Corporate Responsibility Standards:  
Current Implications and Future Possibilities for Peace Through Commerce

Abstract:

Calls for greater corporate responsibility have resulted in the creation of various extralegal mechanisms to shape corporate behavior. The number and popularity of corporate responsibility standards has grown tremendously in the last three decades. Current estimates suggest there may be over 300 standards that address various aspects of corporate behavior and responsibility (e.g., working conditions, human rights, protection of the natural environment, transparency, bribery). However, little is known about how these standards relate directly to the notion of peace through commerce and the reduction of violent conflict in the world. This paper explores the relationship between corporate responsibility standards and peace through commerce. After a summary of the current state of standards with respect to the creation of peace and the reduction of violent conflict, I explore concerns regarding the effectiveness of standards in shaping corporate behavior and the potential future role standards could have in creating peace through commerce.

Key Words:

Corporate responsibility standards, corporate social responsibility, corporate social reporting, peace through commerce, self-regulation

Abbreviations:

Corporate Responsibility Standards:

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Introduction

The last three decades has seen significant shifts in the relationship between business, governments, societies, and non-governmental organizations (NGOs). Globalization has made business and societies more interconnected and has eased the flow of information, products, labor, and technologies across countries and regions. The world has seen a rise in the power of multinational corporations (MNCs) coupled with a decrease in the power of the nation state (Bakan, 2004; Korten, 1995). These changes have created opportunities and challenges for traditional systems of corporate oversight that traditionally directed and constrained corporate action. MNCs operate outside the regulatory purview of any one country and there is currently no effective transnational governance mechanism for MNCs (Scherer, Palazzo, & Baumann, 2006).

Given the shift in power over time from nation-states to MNCs, and the fact that laws and enforcement mechanism are different from country to country and region to region, there has been a corresponding shift to what Tavis (2002) calls global governance networks that address issues of transnational legislation, governance, and MNC oversight and rely on social and economic sanctions to shape firm behavior. Overall MNCs are being required to be more accountable and socially responsible and are being asked to take on more responsibilities—some of which were once the duty of governments (Matten & Crane, 2005).
In part as a way to deal with the lack of transnational regulation, and to address the limitations of traditional state-based command-and-control regulation (Hess, 2008; Stone, 1975), stakeholders are encouraging firms and industries to develop self-regulatory schemes and adopt various corporate responsibility codes of conduct, standards, and initiatives. The growth in the number of corporate responsibility standards and in the number of firms adopting such standards is one way firms, governments, and NGOs have been attempting to deal with the changing global business, social, and regulatory environment.

Globalization and the changing business environment have also given rise to concerns about violent conflict and terrorism. As businesses have expanded their operations beyond the borders of their home country and into new areas, some of which may be hostile and prone to violent conflict, they have become more aware of the impact of conflict on their operations and the challenges of operating in areas lacking the conditions and background institutions needed to resolve disputes peacefully.

The multidisciplinary field of study broadly labeled peace through commerce explores the notion that certain businesses behaviors might contribute to reducing violent conflict and fostering sustainable peace. For example, the adoption of corporate responsibility standards has been cited in the peace through commerce literature as playing an important role in helping firms operate in a transparent manner and obey the rule of law—behaviors thought to support the conditions required for peace (e.g., Fort & Schipani, 2004; Oetzel, Getz, & Ladek, 2007).
After an overview of corporate responsibility standards and the relatively new literature developing around the notion of peace through commerce, I explore the current state of standards with respect to the creation of peace and the reduction of violent conflict, the limitations of standards with respect to shaping firm behavior and contributing to peace, and the potential future role standards could have in creating peace through commerce.

**Corporate Responsibility Standards**

The last three decades has seen the growth of various corporate responsibility codes, frameworks, standards, guidelines, norms, and initiatives (e.g., UN Global Compact, ILO Standards, OECD Guidelines for Multinational Enterprises, ISO 14001, Global Reporting Initiative, Global Sullivan Principles, SA 8000, AA1000 Series) in response to calls for greater corporate accountability for social and environmental impacts. Researchers examining these initiatives have used the terms corporate responsibility standards, norms, principles, and guidelines; standardized ethics initiatives; corporate responsibility codes and standards; and corporate responsibility frameworks to describe them (Accountability Forum, 2004; Gilbert & Rasche, 2008; Leipziger, 2003). Recognizing the potential nuances of each of these conceptualizations, for ease of use the term corporate responsibility standard is employed in this paper as an umbrella term to refer to these various voluntary initiatives.

Most US corporations and a majority of the largest international corporations have created and adopted a company code of conduct (Kaptein, 2004; Stevens, 2008). These codes, which tend to be tailored to a company’s specific needs and circumstance, can be distinguished from corporate responsibility standards that tend to span more than one company, industry, or issue
(Gilbert & Rasche, 2008; Leipziger, 2003). The focus in this paper is on corporate responsibility standards as opposed to individual company codes of conduct.

Corporate responsibility standards have increased in number and popularity in the last three decades. There are approximately 300 corporate responsibility standards globally (Accountability Forum, 2004), each with its own history, constituency, criteria, enforcement, and reporting mechanisms. Each was designed in part because a relevant stakeholder group thought an existing standard was insufficient to meet its needs. The growth in the number of standards suggests the number of issues address by standards is increasing (e.g., growth in standards specific to one industry such as the Electronic Industry Code of Conduct that focuses on working conductions for the manufacture of electronics and the environmental impact of electronics manufacturing).

There has also been increased participation by MNCs in corporate responsibility standards (e.g., growth in the number of business participants in the UN Global Compact) (Arevalo & Fallon, 2008). Social Accountability 8000, an international standard and assessment tool designed to improve working conditions, has increased its number of certified facilities from 881 facilities in 50 countries representing 57 industries and over half a million employees as of December 2005 to 1,779 facilities in 67 countries representing 67 industries and almost one million workers as of June 2008 (Social Accountability Accreditation Services, 2008; Social Accountability International, 2005). In their most recent survey of corporate social reporting practices, KPMG International (2008) found that over 80% of the Fortune Global 250 issued a standalone corporate social responsibility report and that over 75% of the Global 250 used the Global
Reporting Initiative (GRI) Reporting Guidelines as the foundation for their report. One of the most well-known initiatives, the UN Global Compact, has over 4,600 business participants based in over 120 countries and almost 6,000 participants overall (UN Global Compact, 2008, June 25, 2008). However, given the larger number of corporations in the world (e.g., there are estimated to be over 60,000 multinational corporations and NASDAQ alone lists approximately 3,200 publically traded corporations (Haufler, 2001; NASDAQ, 2008)), the adoption rate on a percentage basis for the UN Global Compact is relatively small.

There are regional differences in the adoption and use of corporate responsibility standards. For example, Ziegler (2007) found that as of December 2006 only 3% of the business participants in the UN Global Compact were based in the US and that 48% of the firms were based in Europe. Firms based in the US might not join the Global Compact because of a lack of interest by US-based stakeholders, concerns about litigation, and a reluctance to be tied to the United Nations (Ziegler, 2007). The Global Compact’s call for a precautionary approach to environmental issues might also deter US companies concerned or unsure of the implications of this principle (Tavis, 2003). At the firm level, the adoption of multiple and overlapping corporate responsibility standards is common among very large MNCs and among firms in certain industries (e.g., apparel, mining). For example, BP has adopted the UN Global Compact, the GRI Reporting Guidelines, the AA1000 Assurance Standards, the Extractive Industries Transparency Initiative, and the Voluntary Principles on Security and Human Rights (BP, 2007). The adoption of multiple standards results in a network of overlapping guidelines, requirements, and potential stakeholder relationships.
In an attempt to deal with the large number of corporate responsibility standards, scholars and practitioners have developed various ways to group and categorize them. For example, Leipziger (2003) has identified six different ways to classify codes: focus (e.g., process or performance focused); method of development (e.g., unilateral or multilateral); scope (e.g., social and environmental); stakeholder focus (e.g., employees); sector (e.g., the extractive industry); and region (e.g., Asia). Ligteringen and Zadek (2005, p. 3) make the distinction between normative frameworks that provide guidance to firms on what they should do, process guidelines that provide guidance to firms on what to measure and how to communicate what they do, and management systems that provide detailed guidance on how to integrate the management of social and environmental impacts into the organization’s operations. Examples of normative frameworks include the UN Global Compact and the OECD Guidelines for Multinational Enterprises while process guidelines include the AA1000 Assurance Standard and the GRI Reporting Guidelines (Ligteringen & Zadek, 2005). Examples of management systems are Social Accountability 8000 and ISO 14001 (Ligteringen & Zadek, 2005). While standards often fall into more than one category, and any attempt to generalize is made at the expense of losing important specifics about each standard, categorization helps make sense of the large number of interrelated efforts at corporate responsibility standardization.

*Explanations and Motivations for Corporate Participation in Corporate Responsibility Standards*

The adoption, implementation, and continued monitoring of a corporate responsibility standard to ensure ongoing firm compliance can involve considerable costs. For example, firms often incur additional costs related to employee hiring and training, fees to standard setting
organizations (e.g., SA8000), consultants, third party assurance, and additional facilities. Using
the GRI and social and environmental reporting as an example, Rio Tinto spent an estimated $1
million in 2001 to report in accordance with GRI (excluding data collection and verification
costs) while Ford Motor Company spend $350,000 that same year to report in accordance with
GRI (Downing, 2003; Leipziger, 2003). Beyond the direct financial costs, corporate
responsibility standards require investments of employee time and attention. Given the often
considerable costs involved there is the ongoing question of why firms adopt corporate
responsibility standards.

There are various explanations in the literature for why firms incur the significant up-front and
ongoing costs associated with adopting, implementing, and monitoring a corporate
responsibility standard. A number of different theoretical perspectives have been used to
examine this question including economic theory (Khanna, 2001), institutional theory (Marquis,
Glynn, & Davis, 2007; Scott, 2001; Terlaak, 2007), stakeholder theory (Gilbert & Rasche, 2008),
and resource dependency theory (Pfeffer & Salancik, 1978). There are also attempts to
integrate various theoretical perspectives (e.g., Oliver, 1991). For example, in developing
theory related to certified management standards, Terlaak (2007, p. 969) uses a combination
of firm strategic behavior and a more passive conceptualization of firm responses to
institutional pressures.

Focusing mainly on economic incentives for firm involvement in environmental self-regulation
Khanna (2001, p. 299) found that motives for participation fall under the following drivers:
“preempting the threat of mandatory regulations, shaping future regulations, technical
assistance and/or financial subsidies which lower costs of abatement, cost efficiency, and better relations with the government and with stakeholders which include, consumers, investors, communities and other firms in the industry.” In addition, involvement with a corporate responsibility standard can serve as a way for a firm to differentiate itself from competitors and garner public recognition (Khanna, 2001). Consistent with this analysis is the idea that reputational advantages that accrue from the adoption of standards may improve employee hiring, motivation, and retention. One motivation that firms have expressed for adopting a standard is the networking opportunities involved in the process (Cetindamar & Husoy, 2007).

A key reason for the adoption of certified management standards (which in this paper fall under the umbrella term corporate responsibility standards) is customer demand (Christmann & Taylor, 2006). For example, Walmart announced in 2006 the goal of purchasing only fish that are certified as sustainable by the Marine Stewardship Council within 3 to 5 years (Plambeck, 2007). The Marine Stewardship Council is an NGO that defines standards and provides certification guidelines and services for sustainable fisheries. This commitment will require significant changes throughout Wal-Mart’s extensive supply chain for purchasing fresh fish and is likely to ripple through the fresh fish business as demand grows for fish harvested from fisheries certified as sustainable. Stakeholder interaction and dialogue is often as an important aspect of any corporate responsibility standard (Gilbert & Rasche, 2008). Better stakeholder relationships are also a possible benefit of firm adoption of corporate responsibility standards. Adoption of a standard can increase a firm’s reputation and legitimacy in the eyes of
stakeholders and can lead to increased trust and better communication inside and outside the firm.

In her analysis of industry self regulation, Haufler (2001, p. 20) summarizes the drivers of self regulation as “risk, reputation, and learning.” These drivers apply to corporate responsibility standards which are a key mechanism for self regulation. In terms of risk, firms engage in self regulation to avoid additional governmental regulation and action at home and abroad and in an attempt to preempt the scrutiny of activist groups (Haufler, 2001). A good reputation with stakeholders, including customers and regulators, can be a valuable asset (Haufler, 2001; Khanna, 2001). The adoption of corporate responsibility standards involves numerous opportunities for information collection and sharing and organizational learning. As Zadek (1998, p. 1429) notes, “the widespread adoption of TQM and other system-level quality assurance systems (such as ISO9000 and BS5750) by parts of the corporate sector illustrate the fact that companies will commit considerable resources to securing the information required to know what is going on in a systematized manner.” Corporate responsibility standards (e.g., GRI, SA 8000) can help management learn “what is going on” inside the corporation and in the institutional environment. Organization learning can also take place as the result of stakeholder interactions and dialogues and through the reduction of information asymmetries between firms and their stakeholders.

A key driver of firm involvement in corporate responsibility standards is the desire to obtain and maintain legitimacy. Legitimacy can generally be defined as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some
socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995, p. 574). Legitimacy is considered necessary for firm survival (Meyer & Rowan, 1977; Pfeffer & Salancik, 1978). Legitimacy is of particular concern to MNCs because they operate in more than one institutional environment (e.g., a home and host country) and must maintain legitimacy in each (Kostova & Zaheer, 1999). There are numerous ways to define and understand legitimacy that draw on different theoretical foundations (Long & Driscoll, 2008). For example, a distinction can be made between strategic choices aimed at obtaining legitimacy as a valuable asset within a resource dependency context and isomorphic pressures within an institutional context that shape firm behavior so that it is legitimate. Focusing only on the strategic legitimacy, corporate responsibility standards provide adopting firms with additional legitimacy by signaling to stakeholders that the firm is operating in a way that is consistent with what society deems appropriate (Long & Driscoll, 2008; Pfeffer & Salancik, 1978).

Finally, managerial values and preferences might serve as drivers of firm participation in a corporate responsibility standard. Managers have some degree of discretion with respect to how they interact with their stakeholders and allocate resources (Berman, Phillips, & Wicks, 2005). For example, empirical research has found that managerial values and commitment have an impact on the level of integration of corporate ethics programs (Weaver, Trevino, & Cochran, 1999), the structures and process a company construct related to issues management (Greening & Gray, 1994) and a firm’s philanthropy (Buchholtz, Amason, & Rutherford, 1999). In a case study of the pharmaceutical company Novartis A.G.’s adoption of the UN Global Compact, Tavis (2003) describes the important role key executives played in the decision to
adopt the UN Global Compact and they role they continue to play throughout the long and challenging implementation process.

Criticisms of Corporate Responsibility Standards

Despite their increasing popularity and increased use, practitioners, NGOs, and scholars have raised concerns about the overall effectiveness of corporate responsibility standards, the way they are created, and the way they are implemented. For example, research related to voluntary environmental programs casts doubt on the ability of such programs to improve firm performance related to environment impacts, particularly with respect to programs that lack effective certification and enforcement mechanism (J. E. Rivera & deLeon, 2008). In their review of certifiable management standards, Christmann and Taylor (2006, p. 865) conclude that, “empirical research on the relationship between certification and firm performance with respect to the issue addresses by the standard is inconclusive.” In their meta analysis of studies examining the effectiveness of voluntary environmental program, Darnall and Sides (2008) found that participants in voluntary environmental programs, as compared to nonparticipants, did not improve their environmental performance.

Another concern is the process through which corporate responsibility standards are created and modified. Although corporate responsibility standards frequently call for adopting firms to engage in ongoing stakeholder dialogue, some argue that the standard setting organizations fail to engage in this practice themselves. For example, Gilbert and Rasche (2007, p. 202) identify as one of the shortcomings of SA 8000, a process management standard, the lack of participation by all key stakeholders in the process of justifying the foundational principles of
the standard. Those drafting the standards (e.g., NGOs based in Europe) could have different conceptions of corporate social responsibility, corporations, and their roles in society than do those the standards were designed to help and protect (e.g., workers in developing countries) (Blowfield & Fynas, 2005; Visser, McIntosh, & Middleton, 2006). The lack of meaningful stakeholder involvement in the standard creation process can ultimately threaten the legitimacy of the standard (Gilbert & Rasche, 2007; Reynolds & Yuthas, 2008).

Directly related to concerns about effectiveness, there are concerns about the extent to which corporate responsibility standards are taken serious by the adopting organizations and integrated into the organization’s operations. Firms can symbolically adopt corporate responsibility standards without changing their core policies, practices, and operations (Meyer & Rowan, 1977). Weaver, Trevino, and Cochran (1999) found that the extent to which formal corporate ethics programs are integrated or decoupled within an organization varies based on internal and external factors (e.g., top management commitment to the ethics program). Likewise corporate social responsibility standards can be integrated in a coupled or decoupled manner. Fully integrated corporate responsibility standards have the backing of top management, are supported with the necessary human and financial resources, are integrated into all part of the organization (e.g., all functional and geographical areas), are built into existing management systems (e.g., accounting, operations management, human resources), are made part of the human capital and incentive system, are closely monitored and tied to performance outcomes, and are subject to third party assurance. Fully decoupled corporate responsibility standards are adopted ceremonially and often involve the periodic issuance of glossy marketing brochures created by external consultants with no ongoing organizational
commitment, monitoring, or third party assurance for the standard. The term green washing refers to a firm’s efforts at improving its reputation with customers, financiers, communities, and other stakeholders by attempting to deflect blame for the firm’s negative environmental impacts and by providing misleading or incomplete information to attempt to distract critics. The term blue washing refers to similar firm tactics designed to improve a firm’s reputation through association with the UN (Laufer, 2003).

Even firms that desire to fully integrate a corporate responsibility standard can struggle with the implementation processes. Given that firms often adopt more than one corporate responsibility standard, and each standard requires different resources and implementation, there appears to be an overall lack of integration among the various categories of standards (e.g., normative, process guidelines, management systems) and among the various standards with each category. Many standards lack clear or specific implementation guidelines (Gilbert & Rasche, 2008). This is especially true with respect to normative standards (e.g., the UN Global Compact). Tavis (2003) found that executives at Novartis needed more specific information about the principles in the UN Global Compact before they could implement it within their organization. Kolk and van Tulder (2006) argue that certain industries are better at implementing standards and incorporating them into the organization’s business operations and systems. For example, the sportswear industry is good at implementing corporate responsibility standards in part because they have been under tremendous media and activist scrutiny for many years and their consumer oriented products make them particularly susceptible to social pressures (Kolk & van Tulder, 2006, p. 162). Many standards call for firms to engage in meaningful stakeholder engagement, but lack specifics on how this can be
achieved (Gilbert & Rasche, 2008). In addition, the implementation guidance that does exist
tends to focus on large MNCs while neglecting small and medium sized enterprises. These
enterprises also have responsibilities to stakeholders for social and environmental impacts but
often lack the resources to implement a corporate responsibility standard designed for much
larger organizations.

Once a corporate responsibility standard has been adopted and implemented, there are
ongoing concerns related to monitoring and auditing firm compliance with the standard. Many
standards have no enforcement mechanisms and those that do tend to have weak or vague
monitoring requirements that fail to engage employees and fail to involve other firms along the
value chain (Kolk & van Tulder, 2006). Christmann and Taylor (2006, p. 864) found that
manufacturing firms in China changed the level of compliance with ISO 9000 certification
standards based on customer preferences, monitoring by customers, and sanctions expected to
be levied by customers. No or weak enforcement mechanism threaten the credibility of the
firm and the standard (Haufler, 2001). While auditing requirements and enforcement
mechanism are more common in management systems and process guidelines (e.g., SA 8000)
normative standards can include enforcement mechanisms as well. For example, in June of
2008 the UN Global Compact delisted 630 companies for failing to comply with requirements
that companies communicate to their stakeholders annually regarding their progress toward
implementing the principles of the Compact (UN Global Compact, June 25, 2008).

Finally, practitioners complain of standards fatigue. Ernst Ligteringhen of the GRI and Simon
Zadek of Accountability describe standards fatigue as, “a sense of confusion about what tools
and standards exist, how they apply, how their costs and benefits stack up, and how they relate” (Accountability Forum, 2004, pp. 1-2). Firms also face what Kolk and van Tulder (2006, p. 151) call a “cascade of codes” where stakeholder pressure leads to one firm adopting a standard which leads other firms to adopt that standard or a similar standard which often leads to greater stakeholder pressure for additional organizational change. Given the large number of standards and the fact that companies face ongoing pressures from various stakeholder groups to adopt additional standards, it is not surprising that businesses are confused and often less than enthusiastic about adopting and implementing corporate responsibility standards.

Despite these challenges and concerns about corporate responsibility standards, rates of adoption by multinational corporations continue to increase. Corporate responsibility standards have an important role to play in helping businesses create and maintain legitimacy and operate successfully within a new and changing global social, political, and business environment.

**Peace Through Commerce**

There are many different definitions and meanings of the term peace. Perhaps the most basic and most useful definition for this paper is peace as the absence of violence. However, as Dunn notes (2005, p. 130), peace is not just the absence of violence but the presences of positive qualities. Dictators and oppressive regimes have provided the absence of violence for centuries through intimidation, hunger, and the violation of basic human rights. Sustainable peace is a broader term that incorporates an ongoing sense of stability along with the absence of violence.

Peace through commerce is a relatively new body of literature based on a diverse foundation including law, business ethics, economics, political science, sociology, and anthropology. Given that throughout history business has been associated with violence, it may seem odd to associate business with peace. For example, as part of the expansion of the British Empire in the 19th century, business interests and state interests were often blended and realized through the use of violence. British expansion in southern portions of the African continents went hand in hand with the diamond trade and involved the use of the paramilitary forces of the British South Africa Company (Thomas, 1996). More recently, US based defense and security firms have played key roles in support of the US war in Iraq despite a complicated and unsure legal environment (Singer, 2003).

Although business has historical ties to violence, the basic idea of peace through commerce is that through ethical business behavior businesses can help create the conditions needed for peace and can contribute to the reduction of violence in the world (Fort, 2007). There is potentially a reciprocal relationship between business and peace. Beyond the few industries that profit from war (e.g., arms manufacturing firms), businesses benefit from peaceful and stable conditions that allow for efficient and effective commerce (Fort, 2007; Nelson, 2000). By operating in a transparent manner, engaging stakeholders, avoiding corruption, and supporting the rule of law businesses can help local communities build the institution needed to create and
maintain peace (e.g., respect for the rule of law, respect for property rights, transparent
governments and community organizations) (Fort & Schipani, 2004, 2007).

More specifically, Fort and Schipani (2004) have identified four main ways that businesses can contribute to sustainable peace. First businesses can contribute to peace by creating economic development. Communities that are underdeveloped are associated with increased violence (Post-Conflict Unit of the World Bank, 1999, September). Perhaps this is result of conflict over scarce resources or because of unemployment or underemployment that provides available manpower for groups engaged in conflict (Fort & Schipani, 2004, p. 27; Koerber & Fort, 2008). Second, businesses can engage in track two diplomacy, where non-state actors enter into dialogue with relevant parties outside of official diplomatic channels. Corporations have the potential to build relationships that cross social, political, and geographic boundaries. Through these unofficial interactions, parties to a conflict can potentially exchange information and defuse tensions when formal diplomatic relationships are strained (Fort & Schipani, 2004). Corporations have to be careful in this role as they run the risk of making conflict situations worse if they do not have a good understanding of the issues and parties involved.

Third, firms can support the rule of law and adopt external evaluation principles in the countries and communities in which they operate. By avoiding corruption and operating in a transparent manner (e.g., through the use corporate responsibility standards) businesses can help great the social and economic background institutions needed for peace (Fort & Schipani, 2004). Fourth, business can strive to develop a sense of community within their organization and within the communities where they operate. In this regard businesses, and the
communities they help create, can serve as mediating institutions where conflicts can be resolved peacefully before they escalate (Fort, 2001). These institutions can also serve as a source of identity, stability, and security for community members and can help spread ethical practices and ideas compatible with peace.

By creating an ethical organizational climate, developing good stakeholder relationships, and engaging in the behaviors described above, business can help create the conditions and practices needed for peace. Dunfee and Fort (2003) suggest that peace could serve as a hypergoal for business providing an overarching guide for firm behavior. If the connection between ethical business behavior and a contribution to peace can be established, this knowledge could provide additional motivation for managers and employees to act ethically and work to build community inside and outside the organization (Fort & Schipani, 2007, p. 374).

**Corporate Responsibility Standards and Peace Through Commerce**

As noted above, corporate responsibility standards have been identified in the peace through commerce literatures as an important tool for fostering the conditions needed for sustainable peace. Standards focus on modifying firm behavior (i.e., encouraging changes in firm behavior or requiring it with various compliance mechanisms) in hopes that it will have a positive impact on the social, political, and business environments in which the firm operates. The general notion is that ethical business behavior (e.g., supporting the rule of law, operating in a transparent manner, fostering economic development, nourishing a sense of community and building stakeholder relationships) can help create the conditions needed for sustainable
peace. Corporate responsibility standards are one tool that firms and stakeholders can use to help firms operate ethically and adopt behaviors that are consistent with peace.

Some corporate responsibility standards explicitly address issues of violence and conflict while other standards encourage firms to engage in behavior that peace through commerce researchers consider important for the creation of sustainable peace (e.g., avoiding corruption, respecting human rights). Examples of corporate responsibility instruments that explicitly address conflict include the Kimberley Process Certification Scheme (KPCS) and the Voluntary Principles on Security and Human Rights. The KPCS was launched in 2002 in attempt to prevent the trading of illegal rough diamonds that were funding conflicts in Africa. The KPCS, which includes the certification of diamonds as conflict free, creates public private partnerships to design and implement the control systems needed to ensure conflict diamonds do not enter the legitimate diamond trade (Ad Hoc Working Group on the Review of the Kimberley Process Certification Scheme, 2006, November).

The Voluntary Principles on Security and Human Rights provide companies with guidelines for establishing security arrangements, responding to human rights abuses, and interacting with private security contractors. The Principles were created in 2000 by the governments of the United States and the United Kingdom, various human rights groups (e.g., Amnesty International, Human Rights Watch), and companies in the extractive industries (e.g., Chevron, Conoco, Texaco) (Leipziger, 2003). This voluntary standard was designed to address the growing potential for conflict (and actual conflicts) between company employees, private security forces, and local peoples related to extraction projects around the world. The
Principles provide a list of best practices for hiring and working with private security forces in conflict prone environments (Leipziger, 2003). For example, the principles call for companies to carefully monitor the human rights records and reputation of the security forces it hires to protect its employees and property.

Whether referencing conflict and violence directly or indirectly, there are a number of ways that corporate responsibility standards can help support sustainable peace. For example, as noted above, firms can contribute to sustainable peace by supporting the rule of law and adopting external evaluation principles in the countries and communities in which they operate (Fort & Schipani, 2004). Corporate responsibility standard are on way internal and external stakeholders can encourage firms to submit to external evaluation of their practices and can help them operate in a more transparent manner (Fort & Schipani, 2007). Transparency, a key focus of the GRI, can play an important role in the creation of trust among stakeholders and ultimately contribute to peace. As noted in a press release following a meeting of G8 representative related to extractive industries, “G8 members formally encourage GRI reporting as a means to yield good governance and transparency and thereby achieve poverty reduction, conflict prevention, support sustainable investment decisions, and promote development in emerging economies” (Global Reporting Initiative, 2007, June 8). If corporate responsibility standards are widely adopted within an industry or region they can serve as benchmarks or floors to help firms meet the minimum in terms of acceptable practices without suffering a competitive disadvantage (Epstein, 2007). Corporate responsibility standards also have a role to play in how firms respond to violent conflict. In their typology of business responses to violent conflict, Oetzel, Getz, and Ladek (2007) suggest firms can pursue unilateral and
collaborative action in response to conflict situations through the use of global multinational agreements and independent audits of supply chains or products for their potential to contribute to violence. Standards might also help firms preempt challenges to organizational legitimacy resulting from business activities in areas in conflict or prone to conflict.

The selection or creation and adoption for a corporate responsibility standard provides a firm with opportunities to expand and deepen its stakeholder relationships inside and outside the organization. The potential link between ethical business behavior and peace might expand the number and type of stakeholders interested in a firm’s operations (e.g., NGOs focused on peace may direct more of their efforts toward corporate actions in conflict prone regions) and ultimately expand a firm’s stakeholder network. Corporate responsibility standards can help build trust among stakeholders (Abramov, 2007) as they work together through the implantation process. Employees may find a link between their everyday business behavior and preventing conflict motivational (Fort & Schipani, 2004). Such motivation may encourage employees to act ethical and may strengthen their loyalty to the organization. The use of a standard might also help firms communicate organizational values to internal and external stakeholders including other parties in the value chain. Normative standards might help management communicate to employees broad organizational values while management systems might help ensure these normative ideas are tightly integrated into an organization’s operations.

Another potential outcome of the adoption of corporate responsibility standards is increased organizational learning. Firms have the opportunity to benefit from the collective knowledge
embodied within corporate responsibility standards themselves (e.g., best practices for interacting with security contractors to minimize the change of human rights abuses) and from other firms operating in similar industries or areas. This learning process might be through vicarious learning where a firm learns from the actions of other firms (Terlaak & Gong, 2008, p. 846) or through the standard implementation process. Corporate responsibility standards often require some sort of periodic reporting and disclosure by adopting firms which can speed information sharing among firms.

In addition to learning by the firm adopting the standard, there is the potential for learning and spillover effect for local firms and governments. As Epstein (2007, p. 211) notes, “general codes of desirable business behavior” (e.g., UN Global Compact, Caux Roundtable’s Statement of Principles) can be “educative for companies, industries, and indeed, nations particularly in developing countries.” MNCs operating in host countries can be the sources of positive or negative spillover effects as organizational knowledge, practices, and technologies are transferred to local firms (Spencer, 2008). This might happen through the observation of an MNC’s practices and processes, the direct transfer of technologies and equipment, or the movement of employees from the MNC and other firms in the supply chain to local firms. Through these spillover effects, corporate responsibility standards, adopted and implemented throughout an MNC, might positively influence local firms to adopt ethical business behaviors (e.g., the rejection of corruption) that are consistent with the creation of peace.

In their study of the relationship between foreign direct investment and corruption, Kwok and Tadesse (2006) suggest three ways in which MNCs can impact local institutions: regulatory
pressure, demonstration, and professionalization. The regulatory pressure effect suggests that MNCs are less likely to tolerate local corruption (Kwok & Tadesse, 2006). For example, the US Foreign Corrupt Practices Act raised the potential consequences for US based MNCs that engage in bribery deterring such activity in all the local countries in which the MNC operate. The demonstration effect refers to the spillovers local firms can experience by observing MNCs and the benefits in terms of efficiency and effectiveness from corruption free commerce. The professionalization effect relates to the increase in education and certification for local workers employed by or seeking to be hired by an MNC and the growth in professional networks that accompanies the presence of and MNC in a local community (DiMaggio & Powell, 1983; Kwok & Tadesse, 2006). Kwok and Tadesse (2006, p. 781) found that the current levels of corruption in a country are much lower if that country had high flows of foreign direct investment in the past suggesting that foreign direct investment has the potential to positively influence local business and public institutions to reduce corruption.

Limitations of Corporate Responsibility Standards for Peace Through Commerce

In addition to the concerns about corporate responsibility standards noted above, there are additional potential limitations for the role corporate responsibility standards might play in creating peace through commerce. There are a growing number of case studies linking certain business behaviors to the prevention of conflict and the promotion of peace (International Alert, 2006). However there are few if any large sample well controlled empirical studies establishing the relationships between corporate responsibility standards, firm behaviors, and peace. A good deal of the research focused on the effectiveness of corporate responsibility
standards in modifying firm behavior has focused on environmental performance. Given the complexity of defining and measuring sustainability it is not surprising the empirical results are mixed (Christmann & Taylor, 2006; Darnall & Sides, 2008; J. E. Rivera & deLeon, 2008; Stevens, 2008). Measuring the effectiveness of corporate responsibility standards in modifying firm behavior and ultimately in helping create sustainable peace poses an even greater challenge. However, research related to firm environmental performance suggests that monitoring and enforcement mechanism (e.g., third party assurance, sanctions) can help increase the effectiveness of standards in improving performance (J. Rivera, de Leon, & Koerber, 2006; J. E. Rivera & deLeon, 2008). Similar techniques could be used to increase the effectiveness of corporate responsibility standards with respect to creating the behaviors that support peace.

While corporate responsibility standards may play an important role in fostering ethical business behavior and sustainable peace, they cannot do it alone. Aaronson (2005) argues that voluntary initiatives are inadequate to address the severe problems companies face in developing countries (e.g., lack of functioning background institutions such as courts). She favors coordinated public policy initiatives along with voluntary standards to address the difficult business environment in many developing countries. Some might also argue that corporate responsibility standards take resources (e.g., time, attention, money) away from potentially more effective regulatory approaches to creating conditions conducive to peace.

As noted above, there are difference in standard adoption based on an MNC’s home country (e.g., more European firms adopt the UN Global Compact that US based MNCs). Based on a review of major corporate responsibility standards and codes adopted by various corporations,
it appears that there are also significant differences in standard adoption industry to industry and firm to firm. Not surprisingly, it appears the standards most directly related to peace are in the extractive industries which have historically been associated with conflict and violence (e.g., blood diamonds or the contentious relationship between local communities and oil companies in the Niger river delta). The footwear and apparel industries have come under scrutiny for poor working conditions, violations of wage and hour rules, and other human rights abuses (Leipziger, 2003; Lim & Phillips, 2008). The major firms in these industries (e.g., Levi, Nike, Reebok) have adopted and implement corporate responsibility standards that address human rights abuses and transparency. However they have been less successful in instilling these practices throughout their supply chains (Yu, 2008).

In disclosures on corporate websites and in annual sustainability or corporate social responsibility reports, firms rarely mention peace or conflict. Based on a review of publically available information on a number of large MNCs (e.g., a sample of members of the Fortune Global 250) and firms considered good corporate citizens (e.g., new additions to the FTSE4Good index, members of the Business Ethics 100 Best Corporate Citizens list), it appears firms are most likely to discuss their own codes of ethics and conduct—some of which reference existing corporate responsibility standards. Fewer firms report that they have adopted a corporate responsibility standard related to their industry (e.g., the World Responsible Apparel Production standard in the apparel industry) or an environmental or climate standard (e.g., carbon disclosure project, US Environmental Protection Agency energy star program). Even fewer firms report adopting a UN based standard (e.g., UN Global Compact) or a reporting standard (e.g., GRI).
The potential for corporate responsibility standards to be co-opted by businesses for narrow self interest is also a concern. Owen, Swift, and Hunt (2001) argue that the stakeholder engagement process is often an insincere exercise in stakeholder management. Blue washing might be particularly troubling with respect to standards tied to peace through commerce given the lack of monitoring and enforcement mechanisms in many corporate responsibility standards. Companies that find the general idea of peace through commerce appealing might adopt normative standards that require minimal firm effort but not the associated process or management standards. While normative standards serve valuable purposes (e.g., communicating management’s values to employees and other stakeholders), the more detailed guidance found in process and management standards can be effective in helping organizations implement and integrate new ways of operating.

The process through which a standard is created is an important part of establishing the standards’s legitimacy. The process used to create or modify a corporate responsibility standard directly related to peace or to corporate behaviors closely related to peace is of particular importance for creating stakeholder acceptance. Stakeholder participation and voice are considered important for shaping ethical corporate behavior and peace through commerce. Stakeholders in different countries and regions have different understandings and perspectives of ethical business behavior and corporate responsibility standards (Arnold, Bernardi, Neidermeyer, & Schme, 2007; Lewicka-Strzalecka, 2006; Visser, 2006). Failure to consider different perspectives could threaten the legitimacy of standards focused on or linked to preventing conflict. A criticism of the Voluntary Principles on Security and Human Rights is that they were largely drafted by the governments of the US and UK (and later the Dutch and
Norwegian governments) and international NGOs without significant input from the
governments and other stakeholders representing the areas impacted by extraction activities
(e.g., Nigeria, Columbia) (Leipziger, 2003).

The back and forth process of creating a corporate responsibility standard with genuine
stakeholder engagement can be long and difficult. Peace might serve as a telos or goal to
attract some executives and firms but others might find the amorphous nature of the
relationship between business behavior and peace challenging. Consistent with the idea that
some US firms are less likely to join the UN Global Compact because of fears of litigation
(Ziegler, 2007), some businesses might be concerned that by adopting a corporate
responsibility standard they are directly or indirectly taking on additional responsibilities
related to fostering peace. Businesses may worry that stakeholders will have new expectations
for them related to conflict and peace—even in situations where businesses have little or no
control over the immediate drivers of violence. The Draft United Nations Code of Conduct on
Transnational Corporations in 1984 and the Draft Norms on the Responsibilities of
Transnational Corporations and Other Enterprises with Regard to Human Rights in 2005, two
UN sponsored corporate responsibility standards that failed to gain the support needed to be
finalized, are testaments to the difficulty in crafting legitimate standards dealing with issues of
conflict, human rights, and commerce.

The Future of Corporate Responsibility Standards and Peace Through Commerce

A number of trends related to corporate responsibility standards and peace through commerce
have the potential to impact the role that standards can play in furthering peace. A prima facie
case has been created in the peace through commerce literature for the link between ethical business behavior and peace (Fort & Schipani, 2004). Although difficult, additional theoretical, case study, and large sample research is needed to better understand the links between corporate responsibility standards, firm behavior, and sustainable peace. In addition, more research is needed to know how corporate responsibility standards should be structured (e.g., which enforcement mechanism should be included) in order to ensure the most efficient and effective modification of firm behavior. Organizational stakeholders would want to know if one corporate responsibility standard is better than another at promoting peace.

There will be continued demand for corporate responsibility standards as demands from stakeholders and firms increases and businesses continue to face changing expectations and increased concerns about all forms of sustainability (Accountability Forum, 2004). The proliferation of standards is likely to continue despite calls from practitioners suffering from standard fatigue for consolidation and simplification. Corporate responsibility standards fall between trends toward a convergence in terms of international corporate governance (Gregory, 2006) and the creation of more and more standards in response to the perceived unmet needs of an industry, firm, NGO, or other stakeholder. The new ISO 26,000 management standard, expected to be released in 2010, aims to join the principles and breadth of a normative standard with the detail and guidelines of a management system. ISO 26000 is being crafted through an extensive stakeholder dialogue process using a diverse group of stakeholders. It will not be a certification standard designed for third party certification but will provide guidance on corporate responsibility to small, medium, and large organizations including both for profit and not for profit entities (Webb, 2008). In terms of reporting, the
Sustainability Evaluation and Reporting System developed by a research center at Bocconi University, attempts to consolidate social, environmental, and other performance indicators from various system into one comprehensive approach that works for large MNCs as well as small and medium size enterprises (Perrini & Tencati, 2006). Total convergence of corporate responsibility standards is unlikely because of the long history, constituency, and institutional framework associated with each standard. However, the question remains whether standards that directly (i.e., standards specifically designed to deal with conflict) or indirectly (i.e., standards that support behaviors associated with peace) address conflict and peace will survive the consolidation that will occur.

To date the main focus of corporate responsibility standards has generally been large MNCs that possess the resources needed for the adoption, implementation, and ongoing compliance with corporate responsibility standards. Less attention has been paid to small and medium sized entities. There is currently a move toward corporate responsibility standards that specifically address the needs of small and medium sizes business either through the creation of new corporate responsibility standards or the modification of existing standards to account for differences in structures, resources, and institutional support between large MNCs and small and medium size business (e.g., ISO 26000). This is especially important given that many of the businesses in areas prone to conflict are small or medium sized.

There is also an ongoing drive to integrated corporate responsibility standards into firms’ operating systems and processes and throughout corporate supply chains (Accountability Forum, 2004). To the extent that standards that are fully integrated into an organization’s
operations increase the efficiency and effectiveness of the standard in modifying firm behavior, this trend has positive implications for peace through commerce. Likewise the trend toward more third party assurance and reporting of firm performance with respect to corporate responsibility standards has the potential to encourage ethical business behavior and ultimately peace.

As research into the role commerce can play in creating peace continues, there will likely be more questions regarding the role of standards in furthering peace. For example, should there be a standalone standard designed to increase the specific behaviors that researchers find are associated with peace or should these specific behaviors be integrated into existing standards and explicitly linked to peace? Can existing standards that explicitly address peace (e.g., Kimberly Process, the Voluntary Principles on Security and Human Rights) be effectively expanded or are they so specific to an industry or issue that they would lose their effectiveness, legitimacy, or relevance if expanded?

**Conclusion**

The number and popularity of corporate responsibility standards has grown tremendously over the last few decades and estimates are that demand for such standards will only increase in the future as businesses attempt to deal with changing roles, responsibilities, and institutional environments. The relatively new research stream of peace through commerce suggests that ethical business behavior can help create the conditions needed for sustainable peace. Corporate responsibility standards might play an important part in helping shape firm behavior toward the prevention of violence conflict. However, given the limitations inherent in
voluntary standards (e.g., questions about the ability of standards to influence firm behavior, lack of detailed implementation guidance) standards are unlikely to create sustainable peace on their own. Additional research is needed to buttress the preliminary evidence collected to date supporting the relationship between ethical business and the creation of sustainable peace. Likewise additional research is needed to determine the extent to which corporate social responsibility standards influence firm behaviors associated with peace and under what conditions (e.g., enforcement mechanisms and third party assurance) standards are most effective in shaping firm behavior.
References


