

# International sustainability & CSR organizations

**GUIDE TO CORPORATE SUSTAINABILITY**

SHAPING A SUSTAINABLE FUTURE



United Nations Global Compact



**THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT**

**Human Rights**

- 1** Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2** Make sure that they are not complicit in human rights abuses.

**Labour**

- 3** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4** The elimination of all forms of forced and compulsory labour;
- 5** The effective abolition of child labour; and
- 6** The elimination of discrimination in respect of employment and occupation.

**Environment**

- 7** Businesses should support a precautionary approach to environmental challenges;
- 8** Undertake initiatives to promote greater environmental responsibility; and
- 9** Encourage the development and diffusion of environmentally friendly technologies.

**Anti-Corruption**

- 10** Businesses should work against corruption in all its forms, including extortion and bribery.

The UN Global Compact's Ten Principles are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

*Launched in 2000, the United Nations Global Compact is both a policy platform and a practical framework for companies that are committed to sustainability and responsible business practices. As a multi-stakeholder leadership initiative, it seeks to align business operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption and to catalyze actions in support of broader UN goals. With over 7,000 signatories in more than 135 countries, it is the world's largest voluntary corporate responsibility initiative. [www.unglobalcompact.org](http://www.unglobalcompact.org)*

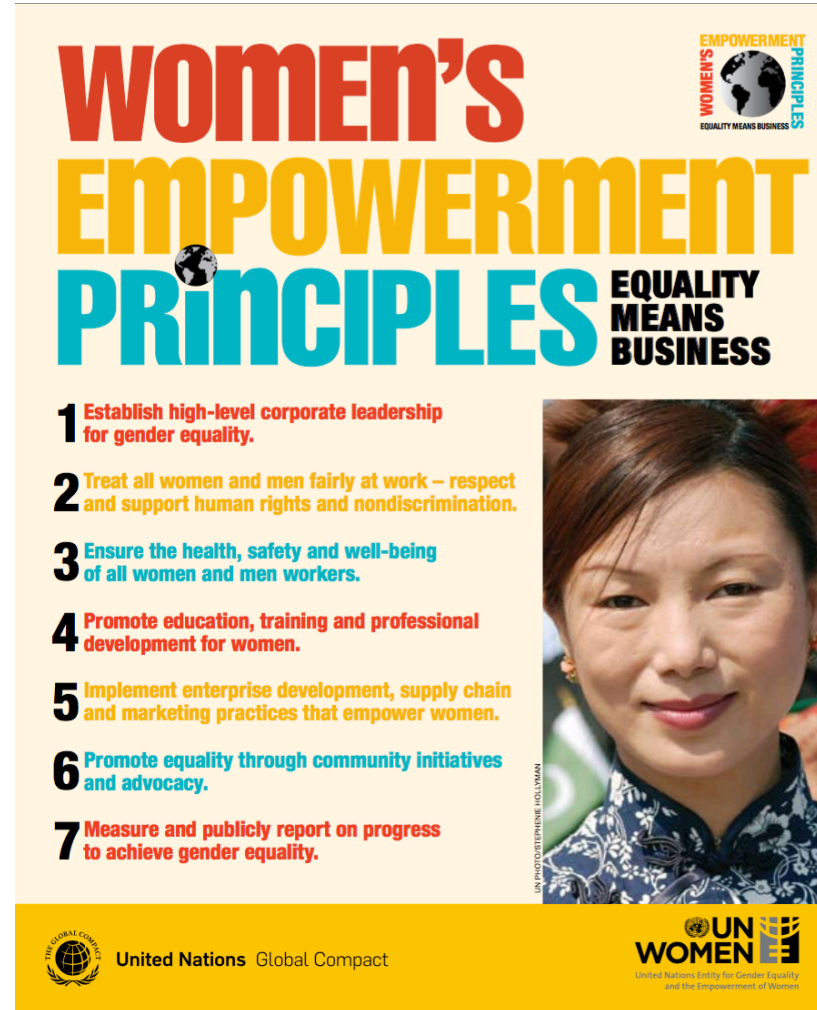
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Source: United Nations: Sustainable Development Goals 2015




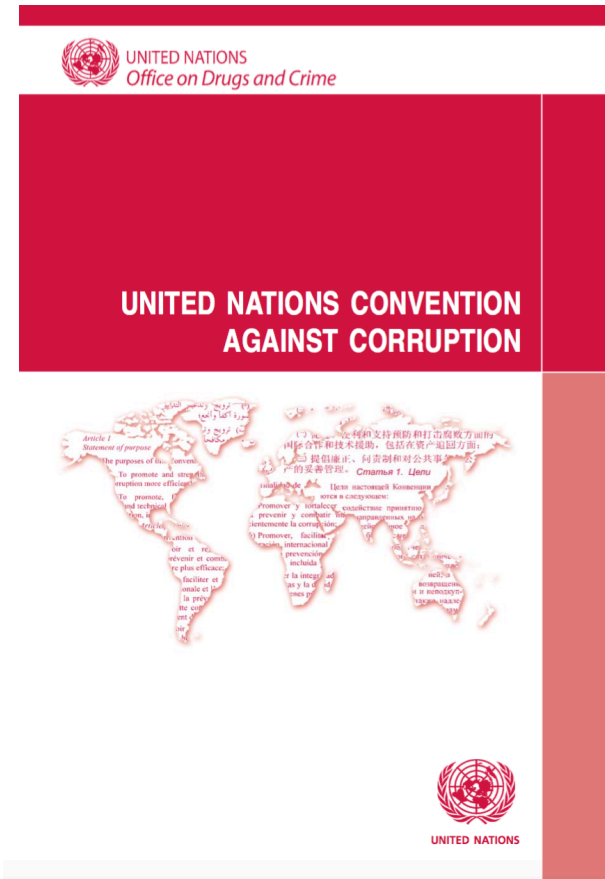
**WOMEN'S EMPOWERMENT PRINCIPLES** EQUALITY MEANS BUSINESS

- 1** Establish high-level corporate leadership for gender equality.
- 2** Treat all women and men fairly at work – respect and support human rights and nondiscrimination.
- 3** Ensure the health, safety and well-being of all women and men workers.
- 4** Promote education, training and professional development for women.
- 5** Implement enterprise development, supply chain and marketing practices that empower women.
- 6** Promote equality through community initiatives and advocacy.
- 7** Measure and publicly report on progress to achieve gender equality.



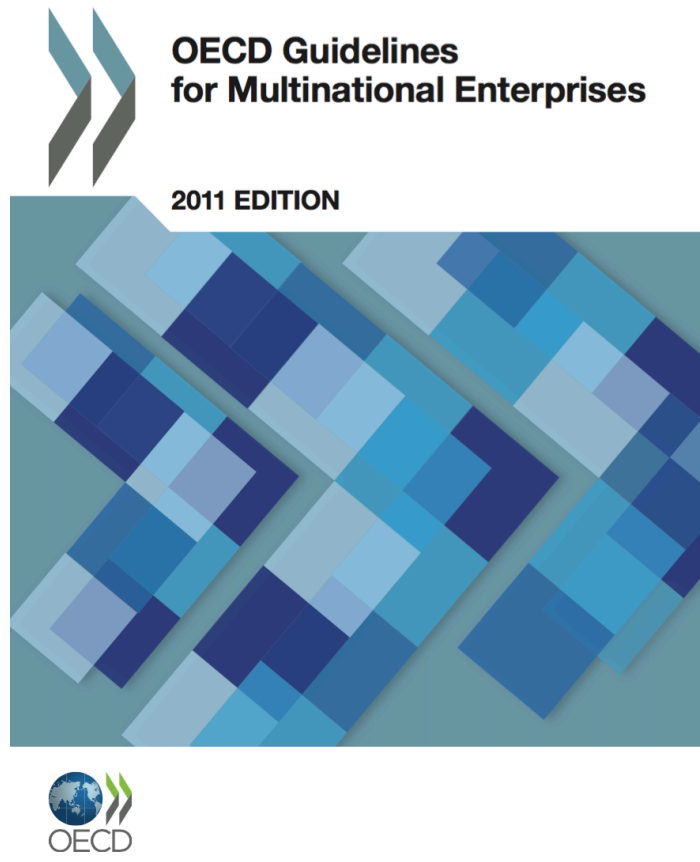
 United Nations Global Compact

 UN WOMEN  
United Nations Entity for Gender Equality and the Empowerment of Women



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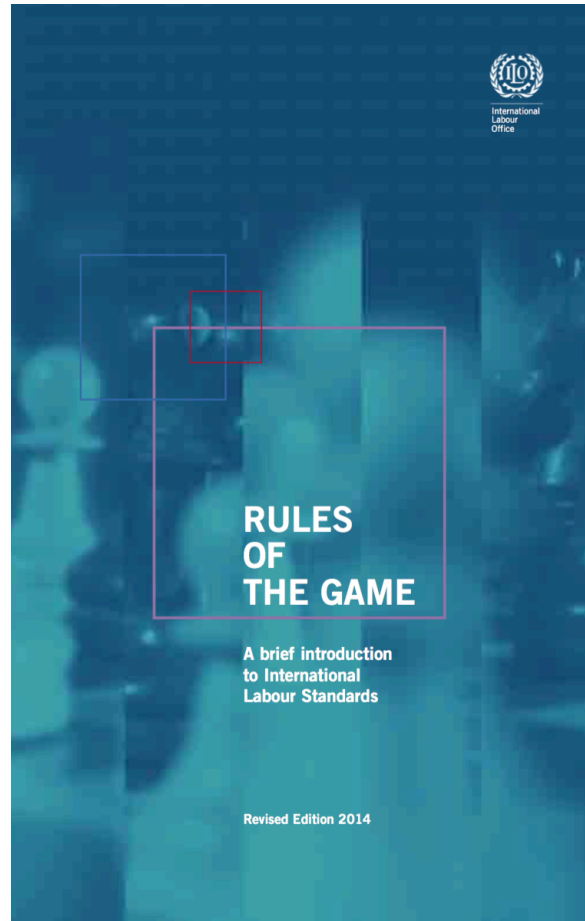
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*Part II*

**Implementation Procedures of the OECD Guidelines for Multinational Enterprises**

# International Labour Organization (ILO)



# International Business



# History of International Trade

- **Mercantalism – 16<sup>th</sup> – 18<sup>th</sup> centuries**
  - Export maximization (to maximize prosperity) (UK continued to export to France during the Napoleonic wars)
  - Import minimization (UK Navigation Acts – forbade trade by colonies with other nations)
  - Bullionism (only true measure of national wealth)
- **Wealth of Nations – Adam Smith 1776**
  - Attacks protectionist tariffs
  - Challenges gold reserve
- **Comparative advantage – David Ricardo 1817**
  - Will result in greater production and consumption
- **Competitive advantage – Michael Porter 1990**
  - Competitive advantage of nations

## **International Business**

- Buying, selling, and trading
- Most of the world's population and two-thirds of its total purchasing power are outside of the U.S.
- Global marketing requires balancing global brands with the needs of local consumers

## **Why Nations Trade**

- **Absolute advantage**
  - Monopoly
- **Comparative advantage**
  - Basis of most international trade
- **Outsourcing**
  - Transferring of manufacturing or other tasks

## **Trade between Countries**

- **Exporting**
  - U.S. exports are more than 2.2 trillion dollars
- **Importing**
  - U.S. imports are more 2.7 trillion dollars

## **Balance of Trade**

- **Balance of trade**
  - Difference between exports and imports
- **Trade deficit**
  - Negative balance of trade
- **Balance of payments**
  - Difference between flow of money in and out

Table 3-1 U.S. Trade Deficit, 1990–2016 (in billions of dollars)

	<b>1990</b>	<b>2000</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Exports	535.2	1,075.3	1,853.6	2,127	2,219	2,279.9	2,343.2	2,230.3	2,212.1
Imports	616.1	1,447.8	2,348.3	2,675.6	2,755.8	2,758.3	2,851.5	2,761.8	2,712.6
Trade surplus/ deficit	-80.9	-372.5	-494.7	-548.6	-536.8	-478.4	-508.3	-531.5	-500.6

Source: U.S. Bureau of the Census, Foreign Trade Division, "U.S. Trade in Goods and Services—Balance of Payments (BOP) Basis," February 7, 2017, [www.census.gov/foreign-trade/statistics/historical/gands.pdf](http://www.census.gov/foreign-trade/statistics/historical/gands.pdf) (accessed April 1 2017)

# Trade Balance

	Current A/C 2014 % of GDP		Services 2013 € Billions
EU - 28	0,9		173,0
France	(1,0)		36,2
Germany	7,6		(13,1)
Italy	1,9		3,0
UK	(5,5)		89,0

## **Free Trade Seldom Exists**

- Economic barriers
- Ethical, legal, and political barriers
- Social and cultural barriers
- Technological barriers



## **Economic Barriers**

- Industrialized nations are economically advanced
  - United States
  - Japan
  - Great Britain
  - Canada
- Less-developed countries have low per-capita income
  - Potentially huge, and profitable, untapped market

## **Economic Barriers** continued

- **Infrastructure**
  - Physical facilities that support economic activities
  - Level of development is determined in part by a country's infrastructure

## **Economic Barriers** continued

- **Exchange rates**
  - Vary daily and affect cost of imports and exports
  - Government may intentionally alter the value of its currency through fiscal policy
    - Devaluation or revaluation

## **Ethical, Legal, and Political Barriers**

- When entering the international marketplace, companies must contend with potentially complex relationships
  - Laws of its own nation, international laws, and laws of the nation with which it's trading
  - Trade restrictions
  - Political climates
  - Ethical values

## **Ethical, Legal, and Political Barriers** continued

- Firm doing business abroad must understand and obey laws of host country
  - Restrictions on how much local currency can be taken out of borders
  - Limits on how foreign companies can operate within country
  - Some fail to honor U.S. laws and/or fail to enforce own laws
  - In some parts of the world, copyright and patent laws are less strict than in the U.S.

## **Ethical, Legal, and Political Barriers** continued

- **Import tariff**
  - **Fixed tariff** is specific amount of money levied on each unit of product brought into country
  - **Ad valorem tariff** is based on value of item
  - Countries sometimes levy tariffs for political reasons
    - Critics of protective tariffs argue that their use inhibits free trade and competition
    - Supporters of protective tariffs say they insulate domestic industries against well-established foreign competitors

## **Ethical, Legal, and Political Barriers** continued

- **Exchange controls**

- Some control foreign trade by forcing businesspeople to buy and sell foreign products through central bank
- When foreign currency is in short supply, government:
  - Uses foreign currency to purchase necessities and capital goods and produces other products locally
  - Limits need for foreign imports

## **Ethical, Legal, and Political Barriers** continued

- **Quota**
  - Established voluntarily or by government
- **Embargo**
  - Established due to political, economic, health, or religious reasons
- **Dumping**
  - Reason for setting quotas or tariffs



## **Ethical, Legal, and Political Barriers** continued

- A company may dump its products for several reasons:
  1. Permits quick entry into market
  2. When domestic market for firm's product is too small to support efficient level of production
  3. Technologically obsolete products that are no longer salable in the country

## **Ethical, Legal, and Political Barriers** continued

- Political considerations affect international business daily
  - Seldom in writing and change rapidly
  - Political unrest may create hostile or dangerous environment for foreign business
- Political concerns may lead to a **cartel**
  - OPEC is an example

## **Social and Cultural Barriers**

- Differences in spoken and written language
- Appropriate body language, posture, facial expressions, and personal space may vary
- Family roles may differ
- Different perception of time
- National customs and holidays must be respected
- Most nations use metric system

## **Technological Barriers**

- Technological advances
  - Create global marketing opportunities
  - Create new challenges and competition
  - New competitors challenging U.S.
  - Out of top six PC companies, three are from Asian countries

## **General Agreement on Tariffs and Trades (GATT)**

- Provided forum for tariff negotiations
- More than 100 nations abided by rules
- **World Trade Organization (WTO)** evolved from GATT

## **North American Free Trade Agreement (NAFTA)**

- While controversial, NAFTA has become positive factor for U.S. firms
  - Effective January 1, 1994
  - Easier to invest in Mexico and Canada
  - Protects intellectual property
  - Expands trade by requiring equal treatment
  - Simplifies country-of-origin rules

## **The European Union (EU)**

- One of largest single markets today
- Has GDP of more than 19 trillion dollars
- Working to standardize:
  - Business regulations
  - Import duties
  - Value-added taxes
  - Currency

## **Asia-Pacific Economic Cooperation (APEC)**

- Promotes open trade and economic and technical cooperation
- Holds 57 percent of world GDP
- Associated companies have become increasingly competitive and sophisticated in global business in past three decades



## **Asia-Pacific Economic Cooperation (APEC)** continued

- Original member nations:
  - Australia, Brunei Darussalam, Canada, Indonesia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, United States
- Added member nations:
  - Chile, China, Hong Kong, Mexico, Papua New Guinea, Peru, Russia, Chinese Taipei, Vietnam

## **Association of Southeast Asian Nations (ASEAN)**

- Promotes trade and economic integration in Southeast Asia
- Has GDP of 2.4 trillion dollars

## **World Bank**

- Loans money to underdeveloped and developing countries

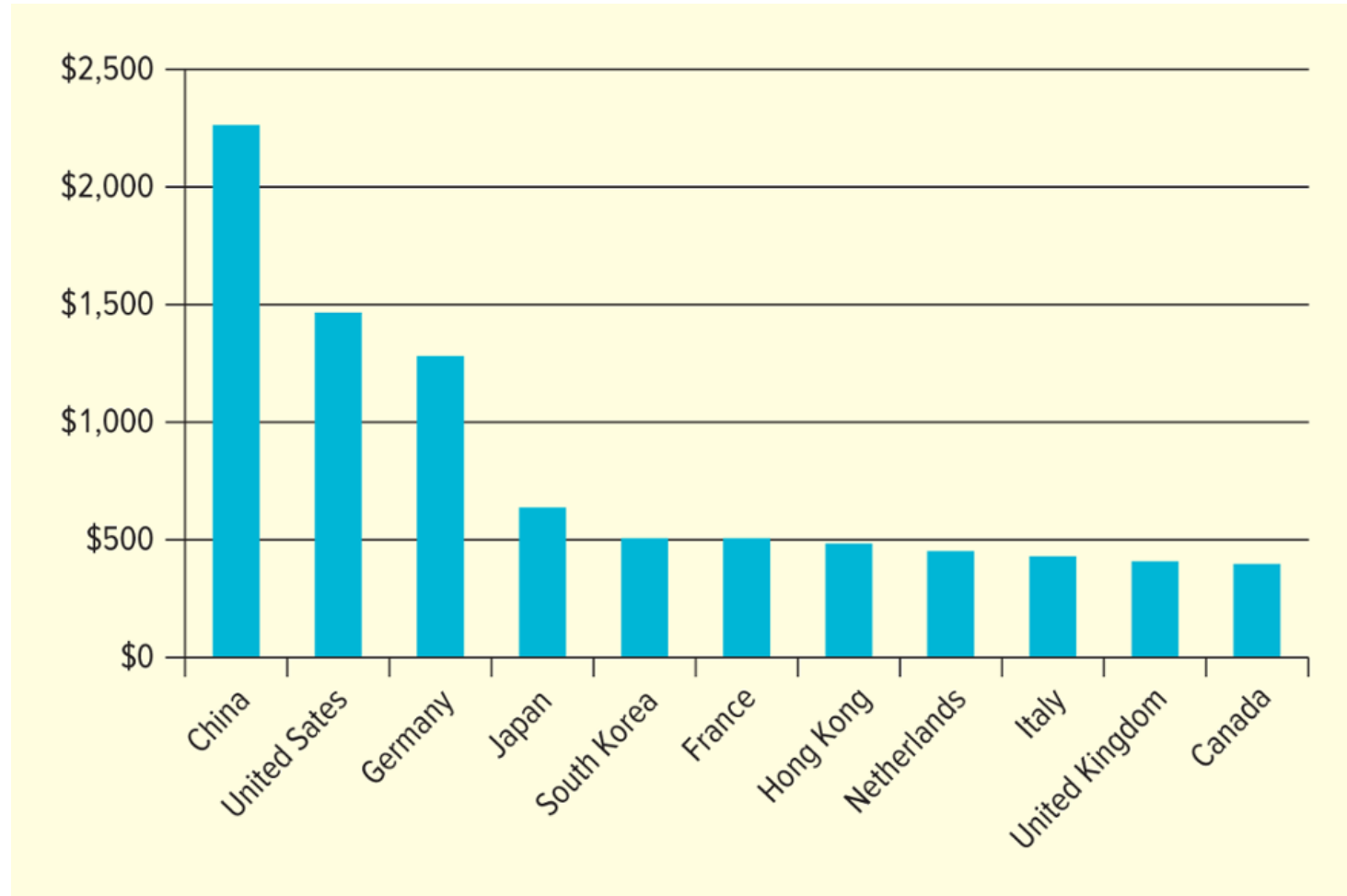
## **International Monetary Fund (IMF)**

- Promotes trade by eliminating trade barriers

## **Exporting and Importing**

- **Countertrade agreement** involves bartering
- Export agents are middlemen that help companies by handling their international transactions

Figure 3-2 Top Exporting Countries  
(in billions of dollars)



Source: Central Intelligence Agency, "Country Comparison: Exports,"  
<https://www.cia.gov/library/publications/the-world-factbook/rankorder/2078rank.html> (accessed April 2, 2017).

[Jump to long description in appendix](#)

## **Trading Companies**

- Handle all trade activities
- Similar to export agents, but role is broader

## **Licensing and Franchising**

- **Licensing**
  - Exchange for fee or royalty
  - Attractive alternative to direct investment when political stability is in doubt

## **Licensing and Franchising** continued

- **Franchising**

- In return for financial commitment and agreement to conduct business in accord with franchiser's standard of operation
- Allows companies to enter international marketplace without spending a lot

## **Contract Manufacturing**

- Final product carries domestic firm's name
- For example, Foxconn is the largest iPhone assembler

## **Outsourcing**

- Transferring tasks to where costs are lower
- Insourcing, where foreign companies transfer tasks to U.S. companies, happens more often

## Offshoring

- Relocation of business processes by a company or subsidiary to another country
- Different from outsourcing: company retains control by not subcontracting to another company

Disney has opened two theme parks in China, one in Shanghai and the other in Hong Kong.





## **Joint Ventures and Alliances**

- **Joint venture**
  - Used in countries forbidding direct investment by foreign companies or when company lacks resources or expertise
- **Strategic alliance**
  - Used when competition is fierce and costs are high
  - Becoming predominant in the automobile and computer industries

## Direct Investment

- For companies who want more control and are willing to invest considerable resources
- May involve new facilities or purchase of existing operation
- **Multinational corporation (MNC)**
  - Often have greater assets than countries in which they operate
  - Targeted by antiglobalization activists
    - Contend they increase gap between rich and poor, misuse scarce resources, exploit labor markets, and harm natural environments

## **Developing Strategies**

- **Multinational strategy**
  - Customizing according to cultural, technological, regional, and national differences
- **Global strategy (globalization)**
  - Standardizing products for whole world
- Must conduct environmental analyses to determine what strategy is best

# Required reading and research assignment

# Required Reading and research assignment

- Reading
  - M Business
    - Chapter 1 The Dynamics of Business and Economics
    - Chapter 2 Business Ethics and Social Responsibility
    - Chapter 3 Business in a Borderless World
- Exercises
  - M Business
    - Test Bank Questions Chapters 1 - 3
- Research assignment 1.
  - Annual Reports of European companies in the Top Global 100 companies using IFRS

# Res ssignment

- Choose a company from the list of Europe's Top Companies
- Obtain the 2018 Annual Report and/or Form 20F (for US SEC Registrants)
- Obtain an understanding of the business that they are in, the business model and where they operate
- Identify what they are doing with respect to business ethics, sustainability and corporate social responsibility



# LIUC's Top Companies

	Company	Country	Industry	Global Rank 2019	Market Cap (\$bn)	Global Rank 2009	Market Cap (\$bn)
1	Nestlé	Switzerland	Consumer Goods	13	292	15	129
2	Royal Dutch Shell	U.K.	Oil & Gas	18	256	9	139
3	Novartis	Switzerland	Health Care	19	245	29	100
4	Roche Holding	Switzerland	Health Care	25	237	18	119
5	LVMH	France	Consumer Goods	43	186	-	31
6	Anheuser-Busch Inbev	Belgium	Consumer Goods	47	169	86	44
7	Unilever	Netherlands	Consumer Goods	48	166	60	58
8	HSBC	U.K.	Financials	49	163	43	79
9	L'Oreal	France	Consumer Goods	53	151	95	41
10	BP	U.K.	Oil & Gas	54	148	16	126
11	Total	France	Oil & Gas	55	147	20	117
12	SAP	Germany	Technology	58	142	89	44
13	Novo Nordisk	Denmark	Healthcare	65	128	-	30
14	Medtronic	Ireland	Health Care	64	110	-	33
15	Sanofi	France	Health Care	57	117	47	74

Source: Global Top 100 Bloomberg and PwC Analysis  
31/3/2019

# Understanding the business model

Business aspects	Factors to consider
How does the business generate revenues?	Goods, services, cash or credit, local, global, B2B, B2C
What costs and expenses does the business need to incur?	Make or buy, employees or sub-contractors,
What assets are needed?	Asset intensive, lease or buy
How will the business be financed?	Equity or debt or a mix
What risks need to be managed?	Currency, exchange rate, liquidity



# Business Ethics, Sustainability and CSR

- Code of ethics
- Environment, pollution, waste management
- Energy consumption
- Communities, society
- Supply chain
- Health and safety
- Diversity and minorities
- Philanthropy
- Culture, sport

# Session summary and validation, Overview session 2

# Session Summary

The logo for LIUC Università Cattaneo, featuring a semi-circle of yellow stars above the text "LIUC" in blue and "Università Cattaneo" in a smaller blue font below it.

- Introductions
- Course objectives, overview, reference materials, teaching methods
- What is a business
- Economic systems
- Business ethics and CSR
- International business
- Reading, research and assignment for next session



# Overview of Session 2

- Organizational options
- Public companies
- Small businesses and entrepreneurs
- Franchising
- Business evolution

# Session 1: Introduction



- What is a business?
- What are the four main types of economic systems and what are the differences?
- What is the importance of business ethics and corporate social responsibility?
- Why do nations trade and what barriers to international trade exist?
- What international trade organizations exist?