

*"Much of the (corporate social responsibility) movement has been
a public-relations smoke screen."*

Journalist Milton Moskowitz, Business Ethics magazine, August 2002

*"In the contest between NGOs and companies, size is no advantage.
Nor is being in the right."*

The Economist magazine, August 2003

Corporate Philanthropy in Unfriendly Times: The Consequences of Social Investing Advocacy

**By Sarah Fuhrmann, senior vice president
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In the current climate for corporate responsibility, "doing well by doing good," the philosophy that often guides corporations' social-responsibility strategy, is no guarantee of success. Corporations that undertake social programs without a full understanding of the corporate social responsibility and socially responsible investment (CSR/SRI) industry players, their networks, funding and tactics can face significant risk of damage to their reputations and even their freedom to operate.

Far from promoting the corporate good, the CSR/SRI industry depends on being able to continually characterize and point to "bad" companies that can both perpetuate the industry and make it look "good" by comparison. Using tactics that include shareholder resolutions, e-mail campaigns, annual-meeting protests and more, CSR/SRI groups seek to increase their influence on corporations directly and on the general discussion of social responsibility in the mainstream media and elsewhere. However, some of the major CSR/SRI stakeholders are themselves responsible for ethically questionable conflicts of interest and anti-corporate bias that call into question their self-ascribed status as definitional leaders of social responsibility.

By their sheer volume, non-governmental organizations and their powerful networks, crucial to setting environmental and other advocacy positions, pose a risk to corporations. As noted by Jeffrey Hollender, the CEO of the natural-products corporation Seventh Generation, "The number of NGOs and activist groups has now risen to an estimated 28,000 worldwide. With that many NGOs out there keeping a hawk's eye on possible corporate misbehavior, the risk of one of them targeting any particular company is now higher than ever before."¹

Social-investment groups – which often work in concert with corporate responsibility, environmental, human-rights and other advocacy groups – file hundreds of shareholder resolutions annually. The specific topics of the resolutions vary each year, but they always encompass typical progressive concerns including corporate reporting on such issues as work to address global warming, human rights policies, use of genetically

modified ingredients, corporate governance, and more.² Add the financial heft of left-leaning pension funds such as the mammoth California Public Employees' Retirement System (CalPERS) – which uses its substantial voting power to try to influence board makeup at hundreds of corporations -- and the stakes for corporations are even higher.³

Given the forces lined up against them, corporations seeking to undertake or that are currently involved in social responsibility programs should consider the following key points:

- Advocacy groups play by different rules than corporations and the public allows and expects them to do that.
- There are no universally accepted rules of corporate conduct to guide companies' activities.
- In order for the CSR/SRI industry to thrive it needs “bad” companies to target.
- The more companies want to appear socially responsible the more they risk being targeted.

“A Process with No End”

Thus far the CSR/SRI industry's attack-based strategy has succeeded because consumers and opinion leaders have largely accepted the industry's anti-corporate filter without question. An Environics 2001 consumer-research poll on corporate social responsibility found that consumers are significantly more likely to punish corporations presented or perceived to be irresponsible than reward those known for doing good.⁴

The largely negative atmosphere is further muddled by a lack of universally agreed-upon standards for social responsibility. Beyond a general consensus on goals such as sustainability in the environment; incorporation of ethical business practices and procedures; and compliance with federal laws and regulations, corporations have little to guide them: as of yet there is no governing body that specifies, for example, what defines environmental sustainability or emissions targets; what percentage of women and minorities should comprise corporate boards or what percentage or amount of annual earnings or sales should be returned to the community in philanthropy.

Under these circumstances it is next to impossible for any company, no matter how socially responsible, to measure up across the board. “These days, investors have a hard time telling the good guys from the bad guys. ...Who is credible,” inquired an article in the Toronto Globe & Mail. “Whose agendas are these (CSR/SRI) groups representing? For investors and other stakeholders, the answer lies in a credible CSR accreditation system. Until then, we are all adrift when it comes to judging responsible corporate performance...”⁵

Without a rule book, the field is open for social-investment and related advocacy groups to set the criteria that best fit their goals in an ongoing strategic game of reputation keep-away in which major corporations, no matter how hard they try, can never catch the prize

of fully acknowledged standing as socially responsible companies. As Dave Stangis, corporate responsibility manager for Intel notes, the key to understanding involvement with CSR/SRI groups is “knowing that it’s a process with no end.”⁶

That keep-away “game” can extend even into areas of the CSR/SRI industry that are considered by the corporate world to be on the same side. For example, Business for Social Responsibility, a San-Francisco-based group that is often viewed as a pro-corporate CSR/SRI trade organization, lists its mission as being “to create a just and sustainable world by working with companies to promote more responsible business practices, innovation and collaboration.”⁷ Among BSR’s blue-chip members (and frequent CSR/SRI targets) are Coca-Cola, Gap Inc., Exxon Mobil and Ford Motor Company.⁸ These and other companies might be surprised to hear a rather different interpretation of BSR’s mission from Ben & Jerry’s co-founder Ben Cohen, a founding member of BSR and a frequent proponent and contributor to causes that are linked to anti-corporate campaigns. Cohen describes BSR’s mission as “bringing big business to the table, and then moving the table.”⁹

Corporate “Best” = Advocacy-Group “Worst”

The absence of set criteria also opens the door for anti-corporate campaigners, whose “worst” and shareholder-resolution lists are curiously similar to the “best” lists reported by public pollsters and in mainstream media including Fortune, Forbes and others. Fortune’s 2004 list of the 100 most admired companies includes in the top 10 no fewer than seven companies that are perennial shareholder activism targets. Those celebrated – and targeted – include Wal-Mart, General Electric, Dell Computer, McDonald’s, Microsoft, Starbucks, Johnson & Johnson, and Procter & Gamble.

Of Fortune’s 15 most socially responsible corporations, eight have been blacklisted by SRI industry screens and five have been targeted with shareholder resolutions. The chart below shows a breakdown of those 15 and the reasons for their exclusion.

Company	Fortune Social Responsibility Rank	Sample SRI Industry Action
United Parcel Service	1	
Alcoa	2	Environmental Screen Shareholder Resolution
Washington Mutual	3	
BP	4	Environmental Screen
McDonald’s	5	Animal Welfare Screen
Procter & Gamble	6	Animal Welfare Screen Shareholder Resolution
Fortune Brands	7	

Altria (Phillip Morris)	8	Tobacco Screen Shareholder Resolutions (4)
Vulcan Materials	9	Environmental Screen
American Express	10	
Anheuser-Busch	11	Alcohol Screen
Merck	12	Shareholder Resolutions (3)
Johnson & Johnson	13	Animal Welfare Screen Shareholder Resolutions (2)
Liz Claiborne	14	
Medtronic	15	

Are these similarities just happenstance? Not likely. Members of the socially responsible investment industry make no bones about the fact that companies that are good at what they do can quickly become targets. “It’s our belief that if we can influence the large players it may be a model for others in industry,” said Vidette Bullock Mixon, the director of corporate relations and social concerns for the General Board of Pension and Health Benefits of the United Methodist Church, a major player in socially responsible investing. “Corporations are responsible not only to their stockholders, but to their stakeholders and the Earth.”¹⁰

Starbucks: The Cautionary Tale

“We are targeting Starbucks, rather than (any other coffee company) because they are a high-profile market leader and because they promote themselves as socially responsible...” **Ronnie Cummins**, National Director, Campaign for Food Safety (formerly Pure Food Campaign).¹¹



Total coffee purchases by Starbucks – just 1 percent of bean purchases worldwide – are dwarfed by those made by giant coffee buyers such as Sara Lee, Nestlé, Procter & Gamble and Kraft Foods. Why then do advocacy groups like the Organic Consumers Association (whose publicly stated aim is to promote organic consumption and help poor coffee farmers around the globe), target their campaigns at Starbucks rather than their bigger, more important counterparts? The answer is simple: Starbucks’ opponents see it as an easy target whose marketing relies in part on public perceptions that it is a good corporate citizen.

Since its foundation in 1985, Starbucks has cast itself as a socially responsible company, with programs that include supporting the humanitarian non-profit group Cooperative for Assistance and Relief Everywhere (CARE) and offering stock options even to part-time employees. In what OCA took as a nod to outside pressure, the company began

purchasing more than 1 million pounds of advocacy-group favorite Fair Trade coffee at more than twice the price Starbucks would otherwise pay.

Unfortunately for Starbucks, no good deed goes unpunished. Rather than commend the company for steps in the right direction, Organic Consumers proclaimed victory and – relying primarily on the Internet -- organized nationwide campaigns further demanding absolute concessions that Starbucks serve 100% organic milk, coffee and other products.¹²

In response, Sue Mecklenburg, Starbucks' vice president of corporate social responsibility and business practices, conceded, saying that her company would offer organic and soy milk; offer an organic coffee of the day, promote Fair Trade coffee on college campuses and feature it as “coffee of the day” once a month. OCA fired back that “these efforts have fallen short of what Starbucks customers expect of a company which has prided itself as being at the forefront of social and environmental responsibility,” and that it would not only continue its campaigns, but would increase its efforts, targeting Starbucks shareholders.

“Imagine a press conference where we stand outside a Starbucks location and test your Cappuccinos for the presence of rBGH,” (a supplemental hormone not approved for use in the production of organic milk) OCA director Ronnie Cummins wrote, despite the fact that no such testing procedure even exists. Cummins went on to demand that Starbucks cease using genetically modified ingredients also prohibited by organic standards in its baked goods, feature Fair Trade coffee as “coffee of the day” on a weekly basis, and use “independent” third-party Fair Trade and organic verifiers.

Organic certifiers and Fair Trade verifiers do not provide these services out of the goodness of their hearts. Instead they have a very real for-profit agenda that stands to gain from campaigns such as this. In fact, some outspoken activists directly own or are otherwise involved with the organic food and Fair Trade certification businesses.

Ronnie Cummins, a paid consultant on organic issues and the OCA campaign against Starbucks receives support from Genetically Engineered Food Alert, a coalition of advocacy groups including the Institute for Agriculture and Trade Policy (IATP). IATP President Mark Ritchie helped found TransFair USA, which currently offers the only widely recognized seal of approval for Fair Trade coffee in the U.S. In addition, Ritchie organization owns a for-profit organic and Fair-Trade coffee company of his own, Peace Coffee a.k.a. Headwaters, Inc.

Do As We Say, Not As We Do

Apparent conflicts of interest are not at all uncommon in the world of social advocacy, a troublesome thought in an industry that has taken on the role of standard-setter. What is

even more troublesome, though, is the research shows that in some quarters these tactics are accepted and even expected.

A poll by the Environics research firm confirmed that the playing field is not level between large corporations and the social-responsibility-related NGOs that often oppose them: People do not expect NGOs to operate cleanly, Environics found, and in fact see nothing wrong when NGOs turn to ethically questionable tactics: “Large companies are judged by a higher standard and people expect NGOs to break the rules,” the firm said. “Four in ten respondents expect NGOs to break some rule while pursuing their mandate... They (NGOs) have a license to operate outside of society bounds, especially in wealthy countries.”¹³

Case Study:

Social Responsibility, Our Way or the Highway

The Center for Global Food Issues (CGFI) is a research and education center of the non-profit Hudson Institute. CGFI promotes sustainable agriculture using techniques and practices from biotechnology to conservation tillage. It also supports free trade in agriculture as a way to help promote global food security. CGFI promotes these practices as socially responsible, openly praises farmers and agribusinesses which help to grow them, and publicly criticizes those who seek to limit or restrict them. Sounds fair enough and much akin to the way in which CSR/SRI groups act in promoting their views of what constitutes corporate or socially responsible behavior.

However, the similarities end there. CGFI’s approach to sustainable agriculture – “growing more per acre saves more room for nature” – is often at odds with many CSR/SRI groups’ economic interests and philosophical devotion to organic agriculture, which is strongly opposed to the use of biotechnology or other modern crop-protection practices.

When CGFI decided to take its program-- endorsed by Nobel Prize winners Norman Borlaug and Oscar Arias, U.S. senators Rudy Boschwitz and George McGovern, and even Greenpeace founder and former executive director Patrick Moore¹⁴ -- to the public via its Earth Friendly/Farm Friendly seal, it sought to communicate the news to and through the CSR/SRI community. The communication vehicle CGFI chose was CSRwire, the leading CSR/SRI press-release-distribution service, which claims to promote positive messages and partnerships with corporations. CGFI’s new seal of approval would appear to be a perfect candidate for CSRwire services: news release distribution, online directory of NGOs and service providers and, of course, consulting services to those seeking to gain points for engaging in socially responsible practices. Little did CGFI know, however, CSRwire’s posturing about equal-opportunity service (for all who are willing to pay for it) wasn’t all it was cracked up to be.

CSRwire promotes organic agriculture as being the socially responsible agricultural solution. So when CGFI tried to use CSRwire to distribute its press releases and have

CGFI's contact information listed alongside that of Greenpeace, anti-corporate campaigner Infact, the Organic Trade Association and others in CSRwire's directory of NGOs and service providers, it was unceremoniously told no way. CSRwire's staff told CGFI it lacked the transparency required to be included in CSRwire's listing of socially responsible organizations and that the views promoted by CGFI were not philosophically aligned with CSR's partners.

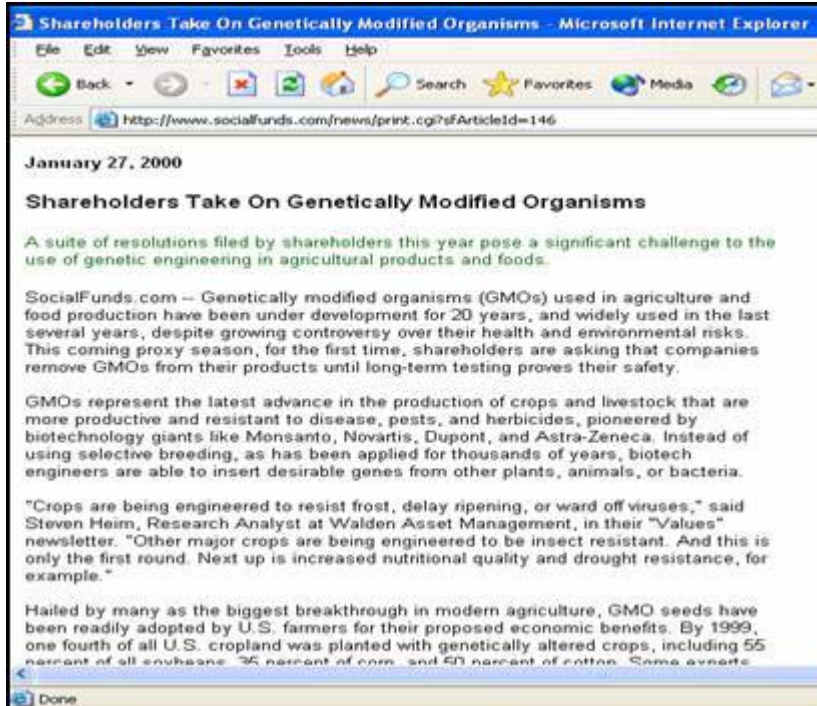
Yet CGFI maintains adherence to all Internal Revenue Service reporting requirements and meets the best-practice guidelines of such organizations as the Better Business Bureau's Charity Navigator, while others CSRwire deems acceptable do not. For example, the (BBB) reports that CSRwire listed member partner Greenpeace has refused numerous written requests to provide basic financial, program and governance information. Similarly, BBB's Charity Navigator gives the lowest possible rating for charities to Infact, which CSRwire promotes. Even more curious, while CSRwire turns CGFI down, it seems perfectly willing to take the checks of CGFI philosophical and financial supporters including Dow and the Potash Company, both of which are listed as CSRwire members.¹⁵

When challenged with these contradictions CSRwire's Christine O'Connell told CGFI, "All of our members and those who use the service are completely transparent." O'Connell added, "Even though we enjoy some of the same funding, we can't run the release because the issue does not fulfill requirements for our guidelines or represent our interests." Apparently this is a case of "do as I say, not as I do." CSRwire's own transparency apparently does not extend to disclosing to its members or purchasers of their services that the fees those organizations pay to CSRwire are going to an organization whose parent company promotes shareholder resolutions, protests and litigation against them via www.SocialFunds.com.



The screenshot shows the CSRwire website interface. At the top, the logo reads "CSRwire The Corporate Social Responsibility Newswire Service". Below the logo, there is a search bar and a navigation menu with links for "Press Releases", "Reports", "CSR Events", and "Resources". A prominent banner for "The Chicago Board of Trade FREE BOOKLET!" is visible. The main content area features a press release dated 06/27/2001 from BIO, titled "BIO Contributes to Ensuring Future for Endangered Black Rhinoceros". The text of the release states: "Donates \$30,000 to World-Famous San Diego Zoo's Center for Reproduction of Endangered Species Fellowship Fund". A sub-headline reads: "(CSRwire) To help ensure that time doesn't run out for the endangered black rhinoceros, the Biotechnology Industry Organization (BIO), together with a contribution from Ardana Bioscience, is making a \$30,000 gift to the World-Famous San Diego Zoo's Center for Reproduction of Endangered Species" (CRES) Millennium Initiative." The body text continues: "This leading edge initiative is designed to direct attention to the crisis of habitat loss. The objective is to focus on the protection of several species and conserve their living environment. This commitment to field conservation covers six geographical areas: Africa, China, Southwestern United States, South America, the Pacific and Caribbean Islands. In those respective areas, 12 postdoctoral scientists, eight of whom have already been assigned, with the remaining four to be appointed in 2002, will examine such species as the golden monkey, komodo dragon and black rhinoceros." On the left sidebar, there is a "Our Members" section featuring the Dow logo, and a "Featured Reports" section with a link to "Gap Inc".

Screenshot of paid BIO press release, also noting Dow as a CSRwire member



SRI World's SocialFunds announcement of shareholder resolutions targeting BIO member companies including Dupont and Dow

What organization would knowingly help pay groups to protest its products or policies? CSRwire users may be doing just that. Unless it occurs to site users to click on the SRI World Group link at the bottom of CSRwire's pages they would have no way of knowing about CSRwire's ties to SRI World's protest and advocacy arms such as www.socialfunds.com. So it is more than likely that CSRwire members, like Dow, Dupont, BIO, McDonalds, or Kellogg's, and their investors aren't aware that the money they spend with CSRwire promoting their goods, services and policies may be going to the CSRwire affiliates to protest those very same goods, services and policies.

Such promoters of social responsibility appear to eschew two of the core elements they demand of those they judge – transparency and a simple willingness to engage in an open dialogue of diverse or alternative ideas. As evidenced by CSRwire's apparent conflict of interest, many in the CSR/SRI industry frequently fail to openly disclose their financial interests in the views and positions they promote. The Internet is rife with examples of CSR/SRI groups and well-known individuals aggressively attacking and dismissing alternative views such as those offered by CGFI, while failing to disclose that they benefit financially from these positions and tactics. The very definitions of transparency and demands set forth by these groups, when juxtaposed with their hypocritical lack of disclosure of their financial ties and governance, should put them outside the realm of socially responsible practices. It is therefore of great concern that these groups have attained a definitional foothold in CSR/SRI and have gone virtually unchallenged in

setting the rules (or lack of them) for the industry, including corporations. Even worse is the possibility that these groups may be setting a tone for more mainstream or purportedly apolitical organizations to censor any views that diverge from those of the CSR political correctness police.

CSRwire's directory editor is Michael Kane, who also happens to be employed by U.S. Environmental Protection Agency to manage NGO, corporate recruiting and community outreach programs. In his role working for CSRwire Mr. Kane decides which organizations deserve to be listed, and thus defined as a social responsibility resource for investment groups and companies. With the case of CGFI's promotion of high-yield conservation programs at a minimum there appears to be a conflict of interest between CSRwire and Mr. Kane's official government responsibilities involving NGO outreach.

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----- Original Message -----
Subject: CSRwire directory
From: Kane.Michael@epamail.epa.gov
Date: Thu, January 29, 2004 12:58 pm
To: info@cgfi.org

I don't think that your organization is a good fit with the main
theme of my directory, which is direct involvement with companies that
are active in a range of activities usually called corporate social
responsibility. But I wish you well in your work, and I will begin to
read your web sites from time to time to learn about your initiatives.

Best regards,

Michael

Michael J. Kane
kane.michael@epa.gov

From: info@cgfi.org
To: Michael Kane /DC/USEPA/US@EPA
Date: 01/28/04 10:56 AM
Subject: Request for inclusion in CSRwire directory

CSRWire Directory
Managing Editor: Michael J. Kane

Dear Mr. Kane:

We respectfully request that you add our organization The Center For
Global Food Issues to the CSRwire.com directory category: Food & Health
Orgs and Programs.

CGFI promotes sustainable food and fiber production, conservation and
the use of scientifically proven technologies -- such as conservation
tillage (see our more information at
http://www.highyieldconservation.org) -- to help grow more food using
less land and fewer resources. We conduct research and provide
educational outreach services to students and those involved in food
and fiber production.

Thank you.

Sincerely,

CGFI Webmaster
Growing more per acre, leaves more land for nature!
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E-mail sent to CGFI by Michael Kane

Mr. Kane's management role with the for-profit CSRwire might lead one to question whether this could influence his senior policy-making position with the EPA and other government agencies defining how and with whom tax dollars should be spent. Would a

group like CGFI receive equal treatment competing for EPA grant money funding sustainable agriculture programs? Indeed, EPA has given millions to CSRwire partners and SRI-World-supported advocacy groups such as Environmental Defense, the Natural Resources Defense Council and the Washington Sustainable Food and Farming Network – all of which promote organic methods over those promoted by CGFI and receive EPA grants to do so.

While special-interest groups are expected to demonstrate bias, we also expect to be able to tell when they are an interest group with inherent conflicts. Today those lines are often and purposefully blurred. When those same special interests are also intertwined with our government representatives who are charged with unbiased stewardship of our tax dollars and enforcement of government regulations we risk losing confidence in those institutions. And if otherwise unbiased commercial interests undertake policy positions or alter products out of fear of retribution, instead of actual beliefs and market demands, all consumers lose and pay the price.

Corporate Campaigns: A Tangled Web

“Financial institutions provide campaigners with a key strategic lever – if successful, financial campaigns have the power to withdraw necessary funding from the companies, cutting off the unwanted technology at the source.”

—Anti-biotechnology campaigner Mark Ritchie, IATP circulated e-mail April, 2000

Advocacy groups, their funding sources and public relations firms have established strong footholds in the CSR and SRI industry. All of these groups are intertwined in complex networks of funding and influence that can make it difficult to quickly appreciate the financial, organizational and reputation-influencing power that lies behind them. A project that appears initially to be the effort of one person or group can actually have funding and influence behind it that would rival that of most major corporations.

As George Washington University Professor Jarol Manheim explains:

A corporate campaign is a wide-ranging campaign of economic, political, legal, and psychological warfare waged against a corporation's reputation. It is carefully targeted against the key stakeholder relationships – with customers, employees, shareholders, bankers, regulators, the general public, and so forth – upon which any company depends for survival. The objective of the corporate campaign is to tarnish the reputation of a company and undermine confidence in its management to the point where the company's customary partners and allies become its antagonists, and where the business environment in which it operates becomes so hostile that management is forced to change the company's policies ... to make the pain go away.¹⁶



Much of that may now be familiar to Citigroup, which has lived the experience in spades. When Citigroup announced in January of 2004 that it was adopting an environmental investment policy placing stringent standards for investments related to “endangered ecosystems, illegal logging, ecologically sustainable development and climate change”¹⁷ observers might reasonably have assumed that the program would bring an end to related environmental-advocacy-group campaigns against the financial institution.

Indeed the San Francisco-based Rainforest Action Network (RAN), which had spearheaded a four-year effort focusing on issues including protection of rainforests and indigenous people, climate change, habitat loss and other environmental issues, was effusive in its praise: “Citigroup has articulated the strongest environmental policies yet of any private financial institution in the world,” RAN Executive Director Michael Brune said in a joint Citigroup-RAN news release. “This moment marks a milestone in worldwide movement to stop global warming and deforestation. We can not overstate the importance of changing such a vast enterprise and look forward to working together with Citigroup in the coming years.”¹⁸

Perhaps the “working together” part was a red flag: Barely two weeks after this announcement the World Wildlife Fund, a frequent RAN campaign ally¹⁹, was back at it, this time charging that Citicorp was funding an oil pipeline that would damage sensitive wetlands in the Caucasus.²⁰

In addition, RAN used Citigroup as a weapon by leveraging its self-described “victory” to pressure Bank of America (which also ultimately acquiesced), JP Morgan and other financial institutions. The campaign includes an online tool that allowed campaign supporters to e-mail a veiled threat directly to the CEOs of John Hancock, Goldman Sachs and Wells Fargo:

“In January of this year, Citigroup, the world’s largest financial institution, became the world’s first major bank to commit to a global policy addressing the crisis in the world’s forest and climate. I see no evidence that your company is taking into account the health of our global environment in your business and investment decisions,” the letter warns before listing a series of steps the banks should take, including supporting indigenous populations, prioritizing alternative-energy funding and banning new funding for coal. “Please, do the right thing and face this historic challenge with resolve and determination. The world cannot afford to wait much longer, and a frustrated public, including myself, is growing increasingly impatient with your lack of action.”²¹

The Battle Rages On

There are indications that the direct battle against Citigroup rages on in 2004 as well: Even though RAN has announced its latest cease-fire (another one was declared – and

later retracted – a year earlier), social investment advocates such as the Shareholder Action Network continue to target Citigroup on a variety of issues, thus amplifying and perpetuating the negative messages laid out by RAN and others. The Shareholder Action Network notes on its Website, for example, that while a shareholder resolution against Citigroup on predatory lending was withdrawn “with the hopes of further progress on the issue this year,” supporters are still encouraged to tell Citigroup “to take action against unfair lending practices.”²²

RAN’s communications coordinator, Toben Dilworth, also moved quickly to minimize Citigroup’s actions. In a news release on the Bank of America policy from social-investment advocate SocialFunds.com and distributed on the RAN, CSRwire, Calvert Funds and other SRI-related Web sites, Dilworth stated that the Bank of America policy exceeded Citigroup in “three distinct areas,” and promised further action against banking institutions: ““We recognize that currently, as much as the policies are progress, they are clearly not enough to confront the magnitude of the problems facing us--there are many areas where we will be continuing to press for significant changes,” he said in the release.”²³

The Money Behind the Message

Founded in 1985, the Rainforest Action Network describes itself as a grassroots organization that relies on the work of its 30,000 or so members to protect the world’s environment and more specifically the forests and the indigenous people who live in them. Financial institutions that support logging and other efforts that run counter to those goals are a natural target for the group’s aggressive, anti-corporate campaigns.

In noting the success of the RAN campaign against Citibank, The Economist pointed to the NGO’s success at getting Citigroup’s attention by “urging customers to cut up their Citicards and plastering the Internet with nasty jibes against named executives.”

“Not bad for a group with a dozen staff and a \$2 million budget,” the magazine added.²⁴

That figure, which is impressive enough considering that it is spent entirely on advocacy, does not include the budgets of the many groups that make up RAN’s supportive network. Among the group’s financial supporters are many of the top foundations and institutes in the protest industry including the Tides Foundation, the World Resources Institute, the W. Alton Jones Foundation, companies including the progressive credit card and phone company Working Assets, and more.²⁵

Leveraging the Internet for Promotional Success

“The Internet has become the latest, greatest arrow in our quiver of social activism. It benefits us more than the corporate and government elites we’re fighting.”

**-- Mike Dolan, Public Citizen
Journal of Public Affairs, August 2002**

As with other areas of communication, the Internet has become the central staging ground for all of the most important groups in the CSR/SRI industry. Without the power of the Internet as a source for consumer and investor information, CSR/SRI issues and influence would be significantly limited. Environmental and social-cause advocacy has been particularly adept at leveraging the Internet's tools, recognizing in the online world an unprecedented platform from which to network with individuals and other organizations, spread information, and garner support for their shareholder resolutions and related campaigns.

Groups such as these acknowledge freely how important the Internet is to their campaigns. Rainforest Action Network ally and direct-action facilitator the Ruckus Society²⁶ (which is funded by Ben & Jerry's, The Body Shop and Patagonia among others), holds Internet "Tech Tool Box Action Camps" that provide attendees with training and technical assistance from Working Assets.²⁷ Working Assets also operates ActForChange.com, which sponsors "action alerts" and public comment tools for a wide range of advocacy campaigns, including corporate governance. Training camps, organizing manuals and other materials help protest groups solicit new members, network with affinity groups, raise funds, and engage in various outreach activities with journalists, governments and the public with a goal of further expanding their influence.²⁸

SRI funds, meanwhile, use the Internet to put their social agendas and investing information at consumers' and investors' fingertips, as well as to promote their shareholder-resolution campaigns. Organizations such as the Social Investment Forum use the Internet as a clearinghouse for information on hundreds of SRI-type funds. Other sites provide detailed information on current and historical shareowner resolutions that include online forms for investor e-mails to the companies. Major SRI advocacy groups such as the Shareholder Action Network also provide Web users the opportunity to "click here to send" a letter to the CEOs and other officials of corporations they are targeting.²⁹

The next generation of these tools may be coming soon from, paradoxically, frequent CSR/SRI target Microsoft. The tool uses a bar code scanner and wireless Internet access to scan a product's UPC label and search the Internet for information on product recalls and other pertinent matters. A similar tool, the "Corporate Fallout Detector" developed by a Massachusetts Institute of Technology graduate student, contains a database of information on companies and products and is designed to allow users to identify, for example, whether the manufacturer has been accused of human rights abuses.³⁰

Goliath Fights Back

"The more accountable you are, the more vulnerable you are to being attacked."

Richard Sandbrook, British Green Party member, *The Economist*, 2003

At the same time as proponents of social investing tout record numbers of shareholder resolutions filings and higher percentages on proxy votes at corporate annual meetings, early indications are emerging that some corporations may be reaching their limit. In some cases corporations are simply opting out of philanthropy and social reporting altogether, and in what may be the first case of its kind, others are firing back with litigation against a perceived negative attack.

Berkshire Hathaway Says No to Philanthropy

Proponents and practitioners of corporate philanthropy lost an important ally in July of 2003 when Warren Buffett's Berkshire Hathaway terminated its charitable giving program. Buffett and his board decided to end the program following an attack by a pro-life advocate who was upset by what she described as Berkshire Hathaway and Buffett's donations to pro-choice causes.³¹

The campaign was begun by Cindy Coughlon, an active member of the chapter of Right to Life who used her side job selling Berkshire's Pampered Chef cooking products to pressure Berkshire Hathaway and Buffett to stop contributing to pro-life causes. Coughlon worked with other pro-life groups and her supporters to leverage the Internet to amplify the campaign through articles placed on Web sites, e-mails sent to Pampered Chef, and more. Coughlon complained that Berkshire Hathaway and Buffett supported abortion and began an Internet campaign against them. While the company had been the target of related shareholder resolutions and other attacks in the past, Buffett reportedly could not tolerate that the most recent flap was damaging the reputation of Pampered Chef and its sales representatives, and ultimately determined that the program should be shut down.³²

The decision brought to an end some two decades of philanthropy by Berkshire Hathaway. During that time Berkshire, at the direction of its shareholders, donated nearly \$200 million to a wide range of institutions including organizations representing both sides of the abortion debate.³³ Ironically, it could be argued that the big losers in the decision were not Buffett himself, but Berkshire Hathaway's shareholders, who through the investment program had been allowed to earmark \$18 per share annually for up to three charities of their choice. Also losing of course were a significant number of institutions that had benefited from Berkshire's contributions over the years. According to Berkshire, some 3,500 organizations including Creighton University and the University of Nebraska had benefited from the program over the years.^{34,35}

Nike Takes a Pass on Social Reporting

One of the most closely watched court cases related to corporate social responsibility recently was a lawsuit filed in 1998 in which California labor rights campaigner Mark Kasky sued Nike for false advertising over comments it made in its CSR report about working conditions in its overseas manufacturing plants. At issue was whether the report

was considered “free speech” and therefore was protected under the First Amendment as Nike argued, or whether it was “commercial speech”, as Kasky contended, and therefore subject to litigation. The case went all the way to the U.S. Supreme Court, which refused to rule on the California high court’s judgment in favor of Kasky. The action ended in a settlement in 2003 with Nike agreeing to pay \$1.5 million to the Fair Labor Association, a Washington, D.C.-based non-profit.

While the legal wrangling ended there, Nike responded by announcing that it was suspending its social reporting and has not issued a CSR report since 2001, although it has also stated that it aims to do so again in the future if the legal concerns can be resolved. The full ramifications of the case and its effects on the willingness of corporations to be transparent and report on their operations are still being debated but as Kirk Stewart, Nike’s vice president of corporate communications notes, the case is precedent-setting because of the possibility it establishes of more legal actions against public disclosures. “It puts not only us but any company that sells a product or a service in the state of California in a position where they have to balance the need to communicate and be transparent with the risk of litigation,” he said.³⁶

And at least some observers predict the lack of a clear resolution will have repercussions in the world of corporate philanthropy: “Fear of the possible consequences of disclosure is often a big factor for companies on the brink of reporting,” said Mallen Baker of the U.K.-based consultancy Business in the Community who writes frequently on CSR issues. “So far, it has been more or less true to say that companies do not suffer negative consequences from honest disclosure--only from covering up. If everything that companies say is to be evaluated on different, more restrictive rules to what anyone else might say, then even honest disclosure becomes a risky business.”³⁷

Silencing the Critics in Court

The biggest corporate line in the sand may have been drawn by uniform maker Cintas, which is suing the leader of one of the groups that filed a shareholder resolution against it alleging he made defamatory remarks against the Cincinnati-based company.

Cintas charged in its lawsuit that Timothy Smith, senior vice president of SRI firm Walden Asset Management, defamed the company by linking it to a Haitian sweatshop in remarks he made at the company’s annual meeting in October 2003. Smith was speaking in favor of a shareholder resolution it filed along with Domini Social Investments calling on Cintas to verify compliance with its code of conduct and by its factories and suppliers. Cintas sought damages and to bar Walden from making further claims linking Cintas to sweatshops. “If you are going to make allegations as a fact, those can be very damaging to a company in today’s environment,” Cintas spokesman Wade Gates explained to The Associated Press.

Predictably, the SRI community was outraged: “We have the right to question management and this is a bullying tactic to quiet that,” said Joanne Dowdell, director of

corporate responsibility at the SRI firm Citizen Advisers. "This could create a different atmosphere at meetings by restricting the free flow of shareholder comments." Christopher Wolf, a Washington, D.C. attorney who has supported SRI campaigns in the past, was more resolute, hinting that such actions could create more problems for companies than they solve: "Companies could be liable for filing frivolous cases," he said.³⁸

Regardless of how the Cintas litigation ends up, when taken with Warren Buffett's move to withdraw from the philanthropic field and the Nike settlement and subsequent decision against social reporting, it seems clear that the stakes and the temperature in CSR/SRI have been raised significantly. It would not be surprising to see more corporations follow Buffett's lead, but it would be disappointing and the big losers would be the many non-profits that rely on corporate contributions for their very survival and the corporations whose primary reason for getting involved in CSR was to the right thing.

The Strategic Defense: It Starts Online

"The Internet is a dangerous place for corporate reputation, but at the same time it presents compelling opportunities to make rapid changes to the way key audiences perceive a company." -- Mark Haas, Hass Associates Report, Nov 1, 1999
COMTEX.

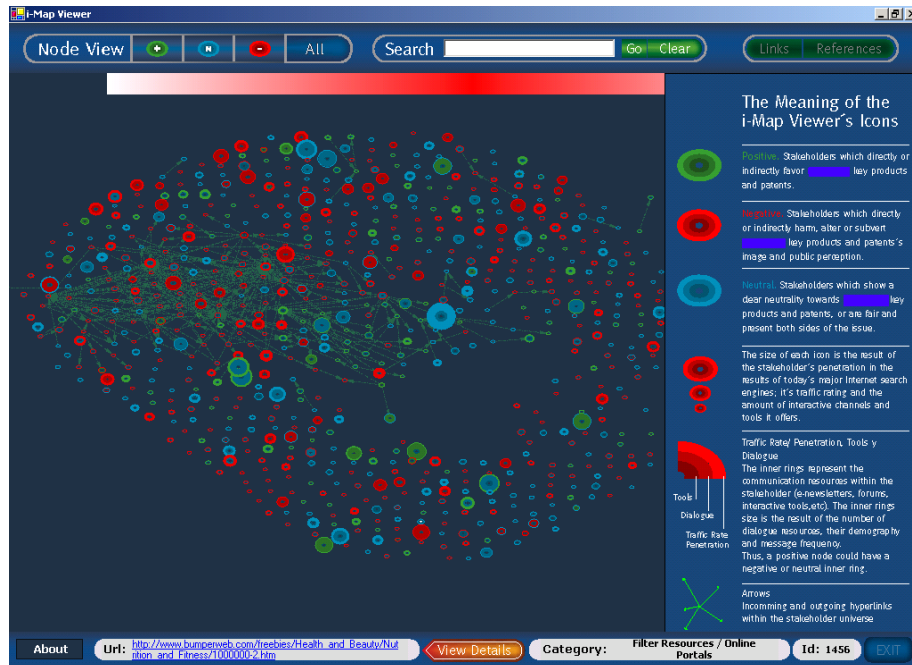
"These big companies can make more of a difference with one purchase order than I can in a lifetime!"
Gary Hirshberg
Chairman, President and CEO Stonyfield Farm organic yogurt³⁹

With the growing attempts to define every investment as socially responsible, companies need to be aware of the possibility of increasing financial pressures as they are targeted by corporate campaigners for direct- and shareholder-action campaigns. In order for companies to effectively position themselves – or to improve their standing -- in the CSR/SRI environment while at the same time inoculating against attack from advocacy groups, they must first understand the specific environment for their company and their industry.

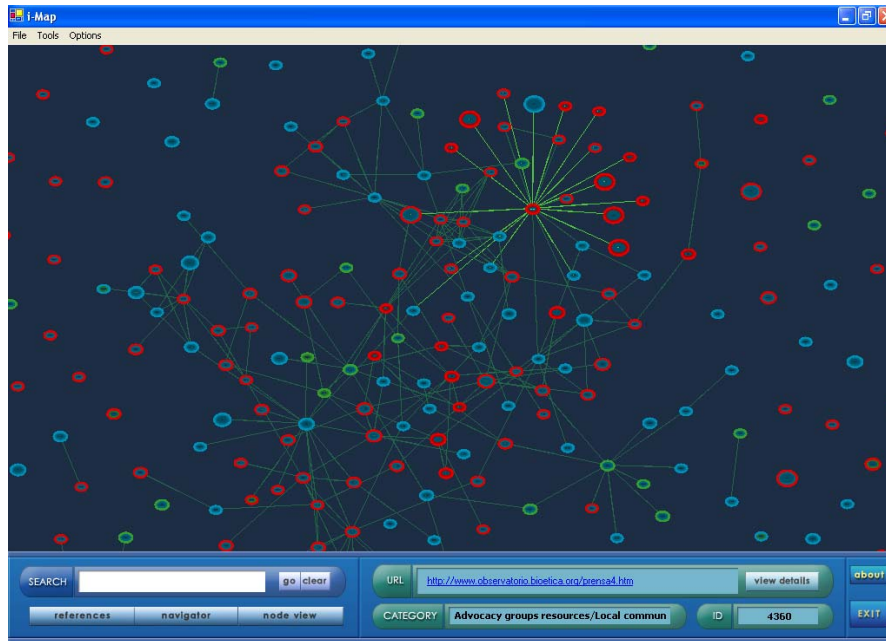
"Increasingly, firms may conclude that if they are going to have to live with NGOs, they need to know which ones will play fair," The Economist said. Wise firms should talk to those --- and leave the others to their (direct-action-protest) tiger costumes."⁴⁰

Discerning those NGO tigers, as well as the more accessible groups, begins with a clear understanding of the players, their networks, funding, and the campaign-establishing and amplifying tools at their disposal. The Internet is the primary source of information on many topics. Advocacy groups, including those aligned with the CSR/SRI industry, masterfully leverage the Internet's power to ensure their influence on the public dialogue

related to their areas of interest. A company- or campaign-specific benchmark of the online environment lays out this baseline information while quantifying and qualifying the company's online risks and opportunities.



The example above shows a map for a food ingredient that is frequently targeted by CSR/SRI-related groups. One can see in the image that the negatively oriented red destinations far outnumber both the blue neutral and green positive. More importantly, these destinations are oriented closer to the center of the map, reflecting that they are significantly more interconnected and networked. Further analysis reveals that this successful positioning is a result of content sharing, linkage programs, aggressive outreach in online dialogue spaces, and control of the language adopted by consumers and the media relative to the product/topic. This results in more public influence online and with key opinion leaders, whom research shows rely heavily upon the Internet for information.⁴¹



The image above illustrates a powerful negative network of CSR/SRI-related groups in the mining industry. The green arrows pointing out from one central site illustrate the links in the network and reflect the power that one site has to drive perceptions on its target issue, in this case the extractive industry.

Research such as this supports and helps to determine targets for strategic outreach both in online and traditional spaces. Targeted sharing of social-responsibility reports, announcements of employee-friendly-workplace awards, and background summary papers provided to key investment fund policy managers are all options for consideration would provide valuable inoculation.

The Importance of the Strategic Plan

In conjunction with benchmarking the environment, companies should also have specific goals for their CSR outreach and understand what they want to achieve by doing it – advance their business goals, reinforce their freedom to operate; make a difference in other realms such as supporting the communities in which their people live and work; or promote sustainable development. It should be understood, however, that the outreach process may not go without criticism and companies should assume that pressure groups will not cease their anti-corporate activities, nor should this be a goal of the partnership.

As The Economist noted, companies should choose their partners strategically to circumvent accusations of “greenwashing” --engaging in socially responsible or environmentally friendly practices solely as a public relations exercise – and be aware that those charges may come regardless of how obvious the synergies are between the company and its partners. While NGO partnerships must be approached with care, there is no doubt that they can be fruitful for both sides. Once the right partners have been

found, NGOs can be invaluable resources and assets with the expertise and contacts corporations need to implement positive programs.

In the current anti-corporate CSR/SRI context, neither doing better nor doing more is a guarantee of improved corporate reputation. Understanding the rules of the game and acquiring the skills to play that game are critical to returning to corporations the ability to do good by doing well because they want to, not because they are forced to.

¹ Hollender, Jeffrey, and Fenichell, Stephen, What Matters Most: How a Small Group of Pioneers is Teaching Social Responsibility to Big Business, and Why Big Business is Listening, Basic Books, 2004, p. 49

² A list of current shareholder resolutions can be found at www.iccr.org.

³ <http://www.mallenbaker.net/csr/nl/39.html#anchor594> "Pension Funds Push Big Business to Go Green" and http://marketplace.publicradio.org/shows/2004/05/21_mpp.html.

⁴ Environics 2001 Corporate Social Responsibility Monitor.

⁵ Toronto Globe and Mail, August 9, 2001

⁶ Hollender, p. 74

⁷ <http://www.bsr.org/Meta/about/Mission.cfm>

⁸ An illustrative list of BSR members is available at: <http://www.bsr.org/Meta/MemberList.cfm>

⁹ Op. Cit., p. 14.

¹⁰ SRI in the Rockies, October 17-20, 2002.

¹¹ 18-Sep-2001 - Dow Jones, *Protest Starts Against Starbucks On Fair-Trade Coffee North America, Europe*.

¹² <http://www.organicconsumers.org/starbucks/>

¹³ Environics 2001 Corporate Social Responsibility Monitor.

¹⁴ Its related declaration of support can be found at www.highyieldconservation.org.)

¹⁵ <http://www.csrwire.com/page.cgi/members.html>

¹⁶ Manheim, Jarol B. Corporate Conduct Unbecoming: Codes of Conduct and Anti-Corporate Strategy. St. Michaels, MD, Tred Avon Institute Press. 2000,

¹⁷ The policy can be found at <http://www.citigroup.com/citigroup/environment/gcibpolicy.htm>

¹⁸ "Rainforest Action Network and Citigroup Announce Enhanced Citigroup Environmental Policy", found at <http://www.citigroup.com/citigroup/press/2004/040122a.htm>, January 2004.

¹⁹ RAN's Web site (<http://www.ran.org>) includes articles noting WWF's efforts on efforts involving international logging, protection of mahogany forests, rainforest protection, and others.

²⁰ "WWF says Citigroup, World Bank to Fund Disaster in Waiting" World Wildlife Fund news release, February 9 2004.

²¹ <http://action.ran.org/action/index.asp?step=2&item=14634>

²² <http://www.shareholderaction.org/action.cfm>

²³ <http://www.ran.org/news/newsitem.php?id=1006&area=home>

²⁴ "Living With the Enemy". *The Economist*. August 7, 2003.

²⁵ Manheim, Jarol B. Biz-War and the Out-of-Power Elite: The Progressive-Left Attack on the Corporation, Lawrence Erlbaum Associates, Mahwah, NJ, 2004.

²⁶ Manheim, Jarol B. The Death of a Thousand Cuts: Corporate Campaigns and the Attack on the Corporation, Lawrence Erlbaum Associates, Mahwah, NJ, 2001.

²⁷ www.ruckus.com and Byrne, Jay, "Money, Marketing and the Internet: Key Factors Influencing Agricultural Biotechnology Public Acceptance," American Enterprise Institute, June 2002.

²⁸ White, Clem, Environmental Activism and the Internet, Massey University (NZ), February 2000.

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- ²⁹ An example from the Exxon-Mobil campaign can be found at http://www.shareholderaction.org/action_detail.cfm?action=e&id=11&letter=I
- ³⁰ Wade, Will. "A Good Corporate Citizen? This Scanner Can Tell." *New York Times*, August 28, 2003.
- ³¹ "Berkshire Gives Up On Giving: How a Pro-Life Housewife Took On Warren Buffett". *Fortune*, July 21, 2003.
- ³² Ibid.
- ³³ Ibid.
- ³⁴ Berkshire Hathaway news release, July 3, 2003, Omaha, Nebraska.
<http://www.berkshirehathaway.com/news/jul0303.pdf>
- ³⁵ The move resulted in significant backlash against Coughlin in online discussion and resulted in numerous posts to online spaces such as Weblogs and discussion groups. One poster called the move "A classic example of cutting off your nose to spite your face. Berkshire-Hathaway gave away \$200 million across ALL charities, a small fraction of that going to pro-choice groups. So, the "activists" make such a stink that instead of trying to sort it all out, (Berkshire Hathaway) just (discontinues) the program. I hope this woman is proud of what she REALLY did, which was end one of the most generous philanthropic ventures in our country." <http://www.metafilter.com/mefi/27144>
- ³⁶ Maitland, Allison and Murray, Sarah. "The trouble with transparent clothing." *Financial Times*, May 12, 2004.
- ³⁷ <http://www.socialfunds.com/news/article.cgi/article957.html>
- ³⁸ "Speaking Out Could Get Investors Sued." *The Associated Press*, April 9, 2004.
- ³⁹ Hollender, Op. Cit., p. 23.
- ⁴⁰ *The Economist*.
- ⁴¹ Byrne, 2002. This research is taken from a proprietary research tool, the v-Fluence Interactive Benchmark Map.