



In 1994 the Caux Round Table (CRT) first proposed certain ethical and socially responsible principles for the management of private companies and corporations. These Caux Round Table Principles for Business have been widely studied and used as reference points for achieving more comprehensive risk management and sustainable profitability under conditions of corporate social responsibility.

To implement its principles, the CRT now offers a unique management system called Arcturus: Charting a Course”. This assessment process has been successfully used by several substantial Japanese companies. The objectives of the system are to achieve better risk assessment and avoidance, to obtain more precise valuation of goodwill and other intangible assets, and to promote innovation, motivation and efficiency within the organization.

Arcturus sets forth items for inquiry about the operations and impact of a business in 49 areas. Each area implicates one of the seven CRT Principles for Business as it applies to a stakeholder. The Arcturus system has been customized to incorporate core concepts from the Global Compact. And it facilitates a company’s preparation of a triple-bottom line report using GRI reporting forms.

Arcturus consists of inquiry instruments that can involve the perspectives of many within a company. Inquiry results provide both in-depth analysis of critical value-drivers and more insightful reporting than has been possible with conventional financial yardsticks of business performance.

Arcturus is a process of rigorous inquiry into the risk parameters of a business. It helps convert intangible drivers of reputation capital, human capital and financial capital, not to mention the dynamics of corporate culture, into management goals and objectives. Business ethics can, thereby, be managed as a process of continuous improvement.

The CRT Principles for Business expand the intangible factors that constitute quality into a range of intangible factors that constitute quality relationships with stakeholders. Arcturus helps a business put metrics and quantitative measures to those intangibles to help the business form its strategy for successful and sustained profitability in a framework of social responsibility. Arcturus can be understood as extending the quality concept to the full range of a company’s stakeholders: customers, employees, owners and investors, suppliers, competitors and communities (with the needs of a healthy environment subsumed within the needs of community).

The relevance of Arcturus to management is enhanced by proposed changes to the UK Company law. The Company Law Reform Act, introduced in the House of Lords on November 1, 2005, provides in Clause 156 an affirmative set of duties for company directors to perform. The explanatory notes to the Reform Act state that “This duty, which codifies the current law, enshrines in statute what is commonly referred to as the principle of “enlightened shareholder value”.

The conception of “enlightened shareholder value” holds that a director’s duty is to promote the success of the company for the benefit of its members as a whole, placing the interests of

members in a priority position. But the “enlightened” approach to promoting shareholder value is to seek such value through having regard for a range of strategic considerations such as:

- 1) likely long term consequences of any decision
- 2) the interests of employees
- 3) the need to foster relationships with suppliers, customers and others
- 4) the impact of the company’s operations on the community and the environment
- 5) the desirability of the company maintaining a reputation for high standards of business conduct
- 6) the need to act fairly as between members of the company

This statutory requirement that a company be directed by the standards of “enlightened shareholder value” puts into law the substance of the Caux Round Table’s (“CRT”) Principles for Business, first published in 1994. For example, the first principle of the CRT Principles for Business is “The Responsibilities of Business: Beyond Shareholders Toward Stakeholders.” The CRT Principles then provide operational guidelines for a company’s relationships with all major stakeholder constituencies, including those noted in Clause 156 of the Reform Act: employees, suppliers, customers, community and the environment. The CRT Principles also call for high standards of business conduct and fairness with respect to all owners and investors.

Under Clause 158 of the Reform Act, a company director must exercise reasonable care, skill and diligence in his or her acts that he or she considers, in good faith, would be most likely to promote the success of the company. What test can there be of the degree to which a director has correctly and diligently promoted the success of the company? How can a director be sure that he or she has acted in good faith with respect to choosing among the conflicting criteria for measuring company success over the long term? What process of assurance could be employed to give confidence to both directors and company members that sound decisions have been made under the standards of Clause 156?

“Arcturus: Charting a Course” provides criteria for assessment and a scoring methodology for 49 areas of stakeholder engagement. It applies the CRT Principles for Business to six stakeholder constituencies: customers, employees, owners and investors, suppliers, competitors, and communities and in addition asks for an assessment of the degree to which the company lives up to high standards of responsibility in general. Principle number 6 of the CRT Principles for Business requires respect for the environment.

By completing the Arcturus evaluation instrument for their company, directors can demonstrate individually their competence and mastery of the company’s potential for promoting its success for the benefit of its members. The ability to score a range of company activities within a norm set by other directors and senior managers would demonstrate that an individual director has met minimum requirements of reasonable care, skill and diligence as called for by Clause 158 of the Reform Act.

Having a more expansive process of company evaluation with respect to the Arcturus stakeholder criteria involving senior management, middle managers and even representative stakeholders themselves would establish beyond reasonable doubt what the company has achieved in terms of promoting its success for the benefit of its members on the whole.

The Caux Round Table offers immediate access to the Arcturus process on commercial terms. In addition, the Caux Round Table can provide special leadership training sessions for

company directors in the application of the CRT Principles for Business using the book *Moral Capitalism* as a study guide.

The CRT is pleased to send you additional information, including the Executive and Board Inquiry Assessment:

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