

BUSINESS ENVIRONMENTAL AND WORKPLACE REPORTING AND ACTIVITIES AND CATHOLIC SOCIAL THOUGHT:

A PRACTICE-BASED APPROACH TO EDUCATION ABOUT CST

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Abstract

We wanted to develop a way to teach Catholic Social Thought (CST) so that students found it interesting and practical. We started with the basic assumption that CST finds expression in the activities of major global firms even if the roots in CST are not acknowledged. We find that identifying those activities, articulating the corresponding social principles, and examining their relationships provides an excellent education in Catholic Social Thought.

Methodology

We examined environmental and workplace practices in six global business firms. We chose pairs of firms in three different areas: discount retail, oil, and defense contracting. We assessed 1) the firm's reports, 2) the firm's activities, and 3) the correspondence between their practices and CST. We identified CST principles that are relevant for business managers and business education today, basing our list of principles on the themes Thomas Massaro, S.J., identifies in his recent book. *Living Justice: Catholic Social Teaching in Action*¹, with the addition of a tenth principle articulated by William Byron, S.J.,² and an eleventh principle that we thought should be included in applying CST to business reporting. You can find these principles in the table at the end of this article. We looked for examples of these principles in the reporting and the activities of the firms, and we used the CST principles as a means for interpreting and judging the behavior of those firms. We also show gaps in CST.

A few cautionary notes might be in order to explain what we did not do in this paper. In many ways we did not engage the large-scale philosophical vision of CST. We did not engage in a systemic critique of the companies or the economy or capitalism. We did not do extensive case studies. We did not look for examples of all CST principles in any one company or pair of

companies. We focused our attention on the manner in which various principles of CST come into play in the way the selected companies do business and report on their activities and policies. We hope that this paper will foster a conversation about practice-based approaches to teaching CST.

Wal-Mart and Costco

Wal-Mart's business plan is to seek ways to cut costs. Because of this, Wal-Mart often has been criticized for decades because of its disregard for the environment and poor compensation for its workers. However, stung by this widespread and increasing criticism, CEO H. Lee Scott and Wal-Mart have recently made some major policy shifts to improve their record and hence their reputation.³

Wal-Mart's recent initiatives with regard to the environment have gained favorable publicity for them. They have pledged to reduce waste, sell energy efficient products and to use less energy in their stores. Wal-Mart invited Nobel Prize winning global climate change champion Al Gore to present these issues and to show his documentary film, *An Inconvenient Truth*, to their top managers. The firm now pledges to work to reduce energy use by 25% in the products it sells. Wal-Mart advertises and sells compact fluorescent light bulbs; by January, 2008, they had sold 145 million of these light bulbs, "which forestalled the need for three coal-fired power plants in the U.S."⁴ The bulbs use only 20% of the electricity as incandescent bulbs; so the production of that electricity generates 80% less carbon dioxide, which is causing global climate change. Wal-Mart has also partnered with the Clinton Climate Initiative (CCI) and the U.S. Conference of Mayors to provide energy efficient building products at discounts of 5% to 70% to 1,100 cities. The CCI has similar agreements with other firms, such as 3M and GE.⁵

Wal-Mart now also seeks advice from environmental activists who have been critics of the firm in the past. Environmental Defense has opened an office at the firm's headquarters in Bentonville, AK; and to avoid a conflict of interest, it has accepted no money from Wal-Mart. Adam Werbach, former president of the Sierra Club, has lost friends in the environmental movement because he is now consulting for Wal-Mart. Werbach once called Wal-Mart a "new breed of toxin." But as a consultant, he and his firm have established training programs for Wal-Mart employees to teach them conservation and sustainability. He says that working with a firm of such size and influence gives him "a chance to change the world."⁶

The U.K. based AccountAbility Rating 2007 of the world's 100 largest companies by revenue, puts Wal-Mart at #87 and Costco #100. The AccountAbility rating score consists of these elements: strategy, governance, engagement and impact. The low ranking of both may be due to the fact that neither firm has explained its operations to its various stakeholders very well. Wal-Mart is now using more public relations professionals, because of the criticism it has received.⁷ Costco has generally received good press, so has little reason to explain its operations and it has no advertising budget.

Wal-Mart's success has been built on keeping costs low. In retailing, the cost of labor is the largest segment of total operating costs. So Wal-Mart's wages, health and pension benefits are

notoriously low. Moreover, their business plan is to constantly seek ways to further cut costs. Providing medical insurance for employees is a major cost for an employer; so Wal-Mart provides health insurance to only 61% of its full-time and 11% of its part-time employees. Hence the firm has 1.33 million U.S. employees and 46% of their children who are uninsured or on Medicaid.⁸ Reacting to the fact that Wal-Mart was placing these costs on local governments, Maryland and California passed laws demanding that Wal-Mart provide better health coverage to their employees; 20 additional states are considering similar legislation. In addition, Wal-Mart has received many resolutions from shareholding religious groups asking them to limit the pay of CEO Lee Scott, and report on what they were doing to limit global climate change gas emissions.⁹ Scott received compensation of \$23 million vs. the average Wal-Mart pay of \$20,000 per year.

As a result of receiving considerable criticism from state governments, shareholders and citizens, Wal-Mart now offers better health care benefits. Their new plan will make 88 % of full time and 47 % of part time employees eligible for health coverage. However, with the average salary at Wal-Mart being \$20,000, many employees feel they can not afford even the cheapest plan for \$250 per year. As a result even with this new, less expensive health care insurance only 61% of full time and 11% of part-time employees have joined the company health insurance plan. Costco competes with Wal-Mart' Sam's Club in wholesale big box sales. Sam's Club provides 12.7% of Wal-Mart's revenues.

Costco and James D. Sinegal, founder and CEO have been favorably featured in many media stories over the decade, including a *Business Week* cover story entitled, "The Good CEOs".¹⁰ Sinegal's strategy is to offer lower prices by stripping away everything judged to be unnecessary. For example, in his Seattle headquarters CEO Sinegal answers his own phone, does not have an executive washroom or even an office that has walls, and that office has 20-year-old furniture.

Costco offers substantially better salaries and benefits (see Table 1) and encourages a helpful work environment. When CEO Sinegal visits a store, which he often does, his nametag reads "Jim." Before his death, Sam Walton regularly visited the stores of the firm he founded, also. Costco promotes almost 100% from within the firm. The firm has no public relations department, and spends nothing on advertising. Costco relies entirely on word-of-mouth. This has obviously been successful, since Costco now has 50 percent of the wholesale big box store share of market.

Customers, employees and real investors are loyal and like Costco. Taking a contrary view are Wall Street analysts who assert that Costco pays their employees too much, and so talk down its share price. However, CEO Sinegal says that Wall Street is looking for quick returns by tomorrow, while he is building a company. He says "Paying your employees well is not only the right thing to do but it makes for good business." Let us examine critical measures of Sam's Club and Costco in Table 1.¹¹

Table 1
Comparison of Wal-Mart's Sam's Club and Costco

Wal-Mart's Costco

	Sam's Club	
Average hourly wage	\$11.52	\$17.00
Annual health cost per worker	\$3,500	\$5,735
Full-time workers covered by firm's health insurance	61%	98%
Part-time workers covered by firm's health insurance	11%	63%
Salary of CEO	\$23,000,000	\$350,000
Annual employee turnover	21%	6%
Number of stores	642	457
U.S. market share	40%	50%
Annual sales per store	\$70 million	\$121 million

On global climate change, we must point out that both Wal-Mart and Costco, along with all big box stores, have an immense carbon footprint. Their business model, which sources products not locally, but to China and India, demands fuel to ship those products back across the ocean and eventually to the customer; this includes the thousands of huge trucks crossing the country carrying these goods. Moreover, the site of the stores themselves require customers to travel long distances in autos that use petroleum. Each of these steps generates immense amounts of green house gases.¹² The perverse subsidies that government provides to new stores and to petroleum firms support this business model. Many now call for us to pay the full cost of the petroleum that we use. This would include eliminating subsidies to oil firms, charging the full cost of pollution damage to the environment and peoples' health and the environment. This might well bring the price of gasoline to \$12 per gallon.¹³ If we were to pay the full cost of petroleum, the big box retail model would change dramatically.

Catholic Social Principles as Demonstrated at Wal-Mart and Costco

It is easier to find Catholic social principles demonstrated in the mission statements and goals of a firm than in their actual actions and policies. As with people, ideals are goals that we hope to achieve. For example, Wal-Mart says in their annual report that they “provide a broad assortment of quality merchandise and services at every day low prices, while fostering a culture that rewards and embraces mutual respect, integrity and diversity...” This statement supports human dignity and justice for customers and workers (Principle #1).¹⁴ We numbered our principles for ease of reference using Massaro's numbering scheme for his themes, adding a number 10 for *Stewardship and Sustainability*.

Let us compare Wal-Mart's and Costco's salaries, benefits and workplace environment to the Catholic social principal #1 *Dignity of every human person and human rights*. While retailing generally does not provide generous salaries and benefits, in this area Costco is clearly superior to Wall-Mart. The traditional compensation and environmental policies of Wal-Mart have shown less recognition of the human dignity of their workers. Wal-Mart's business plan calls for offering its goods at “every day low prices”, and wages are a principal cost for retailers. So Wal-Mart sees its workers as its principal cost of business. While this is true for all retailers, Costco provides considerably better wages and health benefits as one can see in Table1. Wal-Mart's

salaries are so meager that they make feeding, housing and raising a family difficult. So Wal-Mart's compensation also undermines the Catholic social principle #3 *Family life*. Wal-Mart has always been strenuously opposed to any labor union for their workers, and this also shows a neglect of the principle #6 *Dignity of work, rights of workers, participation, and support for labor unions*. Among the hundreds of lawsuits currently filed against Wal-Mart is a large class action suit brought on behalf of 1.6 million and former female employees (recall that there is total of 1.3 million total employees currently); this suit charges that Wal-Mart discriminated against women in promotions, pay, training and job assignments.¹⁵

On the other hand, we note that Wal-Mart's new environmental policies and actions save materials, energy and carbon dioxide; and Wal-Mart plans to provide better employee health insurance. They demonstrate a greater willingness to recognize the dignity of all human beings, especially their own workers. However, we doubt CEO H. Lee Scott and Wal-Mart would have changed their policies if they had not received so much negative publicity on these issues.

James Sinegal and Costco are in the same retail business, but show a more caring attitude toward their workers. From the very beginning of the firm Costco has encouraged collegiality [#6 *Dignity of work, participation*], as demonstrated in Sinegal's own salary and office. Moreover, Costco provides better wages and medical benefits to its full-time and part-time workers. Costco's attitude toward its workers also demonstrate the Catholic social principal #2 *Solidarity, common good and participation*.

Wal-Mart and Costco have both expanded globally. Wal-Mart now has 500,000 employees outside the U.S. in scores of countries. They have provided lower cost goods, which are a benefit to poor [#9 *Option for the poor and vulnerable*]. However, Wal-Mart, now the leading retailer in Mexico, has come under the same criticism in that country as it has in the U.S. for "undermining independent businesses that form the fabric of a healthy, sustainable communities." A Mexican advocacy group (CILAS) showed how "the company has hurt communities, jobs and the environment."¹⁶ This runs contrary to several of the Catholic social principles, *Dignity of the person, solidarity, common good, family life, dignity of work and economic development*.

Royal Dutch Shell and ExxonMobil

Both of these companies deal with exploration, extraction, transport, refining, and merchandising of oil. These processes involve a host of issues, more than can be addressed in a short paper. However, since these activities have tremendous impact on the environment and on the peoples in the areas where these activities occur, we focused our attention on the environmental and the human rights issues involved in the way these two companies do business and report on their activities and policies.

After the fight over the decommissioning of the Brent Spar storage facility in the 1990's and in the light of the environmental problems, violence, human rights violations, and questionable relations with the government and the military in the Ogoni territory and the Niger Delta in Nigeria, Shell shifted its focus dramatically.¹⁷ Whether from commitment to certain values or

from concern for public image, Shell decided to make a serious attempt to be a socially and environmentally responsible company and to report itself accurately.

Shell discontinued its membership in the Competitive Enterprise Institute, an organization that questioned the science behind the influence of Greenhouse gases on global climate change, a number of years ago. Shell's officers, including its current CEO Jeroen van der Veer and its President and CEO of Business for Social Responsibility Aron Cramer, have made public statements about concern for the environment and the effect of greenhouse gases. Shell's 2006 GRI Sustainability report declared that the debate about global warming is over.¹⁸ The company has made significant reductions in greenhouse gas emissions from extraction and refining operations through CO₂ capture and storage and from reduction of continuous flaring. It has also made significant reductions in the number and volume of oil spills between 2005 and 2006. Shell has invested in liquefied natural gas as a cleaner burning fuel, and Shell has also invested in research and production of alternative energy sources, such as bio-fuel, hydrogen, solar, and wind, and is committed to building a substantial business in at least one of these.¹⁹ They have gone about researching bio-fuels intelligently and responsibly, even recently partnering with Virent Energy Systems, Inc., to produce hydrocarbon fuels from plant sugar and from straw, rather than simply producing ethanol from corn, thus reducing the impact on food supply and food prices.²⁰ They seem to be in the process of shifting their self-understanding from being an oil company to being an energy company.

In regard to human rights and respecting the integrity of the communities from which it extracts and through which it transports oil, Shell has closed temporarily its exploration and drilling in the Ogoni territory of Nigeria.²¹ The motivation appears to be protection from violence. Whatever the case, the company is not at the present time employing or supporting the Nigerian military against the local population. Shell articulates a policy of sensitivity to social and environmental concerns and of negotiating with local communities to agree upon the best way to explore for, extract from, and transport oil and natural gas through the territories affected by their operations.²² However, in a number of situations involving environmental and social complications, Shell has had a tendency to realize the problem and include people in the decision-making after the project has already begun.²³ For example, in Corrib, Ireland, when local residents lodged protests about the potential dangers of a pipeline under construction, Shell met with representatives of the community and adjusted their plans according to the concerns of the people.²⁴

Shell has also realized the limitations of private for-profit enterprise and the activities of oil companies to solve the problem of global warming. The company has called upon governments to lead the process and set the frameworks to encourage the investments needed in new energy projects, in cleaner technologies, and in conservation.²⁵

Shell seems to be making a serious attempt to be a socially and environmentally responsible company and to report itself accurately. They even asked an independent panel to critique their Corporate Citizenship Report, and they published the critique as part of the report.²⁶

ExxonMobil understands itself primarily as an oil company. Seeing that demand for fossil fuels

will only increase in the near future, ExxonMobil focuses its attention on its own efficiency in extracting and producing. While they say they value alternative and renewable fuels, they focus on oil. They are an oil company.²⁷

While its Chairman and CEO Rex Tillerson has made statements recently about greenhouse gases and global climate change, its 2006 GRI Sustainability Report speaks more cautiously. Climate remains an extraordinarily complex area of scientific study. Nevertheless, the risk to society and ecosystems from rising greenhouse gas emissions could prove to be significant. So, despite the areas of uncertainty that exist, it is prudent to develop and implement strategies to address this risk.²⁸

However, in 2006 ExxonMobil did withdraw from the Competitive Enterprise Institute and stopped funding other groups attempting to refute scientific evidence of the effect of greenhouse gases on climate change. And they have focused on efficiency of extraction, cogeneration of different types of power, cleaner burning fuels, and partnership with the auto industry to develop more fuel efficient and cleaner burning engines.²⁹

In terms of environmental responsibility, between 2005 and 2006, ExxonMobil has a mixed record. They reduced the number of oil spills, but they had an increase in the volume of oil spilled (12.2 thousand barrels in 2005 to 40 thousand barrels in 2006). The company has also reduced emissions of volatile organic compounds, but greenhouse gas emissions increased and flaring increased.³⁰

ExxonMobil tends to respond to large scale complaints about environmental and human rights concerns by articulating a policy.³¹ Their Corporate Citizenship Report refers to overall general policies rather than specific situations and events or specific things that ExxonMobil does. In terms of responsibility for situations that have caused environmental problems, the company has still not paid the punitive damages for the Exxon Valdez oil spill. In fact, after the amount of the damages has been reduced, and after failing at a number of appeals, they still have an appeal pending before the Supreme Court to reduce the penalties further.³² In terms of human rights, the company has come under fire for environmental and human rights violations in connection with its pipeline through Chad and Cameroon and with its extraction and production facilities in the Aceh region of Indonesia.³³ ExxonMobil's activities in Aceh have also have involved questionable relations with the Indonesian government and the military. The Corporate Citizenship Report did not really address these, and in fact referred to the collaboration with the Indonesian government and military in Aceh as a positive example of responding to human rights issues, articulating that it has a "transparency agreement" with a number of governments, including Indonesia, but again without mentioning specifics.³⁴ To its credit, the company does perform charitable actions, such as providing medicated mosquito netting to the villages where their workers live.³⁵

Like Shell, ExxonMobil has also realized the limitations of private for-profit enterprise and the activities of companies like itself to solve the problem of global warming and also ask for government's leadership.

ExxonMobil's Corporate Citizenship Report makes no mention of any outside critique of its reporting or activity.

Catholic Social Principles as Demonstrated at Royal Dutch Shell and ExxonMobil

Ecological responsibility is a *common good*--one that affects everyone and includes non-human species—a good that we can pursue in common. Therefore we include the additional CST principle of *stewardship and sustainability*. CST traditionally has not developed the idea of environment responsibility. However, in recent years, there has been more development of CST in relationship to the environment. As a result of our investigation, we think it ought to have an important place. Shell seems to be making a serious effort at paying attention to this, aware of a responsibility for the environment, concerned for GHG effects on climate, and committed to developing alternative fuels. ExxonMobil seems much less concerned and committed.

Shell responds with dialogue and adaptation when people raise issues, indicating at least a belated sense of *interdependence and solidarity*. ExxonMobil still has not paid the damages for the Exxon Valdez oil spill.

Both oil companies ask for government to establish guidelines and incentives. This involves a recognition from a lower level that they need something from higher level, an example of the CTS principle of *subsidiarity*. Although this could also be an evasion of responsibility, it is an admission that an orientation toward profit is not enough to solve the problem; something else needs to affect the profit.

In terms of the populations affected by oil exploration and extraction, Shell seems to be more sensitive to the needs of local population and to take more responsibility for their well-being. However, they only seem to take action about it when complaints are raised. It does not seem to affect project planning as much as it should. They could be more pro-active rather than reactive.

ExxonMobil reports that it has policies that pay attention to the needs of the local population, but does not mention specifics. ExxonMobil does initiate charitable activities, such as mosquito nets in Africa. These situations indicate different approaches to the CST themes of *option for the poor and dignity of persons*

Shell reports on specific instances and situations, admits where they did wrong, discusses how they changed, and describes what actions they took. Shell also invited an independent, outside review board to critique its GRI report and to suggest areas for improvement. In the 2006 report, they implemented the changes recommended by the review board in the 2005 report.

ExxonMobil's report does not mention specifics. When the report mentions a problem area, the report then articulates ExxonMobil's policy, without mentioning whether it is followed, how it is applied, or what results it achieves. ExxonMobil's report mentions an external verification that the topics covered conform to the GRI reporting guidelines for content. There is no mention of any other kind of review, verification, or critique. Shell does a better job with *honesty and transparency*, which, while not a specific CST theme, is a value for us. We think that honest and accountable reporting ought to be included as a principle of CST as applied to businesses

because transparency indicates a sense of responsibility to the larger society in which the corporations operates. So we have included it in our table at the end of this paper.

General Dynamics and Northrop-Grumman

General Dynamics Corp. is a major U.S. government contractor, classified as ship building and repairing, with four major operations: Aerospace, Combat Systems, Marine Systems and Information Systems and Technology.³⁶ General Dynamics focuses on creating shareholder value with quality products and services. In addition, the firm proposes that it is "centered on continuous improvement, innovation, ethical behavior and integrity. This culture is evident in how the company interacts with shareholders, employees, customers, partners and the communities in which it operates."³⁷ Since 1996 and under the guidance of Nicholas D. Chabraja, Chairman and Chief Executive Officer, General Dynamics's has grown back to a firm of over 83,500 employees and seems to have made improvements over some of its troublesome past. It was ranked as an Industry Star by Fortune Magazine³⁸ selected by executives, directors, and security analysts as their most admired firm.

General Dynamics embraces a culture that supports its shareholders, its employees, its customers, and communities. In a recent letter from chairman, Nicholas Chabraja, states "We define our communities broadly, to include the local communities where our products and services are designed, manufactured and operated as well as the larger community encompassing the world environment. Sustainability means balancing our commitment to all four groups so that our company can continue the growth we have experienced since our founding in 1952."³⁹

General Dynamics is heavily involved in the manufacture of military equipment, through its aerospace, combat, marine systems, and information systems and technology. They make nuclear submarines, battle tanks and destroyers, for example. An anti-war protest on Wall Street last March named General Dynamics with other firms. However, they are also involved in developing defense systems and counter measures. In November, 2007, General Dynamics announced a three year contract with the University of Missouri – Rolla to research and provide a proof of concept demonstration for counter IEDs (Improvised Explosive Devices). IEDs continue to harm not only military personnel, but civilians, in war-torn parts of the world. This joint project is being funded by the Office of Naval Research. In addition to guns and ammunition, General Dynamics also supplies reactive armor and protective devices, and detection devices for both chemicals and biohazards.

General Dynamics supports diversity and maintains a corporate diversity policy. They want to provide a workplace where their employees can do their work and pursue their careers in an environment that is free of harassment and discrimination. General Dynamics grew from its humble beginnings in 1952 from the Electric Boat Company. It grew to a company of over 80,000 employees by 1990, but had a history wrought with troubled designs and high employee absenteeism and turnover rates. In the mid-1970s, investigations in design problems associated with the M-1 tank brought to light the absenteeism and employee turnover in excess of 35% at its Groton, MA, plant. The tank's jet engines could take it at speeds of 50 mph, and its weaponry was very accurate and sophisticated. However, the tank did not have room for more than 40

shells and broke down frequently. The jet turbines produced so much heat that military personnel could not approach the tank for cover during an attack.

With significant losses in 1990, General Dynamics embarked on a restructuring phase, selling off many of its businesses and focusing on its core businesses of nuclear submarines and armored vehicles. Within a few years, the workforce was cut down to 30,500 employees. While it was cutting its workforce, selling off business, and trying to recover from significant losses, "*Business Week* reported that 25 top managers received \$18 million in incentive bonuses."

The firm's Blue Book, Standards of Ethics and Conduct, is in its 5th edition. Its section Protecting Our Resources is really about use and misuse of company assets. A very brief section in there about environmental protection basically instructs managers and employees to obey the laws, dispose of waste and hazardous materials appropriately, avoid spills, and report any problems to management. It seems to be very much designed to protect the company in case of problems.

General Dynamics operated a plant at Air Force Plant #4 in Tarrant County, TX, which is on the national Superfund Site for ground water migration. Problems were identified in 1982 and work has been ongoing. The contamination sources included landfill, the manufacturing process and raw materials storage. Cleanup has included removal of contaminated soil, new drainage & storage, monitoring, and providing deeper wells for residents. Their corporate wide environmental policy statement implies that they have management systems for each of their subsidiary business units. Their C4 Systems has an environmental, health and safety policy "to protect employees, customers and the community" and they have received awards for both environment and safety performance. They sponsor employee volunteer projects and support the Audubon Society & National Forest Foundation. In April, 2008, General Dynamics Itronix, a wholly owned subsidiary, donated a number of "GoBook XR-1 notebooks to the Zambezi Expedition 2008: Fighting Malaria on the 'River of Life.'" These rugged, powerful notebooks will be used during the two-month expedition along the Zambezi river into six African countries as doctors and others bring medicines and education about malaria to those in need there.⁴⁰

Like General Dynamics, Northrop Grumman is in the defense industry. Northrop Grumman Corp.'s primary industry is guided missiles and space vehicles. Northrop Grumman was originally incorporated in 1939, and today has over 122,000 employees. It was recently named among the top 20 Great Employers for New Grads by Fortune. This is based on the perks and incentives, flexibility and job growth that it offers new graduates who join the firm. These new employees are offered leadership training, can participate in networking events and receive full tuition reimbursement.

In terms of their workforce, they support diversity, specifically recognizing that as their products have changed and expanded over the years, so has their workforce. Northrop Grumman has a series of pages on their corporate website devoted to diversity in the workforce, with information on diversity, women's, and black engineer's conferences. They reach out to high schools through a couple of programs aimed at minority students. Their standards of business conduct discuss ethics and values and stress their role in forming and maintaining the firm's identity. The booklet clearly provides guidance on proper/improper conduct (for example timecards, use of property

and information) and does include mention, where appropriate that the improper conduct may lead to dismissal. It also focuses on integrity, treating others with respect, and quality. Their "hotline," called "openline", information is given and its operation is outlined, making it clear to the reader that this line is for both reporting suspected allegations and for receiving guidance in decision making for value-based decisions. During the last five years, over half of Northrop Grumman hires of new graduates have been minorities.

Northrop Grumman has a statement on environmental stewardship. This is part of their community relations program. Their environmental stewardship statement⁴¹ is a proactive statement that addresses diversity in the workplace, a commitment to safety in the workplace, and a commitment "to lessening its environmental footprint through constant monitoring and improved sustainability." They have a foundation and matching gift for education programs and provide charitable giving guidelines for what they support. They support education, the family, diversity, health & human services and youth programs. Although environmental organizations are not listed, they don't seem to be excluded and specific instructions for grant proposals are online. Their space technologies division has been recognized for their work in the National Partnership for Environmental Priorities. This partnership, begun by the EPA, is aimed at reducing 30 high priority chemicals, and the EPA cites Northrop Grumman for going beyond compliance and voluntarily reducing hazardous chemical use. The firm has been conducting surveys of the composition of gasoline, diesel, heating oil and aviation fuel for 80 years. The information gathered from these surveys are published annually and are available to the public for a fee. As of December 31, 2006, the firm had accrued \$257 million in estimated environmental related liabilities.

Northrop Grumman is the sole designer and builder of nuclear aircraft carriers and competes with General Dynamics in the field of nuclear submarines. In its four businesses – information and services, electronics, aerospace and shipbuilding – Northrop Grumman provides defense and security systems as well as commercial systems. Their operations include public safety information systems, command and control systems, and health information systems, for example. They recently received a contract from the U.S. Navy for developing and demonstrating a Broad Area Maritime Surveillance Unmanned Aircraft System. This type of intelligence system can enhance both defensive and offensive military operations. Digital imaging and tools developed for Apollo missions have led to cordless power tools and MRIs. Another project for NASA eventually resulted in kidney dialysis machines.

Northrop Grumman works with its unions for the joint benefit of the firm and its employees/union members. 6,500 workers are covered by 11 unions at their Ingalls operations in Pascagoula, MISS. Last year their new three year contract brought in "a competitive wage and benefits package," said Philip Teel, president of Northrop Grumman Ship Systems sector. "This proposal meets current and future employees' needs based on the current and potential economics of the Gulf Coast region while staying within a cost structure that is in line with our customer and shareholder requirements."⁴²

Both General Dynamics and Northrop Grumman provide their shareholders with returns that primarily result from the design, manufacture and sale of products used in military operations.

They also pronounce to be concerned with their shareholders, employees, customers and communities and thus exhibit a number of the Catholic social principles. General Dynamics has moved from a past evidenced by employee dissatisfaction, layoffs, and environmental spills. Both firms have corporate policies for protecting the environment and supporting issues of diversity. Northrop Grumman's statements take a more proactive approach to protecting social values. Both firms have products that are defensive in nature, and Northrop Grumman's products have resulted in improvements to the health and wellbeing of society in general, much more than the protection of our troops.

Catholic Social Principles as Demonstrated at General Dynamics and Northrop-Grumman

In this section, we compare two firms engaged in the defense industry around issues connected with CST. Northrop Grumman's standards of business conduct indicate that their employees need to maintain compliance with rules and regulations, but they also specifically indicate their support for the integrity of workers and treating others with respect. General Dynamics states that they strive to provide a workplace that is free of discrimination and harassment. Both of these indicate support for the CST principle of *the dignity of every person and human rights*. General Dynamics' articulates a culture that supports its shareholders, its employees, its customers, and communities, it has had times of high employee dissatisfaction. High employee turnovers and absenteeism coincided with troubles in their product designs of the M-1 tanks. With significant losses in 1990, General Dynamics embarked on a restructuring phase, selling off many of its businesses, focusing on its core businesses of nuclear submarines and armored vehicles, and eliminating thousands of jobs. These job cuts came at a time when the company needed to recover and turn around from losses, yet at the same time their 25 top managers received \$18 million in incentive bonuses. On the other hand, Northrop Grumman has earned recognition as a great employer for new graduates, providing them with flexibility, leadership, and networking opportunities. Northrop Grumman appears to work with their unions, keeping a balanced focus on the needs of their employees, customers and shareholders. These approaches indicated different approaches to the CST values of *the dignity of work, rights of workers, and support for labor unions*

Northrop Grumman has a statement on environmental stewardship, but more so, their space technologies division has been recognized for their work in reducing the use of toxic chemicals in conjunction with the National Partnership for Environmental Priorities. General Dynamics has environmental policies for their business units. Their C4 Systems has received environmental and safety awards and sponsors environmental endeavors. Both of these illustrate the CST principles of *economic development, justice and sustainability*.

Both General Dynamics and Northrop Grumman are in the defense industry, and, as such, both design and produce equipment used in warfare. In addition to those items that are used in offensive operations, both firms also are involved in research and production of goods used in defense. General Dynamics was named by protesters demonstrating outside of the New York Stock Exchange in an anti-war protest last March. They are, however, also involved in a project to develop counter IEDs. They have developed tools such as detection devices for both chemical

and biohazard materials. Northrop Grumman also provides defense and security systems for commercial customers as well. Their intelligence systems coupled with unmanned aircraft could alternatively be viewed as both offensive and defensive systems. These activities engage the CST concern for *peace and disarmament*

Northrop Grumman has demonstrated their commitment to diversity by hiring significant numbers of minorities in the past few years. The diversity section on their web pages shows their support for women and minority conferences and their outreach to minorities in high school. General Dynamics also supports diversity and maintains a corporate diversity policy, desiring to provide a workplace where their employees can do their work and pursue their careers in an environment that is free of harassment and discrimination. General Dynamics has also donated powerful and rugged notebook computers for an expedition to fight malaria in four countries along the Zambezi River in Africa. These activities indicate the CST principle of the *option for the poor and vulnerable*.

Northrop Grumman's charity guidelines specifically support education, families, diversity, health & human services and youth programs, indicating the CST affirmation of *family life*.

Summary and Table

Having focused on business reporting and practices and having worked from experience toward CST principles, we decided to summarize our work from a different direction. We drew up a table to indicate the principles of CST and their positive and negative exemplification across the six firms that we studied. This way we could talk about the principles of CST and the way they are found and not found in business reports and activities. Please note that we have included an additional principle when we deal with reporting business operations. For the table, we have used the following abbreviations:

W-M = Wal-Mart

RDS = Royal Dutch Shell

NG = Northrop Grumman

COS = Costco

EXM = ExxonMobil

GD = General Dynamics

Table 2
Examples of CST as Exemplified in Reporting and Activities

Catholic Social Principles	Positive examples of company policies and procedures	Negative examples of company policies and procedures
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1. The dignity of every person and human rights	<ul style="list-style-type: none"> • In goals: "...embraces respect, integrity and diversity", W-M; • Better wages & benefits, COS • Dialogue and adaptation when people raise issues RDS • Ethics hotline is both for reporting allegations and receiving guidance on issues, NG 	<ul style="list-style-type: none"> • Poor wages & benefits, W-M • Collaboration with local governments in violation of human rights RDS & EXM • Planning and implementation that does not include the needs of the local population RDS & EXM
2. Solidarity, common good, and participation	<ul style="list-style-type: none"> • Wages & benefits; CEO pay, office & status, COS • Ecological responsibility. • dialogue and adaptation when people raise issues RDS 	<ul style="list-style-type: none"> • Disrupted communities; CEO pay, W-M • Failure to pay damages for Exxon Valdez oil spill EXM
3. Family life	<ul style="list-style-type: none"> • Support family, health and youth service programs, NG 	
4. Subsidiarity and the proper role of government	<ul style="list-style-type: none"> • Oil companies call for government to establish guidelines and incentives RDS & EXM 	<ul style="list-style-type: none"> • Collaboration with local governments in violation of human rights RDS & EXM
5. Property ownership: rights and responsibilities	<ul style="list-style-type: none"> • Recognizes rights to physical and intellectual property in standards, NG 	<ul style="list-style-type: none"> • Property rights aimed at protecting firm's rights, NG
6. The dignity of work, rights of workers, and support for labor unions	<ul style="list-style-type: none"> • Collegiality in workplace, COS • Named as Great Employer for New Grads, NG • Works with its unions, NG 	<ul style="list-style-type: none"> • Opposes labor unions; discriminates against women in promotions, W-M • Work issue problems led to high turnover and absenteeism, GD • Restructuring in 1990s cut significant jobs while top management received bonuses, GD
7. Economic development and justice	<ul style="list-style-type: none"> • Low cost goods, W-M, COS • Military related products lead to products for larger society, NG 	
8. Peace and disarmament	<ul style="list-style-type: none"> • Cessation of exploration and drilling to protect from violence RDS • Produce biohazard detection devices and counter IEDs, GD 	<ul style="list-style-type: none"> • Violence in countries from which oil is extracted RDS & EXM • Products support war efforts, GD + NG • Protested against as part of war protest, GD

<p>9. Option for the poor and vulnerable</p>	<ul style="list-style-type: none"> • Low cost goods globally, W-M, COS • Policies that articulate sensitivity to the needs of the local population RDS & EXM • response with dialogue and adaptation when issues are raised • RDS • Charitable activities. EXM • Have a corporate diversity policy, GD • Support women's and black engineer's conferences, NG • Have programs for minorities in high schools, NG • Half of new graduate hires were minorities, NG 	<ul style="list-style-type: none"> • Lack of sensitivity to needs of local population in planning and implementation. RDS & EXM • Lack of responsiveness to difficulties EXM
<p>10. Stewardship and sustainability</p>	<ul style="list-style-type: none"> • New environmental policy; energy efficient bulbs, W-M • Serious effort at reducing greenhouse gases RDS • Less serious effort at reducing greenhouse gases EXM • Development of alternative energy businesses RDS • Received environmental and safety award, GD • Plants ranked in top 20% by EPA, GD • Environmental statement aimed at lessening the firm's environmental footprint, NG • Reduces chemical emissions below compliance requirements, NG 	<ul style="list-style-type: none"> • Huge carbon footprint, W-M, COS • Less serious effort at reducing greenhouse gases EXM • Emphasis on oil extraction and production EXM • Environmental statement aims at protecting firm, GD
<p>11. Transparency</p>	<ul style="list-style-type: none"> • Admission of wrong and taking actions to change RDS • Independent outside review board to critique GRI Report RDS 	

¹ Thomas Massaro, *Living Justice: Catholic Social Teaching in Action* (Lanham, MD, Sheed and Ward, 2000), pp. 113-165. We used this listing of CST principles rather than the seven principles articulated by the US Catholic bishops because Massaro includes principles such as *subsidiarity and the proper role of government, economic development and justice, and peace and disarmament* which the bishops do not mention. The bishops' listing does include care for God's creation which is consistent with the principle of *stewardship and sustainability* in Byron's list.

² William Byron, S.J., "Ten Building Blocks of Catholic Social Teaching." *AMERICA*. Oct. 31, 1998. pp. 176-183.

3. There is a vast and often critical literature on Wal-Mart. Some of which is: Wayne F. Cascio, "Decency Means More than Always Low Prices," *Academy of Management Perspectives* 20(August, 2006), 26-37; Anthony Bianco, *The Bully of Bentonville: How the High Cost of Wal-Mart's Everyday Low Prices is Hurting America* (New York: Currency/Doubleday, 2006); Nelson Lichtenstein, ed. *Wal-Mart: The Face of 21st Century Capitalism* (New York: The New Press, 2006); William Marquart, *Wal Smart: What it Really Takes to Profit in a Wal-Mart World* (New York: McGraw-Hill, 2007) and Anthony Bianco, "Wal-Mart's Midlife Crisis", *Business Week*, April 30, 2007, pp. 46-56.

4. Michael Barbaro, "Wal-Mart Sets Agenda of Change: Chief Lays Out Environmental, Health and Ethical Goals," *New York Times*, Jan. 24, 2008, p C3.

5. See World Business Council for Sustainable Development website: www.wbcsd.org accessed: Nov. 5, 2007

6. Danielle Sacks, "Working with the Enemy," *Fast Company*, Sept., 2007, pp. 74-81.

7. See www.accountability21.net Accessed Nov. 18, 2007.

8. Steven Greenhouse and Michael Barbaro, "Wal-Mart Memo Suggests Ways to Cut Employee Benefit Costs," *New York Times*, Oct. 26, 2005, p. C1.

9. Bill Baue, "Shareholder Activists: Most Wanted List: ExxonMobil, Wal-Mart, Chevron are Targets," *Business Ethics*, Spring, 2006, p. 38.

10. *Business Week*, Sept. 23, 2002, pp. 82-83.

11. The first two dollar figures in the table are from Stanley Homes and Wendy Zellner, "The Costco Way: Higher Wages Mean Higher Profits," *Business Week*, April 12, 2004, pp. 76-77; the next three percentage figures are from Michael Barbaro and Reed Abelson, "A Health Plan for Wal-Mart: Less Stinginess," *New York Times*, Nov. 13, 2007, pp. A1 & A27.

¹² These and other criticisms are contained in "Wall-Mart's New Greenwashing Report," by Sara Anderson, Institute for Policy Studies, Nov. 20, 2007 at www.ips-dc.org, accessed 6 Feb. 2008.

¹³ Lester R. Brown, *Plan B 3.0: Mobilizing To Save Civilization* (New York: W.W. Norton, 2008), p. 268.

14. Thomas Massaro, *op. cit.*, pp. 113-165. The numbers are Massaro's; we use them here as an aid in identification of the individual Catholic social principles.

¹⁵ Wal-Mart U.S. Securities and Exchange Commission 10-K Report, for the year Jan. 31, 2006. See www.SECFilings.com.

¹⁶ "Wall-Mart's New Greenwashing Report," by Sara Anderson, Op. Cit.

¹⁷ Wade, Mark. "A Commitment to Sustainable Development: The Long Journey Begins." In Marc J. Epstein and Kirk O. Hansen. *The Accountable Corporation*, vol. 3, *Corporate Social Responsibility*. Westport, CT: Praeger. 2006. pp. 133-134.

¹⁸ *Meeting the Energy Challenge: The Shell Sustainability Report 2006*. hosted by CorporateRegister.com. <http://www.corporateregister.com/a10723/shell06-sus-uk.pdf>. last accessed: April 12, 2008. page 1.

¹⁹ Information on the above activities is given in the *Shell Sustainability Report 2006*, pp. 3, 4, 12, 13, 15, 17, 19, 36.

²⁰ GreenBiz Staff. *Shell and Virent Partner to Produce 'Biogasoline.'* Greenbiz.com. Published March 27, 2008. <http://www.greenbiz.com/news/2008/03/27/shell-and-virent-partner-produce-biogasoline>. Last accessed: April 14, 2008.

²¹ *Shell Sustainability Report 2006*, p.5, 32, 33.

²² *Shell Sustainability Report 2006*, p.26.

²³ Even the company admits this. See *Shell Sustainability Report 2006*, p.5.

²⁴ *Shell Sustainability Report 2006*, p.26.

²⁵ *Shell Sustainability Report 2006*, , p.11.

²⁶ *Shell Sustainability Report 2006*, pp. 38-39.

²⁷ *ExxonMobil 2006 Corporate Citizenship Report*. Hosted by CorporateRegister.com. <http://www.corporateregister.com/a10723/exxonmobil06-csr-usa.pdf>. pp. 2-4, 12-13
Last accessed: April 10, 2008

²⁸ *ExxonMobil 2006 Corporate Citizenship Report*, p. 3. There is a similar statement on p. 15.

²⁹ *ExxonMobil 2006 Corporate Citizenship Report*, pp. 13, 17-23.

³⁰ *ExxonMobil 2006 Corporate Citizenship Report*, pp. 5, 17-22.

³¹ *ExxonMobil 2006 Corporate Citizenship Report*, pp. 6, 11, 14, 22-23, 38-41.

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<http://www.reuters.com/article/environmentNews/idUSN2745818320080227> and for overall information on Exxon's environmental and human rights record see *ExxonMobil Information Sheet*. The Stanford Group. last updated March 1, 2000.
<http://www.stanford.edu/group/SICD/ExxonMobil/exxonmobil.html>
- ³³ For the situation in Chad, see *Chad/Cameroon Development Project*. Sourcewatch: A Project of the Center for Media and Democracy. last updated May 12, 2006
http://www.sourcewatch.org/index.php?title=Chad/Cameroon_Development_Project
and *ExxonMobil 2006 Corporate Citizenship Report*. pp. 38-40. For information on the situation in Aceh, see Robert Jereski. *The Conflict in Aceh, and U.S. Interests in Promoting A Free Market, Stability and Human Rights in South East Asia: An Examination of the Context and Impacts of ExxonMobil's Security Arrangements with the Indonesian Armed Forces*. Conflict Prevention Initiative. June, 2001.
<http://preventconflict.org/portal/main/research/jereski.htm> *Groups Call on ExxonMobil to be Transparent about its Relationship with Indonesian Military in Aceh*. Common Dreams.org News Center. May 4, 2005. <http://www.commondreams.org/news2005/0504-16.htm> Abigail Abrash Walton and Bama Athreya. *US ties and challenges to peace in Aceh*. Asia Times Online. January 21, 2005. http://www.atimes.com/atimes/Southeast_Asia/GA21Ae01.html
- ³⁴ *ExxonMobil 2006 Corporate Citizenship Report*, p. 41.
- ³⁵ *ExxonMobil 2006 Corporate Citizenship Report*, pp. 44-45, 48-49.
- ³⁶ "General Dynamics: Strength on Your Side," Home Page <http://www.gendyn.com> (last accessed 5/15/2008).
- ³⁷ General Dynamics, *SEC Form 10-K*, 2008, p. 3.
- ³⁸ "List of Industry Stars," *Fortune Magazine*, May 19, 2007.
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- ³⁹ General Dynamics, "Corporate Sustainability".
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⁴¹ Northrop Grumman, "Our Environmental Stewardship,"

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⁴² "Northrop Grumman Unions to Vote On New Three-Year Contract" News Release, April

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