

# *Pegasus*



A newsletter for the Caux Round Table Network  
looking at business above the clutter and confetti

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Moral Capitalism At Work

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# *Pegasus*

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# INTRODUCTION

This issue of *Pegasus* is a very special one, not just for the Caux Round Table (“CRT”), but as a study in *praxis* of evolution of ideas and best practices.

We publish comments from CRT advocates on the occasion of the 20<sup>th</sup> anniversary of the issuance of the CRT Principles for Business.

They were the pioneering first in what has become a global movement of note, seeking new ways of setting goals and objectives for private enterprise. What was merely Quixotic in 1994 is commonplace now. We are hearing, more and more, about a “new” capitalism arising from the business ethics and Corporate Social Responsibility movements of the last 15 years.

Honor, then, is due to those who gathered at Mountain House in Caux, Switzerland, in 1992 to begin the effort to draft global principles for responsible business.

The CRT Principles for Business flowed from business realities - an expression of *praxis*, as moral philosophers would say - but set these realities in the context of that which was not so real, but which should be made more real - idealism resting on humanity’s moral sense.

This was a vision of directing *praxis* towards an ethic of becoming stewardship.

The ambition of those drafters of the CRT Principles for Business was large and perhaps, overly optimistic. In the framework of German philosopher Jurgen Habermas though, they

were fundamentally correct in their purposes. They sought to have actions in the realm of “facticity” or the real world harmonize with thought-forms living in the abstract realm of “normativity.”

I refer to these technical terms of philosophy not used in our everyday discussions to emphasize the point of importance to be associated with the CRT’s visionary undertaking.

This kind of work takes effort of a special kind - not routine, not short-term, not self-referential. This kind of commitment is akin to pursuing a vocation - the undertaking of a stone mason to worship his or her lord through his or her work, rather than just sit there cutting stones.

I am, therefore, pleased to bring you these comments from my colleagues.

*Stephen B. Young*  
*Global Executive Director*  
*Caux Round Table*

# THE CAUX ROUND TABLE'S PIONEER STATUS

I remember clearly that 20 years ago the Caux Round Table (“CRT”) Principles for Responsible Business had pioneer status.

Far before compliance and sustainability became as present as they are today, the CRT Principles were setting a strong arch in the world of business ethics.

The “USP” was the stakeholder approach, which in this broadness, was completely new.

Most guidelines contained basically employees and customers, but not much more.

The CRT principles had what I call the 360 degree approach, which opened our eyes for all stakeholders and made it especially clear that shareholder value is important but not everything.

The CRT Principles were of very high pragmatism because they contained the contribution of senior executives, entrepreneurs and important scholars in the area of business ethics.

Furthermore, these principles could even be applied to different religious traditions.

Many years ago during one of our Global Dialogues in Caux, we invited Paul Joseph Jean Poupard, a French Roman Catholic Cardinal, Rabbi David Rosen and a professor of Islam from Cairo. Their presentations and the discussions that followed demonstrated that the CRT principles could be applied without restriction to the Christian, Jewish and Islamic

faiths. Furthermore, they could also be applied in Shintoism, Buddhism and to Chinese culture, as well.

In the meantime, many organizations have followed up, including the UN, with their Global Compact initiative.

The CRT Principles still hold a pioneer status in the world of many similar principles.

But beyond the business world, the CRT also initiated Principles for Shareholders, Principles for NGOs and Principles for Governments.

As a matter of fact, the Principles have been translated into 19 different languages and used all over the world.

The fact that so many other organizations followed is a welcome phenomenon, proving that long ago the CRT was on the right path.

*Frank Straub  
Chairman, Governing Boards  
Blanco GmbH Co KG - Germany*

# CONTINUING CHALLENGES AND THE CRT PRINCIPLES

The 20<sup>th</sup> anniversary of the launch of the Caux Round Table (“CRT”) Principles for Responsible Business provides a timely reminder of the challenges that continue to confront modern capitalism and society more generally. Inequality is increasing, virtually without exception, within individual economies; mistrust in market mechanisms remains; and the basic social contract of relative fairness, equality and justice continues to break down.

Undoubtedly, progress has been made at the global level, with living standards improving in many developing countries. Additionally, the gap between developed and developing countries is narrowing. But such macro, global progress hides the very worrying underlying problems of the growing inequality and exclusivity of modern capitalism within economies and its, all too often, lack of morality.

The disturbing reality is that the 85 richest individuals in the world now control as much wealth as the poorest half of the global population and this extreme distortion flows into individual societies. Such dramatic inequality should be a cause for great and widespread concern, particularly within business, as rising inequality is simply bad for business, let alone for society more broadly. As the International Monetary Fund found, in a recent study across 173 countries over the past 50 years, inequality is a robust and powerful determinant of both the pace of medium-term growth and of the duration of growth spells. Inequality and growth are mutually incompatible. Inequality is also ethically undesirable and erodes social capital.

The current dominance of market fundamentalism, which emphasises the interests and gains of the individual at the expense of the system and the weaker in society, must be challenged and rebalanced or longer-term prosperity and trust in capitalism itself is at risk. Sustainable prosperity requires not just investment in financial capital, but also investment in social capital. For this to occur, capitalism must become more moral, fair and inclusive.

Clearly, business leaders have a critical role to play in rebalancing capitalism. Most importantly, they need to show leadership in moving beyond just the necessary care for the self-interests of their own businesses and fully embrace their broader responsibilities to society. After all, business cannot sustainably prosper in societies that are not prospering.

Twenty years on, the CRT Principles for Responsible Business continue to provide a necessary and solid foundation for the required action by business leaders in ensuring that modern market capitalism becomes more responsible, moral and inclusive and that it delivers greater fairness, equality and prosperity for all.

*Dr. Noel Purcell  
Chairman Emeritus  
Caux Round Table*

# PRINCIPLES BORN OF TURBULENT TIMES



MOUNTAIN HOUSE, CAUX, SWITZERLAND

Times were turbulent during the formulation of the Caux Round Table's ("CRT") Principles for Responsible Business some 20 years ago now. In 2014, times are equally turbulent and in the wake of the 2008 global financial crisis, it seems these Principles are even more relevant and necessary than they were at the time of their presentation to the U.N. World Summit on Social Development in 1995. Why is this?

## Global Developments

Rate of change is increasing and certainties are disappearing

In the course of those 20 years, the world has changed at an ever faster rate. What good is a three year strategic plan, let alone a five year plan nowadays, if a new Ipad is introduced every six months?

Because of the rapid and fundamental changes in our world, we can no longer assume that there is any certainty. All external 'certainties' are disappearing and even though these types of 'certainties' are illusory, it is surprising how many people still think they can rely on them. Their 'certainties' do not come from within, but from the outside.

This has profound implications. Only inner certainty and peace make it possible for us to interact with others without feelings of hostility, to not be startled into a defensive position by those who may think and act differently. People who have no inner certainty and who lack inner resources have to rely on external

ties and other forms of power to maintain their position. It is, therefore, not surprising that in today's world, populists and fundamentalists are raising their voices. The greater the inner uncertainty, the more anxious people are to hold on to what they have. They seek certainty in external reference points such as procedures, conventions and protocols, in physical power or ideological rigidity. All thoughts that differ from the norm, let alone different cultures and religions, lead to fear and uncertainty. In the end, these are transformed into aggression towards anything that is different or feels threatening.

World has become more complex, connected and interdependent

At the same time the world has become more complex and interrelated: an accident in child labour practices by a company in one country of the Far East can lead immediately to a worldwide consumer boycott of the products of that company. An outburst of a local volcano in Iceland can lead to a complete disruption of air traffic between Europe and the Americas for over a week.

The sharp rise in interrelatedness of all systems and all human endeavour on this planet means that we can no longer afford to neglect the needs of others. Ultimately, it will backfire on us. The 'greed is good era' is not only morally incorrect, but is simply not sustainable. In the 21<sup>st</sup> century, private interest cannot be totally separated from public interest anymore.

## Human Behaviour

While through innovations, dedication and creativity, great progress has been made in many areas of human endeavour. However, I am forced to conclude that we, as leaders, have not been very successful in really learning the lessons presented to us by the 2008 crisis.

### Balance seems lost

In terms of our behaviour and norms, we seem to have lost sight of the need for equilibrium. The concept of profit was originally intended as a means of financing future investments and safeguarding the continuity of an organization. Today, profit seems to have become an absolute goal in itself. Maximizing shareholder value at any cost, without regard for other stakeholders, has become a dominant theme in many boardrooms.

We also seem to have lost the balance between proper remuneration and performance due to our focus on bonuses based totally on short-term financial results. We have seen this resulting in perverse behaviour of not a small number of executives.

In society at large, we have witnessed the lack of balance in the area of freedom of speech. This fundamental right was originally meant as a balance between the freedom to express oneself and respect for those who hold a different point of view. Somewhere along the way, this right has deteriorated towards the right to say anything you want without worrying about the offence and hurt it causes. 'Freedom of speech' has degenerated into 'Freedom of insult.' It is against the law to beat someone to death with a baseball bat, but we have forgotten that words can be deadly, too.

### Too many rules and regulations

Many (political) decisions seem to be incident-driven and every incident inevitably leads to a demand for 'more rules.' In our present society, based upon fear and mistrust, the assumption is that more rules will somehow improve society and deter pundits from their evil

deeds. The opposite is true: an impenetrable maze of regulations and rules undermines the original intention of a system, alienating those 95% of well-willing persons, whilst the other 5% just continue to undermine the system. It only adds to more expensive control mechanisms and an increase in bureaucracy.

## The Principles

Therefore, there is a widespread and growing need for some guiding principles to help us regain that inner certainty; guidelines that could serve as anchors of behaviour in these uncertain and turbulent times. We should move towards a principle-based society, rather than a rules-based society. That is where the CRT Principles for Responsible Business come in.

### Principles for Responsible Business not a luxury, but a necessity

The three basic pillars that form the very foundation of these Principles are very much alive and up to date: responsible stewardship, living and working for a mutual advantage (Kyosei) and the respect and protection of human dignity. Moreover, the Principles themselves are fundamental and timeless, as they can be found in each and every one of the world's major religious and ethical traditions.

Increasingly, I am of the opinion that adherence to these Principles in the 21<sup>st</sup> century is not a luxury, but a necessity if we want to insure a healthy, transparent and just society for our children and grandchildren. In a market economy: we must see moral capitalism at work.

### Adherence to the Principles for Responsible Business instrumental for sustained profitability

It might seem a bit of a paradox, but adherence to the Principles will help companies to stay profitable in the 21<sup>st</sup> century, not only because business ultimately depends on the license to operate from their communities, but also because business has to respond adequately to

the increasing demands of employees. Today, many people still work in organisations that do not develop their full potential. It is estimated that on average, our employees use only 50% of their capability. But a rapidly increasing number of young people now make it clear that they only will be willing to work for organisations they respect and who respect them in return. They want to work in a culture which provides a sense of purpose, scope for development, recognition, fairness, care and challenges. If there is no such culture, they will leave. It is even worse if they do not leave (because of the mortgage payments or similar) and remain disgruntled and disinterested at their job. That, in turn, causes mistakes, bad customer treatment, sick leave, etc., which will cost even more money and will give the company a bad image. Organisations that can live up to the challenge will be able to attract and keep human talent and therefore, remain profitable. The ones that do not will eventually be eliminated.

#### It all starts with dialogue and self-reflection

Of course, it is not enough to read and just talk intellectually about these Principles or to pay lipservice to them by having a one-time colourful description of them in an annual report written by the communications department. The challenge is that companies truly have to 'live' them.

Two practical suggestions could help to achieve this goal:

1. The CRT's self-assessment tool for companies called "Arcturus" is a simple questionnaire based on the CRT Principles. It will help companies and their leaders start the dialogue about compliance to these Principles.
2. We, as leaders, must look into ourselves to understand what personal roadblocks prevent us from applying the Principles into our own organisations. This inner path of discovery is indeed very personal and is one of the few things that cannot be delegated. A possible help is the appointment of a truly independent coach

or trusted advisor who will be able to tell us the truth about our behaviour. They might be the only one to do this, as most leaders are, by definition, surrounded by yay-sayers.

I congratulate the CRT on the 20<sup>th</sup> anniversary of their Principles for Responsible Business and I sincerely hope that these Principles can serve as guides and anchors towards sustainable profitability in a better world.

*Karel J. Noordzy*  
*Former CEO*  
*Dutch Railway Group NS*  
*Former CEO, Transport & Logistics*  
*The Netherlands*  
*Member*  
*Global Advisory Board*  
*Caux Round Table*



*ROBERT MACGREGOR*  
*Co-Chairman, Caux Round Table*  
*One of the architects of the Caux Round Table Principles*



*OLIVIER GISCARD D'ESTAING*  
*Founding Dean, INSEAD Business School*  
*One of the architects of the Caux Round Table Principles*

# AN OCCASION FOR USEFUL REFLECTION

As the Caux Round Table (“CRT”) observes the 20<sup>th</sup> anniversary of its Principles for Responsible Business, it provides an occasion for useful reflection:

- What are the lessons to be shared?
- Where do we go from here?
- What are the opportunities to use the Principles to shape a better future for citizens around the world?

These questions are placed in the current global environment threatening world peace, stability and prosperity for too many on every continent.

Our CRT reviews take place at a time when many, especially young people, view capitalism with much suspicion, according to Pew Research Polls. Some savvy observers of business behaviors frame this as ‘Capitalism in Crisis.’

This writer believes the above provides major and necessary opportunities to showcase capitalism in its proper light and win the support of numerous skeptics. The CRT Principles for Business provide the necessary foundation for proper capitalism built on a moral foundation.

We can make the business case, regarding lessons learned, from former top global business leaders who did their best to implement the practices of the CRT and showcased superb bottom line results.

There were many firms, such as 3M, Nestle, Canon and Medtronic. From them, this writer learned much and often quotes Ken Dayton,

former CEO of Dayton Hudson, to whom he reported.

*“The purpose of business is to serve society. Profit is our reward for serving well with integrity.”*

Ken Dayton,  
former CEO of Dayton Hudson

To properly reflect on this anniversary, some early CRT background is provided. The idea for the Principles originated in the remarkable island country of Mauritius. My assignment was to revitalize the oldest Chamber of Commerce in the Indian Ocean. My wife and I fell in love with this delightful country and continue to recommend it to our acquaintances.

In the process of strengthening the Chamber, we discovered numerous useful lessons related to environmental issues, especially pollution, unfair trade practices, corruption in global trade and unsustainable labor issues, especially in the textile industries. All of the above were not confined to one place, but had repercussions globally.

Mauritius, a well-run country, was affected by actions on the global level. The origin for the CRT Principles began simply while walking the beach with a British businessman who made the best electronic generator, yet was prohibited from selling it in Asia.

This led to the conclusion that the time was now to craft a world standard of ethical business behaviors to address the above. Upon returning to Minneapolis, a meeting was called at the University of St. Thomas College of Business with senior business leaders. One of the

key leaders was Chuck Denny, then Chairman of ADC Telecommunications. Those assembled agreed that there was a need for such a global set of principles. However, they labeled the idea as a naïve concept to complete. Nevertheless, they stayed at the table and crafted a document called the “Minnesota Principles – Toward an Ethical Basis for Global Business.”



*CHUCK DENNY  
former Chair and CEO, ADC Telecommunications  
One of the architects of the Caux Round Table  
Principles*

For successful ventures to succeed, timing and luck, as well as vision and leadership, often are front and center.

The Minnesota leaders later received an invitation from a group meeting in Caux, Switzerland, for this writer to present the Minnesota Principles. The late Frits Philips, founder of the noted European firm with his name, Philips Electronics, organized the meeting. He assembled this group to address major, unfair trade issues. Fearing a trade war, top business leaders from Europe, Japan and the U.S. were involved. The members of this group included CEOs like R. Kaku, then Chairman of Canon; Win Wallin, then Chairman of Medtronic; the future Chairman of Nissan; the Chairman of Nestle; and other well-known business leaders. The timing was right. The Philips group endorsed the Minnesota Principles as this world standard. But Chuck Denny drafted important changes after a long night of convincing Canon’s Kaku, who rightly insisted including the Asian Buddhist philosophy of Kyosei (meaning “living and working together for the common good”) with our western concepts of human dignity.

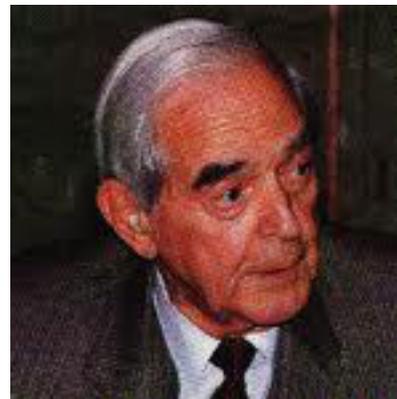
The principles spelled out the essential corporate responsibilities to all stakeholders with special emphasis on customers, employees and communities. It covered our environmental responsibilities and addressed the central responsibilities to avoid illicit activities, including bribes and other corrupt policies.



*R. KAKU  
former Chairman, Canon  
One of the architects of the Caux Round  
Table Principles*

After serious caucusing in Asia, Europe and the U.S., representatives assembled again at the University of St. Thomas and revised the Principles for a global audience, while keeping the main ideas of the Minnesota Principles.

The results have been substantiated with translations in more than a dozen languages and utilized around the world with business schools, corporations and religious groups. In addition, the Principles have been re-written for NGOs and governments with wide distributions.



*FREDERIK “FRITS” PHILIPS  
former Chair, Philips Electronics  
One of the architects of the Caux Round  
Table Principles*

The CRT has received encouraging reviews over the years in newspapers worldwide and from the likes of former U.N. Secretary General Kofi Annan, who spoke positively about the Principles to a large business leadership group in Minnesota. One of his senior officials, Gillian Sorenson, then with the U.N. Foundation, congratulated the CRT, “The Principles are a document that contains many of the objectives that we at the U.N. stress to promote.” Former U.S. Secretary of State Madeleine Albright thanked the CRT and said our “Principles for Business would be brought to the attention of the U.S. delegation at the U.N.” and others. Canon’s Kaku championed the Principles at numerous meetings in Asia with top business and government leaders, commending the Minnesota group for developing these significant Principles. He took CRT business leaders on a tour with the Governor of China’s largest province, Guangdong, and his top leaders to their major cities.

This was followed by meetings with senior government and business leaders in most of the key regions of the world. Yes, the naïve idea originally developed by business leaders in Minnesota has had a remarkable global impact as a world standard.

There have been some suggestions that the Principles should be re-written to better address current conditions. But after careful review, we’ve rightly decided that the Principles are still most timely and respond well to current needs.

Also, to repeat the writing process would be very difficult. The current Principles are directly a result of top business leaders from around the world actively involved in the drafting process and their regions were intensely engaged in providing critical input. To repeat this would involve a most ponderous and difficult undertaking. Again, our review well documents the timely relevance of the present document.

We are reminded today that global businesses, with all their imperfections, possess the most

economic resources and the brightest and best talent in the world. Thus, their influences are immense. What is urgently needed today is for the CRT to continue to make the case: our Principles for Business, when put into practice, cover the best of business self-interest.

The CRT’s Global Executive Director, Steve Young, recently availed of an opportunity to meet with Pope Francis in Rome shared our ideas with him. The Pope’s case for virtuous capitalism provides excellent synergism and the CRT will be following up with the Vatican and other religious groups. The best way to promote capitalism is to let the idea of the CRT Principles shine in business performances.

We can make the case that this is the best way for business practitioners to address the crisis of unemployment, the uplifting of poor communities and protect the earth for future generations. Another summary: the CRT seeks to promote moral capitalism as the most effective way to deliver rising business standards, social justice and human dignity for all.

Those of us teaching in business schools and interacting with young people globally know that showcasing the CRT’s ideas around capitalism is the winning way to engage the future generation of leaders.

Yes, Ken Dayton of Target had the business case right for our 20<sup>th</sup> anniversary:

*“The purpose of business is to serve society. Profit is our reward for serving well with integrity.”*

Ken Dayton,  
former CEO of Dayton Hudson

Onward and upward for the CRT Principles for Responsible Business.

*Robert MacGregor*  
*Co-Chairman*  
*Caux Round Table*

# INSTITUTIONALIZATION OF AN **ETHICAL** COMPANY MODEL

The Caux Round Table (“CRT”) was founded in 1986 with the aim of reducing tensions in international trade, developing constructive economic and social relationships between countries and raising awareness in companies with a view to their resolving to take on an appropriate role in favor of international peace and stability.

Approximately 20 years ago, under the initiative of the CRT, the now well-known Principles for Responsible Business were drawn up and their dissemination began. At the time, this was a singular, novel and brave initiative. It would later be followed and complemented by other measures, issued by various agencies and multilateral organizations. Nonetheless, it is fitting to highlight the pioneering nature of the initiative of the CRT at that time. It contributed, without doubt, to the institutionalization of a company model that was not only more responsible and sustainable, but, above all, more ethical. However, since that institutionalization is never complete, but rather constitutes an open and unfinished process, it is appropriate to continue to insist on raising awareness of good praxis and the enhancement of what the Principles represent.

The main axiological hubs of the Principles are two values originating in two distinct cultural traditions: the concept of *kyosei* – a Japanese term which means approximately “living and working together for the common good” – and the appeal to human *dignity*, with a western Christian outlook. The corresponding Principles are drawn up on the basis of these concepts: 1) Corporate responsibility: beyond the shareholders, towards all the stakeholders of the business; 2) The social and economic impact of companies: towards innovation, justice and a global community; 3) Corporate behavior:

beyond the letter of the law, towards a spirit of trust; 4) Respect for legality; 5) Support for multilateral trade; 6) Respect for the environment; and 7) Prevention of illicit operations.

These Principles were proposed as guides in order for companies to prepare their own tailor-made rules and to incorporate ethics in their day-to-day policies and practices. Basically, what was being done was to back *a sustainable company model in an increasingly complex scenario*.

We live in a multicultural and globalized world, where companies operate on a planetary scale, in markets that are becoming increasingly free from legal constrictions, where the weight of the public sector is decreasing at the same time as the role of capital markets is increasing. This liberalization leads to greater competition and this, in turn, implies greater speed of rotation, both of businesses and of products, commercial techniques, etc., to try to overcome the standardization of the supply. This is so because companies are aware that, when a decision is made to purchase a product, it is not only the tangible, but also the intangible assets of the product that are valued.

In response to these new markets, new organizational models are appearing where, among other things, more flexible structures are sought for adaptation to the market, together with efficient mechanisms for recruiting and retaining talent, key for the success of a company and a competitive advantage that sets it apart.

From another angle, it is worth mentioning the fact that society is becoming increasingly aware of the limitation of natural resources and this consciousness is leading consumers to raise the level of requirements for companies that

do not act according to responsible behavior, even subjecting them to boycotts or filing legal complaints against them.

Furthermore, thanks to the power that has been gained both by some social groups (NGOs, associations, unions, foundations, etc.) and by the communications media, their demands for transparency are increasingly being heeded by companies, which are very vulnerable to the tough controls and to the complaints lodged with growing interest and professionalism by these agents that make up the “third sector.” Some of the financial scandals uncovered during the last decade and the economic crisis that we have been suffering since 2008 have opened the eyes of a whole market that no longer seems willing to forgive opacity or even the shadow of a doubt.

This is the context of Corporate Social Responsibility (“CSR”), the impact of which is plainly being felt by organizations. It is, without doubt, a partial phenomenon; paradoxical whichever way one looks at it; decidedly insufficient. However, what has been achieved to date is not, in any way, insignificant. There are intuitions, good practices and certain extremely serviceable principles and criteria of action, notwithstanding the need to affirm that it is necessary, in any case, to advance, to surpass what has been achieved and to fill the gaps we observe in the sphere of CSR. But, above all, it is necessary to connect the concern for responsible management with corporate ethics and moral values. In this respect, the soundness of the CRT Principles is to be proposed as a firm foundation on which to build a business and management model that is more in keeping with the nature of the coming times.

Because, for sure, the company is much more than that which is assumed by the model implicit to a large extent in current management praxis and, in any case, it is something different from that which is understood as such by the current paradigm in normal science. The company is, together with that which is currently emphasized by normal science, a socio-economic and political institution that, in its own way, contributes and is called upon to

contribute even more decidedly in the future to the configuration of a scenario from which to advance towards new levels of human development. And to do this while continuing to be a company rather, trying to be so increasingly and better, by virtue of a kind of process of growing awareness regarding the aspects that are to be identified as essential features of the “business” phenomenon. Such features would then become an authentic principle and foundation, a true nucleus of the mission on which to focus in greater depth and continue progressing in the future in search of excellence.

This gives the impression that, on the one hand, society seems to be demanding very broad objectives for companies and, on the other, some very specific norms of behavior to try to reach them. Naturally, company executives should pay attention to these requirements if they truly aim to maintain and, possibly, to expand their companies: In this respect, they need a kind of social legitimation or a license to operate. And from what we have seen in recent times, these requirements include not only economic issues, but also other considerations of a social and environmental nature.

Now, attending to this triple income statement, when long-term progress is generated, is what we can call ‘sustainable development,’ that is, the long-term process that generates economic, social, cultural, political and environmental progress for human communities (complete, multifaceted development). Applied to the company, this is a development or vision that takes into account a famous triple dimension: economic, social and environmental.

As has already been indicated, if CSR strategies are intended to be deep rooted, there is no other alternative but to plant them in the fertile soil of ethical values. The healthy pragmatism of the proposal made by the CRT 20 years ago with the preparation of the Principles for Responsible Business continues to be a reference that companies would do well to consider.

*José Luis Fernández Fernández  
Chair in Economic and Business Ethics  
Comillas Pontifical University*

# CAUX ROUND TABLE PRINCIPLES: PROVIDING A CRITICAL FRAMEWORK

The Caux Round Table (“CRT”) Principles for Responsible Business, Governments and Civil Society Institutions provide a framework for these critical components of society to build a sustainable society that is best for all parties and most importantly, people, the members of society and the beneficiaries of good government, good businesses and good civil society institutions.

My personal recollection of the journey of the Principles for Business starts with the three concepts of 1) responsible stewardship, 2) living and working for mutual advantage and 3) respect and protection of human dignity, which were the foundations of the original Principles.

The addition of Principles for Governments and Principles for Civil Society Institutions recognized their essential role in building such a society and the need for all three pillars to adhere to the same fundamental precepts, thereby establishing a broader set of Principles--for responsible and moral capitalism.

The addition of tools for assessment and improvement of corporate responsibility and the implementation of 12 core financial standards in conjunction with the eStandards Forum, gave action-oriented improvement mechanisms.

The publication of Steve Young’s book *Moral Capitalism* and translation of the book and Principles into several languages further

broadened the CRT’s reach, as Young’s set of treatises linking the CRT Principles with the fundamental teachings of the major religions. Serving to further broaden the CRT’s reach were the annual Global Dialogues in many countries around the world.

The sum of these initiatives and many others does, I think, justifiably present a full and realistic statement of responsible and moral capitalism. There are particular subtopics that are crucial also, including stewardship, roles and responsibilities and behaviors of successful businesses, governments and civil society institutions.

## STEWARDSHIP

As we know, stewardship is the careful and responsible management of something entrusted to one’s care. Good and faithful stewards use the assets entrusted to them on behalf of the entrustor and/or society as a whole and not for personal advantage. Owners and managers of businesses and civil society institutions, elected officials, appointed officials, board members, teachers, et al., are stewards of human, financial, reputational, intellectual, information, etc. assets and as such must use these assets on behalf of the entrustor and society and not for personal gain or advantage.

For example, one feels that the primary goal of many elected and appointed officials is to retain their seat/position and to enhance its

power, rather than to serve the public/constituency affected. This power can be used “softly” to gain personal advantage in a variety of ways and circumstances.

Our public is suffering from a lack of trust in those persons entrusted with our societal assets--which results in uncertainty about the future and a reluctance to commit or act. The CRT should be leading the charge toward improved stewardship in all sectors and at all levels of society.

### **ROLES AND RESPONSIBILITIES**

Each of the three pillars -- business, government and civil society institutions -- has their particular roles and responsibilities, which must be fulfilled to enable the other pillars to complete theirs.

The government pillar has to establish the legal and regulatory framework for the country for all businesses -- local, regional and multinational -- financial, manufacturing, service, etc. -- and all civil society institutions to conform to. Good government enables investment. Bad government deters investment. Government needs to meet the same accountability standards that it requires from business.

The business pillar has to conduct itself in a responsible and moral fashion in conformance with the CRT Principles for Business and the governmental framework. It must not fall prey to the “Tyranny of the Or,” described so well in the book *Built to Last*, but rather, follow the “Genius of the And,” attaining financial, human resource, service, etc., concurrently while adhering to multiple laws, regulations and societal expectations concurrently.

The civil society institutions pillar is particularly unique and important because it must represent and reflect the inherent culture, beliefs and demographics shaped by the geography and history of a country or region. Multinational civil society institutions have the same challenge as multinational businesses in addressing these attributes in a comprehensive

and yet, country-appropriate fashion.

Finally, the pillars have to interconnect so we can meet our common societal goals.

### **BEHAVIORS OF SUCCESSFUL BUSINESSES, GOVERNMENTS AND CIVIL SOCIETY INSTITUTIONS**

These behaviors seem surprisingly similar -- but they are the basis for success in virtually any enterprise:

- Providing high-quality and consistent value to the public or private sector customer, client or recipient. Having good mechanisms to ascertain the customers’ satisfaction level and respond accordingly. Understanding the customer, the competition and the external dynamics.
- Having effective and efficient processes for external and internal delivery of products, services and information. Building core capabilities for critical operations. Having strong governance, including audit, processes.
- Building human capital by good hiring, training, retention, development and promotion practices. Ensuring that everyone understands the need for good individual performance and good teamwork.
- Building a culture of facing the world as it is--not as you want it to be, of discipline to meet commitments and fulfill values, of responsibility to multiple constituencies, of full and truthful communication of bad and good news and of using repeated short-term success to build long-term sustainability.

## THE FUTURE

The CRT's future challenges will surely be as complex as its past ones. The response must include insuring that:

- It measures up to its own Principles for Civil Society Institutions--public benefit, transparency, participatory governance, independence, respect for the law and accountability.
- Is consistent, authentic and trustworthy -- always living up to its rhetoric, admonitions and messages with its own actions and positions.
- Continues to be an organization everyone associated with is proud to be part of.

*Ron Baukol*  
*Former Executive Vice President, International Operations*  
*3M*



THE KANJI SYMBOL FOR KYOSEI



*MORRIE KANEKO*  
*former President of Panasonic Deutschland GmbH. in Germany*  
*One of the architects of the Caux Round Table Principles*



*KEN GOODPASTER*  
*Professor, University of St. Thomas (Retired)*  
*One of the architects of the Caux Round Table Principles*

# OUTRO: THE WORK CONTINUES

*“The greatest danger to our future is apathy.”*  
– Jane Goodall

This special Anniversary edition of *Pegasus* focused on the creation, background and impact of the Caux Round Table’s (“CRT”) *Principles for Business*. The 20 years since the Principles were conceived were eventful and we can now more fully see their impact...and where to continue our efforts.

Jane Goodall was certainly no businesswoman. However, her sentiment rings true in a time when inequality is increasing – creating a chasm between the haves and have-nots and the connection between exclusion and grievance becomes more apparent in both economics and politics. Further, Capitalism has become synonymous with cronyism and corruption in the minds of many of the world’s youth.

The ideas presented in the Principles and the CRT’s important work since, strikes out at that apathy. The Principles were a great step forward for moral capitalism. There have certainly been set backs since, but the CRT continues to soldier on, working against corruption, ennui and apathy.

Many of the ways the CRT is working against apathy within the current system were mentioned in the articles you have just read. Additionally, new initiatives that are ongoing include the international round tables focusing on Sustainable Development Goals built around the Bangkok Agenda, as well as the new Academy for Public Service, which is working to reinstate the idea of ‘a public office as a public trust.’

These efforts and others by members of the CRT help to focus on inequality by looking at sound, ethical business practices. By working to create a more just business (and political) environment, this helps to create an increase in inclusion (not the buzzword of ‘diversity/inclusion,’ but truly allowing for a more equal and informed partnership between producer and consumer, governing and governed) leading to a more secure and peaceful society. Furthermore, by working to make the marketplace a more virtuous, ethical cycle, today’s youth can see that capitalism does not simply have to be a caricature of fat cats wearing monocles and top hats, but rather, a fair and efficient means for improving one’s life.

The CRT *Principles for Business* showed a remarkable amount of foresight when they were created. Their relevance has been repeatedly proven over the last two decades. This kind of projection of potential dangers and solutions is invaluable in today’s highly connected, globalized world. In order to improve our projection skills, we need to hone our ability to utilize hindsight to see where we have been and what has passed. This is truly the benefit of anniversaries such as this. It’s a great moment to reflect on past successes, to target future achievements and to never let apathy creep in.

As always, I welcome your comments.

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