

**This paper presents an example of three companies in the news, and tells how each achieved fame or notoriety for running afoul of the law, for egregious violation of ethical standards (or laudatory ethical conduct) and for its outstanding achievements in social responsibility.**

While legal statutes may be clearly stated, the terms “ethical” and “social responsibility” are so subjective that any discussion of laudatory or egregious corporate behavior should start with defining what the American public considers important ethical issues. Americans view companies' commitments to social responsibility from several distinct perspectives: as employee, as consumer, and as investor. In 2005, Fleishman-Hillard partnered with the National Consumers League (NCL) to conduct a survey that would assess American’s attitudes toward and behaviors regarding corporate social responsibility (CSR).<sup>1</sup> When asked to define, in their own words, what “corporate social responsibility” means to them, respondents fired back with well over a dozen unprompted response categories<sup>2</sup>, including the most frequently offered responses:

- Corporations need to be committed to employees (27 percent).
- Corporations need to be committed to the public and communities, and overall society (23 percent).
- Corporations have a responsibility to provide quality products (16 percent).
- Corporations have a responsibility to the environment (12 percent).
- Corporations need to consider more donations and charitable contributions (3 percent).

This essay presents examples of selected companies that either are or are not complying with legal statutes, as well as the standards of corporate social responsibility deemed most important to the majority of Americans, as demonstrated by the Fleishman-Hillard survey.

## 1. BP - the world's second-largest oil and gas producer

According to a shareholder lawsuit filed in Anchorage, Alaska, Superior Court on October 2, 2006, BP executives and its board of directors were negligent in their oversight of pipelines in the Prudhoe Bay oil field in Alaska, resulting in leaks that damaged the company's reputation while exposing it to millions of dollars in penalties and fines (Pemberton, 2006).

The suit focuses on recent BP problems, including leaks because of corroded pipes at Prudhoe Bay, a refinery explosion in Texas in which 15 people were killed and investigations into illegal price fixing in the propane market.

The lawsuit contends that the London-based company, while presenting itself to be "an exceptionally progressive, highly ethical and environmentally sensitive corporation, which stressed safety in its operations", actually damaged BP's reputation; hurt the environment; left BP open to costly lawsuits, penalties and fines; increased its operating costs due to burdensome requirements by regulators; and resulted in lost revenue and profit.

This first example demonstrates how shareholders hold their company responsible for actions or oversights which undermined employee safety, the environment, and the public good.

## 2. Hewlett-Packard

On October 4, 2006, Hewlett-Packard Co. ex-Chairwoman Patricia Dunn and four others were charged with conspiracy and fraud by California's attorney general, Bill Lockyer. According to the indictment, Dunn authorized an internal probe, which used fake identities to obtain the private phone records of board members and journalists, a tactic called pretexting. The charges include conspiracy, wire fraud, illegal use of computer data and identity theft (Gullo and Rosenblatt, 2006).

"One of our state's most venerable corporate institutions lost its way as its board sought to find out who leaked confidential company information to the press," said Lockyer. "In this misguided effort, people inside and outside HP violated privacy rights and broke state law."

In commenting on the case, James Post, a professor of management at Boston University, stated that, "The chair of the board must be the No. 1 advocate for ethical standards." (Ibid)

The charges against former H-P executives is an example of purported criminal behavior, as well as a breach of public, employee and shareholder trust.

3. Georgia-Pacific - one of the world's leading manufacturers and marketers of tissue, packaging, paper, building products and related chemicals.

In early-2006, CSR-Wire reviewed Atlanta-based Georgia-Pacific's performance in workplace safety, employee relations, community support and the environment. According to the CSR-Wire review, examples of Georgia-Pacific's commitment to corporate citizenship include:

- Safety: The U.S. Department of Labor's Occupational Safety and Health Administration (OSHA) approved Georgia-Pacific as the first company to participate in its Voluntary Protection Programs (VPP) Corporate Pilot program in 2004. OSHA cited strong management systems that promote safe and healthful working conditions as a reason for the company's selection. Georgia-Pacific, one of the safest companies in the forest products industry, has 66 VPP sites. A majority of these have received OSHA Star certification, which is the program's highest level of recognition for workplace safety.
- Employees: Georgia-Pacific received the 2005 Catalyst Award for outstanding initiatives to advance women. Catalyst, the leading U.S. nonprofit focused on women's issues, recognized Georgia-Pacific for increasing representation of women at the upper

management level. The company has had a 12 percent increase since 2000 in overall women representation at the director and above levels.

- **Community:** Georgia-Pacific annually invests millions in the 300-plus communities where its employees live and work. On a national level, organizations supported by the Georgia-Pacific Foundation include Rebuilding Together, HomeAid America and the Susan G. Komen Breast Cancer Foundation. In 2004, employees logged 50,000 plus volunteer hours -- estimated at an economic value of more than \$8 million.
- **Environment:** Through Georgia-Pacific's recycling subsidiary, Harmon Associates, Georgia-Pacific's recycling subsidiary, the company recovers 3.1 million tons of fiber annually. The company Georgia-Pacific, one of the largest consumers of recycled wastepaper in the United States, uses uses millions of tons of recovered fiber to manufacture boxes, paper towels and bath tissue. Additionally, the face paper of Georgia-Pacific's gypsum wallboard is 100 percent recycled.

The latter example demonstrates that corporations can accept the obligation to be good community members. Corporate citizenship involves businesses taking into account the employee, environmental and social impacts of their everyday operations and demonstrating their values through consistently ethical conduct. In a world of empowered consumers and everyday activists, companies are in a highly vulnerable position if they choose to ignore the importance that shared values can play in a consumer's decision-making process. Companies must seek ways to build strong relationships with their employees, with society and for the environment, by implementing practices that improve the workplace and benefit society beyond what companies are legally required to do.

## Notes:

1. In the first quarter of 2006, the professional interviewing service Western Wats conducted a quantitative survey with 800 U.S. adults through telephone interviews, averaging 30 minutes in length. The sampling error for the reported survey results is plus or minus two to four percentage points at the 95 percent confidence level.
2. Only 16 percent of the survey respondents could not or chose not to answer this question.

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