

## Ethics officer required

Wal-Mart's advert for a global ethics officer emphasises experience in accounting, auditing and finance, but describes the ideal candidate as someone with "significant and progressive experience in corporate business ethics and [who is] a strategic thinker committed to embedding ethics into all aspects of Wal-Mart's business processes".

But Darcy warns that if a company is in the midst of an ethics scandal of some kind it may need an external candidate who can bring a fresh outlook to the urgencies an organisation needs to address.

Candidates coming out of an attorney general's office may have a clearer understanding of what the courts will look favourably on in cases of wrongdoing, Peterson says, but she warns that such a person may not have the organisational skills, experience or knowledge of the industry to be effective.

Ethics leaders with a strong business background understand and will be familiar with the "pressure points" in a company, Darcy says. That, Peterson says, allows ethics leaders to relate to the risk areas present throughout the business.

Optimally, ethics leaders should have the company leadership's endorsement for access to every department and operation to "make ethics officers out of every senior leader" and allow ethics to be a "part of every function and operation in the company", Peterson advises.

Darcy says that, perhaps most importantly, ethics positions should be proactive, instead of reactive ones. "A good ethics officer will steer a company's management into making better decisions," Darcy says.

He believes that is exactly what Wal-Mart has in mind and says he thinks the company is looking to take its approach to corporate ethics and responsibility "to another level". ■

### Useful links:

[www.theecoa.org](http://www.theecoa.org)  
[www.workingvalues.com](http://www.workingvalues.com)  
[www.syrusglobal.com](http://www.syrusglobal.com)

**Ethicalcorp.com keyword searches:**  
 recruitment, management, Wal-Mart

### Brand marketing

## Home and abroad: a tale of two brands

By Lisa Roner, North America Editor

**Experts say Starbucks could be getting more mileage out of its social responsibility practices outside the US**

Starbucks recently released its 2005 Corporate social responsibility report. Although the coffee giant is widely acknowledged as a leader in its sector on sustainability issues and reporting, some say it could be doing more to communicate its values and achievements to consumers, especially outside the US.

Although Starbucks' popularity among consumers in the US shows no sign of waning and the company faces little, if any, opposition to its ongoing domestic expansion plans, some experts say the company is not so revered or welcome in many non-US communities.

In fact, many consumers throughout Europe and other parts of the world view Starbucks as a veritable "poster child" for anti-globalisation and a prime example of how disjointed a company's view of itself can become from that of its foreign customers.

Starbucks' management, in the opening letter of its 2005 corporate responsibility report, even vaguely hints at the problem and foreshadows the solution. "While the company is strongly positioned for continued growth, we instinctively know that our future depends on deepening our commitment to CSR and then effectively communicating to our stakeholders what we do," write Starbucks' chairman, Howard Schultz, and chief executive, Jim Donald.

### Pronounced disconnect

Activist and labour groups in Scotland, including the left wing Industrial Workers of the World (IWW), have gone so far as to call Starbucks' approach "two-faced duplicity".

The groups' laundry list of complaints includes doubts about Starbucks' true

commitment to its Fair Trade programme and questions about its labour policies for its own workers and those in its supply chain. One IWW member warns of "a growing detestation of Starbucks and all that it stands for".

While the IWW's take on the company represents a fairly extreme view, David Vogel, professor of business ethics at the Haas School of Business at the University of California Berkeley, says the bulk of the criticism against Starbucks comes mostly from its perceived disruption of the local, traditional café culture throughout much of Europe.

Vogel, widely known for doubting the impact of corporate responsibility activities on a corporation's financial performance and value, suggests that effectively communicating corporate responsibility values can help to shield a

### Starbucks by the numbers:

- More than 10,000 locations in 37 countries
- Revenue \$6.4 billion in 2005
- Serves 35 million people each week worldwide
- China is poised to become Starbucks' second largest market



company like Starbucks from criticism by activist groups.

Starbucks, he says, has, only in a "very modest way", tried to "carve out a positive reputation". But especially in Europe, where there is "greater sensitivity to globalisation inequities and coffee pricing issues", Vogel believes Starbucks could do more to clarify and gain from its policies.

"To the extent that Starbucks could emphasise their coffee procurement policies, which I think are quite respon-

sible, it might reduce some of the criticism in Europe,” Vogel says. “Promoting its Fair Trade policies more aggressively than they do might be a source of appeal and would distinguish them in the marketplace.”

#### **An ounce of clarity**

Prakash Sethi, distinguished professor of management at the City University of New York’s Zicklin School of Business, says Starbucks, like many companies, also needs to give stakeholders more outcome-oriented information on its policies and programmes.

“They tell you that this year they have 30% more coffee coming from farmers’ cooperatives,” Sethi points out. “That’s fine, but what it doesn’t tell us is whether, as a consequence, farmers are getting more money for their coffee.”

Sethi also mentions Starbucks’ Ethos drinking water initiative and says that while he is pleased to see that five cents from each bottle sold goes to creating drinking water facilities in remote villages, he would like to know more details about “how many villages and how many people have drinking water now that didn’t”.

Starbucks declined Ethical Corporation’s request to comment on this report. Not talking, Sethi says, is a “recipe for disaster”, because by doing so, “you put yourself in the group of companies who are not talking because they are not doing anything”.

He says, however, that companies sometimes worry that by publicising their good deeds they open themselves up to criticism from “the people who hate them, who will go out and find one bad thing in the midst of all the good and then use that to taint the company”.

Sethi says he finds that in some industries competing companies are “the worst enemies of good conduct”. “They want to bring you down as fast as they can, because then they don’t have to do it,” he explains.

And that, he says, could put Starbucks, as a sector leader, in a vulnerable position. But Sethi advises that if the company believes in what it is doing it should spread more information and “accept the fact that they may get more stones thrown at them”. ■

#### **Useful links:**

[www.starbucks.com](http://www.starbucks.com)  
[www.iww.org](http://www.iww.org)

#### **Ethicalcorp.com keyword searches:**

Starbucks, coffee, fair-trade, reputation

Stanford Law School

## Where open source meets corporate governance

By Lisa Roner, North America editor

### **A new corporate governance centre aims to take an entrepreneurial and open-source approach**

In early March, Stanford Law School launched the Arthur and Toni Rembe Rock Center for Corporate Governance at Stanford University. Arthur Rock, a venture capitalist who helped found Apple Computer, Intel and other well-known technology firms, and Toni Rembe, the first female partner of the law firm Pillsbury Winthrop, and Rock’s wife, donated \$10 million to establish the centre.

The donation is thought to be the largest ever gift for corporate governance research and education at a university.

Stanford officials say that the Rock Center, the first of its kind on the US west coast, will sponsor programmes designed to deepen the understanding of the governance process, enhance the quality of governance-related education and improve governance worldwide.

Stanford Law professors Joseph Grundfest, commissioner of the Securities and Exchange Commission from 1985 to 1990, and Robert Daines, a former investment banker at Goldman Sachs, have been named to serve as the centre’s directors.

Stanford Law’s dean, Larry Kramer, says the Rock Center will foster joint work among faculty and students in law, business, economics and engineering, “playing to Stanford’s strength in these areas and its well-deserved reputation for working across institutional and disciplinary boundaries”.

Daines says the centre will benefit scholars, regulators and students by encouraging research that fosters better understanding of corporate governance and improves teaching and practice in the field.

But the centre’s primary role, according to Dan Siciliano, executive director of Stanford’s programme in law, economics and business and senior teaching fellow for the international degree programme in corporate gover-



Stanford: getting into governance

nance and practice, is to bring together disparate corporate governance thinking – both academic and policy-focused.

#### **Bridging the communication gap**

One stumbling block for improving corporate governance, Siciliano says, is the lack of a common vocabulary or language among regulators, investors, academics and other stakeholders: “As an academic centre, we’ll be able to start to establish that common vocabulary.”

The centre, Siciliano says, will play an important role in “holding everyone up to the bright light of day” by scrutinising and testing many corporate governance ideas and theories.

Siciliano says one of the Rock Center’s key projects will be the development of a data resource it calls OSCGRS – the Open Source Corporate Governance Reporting System. The OSCGRS project will generate a database of governance metrics for publicly traded companies, he says, much as Stanford did for securities class-actions data about a decade ago. OSCGRS will be available free to the general public and offer the ability to generate a wide variety of “governance scores” in a way that is completely transparent to users. ■

#### **Useful links:**

[www.law.stanford.edu](http://www.law.stanford.edu)  
[www.thecorporatelibrary.com](http://www.thecorporatelibrary.com)

#### **Ethicalcorp.com keyword searches:**

corporate governance, Stanford, universities