

2003

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Recommended Citation

Timothy L. Fort and Cindy A. Schipani, Corporate Governance and Sustainable Peace, 36 *Vanderbilt Law Review* 367 (2021)

Available at: <https://scholarship.law.vanderbilt.edu/vjtl/vol36/iss2/1>

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Corporate Governance and Sustainable Peace: Intra-Organizational Dimensions of Business Behavior and Reduced Levels of Violence⁺

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The Articles and Commentary in this Symposium represent the essential theme of the second William Davidson Institute Conference on Corporate Governance and Sustainable Peace held at the University of Michigan in November 2002. The general theme of this and the first conference was to explore whether business may be conducted in ways to help reduce violence in society. Both conferences were funded through the generosity of The William Davidson Institute at the University of Michigan Business School, the Initiative for Social Innovation Through Business of The Aspen Institute and Dr. Erika O. Parker, in memory of her late husband, Edwin C. (Ted) Parker.

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The first conference, held in November 2001, addressed the general question of what impact, if any, corporations might have on peace throughout society.¹ The basic conclusion of that conference was that there is a plausible relationship between business and peace.² In this second conference, the participants looked more closely at the corporation considering whether there were particular activities, practices, and structures that might promote the goal of peace. Thus, the 2002 conference focused primarily on intra-organizational themes.

The Articles of this conference constitute a focused discussion of factors that may allow businesses to contribute to peace. Prominent among these themes are notions of encouraging voice within the corporation, sometimes undergirded by property rights; encouraging less autocratic and less hierarchical workplace environments; reforming board accounting standards to satisfactorily account for risk; practicing gender equity, particularly in promotion and hiring, as well as in prevention of harassment; considering the moral reasons why business may adopt these practices; and building a sense of flourishing communities within business. Business ethicists have long pointed to factors such as these as being important attributes of responsible corporations. The linkage to sustainable peace, however, suggests a teleological end and justificatory explanation for why business executives should practice ethical business behavior. In short, if businesses can reduce incidences of violence by attending to these issues, then there is a strong reason—namely, the reduction of bloodshed—for corporate practices to be reconsidered.

This Symposium consists of two sections. The first Section presents the scholarly articles written for the conference. The second Section is comprised of commentary from the conference, originally prepared as keynote speeches or panelist presentations.

SECTION ONE

In the opening Article entitled, *Adapting Corporate Governance for Sustainable Peace*, Timothy Fort and Cindy Schipani argue that contemporary political theory suggests a greater role for corporations to play in international relations.³ Currently, even under balance-of-

1. Articles published from this conference can be found at 35 VAND. J. TRANSNAT'L L. 379 (2002)

2. See Timothy L. Fort & Cindy A. Schipani, *Corporate Governance, Stakeholder Accountability and Sustainable Peace: An Overview of the Conference*, 35 VAND. J. TRANSNAT'L L. 389 (2002).

3. Timothy L. Fort & Cindy A. Schipani, *Adapting Corporate Governance For Sustainable Peace*, 36 VAND. J. TRANSNAT'L L. 377 (2003).

power formulations, corporations hold a greater position of power vis-à-vis the rest of the world, including nation-states, than perhaps at any other time in world history. Accordingly, there is at least the opportunity for corporations to have an impact on issues of violence. The Article discusses the corporate governance structures prevalent in the United States, Germany, and Japan, and then proposes a central set of corporate goals that are both consistent with each governance regime and yet directs corporations toward the goal of sustainable peace.⁴

Caryn Beck-Dudley and Steven H. Hanks develop a normative model for considering how corporations can be authentic communities in their Article *On Virtue and Peace: Creating a Workplace Where People Can Flourish*.⁵ Their theory is that in becoming authentic communities, businesses will be in a better position to foster virtues that may have positive spillover effects into the local community.⁶ Beck-Dudley and Hanks adopt an explicitly Aristotelian formulation of the corporation, drawing heavily on the work of John Finnis and Robert Solomon, to argue for a vision of a cooperative corporate community. Inherent in that vision is a sense of "peaceableness."⁷ They define peaceableness as freedom from conflict, a virtue necessary for people to flourish.⁸ Peaceableness can be fostered by the organization and practiced by individuals within the corporate community.⁹ Beck-Dudley and Hanks then describe how the Champion Paper Products at the Sartel Minnesota Paper Mill changed its corporate atmosphere from one of "warfare" to one of cooperation after the parties, exhausted by their conflict, adopted a sense of peaceableness in their contract negotiations.¹⁰ That sense then continued to not only permeate the corporate culture, but to also assist in developing cooperative senses of voice and democratic decision-making.¹¹ One worker, for example, went on to run for political office, ostensibly due in part to the skills developed in this new kind of business environment.¹²

Frances Zollers and Elletta Callahan, in *Workplace Violence and Security: Are there Lessons for Peacemaking?*, steer the argument back to a troublesome side of workplace culture.¹³ While the

4. *Id.*

5. Caryn L. Beck-Dudley & Steven H. Hanks, *On Virtue and Peace: Creating a Workplace Where People Can Flourish*, 36 VAND. J. TRANSNAT'L L. 427 (2003).

6. *See generally id.*

7. *See generally id.*

8. *Id.* at 434.

9. *Id.* at 435.

10. *Id.* at 435-46.

11. *Id.*

12. *Id.*

13. Frances E. Zollers & Elletta Sangrey Callahan, *Workplace Violence and Security: Are There Lessons for Peacemaking?*, 36 VAND. J. TRANSNAT'L L. 449 (2003).

previous two articles argue for ways in which corporations can contribute to the reduction of violence, Zollers and Callahan remind us of the realities of violence occurring in the workplace. In doing so, they not only address issues of workplace violence per se, but suggest insights that might be extended to international contexts.¹⁴ In particular, they review the kinds of programs typically recommended for addressing issues of workplace security and explore the extent to which these measures are consistent with democratic values.¹⁵ In order to achieve the twin goals of protecting privacy and ensuring security, they suggest processes that promote trust, participation, and dignity.¹⁶ Moreover, they argue that these processes can apply to local, national, and global contexts.¹⁷

Dana Muir brings her expertise as an employee benefits scholar to address the extent to which employee voice, particularly as grounded in various formal employee arrangements, might link to a structure that enhances cooperative relationships in society in *Groundings of Voice in Employee Rights*.¹⁸ Muir demonstrates that throughout history, profit sharing and other formal mechanisms of employee participation have been championed as a way to structure more inclusive and more cooperative relationships between workers and employers.¹⁹ Muir reports examples beginning from the founding of the United States through the 20th century and surveys the positive ways in which various kinds of corporate benefit plans can foster such relationships.²⁰ At the same time, she also warns of drawbacks of extant legal arrangements and points to inherent conflict of interest issues that make employee empowerment a complex workplace issue.²¹ Perhaps even more importantly, she raises cautionary flags with respect to the cynicism that can be bred with superficial programs.²² Programs that claim to empower workers when in reality they do nothing of the sort may be worse than no program at all.

Terry Morehead Dworkin and Cindy A. Schipani also address specific issues of voice.²³ In their Article entitled *Gender Voice and Correlations with Peace*, they establish linear, statistically correlative

14. See generally *id.*

15. *Id.* at 462-73.

16. *Id.* at 478-80.

17. *Id.* at 480-81.

18. Dana Muir, *Groundings of Voice in Employee Rights*, 36 VAND. J. TRANSNAT'L L. 485 (2003).

19. See generally *id.*

20. *Id.* at 489-94.

21. *Id.* at 521-23.

22. See generally *id.*

23. Terry Morehead Dworkin & Cindy A. Schipani, *Gender Voice and Correlations with Peace*, 36 VAND. J. TRANSNAT'L L. 527 (2003).

relationships between the involvement of women in business and violence in countries throughout the world.²⁴ Generally speaking, they find a positive correlation among those countries showing openness to women in business with countries that are less violent.²⁵ Conversely, they also find a positive correlation among countries where women were reported as having less gender equity and countries that are more violent.²⁶ Dworkin and Schipani recognize that there can be destabilizing effects on countries that are moving from exclusion of women to an openness toward women, but argue that long-term societal benefits suggest that the inclusion of women in the workplace may provide greater likelihood for sustainable peace.²⁷ They also address the practices that are necessary within the workplace to make business hospitable toward women, particularly with respect to harassment issues.²⁸ Both of these aspects suggest specific opportunities for corporations to contribute to sustainable peace.

Thomas Dunfee and Timothy Fort provide a normative evaluation for making peace a "hypergoal" for business organizations and apply that hypergoal to a typology of international business practices, including the case of conflict diamonds in Africa. In *Corporate Hypergoals, Sustainable Peace, and the Adapted Firm*, Dunfee and Fort review existing business ethics theories to show that an overarching goal of peace can be plausibly established through instrumental, deontological, and aspirational frameworks.²⁹ Transparency and contributions to sustainable peace are presented as two examples of potential hypergoals. With this as foundation, they present a typology of corporate strategy in international contexts which they label The Corporate Imperialist, The Corporate Nationalist, The Corporate Chameleon, and The Corporate Opportunist.³⁰ This typology is then used to characterize the various actors in the conflict diamonds controversy, and the Authors conclude that by adopting a hypergoal of Contributing to Sustainable Peace, businesses gain a criteria that illustrates the actions that need to be taken.³¹

Tara Radin also provides an illustrative case study. Radin begins with the challenges that resulted for the Cantor Fitzgerald firm after the terrorist attacks of September 11, 2001 in *700 Families*

24. See generally *id.*

25. *Id.* at 531-38.

26. *Id.*

27. *Id.* at 542-57.

28. *Id.*

29. Thomas W. Dunfee & Timothy L. Fort, *Corporate Hypergoals, Sustainable Peace, and the Adapted Firm*, 36 VAND. J. TRANSNAT'L L. 563 (2003).

30. *Id.* at 599-605.

31. *Id.* at 605-10.

to *Feed: The Challenge of Corporate Citizenship*.³² She references the sentiment expressed by CEO Howard Lutnick that he had “700 families to feed” in exploring responsibilities of corporations in addition to those which classically run to shareholders.³³ His intuition, she argues, is that of stakeholder theory.³⁴ She proceeds to argue that stakeholder intuitions are not antithetical to the law.³⁵ Moreover, she modifies the traditional “hub-and-spokes” model of stakeholder theory to contend for a more complex, interrelational model to account for the relationships that exist within a company and among various other societal actors.³⁶ Accounting for these relationships comprehensively and explicitly, she argues, provides a model more attuned to the way in which corporations might contribute to sustainable peace.³⁷

Lee Reed acknowledges the various organizational ways in which relationships can be fostered, but stresses that, in the final analysis, the best guarantor for the kinds of freedoms that lead to sustainable peace are those grounded in a respect for the singular right of property. In *Nationbuilding 101: Reductionism in Property, Liberty, and Corporate Governance*, Reed strives to explain property, which he defines as the right to exclude others, including the state, from a broad sense of “resources,” limited only by taxation, eminent domain, and the equal exclusionary right of others.³⁸ This meaning reduces both property and liberty to virtual synonyms, and not only illuminates various issues of corporate governance, but also provides a focus for understanding Western legal systems. The importance of property, he argues, is not simply academic but reflects support for actual behaviors rooted in the evolutionary processes of human nature.³⁹ The right of property creates an incentive for maximizing human effort and is linked inextricably to the advanced economic development of Western and certain Pacific Rim nations.⁴⁰ Following Hernando de Soto, he argues that countries with strong protection of property rights are the most prosperous and that those with weak protection of property are the poorest.⁴¹ If prosperity is then linked

32. Tara J. Radin, *700 Families to Feed: The Challenge of Corporate Citizenship*, 36 VAND. J. TRANSNAT'L L. 619 (2003).

33. *Id.* at 620-23.

34. *Id.* at 638-44.

35. *Id.* at 647-54.

36. *Id.* at 643.

37. *Id.* at 670.

38. O. Lee Reed, *Nationbuilding 101: Reductionism in Property, Liberty, and Corporate Governance*, 36 VAND. J. TRANSNAT'L L. 673 (2003).

39. *Id.* at 677-99.

40. *Id.* at 690-93.

41. *Id.* at 720-21.

to reduced violence, as many believe, property becomes fundamental to nationbuilders as an institution necessary for sustainable peace.

SECTION TWO

Marina v.N. Whitman provided one of the keynote addresses for the conference, entitled *Corporate Governance and Sustainable Peace: An Insider's View*.⁴² Whitman, a long-time member of various U.S. corporate boards, including Procter and Gamble and Unocal, assesses contemporary concerns about corporate social responsibility initiatives, and provides examples of corporations devoting increasing amounts of attention and resources to such initiatives.⁴³ Whitman traces various changes in the corporate boardroom, including increasing recognition that success for shareholders results from satisfying other stakeholders.⁴⁴ Other changes include increase in diversity and employee voice, as well as a change in leadership style toward a more team-like structure.⁴⁵ Although contributing to sustainable peace is an additional, idealistic step in corporate governance, she comments on the potential efficacy of initiatives with such an objective.⁴⁶

Lee Tavis presents a case study in how the U.N. Global Compact was utilized by the Swiss pharmaceutical, Novartis AG, in *Novartis and the U.N. Global Compact Initiative*.⁴⁷ The U.N. Global Compact offers an opportunity for companies to be a part of shaping the application of its Nine Principles and, in doing so, to also be evaluated according to how well the company has integrated the Principles into its organizational structure.⁴⁸ For the evaluation, an outside independent analysis is invited to assess the company's effort to integrate the Nine Principles operationally. Tavis's account is one of the first of such assessments and merits consideration as an example of the Global Compact in action. More generally, Tavis's analysis also provides insights into the kinds of concerns and issues that arise when a company seeks to incorporate peace-related goals to corporate practices.

Michael J. O'Hara in *Governing for Genuine Profit*, addresses the duties of the board of directors in conjunction with possible issues of

42. Marina v.N. Whitman, *Corporate Governance and Sustainable Peace: An Insider's View*, 36 VAND. J. TRANSNAT'L L. 723 (2003).

43. See generally *id.*

44. See generally *id.*

45. See generally *id.*

46. See generally *id.*

47. Lee A. Tavis, *Novartis and the U.N. Global Compact Initiative*, 36 VAND. J. TRANSNAT'L L. 735 (2003).

48. See generally *id.*

violence.⁴⁹ His commentary provides a provocative argument for how corporations account for risk. O'Hara argues that corporations all too frequently go beyond discounting unlikely risks; they ignore them.⁵⁰ As a result, corporations frequently do not attend to long-term risks. While it may be the job of management, at least under contemporary financial pressures, to attend to short-term concerns, the board of directors should focus on long-term issues. With concerns of terrorism and other potential violence, modern boards of directors violate their duties by governing as if risk, even if relatively remote, does not exist. Accordingly, O'Hara recommends that corporations construct feedback loops that provide value as well as information about potential risks and that boards of directors affirmatively address these issues.⁵¹

Like Zollers and Callahan, Thomas Capozzoli in *The Organizational Model for Workplace Security*, addresses the issue of workplace violence. Capozzoli's work focuses on these issues within the United States and also addresses potential terrorist actions in the workplace.⁵² Unlike Zollers and Callahan, Capozzoli focuses on the kinds of counteractive forces that discourage workplace violence. Although he agrees with Zollers and Callahan that the best type of workplace is one with trust and participation, until that happens, we must be prepared for violence.⁵³ Capozzoli presents a typology of kinds of workplace violence and notes the problems associated with autocratic workplace hierarchies.⁵⁴ He also provides a series of pragmatic actions corporations can take to redesign hiring practices, termination policies, and security procedures.⁵⁵

Jeannette Jackson and Maria Coolican in *Strategies for Implementing Organizational Change*, argue that families, schools, religious organizations, social groups, and business organizations all have the potential to contribute to a more peaceful society by creating "rules of the game" that require respectful, civil, and peaceful behaviors of the members.⁵⁶ If organizations are structured in such a way as to recognize the needs of its employees, if they use a code of behavior that is civil and caring, if they give developmental feedback

49. Michael J. O'Hara, *Governing for Genuine Profit*, 36 VAND. J. TRANSNAT'L L. 765 (2003).

50. See generally *id.*

51. *Id.* at 777-79.

52. Thomas K. Capozzoli, *The Organizational Model for Workplace Security*, 36 VAND. J. TRANSNAT'L L. 781 (2003).

53. See generally *id.*

54. *Id.* at 782-85.

55. *Id.* at 785-86.

56. Jeannette Jackson & Maria Coolican, *Healthy Organizations and the Link to Peaceful Societies: Strategies for Implementing Organizational Change*, 36 VAND. J. TRANSNAT'L L. 787 (2003).

to employees, and if they create opportunities for a variety of networks between people, the environment is likely to be conducive for positive conflict resolution and healthy organizational growth.⁵⁷ A respectful way of working together will often spill over into behavior outside of the organization.

CONCLUSION

The Articles and Commentary in this Symposium are another step in a series of conferences exploring dimensions of business influence on sustainable peace. As is often the case with new intellectual initiatives, each step seems to open new doors of insight and new sets of questions. Other presentations delivered at this conference included discussions of how one could design architectural plans in keeping with company goals,⁵⁸ while others focused on the development of compassion,⁵⁹ forgiveness,⁶⁰ and voice.⁶¹ Still others connected the topic to notions of ethical compliance models,⁶² dispute resolution,⁶³ corporate citizenship,⁶⁴ and economic development.⁶⁵

57. *See generally id.*

58. Linda Groat, Building Values into Corporate Space, Presentation at 2002 William Davidson Institute Conference, Corporate Governance and Sustainable Peace (Nov. 22-24, 2002).

59. Jane Dutton, Building Compassion Capacity in Organizations as a Pathway for Fostering Peace, Presentation at 2002 William Davidson Institute Conference, Corporate Governance and Sustainable Peace (Nov. 22-24, 2002).

60. Kim Cameron, Organizational Virtuousness and Peace: The Case of Forgiveness, Presentation at 2002 William Davidson Institute Conference, Corporate Governance and Sustainable Peace (Nov. 22-24, 2002).

61. Gretchen Spreitzer, Implications of Organizational Leadership and Employee Voice for Peace, Presentation at 2002 William Davidson Institute Conference, Corporate Governance and Sustainable Peace (Nov. 22-24, 2002); *see also* Frances J. Milliken, Understanding Dynamics of Voice and Silence in Organizations, Presentation at 2002 William Davidson Institute Conference, Corporate Governance and Sustainable Peace (Nov. 22-24, 2002).

62. Tom McCormick, Ethics and Compliance at Dow, Presentation at 2002 William Davidson Institute Conference, Corporate Governance and Sustainable Peace (Nov. 22-24, 2002).

63. George Siedel, The Role of Business Negotiation and Dispute Resolution Processes in Contributing to Sustainable Peace, Presentation at 2002 William Davidson Institute Conference, Corporate Governance and Sustainable Peace (Nov. 22-24, 2002).

64. James Walsh & Joshua Margolis, Misery Loves Company: Whether Social Initiatives by Business?, Presentation at 2002 William Davidson Institute Conference, Corporate Governance and Sustainable Peace (Nov. 22-24, 2002); Tara Rangarajan, Defining the Role of the Corporation in Sustainable Peace, Presentation at 2002 William Davidson Institute Conference, Corporate Governance and Sustainable Peace (Nov. 22-24, 2002); Eric Orts, From Corporate Social Responsibility to Global Citizenship, Presentation at 2002 William Davidson Institute Conference, Corporate Governance and Sustainable Peace (Nov. 22-24, 2002).

Beyond these notions, of course, there are fundamental intersections with issues of anthropology, foreign relations scholarship, and case examples of the actions companies have already undertaken. In short, the initial exploration of this topic in the 2001 and 2002 conferences suggest that we have uncovered the proverbial tip of the iceberg.

65. C.K. Pralahad, *Enabling the Poor to Move into the Market Economy*, Presentation at 2002 William Davidson Institute Conference, *Corporate Governance and Sustainable Peace* (Nov. 22-24, 2002); Susan Finston, *The Role of Intellectual Property as Part of a Rule of Law Culture Needed for Economic Growth and Political Stability in the Developing World*, Presentation at 2002 William Davidson Institute Conference, *Corporate Governance and Sustainable Peace* (Nov. 22-24, 2002).