

INTERPRETATION OF THE CAUX ROUND TABLE PRINCIPLES FOR BUSINESS- A GUIDANCE FOR SOCIAL RESPONSIBLE BUSINESSES

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ABSTRACT

THE CAUX ROUND TABLE (CRT) PRICIPLES FOR BUSINESS

The Caux Round Table (CRT) is based on the belief that the world business community should play an important role in improving economic and social conditions. As a statement of its aspirations, it developed a document that aims to express a world standard against which business behavior can be measured.

The Caux Round Table was founded in 1986 by Frederick Philips, former President of Philips Electronics and Olivier Giscard d'Estaing, former Vice-Chairman of INSEAD, as a means of reducing escalating trade tensions. The CRT Principles for Business were formally launched in 1994, and presented at the United Nations World Summit on Social Development in 1995. The CRT Principles for Business articulate a comprehensive set of ethical norms for businesses operating internationally or across multiple cultures. The CRT Principles for Business emerged from a series of dialogues catalyzed by the Caux Round Table during the late 1980's and early 1990's.

The Principles are comprehensive statement of responsible business practice formulated by business leaders for business leaders. These principles are rooted in two basic ethical ideals: kyosei and human dignity. The Japanese concept of "kyosei" means living and working together for the common good enabling cooperation and mutual prosperity to coexist with healthy and fair completion.

"Human dignity" refers to the sacredness or value of each person as an end, not simply as a means to the fulfillment of others' purposes or even majority prescription. Business behavior can affect relationships among nations and the

prosperity and wellbeing of us all. Business is often the first contact between nations and, by

the way in which it causes social and economic changes, has a significant impact on the level of fear or confidence felt by people worldwide. The

emphasis is on seeking to establish what is right rather than who is right.

SECTION 1. PREAMBLE

The mobility of employment, capital, products and technology is making business increasingly global in its transactions and its effects. Law and market forces are necessary but insufficient guides for conduct.

Responsibility for the policies and actions of business and respect for the dignity and interests of its stakeholders are fundamental. Shared values, including a commitment to shared prosperity, are as important for a global community as for communities of smaller scale.

For these reasons, and because business can be a powerful agent of positive social change, we offer the following principles as a foundation for dialogue and action by business leaders in search of business responsibility. In so doing, we affirm the necessity for moral values in business decision making. Without them, stable business relationships and a sustainable world community are impossible.

SECTION 2. GENERAL PRINCIPLE

PRINCIPLE 1. THE RESPONSIBILITIES OF BUSINESSES:

**BEYOND SHAREHOLDERS TOWARD
STAKEHOLDERS**

The value of a business to society is the wealth and employment it creates and the marketable products and services it provides to consumers at a reasonable price commensurate with quality. To create such value, a business must maintain its own economic health and viability, but survival is not a sufficient goal. Businesses have a role to play in improving the lives of all their customers, employees, and shareholders by sharing with them the wealth they have created. Suppliers and competitors as well should expect businesses to honor their obligations in a spirit of honesty and fairness. As responsible citizens of the local, national, regional and global communities in which they operate, businesses share a part in shaping the future of those communities.

PRINCIPLE 2. THE ECONOMIC AND SOCIAL IMPACT OF BUSINESSES:

TOWARD INNOVATION, JUSTICE AND WORLD COMMUNITY

Businesses established in foreign countries to develop, produce or sell should also contribute to the social advancement of those countries by creating productive employment and helping to raise the purchasing power of their citizens. Businesses also should contribute to human rights, education, welfare, and vitalization of the countries in which they operate. Businesses should contribute to economic and social development not only in the countries in which they operate, but also in the world community at large, through effective and prudent use of resources, free and fair competition, and emphasis upon innovation in technology, production methods, marketing and communications.

PRINCIPLE 3. BUSINESS BEHAVIOR:

BEYOND THE LETTER OF LAW TOWARD A SPIRIT OF TRUST

While accepting the legitimacy of trade secrets, businesses should recognize that sincerity, candor, truthfulness, the keeping of promises, and transparency contribute not only to their own credibility and stability but also to the smoothness and efficiency of business transactions, particularly on the international level.

PRINCIPLE 4. RESPECT FOR RULES

To avoid trade frictions and to promote freer trade, equal conditions for competition, and fair

and equitable treatment for all participants, businesses should respect international and domestic rules. In addition, they should recognize that some behavior, although legal, may still have adverse consequences.

PRINCIPLE 5. SUPPORT FOR MULTILATERAL TRADE

Businesses should support the multilateral trade systems of the GATT/World Trade Organization and similar international agreements. They should cooperate in efforts to promote the progressive and judicious liberalization of trade and to relax those domestic measures that unreasonably hinder global commerce, while giving due respect to national policy objectives.

PRINCIPLE 6. RESPECT FOR THE ENVIRONMENT

A business should protect and, where possible, improve the environment, promote sustainable development, and prevent the wasteful use of natural resources.

PRINCIPLE 7. AVOIDANCE OF ILICIT OPERATIONS

A business should not participate in or condone bribery, money laundering, or other corrupt practices: indeed, it should seek cooperation with others to eliminate them. It should not trade in arms or other materials used for terrorist activities, drug traffic or other organized crime.

SECTION 3. STAKEHOLDER PRINCIPLES

CUSTOMERS

All customers should be treated with dignity, irrespective of whether they purchase our products and services directly from us or otherwise acquire them in the market. Therefore there is a responsibility to: – provide customers with the highest quality products and services consistent with their requirements; – treat customers fairly in all aspects of our business transactions, including a

– high level of service and remedies for their dissatisfaction; – make every effort to ensure that the health and safety of customers, as well as the quality of their environment, will be sustained or enhanced by the products and services; – assure respect for human dignity in products offered, marketing and advertising; –

and respect the integrity of the culture of customers.

EMPLOYEES

Dignity of every employee and in taking employee interests seriously. Therefore there is a responsibility to: – provide jobs and compensation that improve workers' living conditions; – provide working conditions that respect each employee's health and dignity; – be honest in communications with employees and open in sharing information, – limited only by legal and complete constraints; – listen to and, where possible, act on employee suggestions, ideas, requests and complaints; – engage in good faith negotiations when conflict arises; – avoid discriminatory practices and guarantee equal treatment and opportunity in areas such as gender, age, race, and religion; – promote in the business itself the employment of differently-abled people in places of work where they can be genuinely useful; – protect employees from avoidable injury and illness in the workplace; – encourage and assist employees in developing relevant and transferable skills and knowledge; and be sensitive to the serious unemployment problems frequently associated with business decisions, and work with governments, employee groups, other agencies and each other in addressing these dislocations.

OWNERS/INVESTORS

Honoring the trust of investors. Therefore there is a responsibility to: – apply professional and diligent management in order to secure a fair and complete return on the owners' investment; – disclose relevant information to owners/investors subject to legal requirements and complete constraints; – conserve, protect, and increase the owners/investors' assets; and respect owners/investors' requests, suggestions, complaints, and formal resolutions.

SUPPLIERS

The relationship with suppliers and subcontractors must be based on mutual respect. Therefore there is a responsibility to: – seek fairness and truthfulness in all activities, including pricing, licensing, and rights to sell; – ensure that business activities are free from coercion and unnecessary litigation; – foster long-term stability in the supplier relationship in return for value, quality, competitiveness and reliability; – share information with suppliers and integrate them into planning processes; –

pay suppliers on time and in accordance with agreed terms of trade; and

– seek, encourage and prefer suppliers and subcontractors whose employment practices respect human dignity.

COMPETITORS

Fair economic competition is one of the basic requirements for increasing the wealth of nations and ultimately for making possible the just distribution of goods and services. Therefore there is a responsibility to: – foster open markets for trade and investment; – promote competitive behavior that is socially and environmentally beneficial and demonstrates mutual respect among competitors; – refrain from either seeking or participating in questionable payments or favors to secure competitive advantages; – respect both tangible and intellectual property rights; and – refuse to acquire commercial information by dishonest or unethical means, such as industrial espionage.

COMMUNITIES

As global corporate citizens companies can contribute to such forces of reform and human rights as are at work in the communities in which corporations operate. Therefore they have a responsibility in those communities to: – respect human rights and democratic institutions, and promote them wherever practicable; – recognize government's legitimate obligation to the society at large and support public policies and practices that promote human development through harmonious relations between business and other segments of society;

– collaborate with those forces in the community dedicated to raising standards of health, education, workplace safety and economic well-being; – promote and stimulate sustainable development and play a leading role in preserving and enhancing the physical environment and conserving the earth's resources;

– support peace, security, diversity and social integration; – respect the integrity of local cultures; and

– be a good corporate citizen through charitable donations, educational and cultural contributions, and employee participation in community and civic affairs.

REFERANCES

1. <http://www.cauxroundtable.org/>
2. Litka, M. and M. Blodgett International Dimensions of the Legal Environment of Business, Third Edition. Cincinnati: South-Western College Publishing, 1995.