

The People Need Corporate Report Card. Now.

Problem

As corporations grow larger and more powerful, their impact on individuals and communities becomes disproportionately more significant. The practices, policies, and behaviors of corporations touch our lives whether we have any interaction or affiliation with these corporations or not. Complicating matters is that many companies will go to any length to hide the facts and effects of their behavior from those affected.

The residents of the town of Mount Pleasant, Pennsylvania, know this too well. In August 2011, the Hallowich family owned a 10-acre farm adjacent to a major oil and gas drilling, or “fracking,” operation, which included four gas wells, gas compressor stations, and a wastewater pond. The Hallowich family claimed the operation contaminated their water supply and caused burning eyes, sore throats, and headaches. Concerned for their children, they brought suit against the owners of the company. The unprecedented settlement ultimately reached by the two parties included a gag order not only on the parents but also on the Hallowich children, then aged ten and seven. None of the family was allowed to speak of fracking—or the specifics of their case—ever again. These facts were unknown until 2013, when the settlement was finally unsealed two years after it was reached, thanks to an investigation and open records request by the *Pittsburgh Post Gazette*. But what of the rest of the families in Mount Pleasant? How are they to know if they’re in danger? (*The Guardian*, August 5, 2013)

Increasingly, people want to know what’s up with the company down the street, across the river, over the county line. A November 2011 survey by CorporateRegister.com revealed that the American public thinks companies should be legally required to report on issues of corporate responsibility. And more and more consumers want to know about the company that produces a product before they buy. A July 2011 poll of 1000 Americans commissioned by consultancy 23red showed that the purchasing

decisions of 91 percent of respondents were influenced by the way a company behaved towards its customers and communities. Some 74 percent wanted to know more about the behavior of a company before buying, and 60 percent said awareness of a company's ethics affected their decision making. (*Marketing Magazine*, July 28, 2011) These results have been corroborated time and again by pollsters and survey specialists from big business insiders and critics alike.

In the article "Case Against Corporate Responsibility," Aneel Karnani wrote that "the idea that companies have a responsibility to act in the public interest and will profit from doing so is fundamentally flawed. . . . In circumstances in which profits and social welfare are in direct opposition, an appeal to corporate social responsibility will almost always be ineffective, because executives are unlikely to act voluntarily in the public interest and against shareholder interests." (*Wall Street Journal*, August 2010) Still, some industry leaders have taken aim at the burgeoning percentage of ethically conscious consumers and investors by doing their best to present only their best side. For example, Apple, the world's second-largest information technology company, takes great pains to publicize its philanthropic endeavors, environmental concerns, and elimination of toxic materials in its products, At the same time, the company deemphasizes its nonunion stance, use of overseas sweatshops, and maniacal secrecy. (*Ethical Chic*, Beacon Press, 2012). In spite of these practices, *Fortune* magazine has named Apple the most admired company in the world each year since 2008.

Powerful and deep-pocketed corporations are investing record amounts in public relations and media campaigns on every informational front—a spending spree fueled by companies seeking to improve their corporate image and harness new technologies to reach target audiences. (University of Southern California Strategic Public Relations Center, Generally Accepted Practices Study, 2013) According to private-equity firm Veronhis Suhler Stevenson, spending on traditional and digital public relations services in the United States totaled \$5.7 billion in 2010. Annual U.S. spending on combined public relations and word-of-mouth marketing services will increase at a compound annual growth rate of 14 percent between 2010 and 2015, rising to \$10.96 billion.

Concerned and curious citizens seemingly cannot rely on their government for much help in this arena. The Corporate Accountability Coalition's 2012 Report Card, which tracked Congressional action

related to corporate accountability, transparency, and responsible business during the second year of the 112th Congress, found that of the very few actions proposed to promote responsible business practices, most never even received a vote. And business leaders themselves? Increasingly, even their employees don't trust the powers-that-be. Workers' confidence in the ethics of senior leaders declined in 2011 from 68 percent to 62 percent, an historical low. In that year the percentage of employees who believed their supervisors act as ethical leaders fell to 66 percent from 76 percent in 2009, continuing a downward trend. Another finding, from the Ethics Resource Center's 2011 National Business Ethics Survey, points to a continued downward shift in business ethics. The number of employees who experienced retaliation for blowing the whistle on observed misconduct is on the rise, evidence of the many companies with a weak ethical culture.

Solution

In light of the culture of corporate obfuscation and in the face of an onslaught of image-oriented PR and marketing, how is any information seeker to know that the story she's getting is the full story—the straight scoop, unspun and unredacted? The answer: a free, open, and neutral information source that compiles and curates information pertaining to the full scope of corporate policy and behavior. A database of easy-to-access, transparent information gathered from reliable sources. An alliance of dedicated partners without corporate affiliation and free from corporate influence. The answer: Corporate Report Card (CRC).

A newly incorporated nonprofit organization, CRC will initially present itself online at corporatereportcard.org. This domain will function principally as a free public archive of neutral, transparent information pertaining to an established spectrum of corporate policy and activity as well as a forum for public analysis and, ultimately, evaluations of available information. CRC will gather publicly available, verifiable data from credible information sources that relate to classes of corporate behavior impacting the lives of individuals and their communities. These classes will align with the seven "core subjects" established by the International Organization for Standardization in its *Guidance on Social Responsibility*: (1) community involvement and development, (2) consumer issues, (3) the environment, (4) fair operating practices, (5) human rights, (6) labor practices, and (7) organizational

governance. After collecting and vetting information pertaining to these classes, CRC will employ due diligence standards to ensure its accuracy and, where necessary, seek independent corroboration as dictated by ethical journalistic practice. CRC will function as neutral archivist and protector of these corporate dossiers, making them available for free to all. Additionally, CRC will encourage informational analysis by recruiting readers from a variety of constituencies, including scientists, consumers, academics, and industry insiders and critics, whose evaluations will be aggregated and presented on each corporation's home page. The process adhered to by CRC in this and all its other activities will be transparent and open to scrutiny.

Users of CRC will report an improved awareness of corporate policy and activity, an increased understanding of how the after effects of corporate behavior affects individuals and communities, and an evolved corporate/individual/community relationship. Users will find that their new, improved awareness has made a positive impact on their own decision making, such as where to live and work, what and what not to buy, how to invest, and who to endorse for public office.

The Upshot

In the article "Beyond Selfishness," Henry Mintzberg, Robert Simons, and Kunal Basu—each a respected thinker in the fields of business, management, and ethics—wrote: "A syndrome of selfishness, built on a series of half-truths, has taken hold of our corporations and our societies, as well as our minds. This calculus of glorified self-interest and the fabrications upon which it is based must be challenged." (*MIT Sloane Management Review*, 2002)

According to a study published by the Swiss Federal Institute of Technology, a tightly knit "super-entity" of about 150 corporations controls much of the total wealth of a worldwide corporate network of 43,000 companies. (*New Scientist*, October 22, 2012) The nation's 10 largest financial institutions hold 54 percent of our total financial assets; in 1990, they held 20 percent. (*Mother Jones*, 2012) Meanwhile, the percentage of Americans who believe that corporations have too much power continues to rise even as wealth and power is consolidated by the dwindling few at the top. In December 2011, a well-publicized Pew Research poll reported that 77 percent of Americans said that

corporations have too much power—the majority opinion among Democrats, Republicans, and independents. These results have been verified by Gallup, ABC, *Time*, and others.

Clearly, the public wants to know more about management decisions and policies and the resultant actions of the corporations that employ them. The problem is that this information can be very difficult to find, even for the highly motivated. Are there viable options for the curious and the concerned? One can glean information from business publications, peruse watchdog organizations that highlight the negative actions of a small number of corporations, or attempt to research information from the corporations themselves. These options can be helpful, of course, but each requires a daunting amount of time and effort, usually resulting in an incomplete view of corporate behavior and often ending in frustration and confusion.

Current polls show that Americans overwhelmingly agree that concentrated corporate power destroys democracy. According to a recent *Time* poll, 86 percent of Americans said Wall Street and its lobbyists have too much influence in Washington, while 80 percent of Americans oppose the decision in *Citizens United v. Federal Election Commission*, the 2010 Supreme Court ruling that overturned two centuries of precedent by allowing an unlimited flow of anonymous corporate money into the election process. (*Yes!* magazine, January, 2012)

Corporate power and influence is growing exponentially, disproportionate to our understanding of it. The aftereffects of corporate decision making and behavior are being felt now more than ever. We the people whose lives are impacted by corporations deserve access to an unambiguous, neutral, and independent information source regarding the complete spectrum of corporate behavior. The time for CRC is now.