

1. Introduction

1. David P. Baron, *Business and Its Environment*, 5th ed. (Upper Saddle River, NJ: Prentice Hall, 2005), 666.

2. Milton Friedman, "The Social Responsibility of Business Is to Increase its Profits," *The New York Times*, September 13, 1970.

3. There are actually some more conditions that have to be met for the invisible hand to be exemplary—See Chapter 2 of my book *Nature and the Marketplace* (Washington, D.C.: Island Press, 2000).

4. That is to say, people value and are willing to pay for the existence of forests even if they personally make no use of them. Existence value is a major category of value for threatened species and for many wild places.

5. Forest Reinhardt, "Global Climate Change and BP Amoco," *Harvard Business School Cases*, April 7, 2000.

6. Geoffrey Heal, "Environmental Disaster—Not All Bad News," *Financial Times*, October 30, 2000.

7. The opportunity cost of an activity is a source of revenue foregone by carrying out that activity. It is not a cash cost—there is no bill associated with it. A commonly encountered opportunity cost is that associated with the internal use of a company's earnings, which could be invested outside the company to earn a return. The external return is the opportunity cost of the internal use of the funds.

8. Richard H. K. Vietor, Forest Reinhardt, and Peggy Duxbury, "StarKist (A)," *Harvard Business School Cases*, April 22, 1994.

9. For more details, see J. Gary Taylor and Patricia J. Scharlin, *Smart Alliance: How a Global Corporation and Environmental Activists Transformed a Tarnished Brand* (New Haven, CT: Yale University Press, 2004).

10. For background on Monsanto, see Ulrich Steger et al., "Monsanto's Genetically Modified Organisms: The Battle for Hearts and Shopping Aisles," *Harvard Business School Cases*, January 1, 2001; Michael D. Watkins and Ann Leamon, "Robert Shapiro and Monsanto," *Harvard Business School Cases*, April 10, 2001. The investment advisory group Innovest has an interesting analyst's

report on Monsanto: "Monsanto & Genetic Engineering: Risks for Investors," Innovest, http://www.innovestgroup.com/pdfs/2005-01-01_Monsanto_GeneticEngineering.pdf (accessed November 22, 2007).

11. See Joan Magretta, "Growth Through Global Sustainability: An Interview with Monsanto's CEO Robert B. Shapiro," in *Harvard Business Review on Business and the Environment*, ed. Amory Lovins and L. Hunter Lovins (Harvard Business Review Press Book, 2002).

12. See Dale Russakoff, "Human Toll of a Pension Default," *The Washington Post*, June 13, 2005, A01, <http://www.washingtonpost.com/wp-dyn/content/article/2005/06/12/AR2005061201367.html> (accessed November 22, 2007).

13. See <http://www.lapres.net/dodge.html> (accessed November 22, 2007).

14. See Einar R. Elahuge, "Corporate Managers' Operational Discretion to Sacrifice Corporate Profits in the Public Interest," in *Environmental Protection and the Social Responsibility of Firms: Perspectives from Law, Economics, and Business*, ed. Bruce L. Hay et al. (Washington, DC: RFF Press, 2005), 30.

15. Ibid.

16. Quoted in Elahuge, "Corporate Managers' Operational Discretion to Sacrifice Corporate Profits in the Public Interest," 24.

17. Sumantra Ghoshal, "Bad Management Theories Are Destroying Good Management Practices," *Academy of Management Learning & Education* 4, no. 1 (2005): 75–91.

2. Social, Environmental, and Financial Performance

1. Over the last few years, there has been a glut of coffee and world market prices have fallen, reducing the living standards of coffee farmers in poor countries. Fair Trade seeks to ensure that a larger-than-normal fraction of the sale price of the coffee beans goes to the farmers.

2. For details, see James E. Austin and Cate Reavis, "Starbucks and Conservation International," *Harvard Business School Cases*, October 2, 2002.

3. Freshfields Bruckhaus Deringer, "Corporate Social Responsibility," April 2004, <http://www.freshfields.com/practice/disputeresolution/publications/pdfs/8221.pdf> (accessed November 29, 2007).

4. See Richard H. K. Vietor, Forest Reinhardt, and Jackie P. Roberts, "Note on Contingent Environmental Liabilities," *Harvard Business School Cases*, February 11, 1994.

5. Julie Hudson, "Why Try to Quantify the Unquantifiable?" UBS Investment Research—Q-Series®: Corporate Social Responsibilities, April 11, 2005, http://www.gppi.net/fileadmin/gppi/UBS_Why_try_to_quantify_report_4-2005.pdf (accessed November 29, 2007).

6. For details, see Geoffrey Heal, "Environmental Disaster—Not All Bad News," *Financial Times*, October 30, 2000.

7. There is evidence that the president of Merck and Co. was given credit for Merck's sterling reputation as a responsible company (see note 9) at recent U.S. Congressional hearings on the withdrawal of Vioxx.

8. See David B. Montgomery and Catherine A. Ramus, "Corporate Social Responsibility Reputation Effects on MBA Job Choice" (working paper, Stanford Graduate School of Business, May 2003), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=412124 (accessed November 29, 2007).

9. See The Business Enterprise Trust, "Merck & Co., Inc A, B, C and D," 1991, Case 9-99-021. This discussion also draws on personal communications with Dr. Vagelos and remarks made by him at Columbia Business School on August 25, 2004. See also P. Roy Vagelos and Louis Galambos, *Medicine, Science, and Merck* (New York: Cambridge University Press, 2004).

10. "Doing Well by Doing Good," *The Economist*, December 12, 2002.

11. He used share prices rather than the market-to-book ratio, but as the book value of the companies studied would not have changed in the few days around the release of the TRI data, the denominator of this ratio would not have changed while the numerator is proportional to share price.

12. See Susmita Dasgupta, Benoit Laplante, and Nlandu Mamingi, "Pollution and Capital Markets in Developing Countries," *Journal of Environmental Economics and Management* 42, no. 3 (2001): 310–35.

13. See Susmita Dasgupta et al., "Disclosure of Environmental Violations and the Stock Market in the Republic of Korea" (working paper 3344, World Bank Policy Research, June 2004).

14. Glen Dowell, Stuart Hart, and Bernard Yeung, "Do Corporate Global Environmental Standards Create or Destroy Market Value?" *Management Science* 46, no. 8 (August 2000): 1059–74.

15. Middle-income developing countries are a category defined by the World Bank and consist of those countries with gross national income (GNI) per capita between \$906 and \$11,115.

16. Interestingly, this is exactly how financial analysts assessed the appropriateness of the drop in Merck's share price after the withdrawal of Vioxx—they calculated the loss of profits and then also the legal liability to which Merck was exposed because of the costs possibly imposed on the users of its product Vioxx.

17. Andrew A. King and Michael J. Lenox, "Does It Really Pay to Be Green? An Empirical Study of Firm Environmental and Financial Performance," *Journal of Industrial Ecology* 5, no. 1 (2001): 105–116, <http://www.greeneconomics.net/DoesItPayToBeGreen.pdf> (accessed November 29, 2007).

18. They add together the emissions of different chemicals, weighted by an index of how harmful they are.

19. There are many other influential studies on this topic. See Shameek Konar and Mark A. Cohen, "Does the Market Value Environmental Performance?" *The Review of Economics and Statistics* 83, no. 2 (May 2001): 281–89.

20. Gary Silverman, "Bono Sees Red as Means to Fight AIDS in Africa," *Financial Times*, January 26, 2006, p. 1.

21. For details, see Ramon Casadesus-Masanell et al., "Households' Willingness to Pay for Public Goods: Evidence from Patagonia's Introduction of Organic Cotton Sportswear" (working paper, Harvard Business School, presented at the Allied Social Science Associations Annual Meetings, January 2005); Forest Reinhardt, Ramon Casadesus-Masanell, and Debbie Freier, "Patagonia," *Harvard Business School Cases*, March 18, 2003.

3. Socially Responsible Investment

1. See the Calvert Web site (<http://www.calvert.com/>).
2. There are issues related to the use of poisonous chemicals in chip-making and to the disposal of unused electronic equipment, but these are so far small relative to the environmental impacts of many other industries.
3. Christopher Geczy, Robert F. Stambaugh, and David Levin, "Investing in Socially Responsible Mutual Funds," Social Science Research Network, October 2005, <http://ssrn.com/abstract=416380> (accessed December 4, 2007).
4. "Corporate Storytelling," *The Economist*, November 4, 2004.

5. www.innovestgroup.com.
6. Rob Bauer, Kees C. G. Koedijk, and Rog r Otten, "International Evidence on Ethical Mutual Fund Performance and Investment Style" (working paper, Maastricht University and Erasmus University Rotterdam, November 2002), <http://www.socialinvest.org/pdf/research/Moskowitz/2002%20Winning%20Paper%20-%20Moskowitz.pdf> (accessed December 4, 2007).
7. Harrison G. Hong and Marcin T. Kacperczyk, "The Price of Sin: The Effects of Social Norms on Markets" (working paper, Sauder School of Business, The University of British Columbia, Vancouver, British Columbia, March 15, 2006), <http://ssrn.com/abstract=766465> (accessed December 4, 2007).
8. See Bernard S. Black, "Shareholder Activism and Corporate Governance in the United States," in *The New Palgrave Dictionary of Economics and the Law*, vol. 3, ed. Peter Newman (New York: Palgrave Macmillan, 1998), 459–65; Stuart Gillan and Laura T. Starks, "A Survey of Shareholder Activism: Motivation and Empirical Evidence," *Contemporary Finance Digest* 2, no. 3 (Autumn 1998): 10–34.
9. ISS recently purchased IRRC.
10. Claudia Cattaneo, "Lingering 'Sudan Effect' Likely to Tarnish Talisman," *Financial Post, Calgary*, February 24, 2000.
11. Talisman Energy, "Talisman to Sell Sudan Assets for C1.2 Billion," *News Releases*, October 30, 2002, <http://www2.ccnmatthews.com/scripts/ccn-release.pl?/2002/10/30/1030131n.html?cp=tlm> (accessed October 2005).
12. EarthRights International, "Defending the Alien Tort Claims Act," September 15, 2004, http://www.earthrights.org/site_blurbs/help_defend_atca.html (accessed October 2005).
13. Ibid.
14. Talisman Energy, "Talisman Corporate Social Responsibility Report 2004," http://www.talisman-energy.com/responsibility/cr_report/?disclaimer=1 (accessed October 2005).

4. Financial Institutions and Social and Environmental Performance

1. For a list, see <http://www.equator-principles.com/>.
2. Paul West, "Banking on the Environment: A Model Campaign Against Financing Eco-Destruction," *Peacework*, April 2004, <http://www.peaceworkmagazine.org/pwork/0404/040416.htm> (accessed December 4, 2007).

3. ABN AMRO, Barclays, BNP Paribas, Citigroup, Deutsche Bank, Royal Bank of Scotland, Sumitomo Mitsui Banking Corp., and WestLB.

4. The banks attending were ABN AMRO, ANZ Bank, Bank of Scotland, Barclays, BNP Paribas, Citigroup, Credit Agricole Indosuez, Credit Lyonnais, HypoVereinsbank, ING Bank, KBC Bank, Mizuho Corporate Bank, NORD/LB, Rabobank, Royal Bank of Scotland, and WestLB.

5. The bankers were Chris Beale, Pam Flaherty (senior vice president, head of Citigroup's Environmental and Social Policy Review Committee), Madeleine Jacobs (senior vice president, head of Reputation Risk Management at ABN AMRO), and Andre Abadie (vice president, head of Environmental and Social Risk Management at ABN AMRO). The NGOs included Conservation International, Environmental Defense, Friends of the Earth, World Wildlife Fund, and World Resources Institute.

6. On April 8, 2003, the banks met with European-based NGOs to review the current draft of the EP. The bankers attending included, from ABN, Madeleine Jacobs, Paul Mudde (senior vice president, head of Reputation Management and Sustainable Development) and Andrew Abadie; from Citigroup, Elliston and Flaherty; from Barclays, Chris Bray; and from WestLB, Hans Hoeveler and two members of a staff unit representing the WestLB Board, Frank Borstelman and Martina Neuber. Glen Armstrong from IFC also attended. The NGOs included World Wildlife Federation UK, Aid Environment, Milieu Defensie (Friends of the Earth) of France, Italian Campaign for World Bank Reform, and Urgewald of Germany.

7. This criticism, however, is limited to projects reliant on IFC funding; clearly, the Equator Principles have far wider application and are not confined to IFC-funded projects.

8. A Rumanian gold deal was turned down by ICF and by some non-EP banks.

9. ERM Report, Credit Risk Management, "Banking Industry Integrating Environmental and Social Issues: How Much and How Fast?" 2004, quoted in Freshfields Bruckhaus Deringer, "Banking on Responsibility," <http://www.freshfields.com/practice/environment/publications/pdfs/12057.pdf> (accessed December 30, 2007).

10. FSC Principles cover the impacts on affected societies, such as land title and land use rights; the rights of indigenous people; community relations and workers' rights; and economic benefits from forestland use.

11. Bank of America reaffirmed its commitment in April 2004 to the Ceres Principles, a ten-point code of corporate environmental conduct.

12. Reviewed by Foley Hoag LLP (www.foleyhoag.com).

13. See, by way of comparison, Tangguh Independent Advisory Panel Reports of 2002, 2003, and 2005 and *Insight Investment Investor Responsibility Bulletin*, Spring 2004. Panel reports at http://www.bp.com/liveassets/bp_internet/globalbp/STAGING/global_assets/downloads/I/Indonesia_Tangguh_Independent_Advisory_Panel_BP_response_2002.pdf.

14. "Caspian Development Advisory Panel Releases Report on Turkey and Project-Related Security and Human Rights Issues in Azerbaijan, Georgia and Turkey," December 17, 2003, www.prnewswire.co.uk.

15. In its report, "Principles, Profits or Just PR—Triple P Investments under the Principles," June 2004, Banktrack, for example, suggested that the project continued "virtually unaltered" despite the adoption of principles. Furthermore, in June 2003, seventy-two human rights and environment groups from twenty-nine countries called for a moratorium on the BTC pipeline, arguing that it would worsen the human rights situation along the pipeline route and that a background of lack of freedom of speech in the region made proper consultation impossible (www.bakuceyhan.org.uk/press_releases/news08.htm).

16. For a copy of ABN AMRO's press release of December 10, 2003, explaining the reasons for its participation in the project, see www.abnamro.com/com/about/data/abnamro_btcpipeline.pdf. The BTC legal documents can be accessed on www.bakuceyhan.org.uk/links.htm.

17. Société Générale, "Sustainable Development," 2003, http://www.ir.socgen.com/en/download_a/Societe-Generale_2003-Annual-Report_4-sustainability.pdf (accessed December 4, 2007).

18. "Can Chuck Prince Clean Up Citi," *Business Week*, October 4, 2004.

19. Charles Prince, chairman and chief executive, Global Corporate and Investment Bank, Citigroup; "10 Global Banks Endorse Socially Responsible 'Equator Principles,'" *Agence France Presse*, June 5, 2003, <http://www.equator-principles.com/afp1.shtml> (accessed December 4, 2007).

20. See note 9.

21. Alison Maitland, "Barclays Banks on a Good Name," *Financial Times*, February 19, 2004.

22. See note 9.

23. Quoted from Z. Greenfield, "The Equator Principles: A New Industry Framework for Environmental and Social Standards in Global Project Finance

Lending” (paper based on an internship at Citigroup as Columbia Business School’s Social Enterprise Program, MBA05 Columbia Business School, 2004), <http://www2.gsb.columbia.edu/socialenterprise/downloads/EquatorPrinciplesZevGreenfield.pdf> (accessed December 4, 2007).

5. Pharmaceuticals and Corporate Responsibility

1. All data refer to the quarter ending June 30, 2005, and were taken from the Web site of the Smith Barney group (www.smithbarney.com).

2. Frank R. Lichtenberg, “Sources of U.S. Longevity Increase, 1960–1997” (NBER Working Paper No. W8755, Columbia Business School, New York, February 2002).

3. To increase the life expectancy of one person by one year.

4. Cited in “Prescription for Change,” *The Economist*, June 16, 2005, http://www.economist.com/background/displaystory.cfm?story_id=4053970 (accessed November 30, 2007).

5. For details, see The Business Enterprise Trust, Cases 9-991-021, 9-991-022, 9-991-023, and 9-991-024 and also P. Roy Vagelos and Louis Galambos, “The Moral Corporation,” *Medicine, Science, and Merck* (New York: Cambridge University Press, 2004).

6. Vagelos and Galambos, “The Moral Corporation,” 254.

7. “Drug Companies in the Dock,” *Economist (London)* 359, no. 8218 (2001): 65.

8. Nonsteroidal anti-inflammatory drugs—a class that included aspirin, ibuprofen (Advil), and most over-the-counter painkillers.

9. For more details, see David P. Baron, *Business and Its Environment*, 5th ed. (Upper Saddle River, NJ: Prentice Hall, 2005), 727–28.

10. The companies are Abbot Laboratories, Astra Zeneca, Bristol Meyers Squibb, GlaxoSmithKline, Janssen, LifeScan, Novartis, OrthoMcNeil, Pfizer, Sanofi Aventis, Takeda, and TAP Pharmaceutical.

11. For details, see John Luke Gallup and Jeffrey D. Sachs, “The Economic Burden of Malaria,” *American Journal of Tropical Medicine and Hygiene* 64, Suppl. no. 1 (2001): 85–96, http://www.ajtmh.org/cgi/reprint/64/1_suppl/85 (accessed November 30, 2007).

12. "Vaccinating The World's Poor," *Business Week*, April 26, 2004, http://www.businessweek.com/magazine/content/04_17/b3880098.htm (accessed November 30, 2007).

13. For more details, see www.clintonfoundation.org/programs.

6. Wal-Mart and Starbucks

1. See Robert S. Pindyck and Daniel L. Rubinfeld, *Microeconomics*, 6th ed. (Upper Saddle River, NJ: Prentice Hall, 2005), 495–96.

2. See Pankaj Ghemawat, "Wal-Mart Stores' Discount Operations," *Harvard Business School Cases*, August 19, 1986.

3. Ibid.

4. "Is Wal-Mart Unstoppable?" *The Economist*, December 6, 2001.

5. Ibid.

6. The numbers refer to 2004: see "Wal-Mart: How Big Can It Grow?" *The Economist*, April 15, 2004.

7. Ghemawat, "Wal-Mart Stores' Discount Operations."

8. Ibid.

9. Wal-Mart retained Global Insight to conduct this study, that is, Global Insight did not have an arm's-length relationship with Wal-Mart. The Global Insight study is entitled "The Economic Impact of Wal-Mart" and dated November 2 2005.

10. The figures for the United States as a whole are not conventional averages but weighted averages, with the weights reflecting the percentage of Wal-Mart employees in a particular position in a particular MSA.

11. Greg Hughes et al., "U.S. Productivity Growth, 1995–2000," McKinsey Global Institute, October 2001, cited in Pankaj Ghemawat, Ken A. Mary, and Stephen P. Bradley, "Wal-Mart Stores in 2003," *Harvard Business School Cases*, revised January 30, 2004.

12. Jerry Hausman and Ephraim Leibtag, "Consumer Benefits from Increased Competition in Shopping Outlets: Measuring the Effect of Wal-Mart," *Journal of Applied Econometrics* 22, no. 7 (2007): 1157–77.

13. Emek Basker, "Job Creation or Destruction? Labor-Market Effects of Wal-Mart Expansion," *Review of Economics and Statistics* 87, no. 1 (February 2005), <http://ssrn.com/abstract=371102> (accessed December 30, 2007).

14. David Neumark, Junfu Zhang, and Stephen Ciccarella, "The Effects of Wal-Mart on Local Labor Markets" (working paper 11782, National Bureau of Economic Research, Cambridge, MA, November 2005).

15. Thomas A. Hemphill, "Rejuvenating Wal-Mart's Reputation," *Business Horizons* 48, no. 1 (January-February 2005): 11–21, 13.

16. Ibid.; cites a figure of 38 percent without giving a source.

17. Michael Barbaro, "Putting on the Brakes," *Washington Post*, May 23, 2005, E01.

18. Ransom A. Myers and Boris Worm, "Rapid Worldwide Depletion of Predatory Fish Communities," *Nature* 423 (2003): 280–83.

19. Michael Grunwald, "Warming to the Inconvenient Facts," *Washington Post*, July 23, 2006, B01.

20. John M. Broder, "Voters in Los Angeles Suburb Say No to a Big Wal-Mart," *The New York Times*, April 8, 2004.

21. Barbaro, "Putting on the Brakes."

22. Market capitalization as of June 21, 2006.

23. Quoted from <http://www.starbucks.com/aboutus/default.asp> (accessed June 23, 2006).

24. Available at http://www.starbucks.com/aboutus/FY05_CSR_Total.pdf (accessed December 1, 2007).

25. James E. Austin and Cate Reavis, "Starbucks and Conservation International," *Harvard Business School Cases*, October 2, 2002, p. 3.

26. Details are given in Austin and Reavis, "Starbucks and Conservation International." Most of the details of the collaboration between Starbucks and Conservation International are taken from this source.

7. Interface and Monsanto

1. For more background on Interface, see Rogelio Oliva and James Quinn, "Interface's Evergreen Services Agreement," *Harvard Business School Cases*, February 25, 2003.

2. Quoted from Oliva and Quinn.

3. For background on Monsanto, see Ulrich Steger et al., "Monsanto's Genetically Modified Organisms: The Battle for Hearts and Shopping Aisles," International Institute for Management Development, March 20, 2003; Michael D.

Watkins and Ann Leamon, "Robert Shapiro and Monsanto," *Harvard Business School Cases*, April 10, 2001. The investment advisory group Innovest has an interesting analyst's report on Monsanto: "Monsanto & Genetic Engineering: Risks for Investors," Innovest, http://www.innovestgroup.com/pdfs/2005-01-01_Monsanto_GeneticEngineering.pdf (accessed November 22, 2007).

4. See Joan Magretta, "Growth Through Global Sustainability: An Interview with Monsanto's CEO Robert B. Shapiro," in *Harvard Business Review on Business and the Environment*, ed. Amory Lovins and L. Hunter Lovins (Harvard Business Review Press Book, 2002).

5. For more information, see Stephen L. Buchmann and Gary Paul Nabhan, *The Forgotten Pollinators* (Washington, DC: Island Press, 1997) and Gretchen Daily, ed., *Nature's Services: Societal Dependence on Natural Ecosystems* (Washington, DC: Island Press, 1997), esp. Chapter 8, "Services Provided by Pollinators," by Stephen L. Buchmann and Gary Paul Nabhan.

6. Watkins and Leamon, "Robert Shapiro and Monsanto," 12.

7. "Monsanto & Genetic Engineering: Risks for Investors," 19, 20.

8. *Ibid.*, 36.

8. Outsourcing

1. Ann Harrison and Jason Scorse, "The Nike Effect: Anti-Sweatshop Activists and Labor Market Outcomes in Indonesia" (working paper, University of California—Berkeley, Department of Agricultural and Resource Economics, March 2004), http://www.econ.yale.edu/seminars/trade/tdw04/Harrison_032204.pdf (accessed December 5, 2007).

2. "Nike CEO Phil Knight Announces New Labor Initiatives," *PR Newswire*, May 12, 1998, cited in Jennifer Burns and Debora L. Spar, "Hitting the Wall: Nike and International Labor Practices," *Harvard Business School Cases*, January 19, 2000.

3. Quoted in David P. Baron, *Business and Its Environment*, 5th ed. (Upper Saddle River, NJ: Prentice Hall, 2005), 122.

4. *Ibid.*, 121.

5. *Ibid.*

6. For details see Forest Reinhardt, Charles Veillon, *Harvard Business School Cases* 2006.

7. Harrison and Scorse, "The Nike Effect."
8. Ibid.
9. Jagdish Bhagwati, *In Defense of Globalization* (New York: Oxford University Press, 2004).
10. Eric Edmonds and Nina Pavcnik, "Does Globalization Increase Child Labor? Evidence from Vietnam" (working paper, National Bureau of Economic Research, Cambridge, MA, February 2002), <http://www.nber.org/papers/w8760> (accessed December 5, 2007), cited in Bhagwati, *In Defense of Globalization*.
11. For more details, see the InsightNewsTV video clip on this available at <http://video.google.com/videoplay?docid=4786079244183070132>.
12. Olivier Cadot and Daniel Traça, "Soccer Balls Made for Children by Children? Child Labor in Pakistan (A B)," NSEAD, 2001.
13. Usman Khan, founder of Sudhaar, quoted in "Soccer Balls Made for Children by Children: Child Labor in Pakistan (A)," INSEAD case 300-004-1, 1999. All the information about soccer-ball manufacture is taken from this case and its companion "Soccer Balls Made for Children by Children: Child Labor in Pakistan (B)," INSEAD case 301-144-1, 2001.
14. Lauren Foster and Alexandra Harvey, "Why Ethical Sourcing Means Show and Tell," *Financial Times*, April 22, 2005.
15. Available at <http://www.nike.com/nikebiz/nikebiz.jhtml?page=29&item=fy04.13>. Available at <http://www.nike.com/nikebiz/nikebiz.jhtml?page=29&item=fy04>.

9. Getting Rich by Selling to the Poor

1. "A Survey of Microfinance," *The Economist*, November 5–11, 2005, p. 12.
2. See Beatriz Armendáriz and Jonathan Morduch, *The Economics of Microfinance* (Cambridge, MA: MIT Press, 2005), 161.
3. Evaristus Mainsah et al., "Grameen Bank: Taking Capitalism to the Poor," *Chazen Web Journal of International Business*, Spring 2004, http://www2.gsb.columbia.edu/journals/files/chazen/Grameen_Bank_v04.pdf (accessed December 5, 2007).
4. CIA, *The World Factbook 2003*, s.v. "Bangladesh," <https://www.cia.gov/library/publications/the-world-factbook/geos/bg.html> (accessed December 5, 2007).

5. "A Survey of Microfinance," 10.
6. See Beatriz Armendáriz and Jonathan Morduch, "Beyond Group Lending," in *The Economics of Microfinance* (Cambridge, MA: MIT Press, 2005).
7. Shahidur R. Khandker, *Fighting Poverty with Microcredit: Experience in Bangladesh* (New York: Oxford University Press, 1998); Shahidur R. Khandker, "Micro-Finance and Poverty: Evidence from Bangladesh," *Grameen Dialogue*, no. 54 (April 2003), <http://www.grameen-info.org/dialogue/dialogue54/coverstory.html> (accessed December 5, 2007).
8. "A Survey of Microfinance," 10.
9. See http://www.bwtp.org/arcm/indonesia/II_Organisations/MF_Providers/BRI.htm (accessed December 5, 2007).
10. Taken from http://www.profundinternacional.com/htm/invest_perf_sum.htm (accessed December 5, 2007).
11. "A Survey of Microfinance," 12–13.
12. See "Letter of the Chairman," <http://www.profundinternacional.com/htm/letter.htm> (accessed December 5, 2007).
13. "A Survey of Microfinance," 11.
14. See Armendáriz and Morduch, "Beyond Group Lending."
15. A phrase introduced by C. K. Prahalad in his book *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits* (Philadelphia, PA: Wharton School Publishing, 2005).
16. Goiter is an "enlargement of the thyroid gland, causing a prominent swelling at the throat. The thyroid can grow to 50 times its normal weight, interfere with breathing and swallowing, and cause a choking feeling. Simple (endemic) goitre, the most common, is due to low iodine intake. It and related conditions result from various defects in thyroid hormone synthesis (hypothyroidism)," <http://www.britannica.com/ebc/article-9365772?query=hyperthyroidism&ct=> (accessed November 13, 2005).
17. There is a similarity to the "Tupperware parties" and "Avon Ladies," who used to sell these products to the middle classes in the United States in the 1950s and 1960s.
18. For details on this and other points relating to HHL's experiences in India, see Prahalad, *The Fortune at the Bottom of the Pyramid*, Part II, Section II.
19. See C. K. Prahalad and Stuart L. Hart, "The Fortune at the Bottom of the Pyramid," *Strategy + Business*, First Quarter (2002): 2–14, <http://www>.

strategy-business.com/press/16635507/11518 (accessed December 5, 2007). See also http://en.wikipedia.org/wiki/Arvind_Mills.

10. Cell phones and Development

1. Lars-Hendrik Roller and Leonard Waverman, "Telecommunications Infrastructure and Economic Development: A Simultaneous Approach," *The American Economic Review* 91, no. 4 (September 2001): 909–23.

2. Diane Coyle, "Overview," in *Africa: The Impact of Mobile Phones* (The Vodafone Policy Paper Series, Number 3, March 2005), http://www.vodafone.com/etc/medialib/attachments/cr_downloads.Par.78351.File.dat/GPP_SIM_paper_3.pdf (accessed December 6, 2007).

3. Joseph Winter, "Telecoms Thriving in Lawless Somalia," BBC News, November 19, 2004, <http://news.bbc.co.uk/2/hi/africa/4020259.stm> (accessed December 6, 2007).

4. Peter Baumgartner, *Tages-Anzeiger*, Zurich, Switzerland, November 26, 2003.

5. Jonathan Samuel, Niraj Shah, and Wenona Hadingham, "Mobile Communications in South Africa, Tanzania and Egypt: Results from Community and Business Surveys," in *Africa: The Impact of Mobile Phones* (The Vodafone Policy Paper Series, Number 3, March 2005), http://www.vodafone.com/etc/medialib/attachments/cr_downloads.Par.78351.File.dat/GPP_SIM_paper_3.pdf (accessed December 6, 2007).

6. Leonard Waverman, Meloria Meschi, and Melvyn Fuss, "The Impact of Telecoms on Economic Growth in Developing Countries," in *Africa: The Impact of Mobile Phones* (The Vodafone Policy Paper Series, Number 3, March 2005), http://www.vodafone.com/etc/medialib/attachments/cr_downloads.Par.78351.File.dat/GPP_SIM_paper_3.pdf (accessed December 6, 2007).

7. For more details on this case, Marco Visscher, "How One New Company Brought Hope to One of the World's Poorest Countries," *ODE*, January/February 2005.

8. "Mobile Phones and Development," *The Economist*, March 10, 2005.

9. See "Vodacom: Extending Telecom Services to South Africa's Poor," World Business Council for Sustainable Development, <http://www.wbcsd.org/>

web/publications/case/vodafone_full_case_final_web.pdf (accessed December 6, 2007).

10. For more information, see C. K. Prahalad, *The Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits* (Philadelphia, PA: Wharton School Publishing, 2005), Part II, Section IV; and also World Bank, "India—The Indian Oilseed Complex: Capturing Market Opportunities," July 31, 1997, http://www-wds.worldbank.org/external/default/WDSPContentServer/WDSP/IB/1997/07/31/000009265_3971104184215/Rendered/PDF/multi_page.pdf (accessed December 6, 2007).

11. Measuring Responsibility

1. The U.K. government has removed the original proposal from its Web site: a summary can be found at <http://www.sustainability.com/insight/issue-brief.asp?id=283>.

2. For more information, see <http://www.intrinsec.co.uk/docs/Business%20Review.pdf> and also Wikipedia at http://en.wikipedia.org/wiki/Companies_Act_2006#General_provisions.

3. For details, see Maef Woods, "The Global Reporting Initiative," *The CPA Journal* June (2003): 7, cited in David Vogel, *The Market For Virtue: The Potential and Limits of Corporate Social Responsibility* (Washington, DC: Brookings Institution Press, 2005). There is also a compilation of data about different countries' rules in "KPMG International Survey of Corporate Responsibility Reporting 2005," KPMG International, June 2005, <http://www.kpmg.com/Industries/IM/Other/CRSurvey.htm> (accessed December 2007).

4. "What is a Company's Role in Society? Gap Inc. 2005–2006 Social Responsibility Report," Gap Inc., http://www.gapinc.com/public/documents/CSR_Report_05_06.pdf (accessed December 7, 2007).

5. Some classic references on this are P. S. Dasgupta, S. Marglin, and A. K. Sen, *Guidelines for Project Evaluation* (New York: United Nations, 1972) and Ian D. Little and James A. Mirrlees, *Manual of Industrial Project Analysis for Developing Countries* (Paris: OECD, 1969).

6. The valuation of \$1 to a poor person need not be completely subjective. Most advanced countries levy taxes to provide money to raise the incomes of

their poorest members, and from the tax rates and the amount of redistribution it is possible to infer the value placed on raising the incomes of the poorest.

7. The Clean Development Mechanism is a provision of the Kyoto Protocol that allows firms in advanced countries to pay developing countries to reduce emissions instead of doing so themselves.

8. In BP, the output of oil and gas includes that produced by its Russian subsidiary TNK.

9. Available at <http://cdiac.esd.ornl.gov/pns/convert.html>.

12. Social and Environmental Policies and Corporate Strategy

1. See their mission statement at <http://www.americanapparel.net/contact/ourworkers.html>.

13. Conclusions

1. These are not usually U.S. or European timber companies.

2. Factual information on the company and a summary of the allegations against it can be found in Wikipedia at http://en.wikipedia.org/wiki/Rimbunan_Hijau. This site also has links to the company's home page and the home pages of various environmental groups.

3. For details, see <http://www.commondreams.org/news2005/0303-16.htm>.

4. Details are on the U.S. Treasury's Web site at <http://www.ustreas.gov/offices/enforcement/ofac/programs/sudan/sudan.pdf>.

5. David B. Ottaway, "Chinese Fought on NYSE Listing," *Washington Post*, January 27, 2000; "China's Involvement in Sudan: Arms and Oil," *Human Rights Watch*, November 2003, http://www.hrw.org/reports/2003/sudan1103/26.htm#_Toc54492754 (accessed December 19, 2007).

6. <http://www.usdoj.gov/criminal/fraud/docs/dojdcoib.html> (accessed December 7, 2007).