operations management and
design became increasingly factored in to new project investments.

**How Many Steps Back?**

Throughout the Eighties and Nineties there was an uneven seesaw effect, marked on one hand by
companies engaging with stakeholders and promoting ethical standards; on the other hand by special-
interest advocacy groups criticizing businesses and making demands.

As a result, it was often hard for a Starbucks or a McDonalds to explain whether their responses were
proactive and internally motivated, or reactive and externally motivated. Both companies endeavored to
improve quality-of-life issues for suppliers and communities around the world, and both partnered with
environmental activists to reduce their environmental footprints. Yet both remained the focus of criticism
despite commitments that could objectively be favorably compared to many other companies.

This gap between negative public perception and actual reality would grow even more troubling for

In 1998, two very different events illustrated the state of business and society relations. On Capitol Hill,
the debate over free trade raged while Hurricane Georges and Hurricane Mitch pummeled Central America
and the Caribbean basin.

Although the 1990s had been a go-go period for market capitalism globally—particularly the early
part of the decade—trade policy in the United States languished for almost eight years as the Clinton
administration allowed “fast track” trade negotiating authority to lapse. In this period, more than 30 trade
agreements were signed throughout the Latin America region, knitting it together and opening up new
markets and explosive new growth. Canadian Prime Minister Jean-Paul Chretien even led a delegation of
600 business leaders on a trade mission to the Mercosur countries.

Yet the United States took part in just one of the new international pacts: the North American Free Trade
Agreement (NAFTA).

Based on the evidence, and contrary to Ross Perot’s memorable prediction of a “giant sucking sound,”
NAFTA was an economic success. Trade between the United States, Canada, and Mexico increased
significantly. Mexico benefited from the increase in trade, U.S. exports also rose, and the jobless rate held
steady (U.S. jobs were not sucked away to Mexico as Perot had envisioned). In fact, the U.S. market
became so attractive that immigration (both legal and illegal) from Mexico and the rest of Latin America
increased. The American economy was hot, mostly because of the Internet boom, but also because of
increased trade.

Yet U.S. hesitations about trade continued. While creating a more competitive environment for U.S. goods
overseas and simplifying the regulatory framework in which businesses operated may have resonated with
some people, the idea had no traction on the political level. As a result, Congress voted to deny the Clinton
administration the authority to negotiate streamlined trade agreements. Despite rising prosperity, criticisms
of business were starting to resonate again, with unfortunate political consequences.

Despite this defeat, two international disasters took place that almost immediately illustrated the corporate citizenship that so many lawmakers had feared was missing from the global trade context.

While it is now a largely forgotten event, in September 1998 Hurricane Georges slammed the Dominican Republic and Puerto Rico, wreaking havoc on the island economies. A month later, on October 29, just weeks after the fast track vote, Hurricane Mitch made landfall. The hurricane was the fourth most powerful Atlantic storm on record at the time, and it decimated Central America.

Jackie Foglia, executive director of the American Chamber in Honduras, stated that the Category 5 hurricane “blasted the economy of Honduras back to the 1950s.” Guatemala, El Salvador, and Nicaragua all felt the effects of the monster storm. Over 10,000 people died as floods and mudslides devastated the agricultural base of the region.

Within a month, over 170 U.S. companies contributed more than $70 million to support the relief and rebuilding effort. This was the largest outpouring of corporate aid for a single international event until the 2004 Indian Ocean tsunami struck Indonesia. It began to dawn on impartial observers that companies could be powerful forces for poverty reduction and disaster recovery.

But the pendulum was about to swing yet again.

In late November 1999 approximately 27,000 protestors (7,000 social activists and 20,000 labor union members) descended on Seattle to protest the World Trade Organization’s (WTO) round of discussions. Protests escalated throughout the proceedings. An anarchist group called The Black Hats began to destroy property, throwing bricks at Starbucks and Gap stores—breaking with the non-violent code of the organizers. After Seattle, the WTO revised its approach and launched a new round of negotiations called the Doha Round, focused primarily on development issues.

Could things get any worse?

**The Corporate Scandals**

Apparently they could.

On March 10, 2001, the Internet bubble reached its height and then popped. More than $2 trillion of capital rapidly exited the market. Microsoft was declared a monopoly, and Worldcom filed the largest corporate bankruptcy in history. NorthPoint Communications, Global Crossing, JS Uniphase, XO Communications, and Covad Communications also went bust.
The next year, the scandal surrounding Enron gathered and grew as it became clear that Andrew Fastow and Jeff Skilling had engineered Enron’s rapid rise through financial machinations such as off-balance sheet accounting. A market rally took place after 9/11, but it was short lived. By July 2002, a Wirthlin Communications survey showed that only about six percent of Americans had a positive view of big business. CEOs ranked lower than members of Congress in the public’s estimation.

Despite public perceptions, very few companies were involved in the scandals. At the height of the controversy, the BBC offered a comprehensive list of tainted firms: 57

1. Enron
2. Vivendi
3. ImClone
4. WorldCom
5. Arthur Andersen
6. AOL
7. Qwest
8. Johnson & Johnson
9. Elan
10. ABB
11. Merck
12. Xerox
13. Martha Stewart
14. GE
15. Tyco
16. Halliburton
17. Kmart
18. Global Crossing

The list indicted only 18 companies in a universe where 17,000 companies are publicly traded on North American stock exchanges. And not all of the stories that the BBC followed were in the same class; the news organization lumped minor accounting probes at Johnson & Johnson, GE, and K-mart into the same list with Tyco and Global Crossing. One-tenth of one percent of the companies listed on North American stock exchanges were in the news for scandalous reasons—and yet their impact on public perception was enormous.

These accounting scandals led to the 2002 passage of Sarbanes-Oxley legislation, which prescribed new control measures including executive verification of financial reports, public financial disclosure, and internal monitoring—broad bureaucratic schemes that have been criticized as cumbersome, costly, and even impossible to follow.

But the fall-out from financial engineering was just beginning. In the latter half of the decade, the housing and banking industries suffered from the collapse of a huge bubble. In 2008, Bear Sterns collapsed and Lehman Brothers was allowed to fail. On October 3, 2008, the U.S. Congress hurriedly passed the Troubled Asset Relief Program (TARP), and the Federal Reserve and Treasury assumed vast new powers.
Mutual disappeared, Wells Fargo took over Wachovia, and Bank of America took over Merrill Lynch. Venerable but debt-ridden companies like AIG, Fannie Mae, and Freddie Mac became wards of the government after hemorrhaging money. Few financial firms emerged from the economic crisis unscathed or unchanged. Critics looking for examples of corporate irresponsibility had a field day.

Seen from this perspective, the last 30 years have been messy. Accidents, scandals, exposés, oil shocks, irrational exuberance, sheer, unadulterated greed, negligence, and folly have all played out across the corporate canvas.

Bad corporate actions have done their share to trigger public policy and social activist reactions. Likewise, environmental groups and social activists have done their share to pull corporate values in their direction, but this is by no means, the whole story.
Corporate citizenship is frequently identified with corporate philanthropy, and we may well look back at this decade as a golden age in this regard. Hundreds of companies stepped up in unprecedented ways, making differences in the fields of education, health and wellness, the environment, and disaster relief. In fact, the story of business engagement in each of these issues still remains to be told, but this is not the whole saga.

A Decade of Stepping Up
The period from 2000 to 2010 has been marked by a variety of natural and man-made disasters. Yet there is one marked difference between the present era and past eras: In most cases, the recovery process was led by partnerships between the private sector and the non-profit sector.

After 9/11, American businesses gave at least $750 million to the recovery effort. After the 2004 Indian Ocean tsunami, companies gave over $550 million. After Hurricane Katrina, they gave over $1 billion.

The scale and scope of business participation in social causes has expanded dramatically over the course of the decade. Over 700 companies agreed to join a volunteerism initiative launched by President George W. Bush in 2002, and an equal number of companies attended a Kofi Annan rally to fight HIV/AIDS in Africa. Over 500 companies participated in the Business Education Network (BEN) launched by the Business Civic Leadership Center in 2005.

The number of companies working with environmental organizations including the World Business Council on Sustainable Development, the World Resource Institute, the World Wildlife Federation, and the Nature Conservancy, has expanded rapidly throughout the decade.

Healthcare industry firms like Abbott, Merck, Pfizer, Eli Lilly, and GlaxoSmithKline have invested over $10 billion in cash, technical assistance, and products over the course of the decade to combat HIV/AIDS, malaria, tuberculosis, river blindness, leukemia and other maladies in less developed countries.

Target developed campaigns to give away millions of dollars every week. Over the decade, Wal-Mart went from being one of the most vilified companies to one of the most admired because of its commitment to poverty reduction and the environment.
Perhaps nowhere has the engagement of business in social development been more marked
than in the field of education and workforce development. Microsoft has invested millions in
the United States and around the world. Cisco has created “Network Academies.” Intel has
trained 90,000 schoolteachers in the Philippines alone. These contributions are expanding
beyond traditional age limits. PNC has pledged $100 million over 10 years to help preschool
children to “grow up great.” IBM is working with professionals to explore second careers as
teachers. Capital One and KPMG are just two of the sponsors of Junior Achievement and
Students in Free Enterprise.

The commitment of businesses
to diversity and supply chain
expansion is another little-known
fact. The KPMG Foundation has
been an enthusiastic supporter of
the Ph.D. project for more than
a decade. Companies like AT&T,
Shell, Safeway, Ford, and GM are
enthusiastic supporters of Hispanic
and African-American empowerment
programs—and this is not something
only recently embraced. For many
of these companies, commitment to
diversity stretches back for decades.

The first decade of the twenty-first century has seen corporate citizenship move solidly into
the mainstream of American corporate life. Not only did the U.S. Chamber of Commerce
and the United Nations launch new citizenship institutes, but many companies have
launched CSR departments, as well. Moreover, in 2000, approximately two dozen companies
in the Fortune 500 issued corporate responsibility or sustainability reports, but by the end
of the decade over 60 percent of Fortune 1,000 firms issued such reports. Over 3,000 U.S.
companies now have formal corporate social responsibility programs, and there are almost an
equal number of corporate foundations. Many companies have both.

So What Does Modern Corporate Citizenship Look Like Today?
Attempts to categorize the contemporary trends in corporate citizenship inevitably fail, as the
field is changing rapidly. Even the best characterizations quickly become obsolete.

However, most companies today begin to embrace corporate citizenship by building cohesion
internally within the organization. Programs may include the following:

- Corporate statement of values, mission, principles
- Code of conduct
Second, companies look at how their organizational values and principles can be integrated into core business operations. Examples include:

- Supply chain monitoring
- Non-traditional supply chain sourcing
- Environmental, health, and safety protocols and procedures
- Operational efficiencies
- Energy and other factor input efficiencies
- Distribution system efficiencies

Third, companies look at external factors that can affect their operating environment, such as the natural environment, the local community, health care, education, housing, and transportation. Firms adopt a wide range of citizenship initiatives that address forces in their external environment:

- Philanthropic funding of dedicated non-profits or social entrepreneurs
- Employee volunteerism
- Technical assistance
- Advocacy and Cause-Related Marketing
- Workforce development
- Worker re-training
- Financial literacy programs
- Public-private partnerships, communication, and coordination
- Participation in planning and strategy sessions
- Employee vouchers for public transportation
- Investments in the arts, parks, sports, and heritage sites
- Participation on community and civic boards
- Business projects

As these examples demonstrate, today’s corporate citizenship involves a broad spectrum of engagement options and strategies to address a variety of different issues.

**Business Management 2.0**

“Don’t be evil” is the informal motto of Google. Google began in 1996 as a research project of two Stanford students Larry Page and Sergey Brin. At the time of this writing, the Internet search engine firm now has a market cap approaching $200 billion. Go into their offices, and you will see an open layout with a decidedly...
university-campus like feel. Google retains a gourmet chef, offers employees built-in time to pursue their own projects, and naturally, has an extensive environmental program with ubiquitous recycling bins, public transportation options, and energy efficiency applications. You see similar programs at Hewlett-Packard, SAP, Yahoo!, Intel, Cisco, Microsoft, and other software firms. These amenities are part of the culture—funky, hard-working, conscientious, but not bound by formal input constraints—the deadlines imposed by product launches and other outputs are what matter. Early twentieth century efficiency experts like Frederick Taylor would be appalled, and yet these firms are arguably super-productive, generating revenues per worker exponentially higher than anything he or his assistants could have imagined.

This new kind of management is not unique to the ICT sector. John Mackey started Whole Foods as a different kind of grocery store, specializing in organic, healthy food. They list their core values as follows:

1. Selling the highest quality natural and organic products available
2. Satisfying and delighting our customers
3. Supporting team member happiness and excellence
4. Creating wealth through profits & growth
5. Caring about our communities & our environment
6. Creating ongoing win-win partnerships with our suppliers
7. Promoting the health of our stakeholders through healthy eating education

They are not alone in the food industry. Jim Sinegal, the CEO of Costco (which also has its roots in the mid-70s), talks frequently about the importance of hiring great people and treating them well. “If you do right by the people working for you, they will build you a successful business.” Green Mountain Coffee talks about “brewing a better world.” Wegmans is legendary for the way that it takes care of its employees.

You see this managerial approach in the footwear industry. Jeff Swartz, the third-generation CEO of Timberland, talks about social engagement like an evangelist. His company has generated over $1.5 billion in revenues, and is engaged in everything from youth development (particularly in partnership with City Year) to the environment, (he wants the company to be carbon neutral). Since 1971, Nike has transformed the athletic footwear
industry through a constant commitment to innovation and to enhancing its labor and environmental practices.

From ideo to EMC, Da Vita to Pixar, Aruba Networks to Intuitive Surgical, you see the development of a new kind of management ethic, and you see similar management practices being integrated into older businesses like Dow, Ford, and Abbott, too. It’s not that the new breed of corporate citizens are sacrificing profits; rather, they are internalizing costs that may enable them to stay in business longer by enhancing their brands, their ability to attract employees, and cultivating their external environments.

These companies are often less hierarchical and bureaucratic than their peers from a generation or two ago. They provide more personal autonomy in conjunction with more accountability and responsibility. They care about the means and the ends, and they would rather not cut corners and sacrifice short-term profits if it means that they will make more money and be more productive in the long-term. They are still tough competitors, and from time to time, they have to make tough decisions, particularly when markets soften, but their mix of priorities is different.

These management practices seem to be working for a lot of these companies. The stock market has not punished them. In fact many of these companies like Whole Foods and Google have delivered spectacular investment gains. Employees have not punished them. They often rank very high in their peer groups in terms of their morale, retention and being great places to work. Customers often pay a premium for their products. To paraphrase Pepsi CEO Indra Nooyi, “performance with purpose” seems to be a hallmark of an increasingly broad range of companies, and is only likely to continue to build in the future.
As one looks back at the history of corporate citizenship and corporate social responsibility, it is easy to discern three different narratives.

The first is the narrative of groups alarmed by innovations and advancements—that is, “change”—as well as business outsiders and moral crusaders angered by the excesses of capitalism. At the beginning of the Industrial Revolution, the Luddites trashed factories and machines in desperate attempts to keep their jobs. Karl Marx and Charles Dickens offered harsh critiques of business and free enterprise. Later, at the dawn of the twentieth century, Ida Tarbell and the muckrakers address the relationship between business and government. In the Sixties and Seventies, Rachel Carson, Herbert Marcuse, Saul Alinsky, Joan Claybrook, and Ralph Nader carried on the tradition; their work dramatically affected safety, environmental, labor, and community organizing practices. Today, Lori Wallach, Naomi Klein, and Noam Chomsky might lay claim to this mantle.

The theme that appears and reappears over time is that some people have a problem with the “private” in private enterprise. They focus on unintended consequences of business, whether those consequences occur in the context of labor conditions, food sanitation, environmental remediation, animal habitats, or other similar themes. Additionally, such critics bristle at the idea that some people get wealthy in a capitalist system while others do not. The voluntary, self-selecting aspects of the free market system lead to differences in income that they seek to remedy through forced redistribution—either directly through collective bargaining or indirectly through taxation and state-sponsored reallocation of services.

Often, the ideals espoused by members of this group are utopian, unworkable, and unrealistic. They might originate from a sense of resentment over lost privileges, or are motivated by desires to gain power through force and government control, rather than through the voluntary processes of the democratic capitalist system. And through the years, anti-capitalists have had a dramatic impact on business. One could argue that significant modifications to capitalism have been due to failures of companies to internalize certain
ethical or moral precepts or to anticipate larger costs in the interest of short-term savings. Child labor and worker abuse in the factory system, slavery in the plantation system, and anti-competitiveness in the trust system, for example, all led to profound government interventions.

While the fringe members of this tradition oppose capitalism as an economic system, more moderate members have been willing to work within the capitalist system. These moderates do not disavow the capacity of the private sector to create wealth and solve important problems; instead, they call upon the private sector to take on more public costs and social responsibilities. They seek increased business investment in social and environmental issues—including causes that are sometimes far afield from the core competencies of individual companies—and they embrace social entrepreneurship, public-private partnerships, and codes of conduct. These groups and individuals do not have a problem with capitalism per se, only its narrow definition as pursuit of private profit.

The second historical narrative could be called the “great man” view of corporate philanthropy. Dating back to the rise of the House of Medici, there have been many business leaders who were as famous for their private philanthropy as for their business dealings. Without these individuals, we would not have seen the full genius of Leonardo da Vinci or Michelangelo, the magnificent architecture of the late nineteenth century, or the radical transformation of philanthropy in the modern era. Andrew Carnegie, John D. Rockefeller, and Andrew Mellon sometimes may have appeared as “robber barons” in their business capacity, yet in their private capacities they built countless libraries, museums, hospitals, and neighborhoods. The Ford Foundation, Pew Charitable Trusts, and the MacArthur Foundation are visible legacies of the charity of America’s twentieth century business leaders.

Today, the two richest men in America, Bill Gates and Warren Buffett, have teamed up to create a foundation dedicated to some of the toughest developmental challenges in the world. Other practitioners of this art today include Sandy Weill, Michael Bloomberg, Hank Paulsen, John Paul Jones, and Ted Turner. As CEOs and financial tycoons, these leaders occasionally may have had sharp elbows, but their personal contributions to public-spirited enterprises have been enormous. Organizations like the Committee to Encourage Corporate Philanthropy have risen to support this movement.

The third historical strand is the embrace of management practices that make a company “built to last.” Unlike shortsighted transaction-oriented firms that do not think about the future, the best companies set long-range goals for growth and expansion. These businesses adopt a wider frame of reference: They find better ways to retain employees, they invest in research and development, they create codes of conduct for employee behavior, and they develop motivational systems to inspire employees and boost productivity. They even take an active role in developing local communities and infrastructure. PAETEC and FedEx are both good examples of companies that are being built to last.

The average lifespan for a large company is roughly 40 years. But companies like General Electric, IBM, UPS, Hershey’s, Cargill, Ford, Johnson & Johnson, KPMG, and Bank of America have roots going back 100
years or more. They are practitioners of social capital management, believing that the whole is greater than the sum of its parts. They are also practitioners of long-term value creation, willing at times to sacrifice short-term profits for longer-term relationships. They have been able to weather individual scandals, external shocks, the vicissitudes of the marketplace, and multi-generational turnover.

Now a new generation of companies is adopting forward-thinking management practices, and even building upon them. Today’s Silicon Valley firms are following Hewlett-Packard’s enduring business model. Microsoft establishes business networks and value propositions across multiple platforms and with multiple constituencies. Ben & Jerry’s turned social entrepreneurship into a delicious art form. John Mackey, the founder and CEO of Whole Foods, has created a movement called Conscious Capitalism—possibly this generation’s “Gospel of Wealth.”

Corporate citizenship is not just manifested by companies that have withstood the test of time. Many of the new breed of companies are leading the way forward in environmental initiatives, health and safety programs, ethics codes, and other management tools that promote corporate citizenship and embed it throughout the organization. Corporate citizenship is just one way of expressing this management approach of proactive, ethical engagement. Others call it sustainable development or simply prudent management practice. But it is this natural process of development, this “invisible hand,” that has led to such tremendous wealth creation over the last three centuries. It is why, despite all of the excesses of individual business practitioners, all of the unintended consequences or immoral practices, that the free market system has been such a force for positive change in the human condition.

A Look Ahead
The field of corporate citizenship is still in its infancy. Its jargon can be opaque to outsiders. Even the definitions of key concepts are subject to debate. Nevertheless, it is possible to identify key themes that will have a formative impact on the continuing development of the field.

First, the professionalization and systematization of the field has accelerated in the past decade and will likely continue to pick up pace. Almost every major company today examines its social and environmental impact. In addition, companies are increasingly sophisticated about dealing with major stakeholders; they know that if they do not manage their resources and activities proactively, outside groups will take political or legal action against them.
Companies are not merely acting defensively or trying to ward off criticism, however. Business leaders recognize that reaching out to bloggers, activist groups, and government agencies can help their organization in multiple ways, whether in terms of R&D, market sentiment, idea generation, or access to information. As a result, we can expect stakeholder relationship management to continue to develop as a discipline.

Another trend that should continue to develop is social capital management. Companies are not only interested in having a favorable environment in which to operate; they are also interested in improving the productivity and morale of their workforce. Given the power of individuals in modern society, one disgruntled employee can have a devastating impact on a company. In addition, social websites like Vault.com can post candid insider portrayals of companies that have a negative impact on corporate image and recruitment. It pays for a company to boost employee morale. Moreover, high performance companies know that identifying the moral and social motivations for work—not merely the financial ones—enhances employee satisfaction and productivity. Social capital management maximizes this concept and helps organizations promote buy-in in a systematic and profitable way.

Diversity is another area around which corporate citizenship is developing. The continuing diversification and complexity of society has become increasingly difficult for companies to manage. While the non-profit community has grown fivefold in the United States over the past 30 years, it has grown even faster internationally. As social entrepreneurs and social causes proliferate around the world, the ability to deal with stakeholders of different cultures, languages, nationalities, and races is going to be critical to success.

Next, globalization will have a profound influence on the future of corporate citizenship. Many questions remain unanswered: How will doing business in Muslim countries affect business in the OECD? How will cultivating frontier markets in Africa and Asia go over in core markets experiencing job losses? How will companies reconcile different privacy and communication laws between, say, France and the United States? In addition, human rights in China, neo-populism in Venezuela, and violence in Darfur and the Niger Delta are just a few of the thorny issues that have corporate citizenship implications.

Climate change and the environment will also continue to be an important, evolving topic. Whereas recent arguments have focused on carbon emissions, cap and trade, and carbon taxes, a persistent emerging theme is the role of business in contributing to sustainability. Companies are indeed actively reducing carbon emissions, but they are also looking at factor inputs, operational design, community architecture and urban planning, workforce travel substitutes, and environmental remediation and habitat restoration. Businesses are also eyeing the relationship between information and communications technology and sustainability. Green building, green computing, green biz, and other “green” industry slogans are proliferating.
Another fault line to emerge will be the uses and application of technology. A subset of the critique of capitalism, technophobes have existed since the dawn of the Industrial Revolution, starting back in 1811 when hand weavers and British artisans banded together to destroy new textile machines that were being introduced in Nottingham. Led by the fictitious “King Ludd,” these individuals became known as Luddites. The Luddite reaction has reoccurred frequently in history, especially whenever societies have encountered new and disruptive technologies. The Unabomber was an extreme example of this Luddite tendency during his 1978–1995 rampage. The present debate over genetically modified food shows that technophobia can take on many different guises.

In the book, *Radical Evolution*, Joel Garreau evaluates three different views of the future. In the “heavenly” view, a perspective championed by thinkers like Ray Kurzweil, technology will lead to increases in human productivity, advances in our quality of life, and dramatic extensions in our life expectancy. However, others like Bill Joy believe the future will be hell because of humankind’s capacity for destruction. Still others, including Jaron Lanier, believe that we will muddle through some kind of middle state, helping ourselves in some ways, but hurting ourselves in others.

Whatever the world to come has in store, we can be certain that emerging technologies like nano, biotech, robotics, and virtuality are going to generate controversy as they disrupt old ways of doing things.

Finally, the future of corporate citizenship will be shaped by profound demographic changes. Populations in Europe, the United States, and Japan are aging. China’s “one child” policy is creating significant societal imbalances. Many developing countries are dealing with the fact that more than half their populations are under the age of 30. The migration of human beings over the last few decades has been staggering. Remittances, a measure of cross-border connectivity, are nearing half a trillion dollars annually. Meanwhile, education is increasingly a determinant of income. The stratification in income between skilled and unskilled workers is widening. Corporate citizenship managers are going to be on the frontlines of managing these stresses and strains.

**A Final Note**

The history of corporate citizenship is inextricably linked to the history of business and society relations. It is a story of people, technology, community, and nature. It is a story of trial and error, of action and reaction, and of principles in confrontation with expediency.
Throughout this story, we have talked mostly about intentional or purposeful corporate citizenship. But business itself rests on certain moral principles that most people, including business leaders, do not often examine. In free markets, businesses rely on the voluntary repeat transactions of consumers. If businesspeople want to succeed, they have to meet the needs of their customers and deliver quality products and services that perform as advertised. In a free market, businesses cannot compel anyone to buy their products; they cannot force customers to come back and shop with them again. Instead, they have to deliver superior customer service to earn the customer’s loyalty.

Even more challenging is the reality that businesses do not operate in a vacuum. They have competitors. If they fail to improve and innovate, they will not stay in business. They have to be prudent and efficient in managing costs. These are major issues in a market economy.

The dynamic of private enterprise in a free market system requires the cultivation of empathy—or “sympathy” as Adam Smith put it. Success requires honor, integrity, and trust. It requires hard work, grit, and determination. It requires creativity and innovation.

The corporate citizenship movement is intentionally, purposefully, and consciously building out the underlying ethical components of business that allow private enterprises to thrive and flourish. And the truth is, we are still in the early stages of this history. Much remains to be written.
APPENDIX

1250  Italian company sells shares
       Invention of double entry book-keeping
1492  Christopher Columbus voyages to the Americas
1599  Establishment of first chamber of commerce in Marseilles
1600  Charter of British East India Company
1688  Glorious Revolution in England enshrines property rights
1720  The Great South Sea Bubble
1889  Andrew Carnegie publishes *The Gospel of Wealth*
1901  President T. Roosevelt begins to enforce Sherman Anti-Trust Act
1904  Ida Tarbell publishes *The History of Standard Oil*
1907  Great Wall Street Panic
1908  Henry Ford invents the Model T
1932  The Pecora Hearings on Wall Street
1941  Detroit converts into the Arsenal of Democracy
1962  Rachel Carson publishes *Silent Spring*
1966  Last time a majority of Americans had a favorable view of Big Business
1970  First Earth Day established
1977  The Sullivan Principles were established
1980  Ronald Reagan elected president
1983  Boston College Center for Corporate Community Relations founded
1988  Business for Social Responsibility founded
2000  U.S. Chamber of Commerce Center for Corporate Citizenship founded (now the Business Civic Leadership Center)
       UN Global Compact founded
       UN Millennium Development Goals established
2001  Enron Scandal unfolds
2002  USAID launches Global Development Alliance
2008  Great Recession begins
ENDNOTES


8 The International Hall of Flags in the U.S. Chamber of Commerce is a testament to this view. Hanging in the rafters are the banners of Magellan, Balboa, Columbus, Drake and others. These explorers are considered the precursors of today's entrepreneurs, and their quest for new markets, new goods, innovations in transportation, navigation, and logistics also make them precursors of today's globalizing businesses.


