

History of the Caux Round Table

The Caux Business Network Forms

The business network that is now the Caux Round Table first met in 1986 in Mountain House, Caux, Switzerland.

This first meeting was convened by Frits Phillips, head of his family's firm in The Netherlands - Phillips Electronics - and Olivier Giscard d'Estaing, a founder of the INSEAD business school in Paris. The aim was to initiate a frank conversation with senior Japanese business executives and their Western counterparts from Europe and America on the global trade and other tensions that had arisen from the economic successes of Japan in the late 1970's and early 1980's arising from the rapid growth of its exports of automobiles, electronics, and other consumer products. Harvard Professor Vogel at the time had written the well-received book entitled "Japan as Number One".

The first day of open discussion produced little agreement on how to resolve the tensions. The Japanese were resentful of criticism and the Western business leaders pointed to Japanese practices that they considered restrictive and unfair. But with the encouragement of Frits Phillips, the Japanese stayed at the table and slowly the group reached a consensus that the important criteria for business were its sense of responsibility.

The participants agreed that the production of quality goods and services with fair wages and without harming the environment was the criteria for legitimate market presence anywhere in the world, as opposed to national origin or special relationships. This was an affirmation of free markets and the essential but too often neglected morality of capitalism.

The group agreed to meet annually in Caux and so called itself the Caux Round Table.

The background to this first meeting of the Caux Round Table was a rich history of activism. The meeting took place in Mountain House, the center of Moral Re-Armament in Europe. Mountain House had been built as a grand hotel, the Caux Palace, in the Swiss Alps in 1890 but by World War II was dilapidated and had fallen into ownership by the Swiss Government. It was then used to house refugees and other war victims. One hundred and twelve Swiss families, who were members of Frank Buchman's Moral Re-armament Movement bought the hotel property, renovated and improved it, and gave it to the Movement for use in good works as organized by the Movement.

Buchman, an American Lutheran pastor, had founded Moral Re-Armament in 1938, growing out of his prior work with the Oxford Movement. Buchman's concern was the collapse of will and good purposes in the West in the face of advancing Communism and Fascism. Buchman had also been a mentor and inspiration for Bill Wilson who founded

Alcoholics Anonymous. Buchman wanted to re-arm Western civilization with moral commitment to fundamental principles of truth, love, selflessness, and commitment to God. He traveled tirelessly before World War II promoting his vision of social and political justice.

Upon receiving Mountain House, Buchman and his associates opened a program of reconciliation between the French and the Germans to prevent the outbreak of another general war in Europe. They invited groups of French and Germans to Mountain House for frank conversations on personal beliefs, fears and aspirations under the tutelage of Moral Re-Armament activists, including a young Frits Phillips.

Buchman's teaching was that one needed to start with personal responsibility before casting blame or suspicion on others. As he said, when you point your finger at another, three fingers are pointing back at yourself. So those from France were encouraged to look at their own prejudices before casting aspersions on Germans and, reciprocally, Germans were asked to look at their own actions and beliefs before blaming the French for anything.

Out of this work, with connections to Robert Schuman on the French side and Konrad Adenauer in Germany, came visible progress in French/German reconciliation. From this atmosphere of growing mutual appreciation, for example, came support for Jean Monnet's suggestion of transnational administration of the coal and iron deposits lying in contiguous areas of France and Germany. The resulting European Coal and Steel Community, formed by treaty in 1951 was the beginning of the European Union. Thus, Moral Re-Armament (MRA) and Mountain House can take material credit for that momentous development in world history.

It was this practice of reconciliation that Frits Phillips brought to the tensions between Japan and the West in 1986.

The Japanese business leaders coming to Caux for that meeting had also been recruited by MRA Japan, largely through the efforts of Mrs. Sohma, the daughter of Ozaki Yukio. Mr. Yukio, who was a patron of democracy in Japan, had been elected to the first Diet in Japan and was continually elected until his death in the 1950s. When Governor of Tokyo in 1912, Yukio sent a present of cherry trees to Washington DC where they still stand and serve as the focus of the annual Spring Cherry Blossom festival in that city. Mrs. Sohma followed his footsteps by promoting the MRA approach of moral character among Japanese opinion makers. In doing so she received much support from the Sumitomo family and group of companies.

Frits Phillips chaired several annual meetings of the Caux Round Table until his retirement from Phillips. He was assisted in this by Maarten de Pous of The Netherlands. Then, Mr. Ryuzaburo Kaku, CEO of the Canon Company in Japan, became convener of the Caux Round Table. Mr. Kaku had an explicitly moral philosophy of business which he called Kyosei. This was a Japanese concept he developed and elaborated on for his and other companies. He conceived a company as a living organism contributing to and

supported by a sympathetic natural environment. Kyosei, coming from Chinese concepts, literally means symbiosis – growing together. It is a naturalistic, holistic vision of mutual dependency and inter-sustainability. For a business it means living by and through stakeholders such as customers, employees, owners, creditors, suppliers, government supplied public goods, communities and the physical environment. From the standpoint of Kyosei, a company prospers for itself by enhancing its relationships with such mutually involved stakeholders.

The Origins of the Caux Business Principles

In 1991 Mr. Kaku presented his views on Kyosei to a meeting of business leaders in Minneapolis at the Minneapolis Club, organized by Minnesota members of MRA. His views resonated with the thinking of several Minnesota business leaders including Robert MacGregor, an ordained Presbyterian minister, former member of the Minneapolis City Council, associate of the Dayton family, and head of the Chambers of Commerce, who had established the Minnesota Center for Corporate Responsibility.

MacGregor had previously thought of the need for a set of ethical principles for responsible global capitalism. Following the Minneapolis meeting, he set up a task force based at his Center to draft such a set of principles, called the Minnesota Principles. Charles M. Denny, then CEO of ADC Telecommunications, and Prof. Kenneth Goodpaster of the University of St Thomas, were instrumental in assisting in drafting these principles.

MacGregor, Denny and several others attended the Caux Round Table meeting in the summer of 1992 and recommended that the Caux Round Table (CRT) adopt the Minnesota principles as global standards for business.

Initially Mr. Kaku was not persuaded by the effectiveness of a set of principles. His vision of Kyosei was more as an intuitive mindfulness that had to be appropriated by a willing mind and thereafter applied as a spirit of right thinking. It could not be reduced to hard and fast written rules, but needed to be a quality of personal inspiration.

European members of the CRT were equally reluctant to adopt principles, but more on the grounds that principles were too legalistic and could be manipulated for appearances by unscrupulous business people.

Then Jean-Loup Dherse, chair of the company building the tunnel connecting the continent of Europe with the United Kingdom, made a proposal. Dherse was greatly beholden to the social teachings of the Catholic church as expressed in Papal encyclicals, especially that of Pope John Paul II on how capitalism could be a moral system – Centissimus Annus. Dherse proposed to Kaku that human dignity from the European tradition could be equal in guidance for business enterprise as Kyosei and that, as the Americans had proposed, a written document would be helpful to many people in shaping their understandings of responsible business practices.

On that basis, the Caux Round Table network agreed to draft a set of principles for business. The effort took two years and a number of meetings. Michael Olson, a lawyer from Minneapolis, was secretary of the effort and Prof. Goodpaster contributed his advice. The Caux Round Table Principles for Business were first published in 1994. They were subsequently translated into some 16 languages and renamed the Principles for Responsible Business.

Jean-Loup Dherse was convener of the CRT for one year and then the Chairmanship passed to Winston R. Wallin, chair of Medtronic, Inc. based in Minnesota, with Michael Olson and Maarten de Pous as staff coordinators. Win Wallin brought a new scope of mission to the CRT. His passion was to move from “aspiration to action.” Wallin had been very moved personally by the concerns and protests of the late 1990’s over the darker sides of globalization, especially the impact of global capitalism on poor countries. Wallin stood firmly on the importance of the first two CRT Principles for Business that business had an obligation to use markets to produce wealth for society and to do so with global communities in mind as well.

In 1998, Wallin met with Gillian Sorenson, Assistant Secretary General of the United Nations and her staff assistant Georg Kjell to encourage the Secretary General to adopt the CRT Principles as a global standard for responsibility in free market globalization and development of poor countries. This initiative was followed the next year by the Secretary General’s decision to propose the Global Compact.

The CRT Principles for Business were reformulated as the Principles for Responsible Business in 2008, under the direction of Dr. Noel Purcell, in his role as Vice Chair of the Global Governing Board.

The Formation of Caux Round Table Inc.

Under Wallin’s leadership the CRT decided to change its annual meeting at Mountain House to a bi-annual meeting with interim annual meetings in various parts of the world; to establish chapters in various countries; and to advocate policies and steps that would ensure that business and markets bring rising living standards to poor countries and peoples.

In retreats for CRT leaders, Wallin secured commitments to transform the largely unstructured Caux Round Table network of concerned business leaders into the form of a not-for-profit corporation. He agreed to personally provide most of the funding needed for its operation. He also secured a commitment from the Japanese leaders to set up an entity for the CRT in Japan which would contribute to the expenses of the global outreach effort. The effort in Europe was directed by Maarten de Pous and funded by friends of MRA, mostly in The Netherlands and Germany.

The initial proposal to incorporate the CRT in Switzerland proved to be too expensive on an annual basis, so a Delaware non-for-profit corporation was used and renamed the Caux Round Table Inc. This corporation has served as the global CRT organization until now. Michael Olson retired as director of the CRT and Stephen B. Young became Global Executive Director at Wallin's request.

The CRT Japan Committee was formed as a separate body from MRA Japan in 2003 and began to introduce the Caux Principles for Business and Corporate Social Responsibility to Japanese business leaders.

The first CRT annual meeting (Global Dialogue) not held in Mountain House was held in Singapore in 2000.

Principles for Government

During the second Global Dialogue, held in London in September 2001, news of the terror attacks on New York City's World Trade Center was received after lunch and a presentation on why business leaders should press religious leaders to do more to bring religions together. At a dinner meeting held at the London based Institute of Directors, Wallin presented an important paper on the need for business to do more to meet the challenge of overcoming global poverty.

Those present at the London Global Dialogue and the new Global Governing Board of the CRT agreed that there was a critical need to develop a management metric to help companies implement the CRT Principles, thereby ensuring a more responsible and moral - and hence sustainable - capitalism.

Gustavo de la Torre began to organize a CRT Chapter in Mexico and the 2002 Global Dialogue was consequently held in Mexico. At that meeting, Herman Wijffels of The Netherlands urged that the CRT should also develop and promote ethical principles for governments, following on the logic of Wallin's 2001 paper which had pointed out that business cannot serve its function of promoting economic development unless governments create the proper policy environment and provide requisite public goods like security, rule of law, infrastructure, education and public health. Accordingly, the CRT developed the Principles for Government.

At the Global Dialogue in 2003, George Vojta, retired Vice Chairman of Bankers Trust, was elected chair of the CRT. Vojta brought to the CRT a keen appreciation of what standards of responsibility governments needed to create proper fiscal and regulatory environments to promote economic developments through free markets. As a result, the CRT began to analyze and rank countries for the quality of their social capital.

Herman Wijffels also encouraged the CRT to look closely at the interactions of business firms with civil society and NGOs, an increasingly authoritative part of society setting goals and aspirations for business. As a result the CRT also developed a set of ethical

principles for NGOs which recognized the separation of their social function from that of business.

Moral Capitalism

In 2003, Fred Senn of Minneapolis and a founder of the Fallon Advertising firm suggested that the CRT needed a book to better explain its Principles for Business and how to use them. He suggested the title of “Moral Capitalism” for the book. Steve Young wrote the book and it was published by Berrett-Koehler of San Francisco in early 2004. The book has subsequently been translated into Spanish, Japanese, Polish, Chinese, Croat, and Romanian.

Moral Capitalism has brought enhanced stature to the CRT and has resulted in the CRT being invited to speak at major global conferences. CRT teams were formed in Poland, Croatia, Germany and later in Malaysia and Thailand. CRT Fellows were appointed to bring a wide reach of intellectual approaches to the work of the CRT.

Arcturus

A CRT initiated project, initially in co-operation with the University of St. Thomas, was launched in 2003 to develop a management tool and metric to assist companies to implement the CRT Principles for Business. In 2006, it was agreed that the CRT and the University of St. Thomas would further develop the tool in separate directions.

As a result, the CRT undertook extensive development work on a refined and flexible corporate risk management and value enhancing tool under the brand label *Arcturus*. This innovative tool has been successfully implemented and utilized in a range of corporate and different national settings including: Through the CRT Japan Committee which has adapted Arcturus to fit the Japanese cultural setting; and CRT Germany which has successfully involved MBA students in the application of Arcturus.

The Arcturus tool continues to be enhanced and has been converted to delivery by on-line internet access. The Arcturus questionnaire has also been customized for special uses, such as reporting on the new duties for UK company directors under the 2006 revision of the UK company law.

During 2009, the CRT took the lead in highlighting the Sufficiency Economy approach of His Majesty the King of Thailand as a special Theravada Buddhist approach to corporate social responsibility, supplementing mainly European and American presentations of stakeholder responsibility. The Arcturus tool and framework were used to assist in this initiative.

Other CRT Initiatives

In 2005 Lord Daniel Brennan of the United Kingdom became Chair of the CRT. Under Lord Brennan's leadership, at the 2006 Global Dialogue in Poland, the CRT responded to the serious flight of aid and development capital from poor and developing countries, as corrupt and illicit assets, to save havens in wealth countries, tax havens, and global money centers with an agreement that efforts should be made to seek out, recover and return such assets to the original jurisdictions in need. With a grant from the Ford Foundation, the CRT convened a working group and developed a business plan to set up such an entity.

In 2006 with support from the Smith Richardson Foundation, the CRT also began a project of engagement with Islamic scholars on understanding the CRT ethical Principles for Government in light of Qur'anic guidance. A seminar in the International Islamic University Malaysia led to the publication of a book entitled *Qur'anic Guidance for Good Governance*. This very fruitful engagement demonstrated the relevance of CRT Principles in Islamic cultures and provided a bridge of common purpose between Muslim and non-Muslim societies. The work was followed up with a seminar on Catholic Teachings and Qur'an in 2008 and a seminar in 2010 on common lessons from all the Abrahamic faiths on responsible business enterprise. In 2010, the CRT published the Mountain House Statement on Abrahamic faith traditions.

In the fall of 2008, the CRT responded to the collapse of global credit markets with seven recommendations for reform of business practices and regulatory oversight. In the main, these recommendations were affirmed by the actions of governments in response to the crisis, confirming the practical wisdom of the CRT approach to responsible business.

At the suggestion of Frank Straub of CRT Germany and a member of the CRT Global Governing Board, the CRT also began to give recognition awards. The first was presented in 2005 to William Donaldson, then Chair of the US Securities and Exchange Commission.

The CRT also began to distribute commentaries and working papers to its global network on important insights and discussions bearing on practical implementation of the CRT Principles for Business and Government.

In 2009, Dr. Noel Purcell of Australia became Chair of the Caux Round Table and Lord Brennan was named Chair Emeritus.