

## **“Expected” and “Desirable” Ethical Behaviour as Source of Reputation and Competitiveness**

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It is in the major interest of Companies, as well as of wider society, to better understand the ways in which civil, political, economic, social and cultural rights can be supported within companies and across the business sectors in order to achieve the consumers' preference.

Over recent years and months there has been - and there is still - a boring discussion about the voluntary or regulatory approaches. This is regrettable. It is a false dilemma. Human rights have always required a combination of both voluntary and mandatory efforts in order to achieve sustainable change and to raise the minimum standard of acceptable behaviour. Instead of arguing in favour of or against the voluntary or regulatory approach, we should more concretely discuss - as the Companies and every business person do, since they are used to face quite many short-term problems every day - about which level of behaviour is the one which better fits within the business sector, with respect to human rights.

I believe there is a 'minimum' or 'essential' level of behaviour, below which no business should be allowed to fall, which in many countries is already regulated by national laws (and/or regional like in the EU). Businesses should therefore respect these laws and the central role of government in maintaining international standards.

But what happens in countries where governments are unwilling or unable to enforce these standards? In this case, business has a voluntary role to play, helping to implement some of these rights whilst making efforts to help governments fulfil their own responsibilities.

The most important potential work for large companies should lie above the regulated minimum. The growing awareness of unacceptable issues inside many factories, affecting millions of workers and communities, and the growth of ethical investment and sustainability indexes for publicly listed companies in some parts of the world, is creating compelling 'market expectations' for companies to perform to higher 'expected' standards. The exact nature of 'expected behaviour' will vary across business sectors and whilst 'minimum' behaviour includes all human rights, additional 'expected' behaviour can focus on specific human rights that lie most centrally within the sector's sphere of influence.

In this way, it is no coincidence that, for example, extractive companies have a particular role to play in security issues, retailers in labour rights and pharmaceutical companies in the right to health. But there is also a third tier : the 'desirable' behaviour, which represents real leadership, beyond general and sectoral expectations, although many times it might be misunderstood as philanthropy. It can also self-consciously relate to a specific area of the human rights spectrum. However, it makes no sense for a company to engage in 'desirable' behaviour within a specific area of human rights, if its 'essential' and 'expected' behaviours are not in place. In other words, a Company not giving money for poor children but implementing corporate social responsibility in its activities, should be preferred to another Company spending millions for kindergartens in Kenya or Congo while using factories where children work without protection, or paying low salaries, refusing workers unions, harassing the female workers, polluting the public air.

I believe that the three above mentioned tiers correspond to three levels of companies' duties in regard to the human rights : a) the level of respect which assumes that companies must avoid to interfere with the actual realization of the human rights; b) the level of protection, which calls for Companies to act in order to promote their same conduct towards their commercial partners (inter alia, the supply chain); c) the level of fulfilment, which implies a proactive conduct from the Companies.

At this point, it's easy to deduct from the above considerations that in order to maintain and possibly increase the level of the Company Reputation, the Companies should not only "respect" the human rights, but they should act for an effective commitment to "protect" them and -if possible- contribute to their "level of fulfilment".

According to their positioning along the three levels, the consumers' society will remunerate with a higher commercial preference the "responsible companies", which in turn brings along better reputation and higher sales volumes.

One might argue that the actual functioning of this mechanism in that strict consequential way is not proved yet: but it would be very easy to ask for confirmation of it to the hundreds of transnational companies which have been subject to strong campaigning or boycott actions because of their alleged violations or complicity in violations of human rights across the supply chain.

Nor one can indeed say that the Nike's owners and managers have wasted such a lot of time and money when they decided to realize their report in April 2005. Let's read what Philip H. Knigh wrote introducing the Nike CSR report : "I have confidence that the Nike team will continue to drive Nike toward our goal of becoming a corporate responsibility leader in 21st century business".

For the first time in the world, since when - in the last two decades of the last century- Civil Society, campaigners, University Professors have started talking about CSR, a Company (not a minor one), answering to ten years of critics and boycotts, has disclosed the list of its suppliers across the world and has decided to cancel more than one hundred factories where they have decided to stop production because of unacceptable violations of human rights, environment pollution, etc.