



Corporate Philanthropy in Unfriendly Times: Consequences of Social Investing Advocacy

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“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.”

-- Jeffrey Hollender, CEO of natural-products company Seventh Generation



Current CSR/SRI Context

- Environment is largely negative for corporations, becoming so too for SRI advocates
- Advocacy groups are key players in powerful CSR/SRI networks
- Absence of established CSR rules creates confusion, some say intentionally
- The more companies seek to appear socially responsible the more they risk being targeted



Pension Funds Raise the Stakes...

- Trillions in investing power
- Broad investments allow influence on top corporations:
e.g., CalPERS withholds director votes at 2,700 companies in 2004



Funds Also Feel the Heat

From one side...

"I don't want my board of directors worrying about whether they're going to have problems with the union pension fund if they drive a hard bargain at the bargaining table."

-- Prof. Stephen Bainbridge, UCLA Law School

And the other...

"For a group that is indeed a leader in corporate governance reform, TIAA-CREF is amazingly weak and contradictory in a number of areas of their own governance. ... Someone has to watch this watchdog."

-- Prof. Neil Wollman, Manchester College

Corporate Best = Advocacy Target

Company	Fortune Social Responsibility Rank	Sample SRI Industry Action
Alcoa	2	Environmental Screen Shareholder Resolution
BP	4	Environmental Screen
McDonald's	5	Animal Welfare Screen Obesity-related Target
Procter & Gamble	6	Animal Welfare Screen Shareholder Resolution
American Express	10	Shareholder Resolutions
Anheuser-Busch	11	Alcohol Screen Shareholder Resolutions
Merck	12	Shareholder Resolutions (3)
Johnson & Johnson	13	Animal Welfare Screen Shareholder Resolutions (2)

Uneven Battlefields

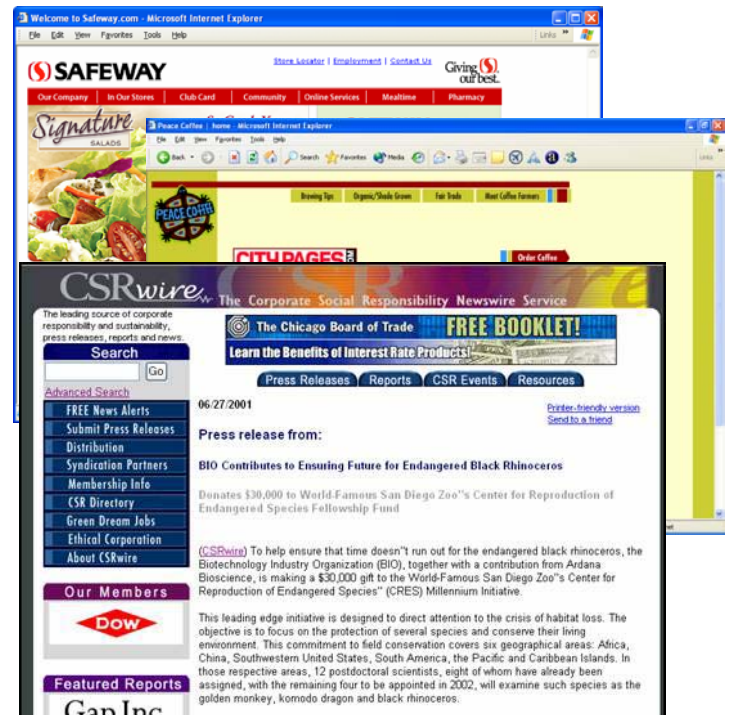
“Large companies are judged by a higher standard and people expect NGOs to break the rules ... (NGOs) have a license to operate outside of society bounds, especially in wealthy countries.”

-- Environics 2001 Corporate Social Responsibility Monitor



Conflicts of Interest Pose SRI Credibility Risk

- CalPERS – Safeway Union Ties
- Starbucks Campaign – Organic & Fair Trade ties
- CSRwire – SocialFunds ties



It Starts Online

The Internet Has Made this Possible

“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



The image shows a screenshot of a Microsoft Internet Explorer browser displaying the Social Investment Forum website. The browser's address bar shows the URL http://www.shareholderaction.org/announcements_action.cfm. The website header includes the text "Social Investment Forum Advocacy & Policy Program" and "Uniting Investors for Corporate Responsibility". A prominent "Take Action" section is visible, with the heading "SUPPORT A PROPOSED NEW TIAA-CREF RETIREMENT FUND THAT MAKES SOCIAL CHANGE". Below this, there is a paragraph of text starting with "Back in the 80s, a national group of professors and staff lobbied TIAA-CREF (TC) for five years to set up a socially responsible fund...". To the right of the main content, there is a "Program Partner" section for "PAX WORLD" and a "News" section with a link to "Customized Paces Major Global Investing Focus Push in Season's Most Challenged Markets". A navigation menu at the bottom of the page includes "Home", "About Us", "News Center", "Resolutions", "Take Action", "Policy Issues", "Victories", and "Resources". A large, stylized blue bubble with white text is overlaid on the bottom right of the screenshot, containing the text "Take Action! Stop the LIQUIDATORS".

Unintended Consequences

- Berkshire Hathaway – forced to end a unique shareholder-driven investment program
- Nike – 2003 Nike v. Kasky settlement results in Nike suspension of social reporting
- Cintas – Turns to legal action to silence an SRI critic

Trends

In an increasingly polarized CSR/SRI environment:

- SRI groups and advocates risk losing their standing as definers of social responsibility
- Corporations may end investing and reporting -- and fire back at opponents in court
- Groups relying on corporate investment may get squeezed

Conclusions

“These big companies can make more of a difference with one *purchase order* than I can in a lifetime!”

-- Gary Hirshberg

CEO Stonyfield Farm organic yogurt

- Orientation toward rewards over punishment
- Disclosure and accountability – by corporations AND CSR/SRI networks, pension funds, the news media
- Corporate preparedness -- companies should fully understand the environment, the players and the inherent risks before investing
- Pension funds can be a key force for positive change





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