



# YEAR IN REVIEW 2006

## MISSION STATEMENT

The Caux Round Table is an international network of principled business leaders working to promote a moral capitalism. The CRT advocates implementation of the CRT Principles for Business through which principled capitalism can flourish and sustainable and socially responsible prosperity can become the foundation for a fair, free and transparent global society. With respect to public governance, the CRT further advocates implementation of the CRT Principles for Government so that appropriate social capital can be accumulated throughout the world in a just and responsible manner.

The past year proved to be a most important one for the Caux Round Table in that, for the first time serious efforts got underway in a number of key countries to organize the implementation of CRT principles in those nations. What has been primarily a global network of like-minded persons evolved into a more activist structure with project leadership capacities crystallizing in local decision-making environments.

Second, the emergence of these local CRT implementation groups demonstrated in a most concrete and irrefutable manner the relevance of the CRT Principles in different national environments. The CRT has thus uniquely established a methodology for linking global norms of ethical business and governmental conduct to the moral traditions of many religions and cultures.

### **Global Trends and the Caux Round Table**

The McKinsey Quarterly published an article in January 2006 highlighting 10 trends that will shape prospects for business success or failure in the coming years. The editors then tracked developments in those trends during 2006 and have just reported on their impact on business. The editors believe, as they say it, that “companies that ride the currents succeed; those that swim against them usually struggle.”

The 10 trends highlighted are:

1. Massive realignment of the geographic location of economic activity
2. Aging populations will stress pension and health care budgets, demanding more productivity from younger workers
3. 1 billion new consumers will enter consumer markets in emerging market nations
4. We are only at the beginning of the global communications technology revolution – sending a mere 9 trillion emails a year. Geography is no longer a constraint on social and economic organization
5. Shift to knowledge-intensive industries will highlight the importance and scarcity of well-trained talent
6. Social suspicion of business will increase fueled by scandals and environmental mishaps
7. World natural resources are increasingly constrained. Scarcity of water and pollution of the atmosphere will require changed behaviors
8. The structure of industries is changing – a few giants at the top, a narrow range of middle-sized companies, and a flourish of small, fast-moving players on the bottom. Ecosystems of suppliers, producers and customers are emerging
9. Big companies will need new management tools
10. New forms of knowledge production, access, distribution and ownership are emerging

A number of these trends confirm the importance of the Caux Round Table’s agenda.

Trend #4 on the growing irrelevance of geography to social and economic organizational structures makes possible the Caux Round Table’s success as a global network of like-minded individuals. We can and do use the internet, cell-phones, conference calls, presentations by international video hook-up to build and sustain active participation around the world on behalf of our goals and aspirations and to perfect implementation of our unique business management approaches.

## **Promoting the Principles for Business**

The CRT's proprietary management approach to implementation of the CRT Principles within companies - Arcturus or, in Japan, CSR Innovation System – came of age. Nissan used the process to help structure its global CSR management systems. A number of other large Japanese companies such as Mitsui Chemical also subscribed to the CSR Innovation System to improve their CSR undertakings. Several MBS students in Germany were trained and accredited to deploy the system in Germany and a pilot project to introduce the system in Minnesota was begun. Use of Arcturus for research was undertaken in Russia and the process was brought to market in Thailand as well.

CRT-Japan was particularly active during the past year. Our colleagues there, under the supervision and leadership of CRT-Japan Executive Director Ishida Hiroshi, organized and conducted stakeholder dialogues for Nissan Motors Co., Ltd. and Standard Chartered Bank, Tokyo Branch. Other stakeholder dialogues were organized for Sumitomo 3M, Ltd. and Asahi Breweries, Ltd. A 4-day intensive training workshop was organized for Nomura Securities Co., Ltd. to provide its branch managers with an up-to-date understanding of CSR approaches.

Mr. Ishida and Mr. Maeda Hiroshi jointly published a book on how companies can use the CSR Innovation System for implementation of the CRT Principles. The book has now been published in Korean as well. CRT-Japan published the CRT-Japan News for its members and the CRT News Review for sharing important information with Japanese companies.

The contributions of CRT-Japan's outreach efforts were recognized with Mr. Ishida being appointed an Associate Professor teaching CSR at Kwansai Gakuin University in Osaka and asked to teach CSR at Aoyama Gakuin University in Tokyo.

Several customized versions of Arcturus were developed. One for the use of small companies, particularly family owned companies, was developed for consideration for organizations like the Better Business Bureau in the United States. And a special implementation assessment instrument was developed to support Global Compact companies. This is the only measurement and assessment instrument yet available to help companies meet the aspirations of the ten UN Global Compact principles. The CRT will place this instrument in the public domain for the free use of anyone who wants to seriously consider the implications of the Global Compact for their company.

With support from CRT participant Michael Labrosse and his colleagues at the Leadership Collaborative, the CRT was able finally to respond to the challenge of assisting individuals in business to better position themselves for living up to the decision-making standards set forth in the CRT Principles for Business. We have developed and tested a questionnaire for individuals to answer on a confidential basis that will provide them with an assessment of their reflexive attitudes towards others in business decision-making. We call this product the Ethical Leadership Profile.

With leadership from CRT participant Steve Dickinson, we developed a third product to assist in the implementation of the CRT Principles for Business. We have written a manual for leading Reflective Thinking Workshops for individuals. These workshops will guide individuals towards a deeper understanding of their concerns and motivations and then help them align their actions with the ideals supporting the Principles for Business – Kyosei, human dignity, and stewardship.

In developing these two new products, the CRT continued its work as a cutting edge “think tank” in the field of business ethics and corporate social responsibility. In this regard, the CRT entered into a joint undertaking with the US Chamber of Commerce to design curricula materials for the use of business schools to incorporate a CSR perspective in courses all across the business school course of study.

CRT Chair Lord Daniel Brennan, CRT World Advisory Council member Heribert Schmitz, and Howard Behar of Starbucks authored an important paper on new management styles and methods to respond better to the potentials brought into business by employees. This paper was delivered at a conference on CSR at the Pontifical University of St. Thomas in Rome.

Maarten de Pous, Executive Director Europe, and Stephen Young, Global Executive Director, co-authored a paper delivered at the EBEN (European Business Ethics Network) Research Conference in June at the School of Management, Saint Petersburg State University, Russia. The paper was entitled: “Without a Grounding in Religious Faith, what is to be done in respect to Corporate Social Responsibility?” Its subtitle was: “Corporate Social Responsibility and the Individual: If not me, then who?”

Numerous religious leaders from a variety of faiths gave their support to the CRT’s proposal that more attention be paid to ethics and personal character in public schools. The CRT’s position is that society has its obligations to enhance individual capacity for moral leadership in the people who will enter into business careers and who will be expected to apply the CRT Principles for Business in their working lives.

### **Promoting Greater use of Private Capital in developing Countries**

CRT Chair Lord Daniel Brennan proposed closing a major loophole in global financial architecture. At present, billions of dollars in “dirty” money flow from poor and developing countries to wealthy money centers each year with little difficulty. Lord Brennan has proposed the establishment of a private sector entity to seek recovery of such money as can be traced from acts of corruption to investment in money centers and other well-to-do environments.

The CRT has received funding to undertake a study project on the application of its principles for government within the normative framework of the Koran. Tunku Abdul Aziz of Malaysia will assist in the implementation of this project, which will be carried out with support from the International Islamic University in Kuala Lumpur, the Harvard Divinity School, and the Hills Governance Program at the Center for Strategic and International Studies in Washington DC.

At the Global Dialogue in July, the CRT published its suggested Principles for NGOs, the result of a study group in The Netherlands under the leadership of Prof. Dr. Harry Hummels. The project, suggested by Herman Wijffels of the CRT World Advisory Council and now an Executive Director of The World Bank, completes the structure of ethical norms for the leading institutions of contemporary society: private business, government and civil society organizations. With the normative structure in place consistent with fundamental and globally acceptable ethical aspirations, decision-makers can turn their attention to operational measures of implementation and resulting assurance of fidelity to standards of justice.

### **CRT Events**

In May 2006 the CRT presented its award for principled leadership to UN Secretary General Kofi Annan for his determined personal commitment to higher standards of ethics for private business, his recognition of the need for private enterprise in the quest for economic justice and an end to poverty, and his personal sponsorship of the Millennium Goals for the reduction of poverty.

The CRT Global Dialogue for 2006 was held in Mountain House, Caux, Switzerland. On this occasion, Frank Straub, a member of the CRT's Global Governing Board and CEO of BLANCO, was presented with the CRT Distinguished Service Award for his work in promoting the CRT Principles in Germany.

### **Outreach efforts**

Local chapters of the Caux Round Table were established in Mexico and Croatia. The book Moral Capitalism was published in Spanish by IberAmericana University in Mexico City and CRT Chair Lord Daniel Brennan gave the keynote address at the annual award ceremony of ALIRSE for the most responsible Mexican companies. President Mesic of Croatia agreed in principle to have the CRT advise him on a moral framework for the economic development of Croatia in line with the approach of Moral Capitalism. He said on the occasion of publication of Moral Capitalism in Croatia, that Moral Capitalism was the "way out" for Croatia.

An initiative was begun in Germany to establish a non-profit foundation to support the growth of CRT activities there. The CRT Principles for Business were published in German in an attractive brochure format. A group of business leaders met in Warsaw in December to initiate a CRT chapter in Poland. Efforts also began in Canada to establish a CRT Chapter there in the first part of 2007.

Saint Petersburg State University, School of Management, in Russia approached the CRT for a partnership in promoting Arcturus in Russia and the Shanghai Academy of Social Sciences met with CRT leaders to discuss how the Academy could use Arcturus for research into the CSR achievements of companies in the Shanghai area.

An office was established in Washington, DC, to better integrate the CRT's approach to development among international agencies located there and to heighten the CRT's profile among American opinion makers.

Karel Noordzy of the CRT's Global Governing Board spoke on leadership to business schools in Warsaw and Krakow and CRT Chair Lord Brennan spoke to conferences of business leaders in Portugal and Chile and met with senior business leaders in Columbia.

## **Organization**

CRT-Japan was registered as an independent non-profit organization in Japan.

Ruth Stricker Dayton, CEO of The Marsh, a nationally well-known and prestigious health and wellness facility in Minnesota, and Tony Valeri President of Ridge Strategy Group and an Executive in Residence at McMaster University's DeGroote School of Business in Canada were elected to the CRT's Global Governing Board. Heribert Schmitz of Germany, former Chairman of HP Germany, was elected to the CRT's World Advisory Council and Prof. Yury Blagov of the School of Management of Saint Petersburg State University in Russia, was elected a Fellow of the CRT.

## CAUX ROUND TABLE LEADERSHIP

### **Global Governing Board**

The Lord Dan Brennan QC – United Kingdom  
Toru Hashimoto – Japan  
F. Raúl Martínez – Mexico  
Karel J. Noordzy – The Netherlands  
Noel Purcell – Australia  
Crocker Snow, Jr. – United States  
Frank Straub – Germany  
Ruth Stricker Dayton – United States  
Tony Valeri – Canada

### **World Advisory Council**

J. Brian Atwood – United States  
Tunku Abdul Aziz – Malaysia  
Sir Anthony Cleaver – United Kingdom  
Joseph J. Melone – United States  
Hon. Anand Panyarachun – Thailand  
James J. Schiro – United States  
Heribert Schmitz – Germany  
Lodewijk C. van Wachem – The Netherlands  
John C. Whitehead – United States  
Dr. Herman H.F. Wijffels – The Netherlands

### **Caux Round Table Fellows**

Senior Fellows: Ronald O. Baukol – United States  
Kevin Cashman – United States  
Morihiisa Kaneko – Japan  
Steve Lydenberg – United States  
Fellows: Thomas Bausch – United States  
Yury E. Blagov – Russia  
Prof. Dr. Harry Hummels – The Netherlands  
Dr. Doran Hunter – United States  
Chris Pierce – United Kingdom  
Gustavo de la Torre – Mexico

### **Academic Advisory Council**

Samuel P. Huntington – United States  
David S. Landes – United States  
G. Edward Schuh – United States

### **Senior Staff**

Stephen B. Young, Global Executive Director, United States  
Maarten de Pous, Executive Director - Europe, The Netherlands  
Hiroshi Ishida, Executive Director - Japan, Japan