
The Global Compact

Origins, Operations, Progress, Challenges

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This paper traces the origins and growth of the Global Compact, the UN's corporate citizenship initiative, from the time of its launch in June 2000. The Compact aims at making the process of globalisation more inclusive and, consequently, less fragile. The main engagement mechanisms of the Compact—leadership, policy dialogue, learning, partnership projects and outreach activities—are described and analysed. Roles and responsibilities of the central and supporting actors in the Compact—governments, business, civil society and labour—are outlined. The section on Compact governance places particular emphasis on the fact that the Compact is a voluntary initiative and does not intend to either regulate or monitor participant activities. The strategic direction of the Compact in 2003 includes a greater focus on policy dialogues and on increasing accountability and transparency in participants' Compact-related activities. The Compact's geographical spread and progress are evaluated. The central challenges the Compact will face as a consequence of multiple forces at play in the global arena are examined.

- Global Compact
- Corporate citizenship
- Globalisation
- Networks
- Governance
- Dialogue
- Learning
- Outreach

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Origins and growth

THE GLOBAL COMPACT WAS FIRST PROPOSED BY THE UN SECRETARY-GENERAL AT the World Economic Forum in Davos, in 1999. Referring to the rapid spread of globalisation, he emphasised that the world was characterised by glaring and unsustainable imbalances and inequities. He drew attention to the fact that markets were not embedded in universal human values and rights. Referring to the plight of the world's desperately poor populations, he suggested that businesses should work in a spirit of enlightened self-interest to make globalisation more inclusive, and consequently less fragile. In order to do this, businesses the world over should embrace and act upon nine universal principles (see page 34) in the areas of human rights, environmental preservation and labour practices.

From an entrepreneurial standpoint, the growth of the Compact is an intriguing tale. The Secretary-General's speech received an overwhelming response. Four UN agencies began to pool their resources and mesh their efforts to give shape to the idea. Business associations soon linked up with the Compact as they initially considered it a tool to promote the growth of markets and trade. The Compact's direction began to further evolve as it sought support not just from business associations but from individual business leaders. This step was taken to ensure greater participation and diversity of views. While the Compact was still in its infancy, the protests at the WTO (World Trade Organisation) conference in Seattle threw the problems of globalisation and inequity into sharp focus. After Seattle, the Compact overcame the ambiguity of labour unions by committing to prioritise social and environmental issues, irrespective of trade negotiations. When international NGOs (non-governmental organisations) joined the Compact, the last piece of the paradigm shift in development thinking and action fell into place. Paradoxically, the network coalesced at the time when the UN was considering an exit strategy from the Compact, because it felt that the Compact could not live up to public expectations.

How the Compact works: mission, actors, engagement mechanisms and governance

After more than two years of intense experimentation, the Compact has now solidified its mission and primary engagement mechanisms.

Mission

The mission of the Compact has remained unchanged since its inception. The Compact seeks to contribute to more sustainable and inclusive global markets by embedding them in shared values. It thereby hopes to foster a more beneficial relationship between business and societies, paying particular attention to the world's poorest people. Accordingly, the Compact pursues two complementary goals. The first involves efforts to internalise the Compact and its principles by making them part of business strategy and operations. The second is to facilitate co-operation and collective problem-solving between different stakeholders.

To these ends, the Global Compact fosters a network-based approach at the local, national, regional and global levels using the following engagement mechanisms:

- ▶ **Leadership:** initiating change through CEO commitment to the principles

- ▶ **Dialogue:** including a multi-stakeholder approach to identify problems and find solutions
- ▶ **Learning:** reinforcing dialogue through examples and identifying what works
- ▶ **Outreach/networks:** providing frameworks for action at the country, regional or sectoral level

The principal actors are described below. The engagement mechanisms, the Compact's progress and the initiative's strategic goals for 2003 are then presented. Finally, the key challenges facing the Compact are discussed.

The actors

The Compact involves all relevant actors: governments, which define the principles on which the initiative is based; companies, whose actions it seeks to influence; labour, in whose hands the concrete process of global production takes place; civil-society organisations, representing stakeholder communities; and the United Nations, the world's only truly global forum.

It is important, at this juncture, to outline the two assumptions about the motives of the Compact participants. First, actors believe that it is in their enlightened self-interest to work towards alleviation of many of the world's most pressing dilemmas. Second, actors have recognised that many of these problems can be addressed only through cross-sectoral co-operation.

Governments

Governments provide the essential legitimacy and universality to the principles of the Compact. Ultimately, implementation of the principles takes place within the legislative and regulatory frameworks developed by governments. They facilitate the functioning of the Compact at both global and national levels. As legislatures, they create an enabling, legal environment in which voluntary initiatives such as the Global Compact play a complementary role.

At the global level, they provide the political space for the Secretary-General to experiment with innovative engagement mechanisms involving business, labour and civil-society organisations. They also provide financial support to the Global Compact office and offer overall policy guidance on advancing responsible corporate citizenship in alignment with UN goals.

At the national level, governments support Compact events and the formation of Global Compact networks. They also help build policies that advance convergence around the Compact and its principles.

Business

The Compact is a voluntary initiative promoting responsible global corporate citizenship. It operates on a leadership model in that it aims to bring a critical mass of business leaders on board to build a sustainable movement. A company's CEO, endorsed by the company's board, must take the initiative to write to the Secretary-General stating the organisation's commitment to the Compact and its principles. Once this commitment is made, a company:

- ▶ Sets in motion changes to business operations so that the Global Compact and its principles become part of strategy, culture and day-to-day operations
- ▶ Is expected to publicly advocate the Global Compact and its principles via communications vehicles such as press releases, speeches, etc.

- ▶ Is expected to publish in its annual financial report or similar document (e.g. sustainability report) a description of the ways in which it is supporting the Global Compact and all its nine principles

For sustainability reports, the Global Compact encourages the use of the Global Reporting Initiative. In addition, it supports dialogue with companies by others engaged in the Compact. Special efforts are being made to reach out to small and medium-sized enterprises, including through UNIDO (United Nations Industrial Development Organisation), the IOE (International Organisation of Employers) member federations and international sectoral associations.

The Global Compact office neither regulates nor monitors a company's submissions and initiatives. The Compact's website carries the names of the companies that have sent letters of support and provides links to relevant reports. Global Compact network partners facilitate implementation of the nine principles by submitting business case studies and examples and by offering training and tools.

Participating companies also have the opportunity to contribute to a number of Global Compact activities at the global and local levels, through dialogue, learning and partnership projects.

Labour

Labour is part of both industry and civil society. It plays a role that is distinct from both business and other elements of civil society. That is why it is recognised in the Compact as a separate group.

Internationally recognised labour standards, including the fundamental rights that are part of the nine principles of the Compact, are developed in a tripartite process in which business and labour play central roles. They are also heavily involved in the supervisory procedures of the ILO (International Labour Organisation) to try to ensure that labour standards are implemented at the national level.

The structures of the international trade union movement equip it to coherently participate in the Compact in a way that covers sector and sectoral engagement as well as general policy issues. Trade unions are representative organisations that bring to the table long traditions of internal democracy, transparency and accountability to members.

Civil-society organisations

Civil-society organisations (CSOs) add critical dimensions to the Compact's operations. They offer not just their competencies and substantive knowledge but their problem-solving capacity and practical reach. Also, they can help to provide checks and balances and lend credibility and social legitimacy to the initiative. These characteristics help entrench the Compact's principles in a broader social context.

When participating in dialogue, CSOs add value to the processes of relationship building, information sharing, problem-solving and consensus building.

As project partners, their practical reach and skills are often crucial to the design and implementation of initiatives that give practical meaning to the Compact's principles. These initiatives also help to maximise learning efforts associated with a company's Compact-related activities.

Since dialogue involves multiple, diverse stakeholders, the Compact asks all participants to respect the common policy space that the Compact offers. This is done to ensure that dialogue remains constructive and produces meaningful outcomes. In fact, participants should be prepared to make a statement to this effect to the Global Compact office. In sum, four traits are essential to participate in the Compact's activities: the willingness to engage with all actors of society, the proven ability to make a substantive contribution, the ability to transcend a single-issue orientation, and the proof of a minimum level of transparency and accountability in matters such as membership and

funding. Participating CSOs are certainly at liberty to pursue their own approaches outside the framework of the Compact.

Other actors

As more and more companies join the Compact, relevant institutions that can facilitate the efforts at internalising the Compact's principles have joined the network. These institutions have expertise in the areas of human rights, labour and the environment, and are highly competent providers of tools that can integrate Compact activities. These include academic, think-tank and CSR (corporate social responsibility) organisations.

For example, the Compact's 'academic network' plays a catalytic role in the Compact's operation by preparing business case studies and commentaries on examples, and by undertaking research on global corporate citizenship. It is also at the hub of efforts to systematically promote the use of Compact material in classrooms to train tomorrow's leaders.

Engagement mechanisms

Each participating company has the responsibility to translate the Compact and its principles into business strategies and operations. However, as mentioned earlier, all participating companies, labour and CSOs have the opportunity to advance the goals of the Compact together through dialogue, learning and projects both at the global level and through local networks at national or regional levels. This enables the Compact to realise its full potential.

In the past year, the strategic approach of the Compact was modified to leverage the inherent strengths of the UN as a convening body, while further strengthening the engagement mechanisms.

Leadership

The leadership engagement mechanism represents a company's entry point and overall commitment to the Global Compact principles. As mentioned earlier, the goal is to create a critical mass of dedicated business leaders to sustain the movement. Initially, a company intent on joining the Compact had to send in a letter of commitment from the CEO. The company also had to submit an example of its work in implementing the Global Compact principles. Now, this commitment should ideally be endorsed by the company board. In addition, to raise transparency and public accountability, companies are expected to issue a 'Communication on Progress' in their annual reports or other prominent public documents, such as sustainability reports which will be linked to the Global Compact website. For sustainability reports, companies are encouraged to use indicators such as those identified in the Guidelines of the Global Reporting Initiative (GRI). The requirement for an example is no longer mandatory.

Dialogue

Dialogue is central to the Compact. The overall objective of the Global Compact 'Policy Dialogues' is to create a platform that facilitates mutual understanding and joint efforts among business, labour and NGOs in solving key challenges of globalisation, working with governments and the UN. The objective is to both influence policy-making and the behaviour of all stakeholders.

The outcomes of dialogue fall into three categories. The upstream products are those that can engender changes in policy frameworks, encompassing both incentive structures and regulatory mechanisms. Downstream products can influence the actual behaviour of participants. Collective action is the third outcome.

Through accumulated experience, the dialogue objectives for the past year have gained renewed clarity. The first overarching goal was to seek maximum practical application for products resulting from earlier dialogues. The second goal was to further professionalise and reinforce the capacity to organise and effectively conduct multi-stakeholder dialogues.

The following four specific objectives were set. First, efforts were to be directed at obtaining wide application by multiple stakeholders of dialogue products developed in 2001 and 2002. Second, the initiative to 'Grow sustainable businesses in least developed countries' was to be facilitated. Third, a new round of dialogues on specific issues was to be launched. Fourth, efforts were to be directed at refining the concept and methodology of dialogues to increase effectiveness of processes and outcomes.

The value of Policy Dialogues has been recognised and there has been a decision to significantly increase the number of dialogue topics in a given year.

Learning

Learning cuts through all Global Compact activities; by sharing good corporate practices, companies can exercise leadership, facilitate learning, stimulate dialogue and promote action. The Learning Forum has three specific goals. First, it offers a credible platform for multiple stakeholders, including the academic network, to identify critical knowledge gaps and to disseminate information. Second, it attempts to manage its network intelligently to both source and communicate good practices and cutting-edge knowledge to participants. Third, it fosters accountability and transparency through its web portal that both facilitates dialogue and enables web links to relevant public documents. The forum offers participants the opportunity to share experiences in the form of presentations, examples or case studies both at meetings and on the Compact website.

Global Compact outreach/networks

Decentralised networks are emerging or have coalesced in over 50 countries all over the world. The Global Compact office encourages this development. These networks replicate some or all of the global activities of dialogue, learning and projects. Networks also offer an increasing number of participating companies engagement access and contribute to the long-term sustainability of the initiative. Global Compact networks can be formed along geographic lines (country, region) or along sectoral lines (pharmaceutical sector, extractive sector, engineering sector, etc.).

Such decentralised networks will increasingly serve as engagement platforms for participants, and will serve a number of purposes. They can work towards moving innovative solutions upstream for global replication and multiplication or towards taking global dialogue issues down to the level of implementation. They can be used for Compact-related learning in a specific geographic or sectoral context, for promoting and displaying partnership projects, and for the recruitment of additional companies.

All decentralised networks are part of the Global Compact network; they act in the spirit of the Secretary-General's initiative, deepening participation, to speed up change.

Governance

As a voluntary corporate citizenship initiative, the Compact has maintained an open network structure, and conscious efforts have been made to eliminate bureaucratic controls. It utilises the power of transparency, dialogue and accountability to identify good practices and to find practical solutions to a range of problems and challenges. Willingness and ability to be part of the solution are the overriding criteria for engagement.

As the UN Secretary-General's initiative, the Global Compact office in New York is at the heart of the network, together with five UN core agencies. Three of these are some-

times referred to as the ‘guardians of the principles’: the OHCHR (Office of the High Commissioner for Human Rights), the ILO (International Labour Organisation) and the UNEP (UN Environment Programme). UNIDO’s strength lies in dealing with small and medium-sized enterprises; the UNDP (UN Development Programme) is the UN’s global operational arm. Other UN agencies participate whenever necessary and appropriate.

A number of safeguards have been developed to protect the integrity of the UN. Rules that govern the use of the UN logo are in place. Also, the Compact has created and follows a self-imposed rule of accepting funding only from governments or non-profit organisations. Appropriate measures will be taken if individual participants use their association with the Compact for purposes other than its stated goals or if their individual behaviour threatens the initiative’s integrity.

The Compact is not a substitute for effective regulation and action by governments. Rather, it is an opportunity for participants to exercise voluntary leadership in the spirit of enlightened self-interest. The Compact is intended to be an initiative that is complementary to government efforts and regulation. It helps establish the business case for doing the right thing. By setting examples within its own sphere of influence, it hopes to generate positive impulses that in turn can contribute towards governance and public policy responses that contribute to a more beneficial relationship between business and society.

The Compact is not strategically positioned to compete with other voluntary initiatives. Instead, it seeks to build on complementarities and to reinforce initiatives that advance the goals of the Compact, assuming that, over time, ‘content compatibility’ and ‘convergence’ will lead to effective global norms that are unique in their universality and legitimacy.

The Compact’s Advisory Council is composed of personalities of outstanding accomplishment and expertise from business, labour, civil society and academia. The Council provides strategic advice to the Secretary-General.

Progress made

The first topic of the Policy Dialogues was ‘The role of the private sector in zones of conflict’, which was held in March 2001. The outcomes included a Business Guide to Conflict Impact Assessment and Risk Management, policy recommendations on transparency and case studies on multi-stakeholder initiatives and revenue-sharing regimes. The first regional workshop to test and translate the recommendations and guidelines was held in Johannesburg in November 2002.

The LDC (least-developed country) initiative was formally launched at the World Summit on Sustainable Development in Johannesburg, which was attended by a dozen heads of state. The practical phase of the initiative was launched in Ethiopia and efforts have begun in Bangladesh. Possibilities are currently being explored in three additional countries: Madagascar, Angola and Cambodia.

In May 2003, a Global Compact Policy Dialogue was convened on HIV/AIDS in Geneva. The meeting was held in partnership with the ILO, and aimed at empowering societal actors to contribute to HIV/AIDS prevention, awareness-raising, care, support and treatment. Four working groups were spawned to carry this work forward.

A dialogue on supply chain management/partnerships was held in June 2003. It focused on how the Global Compact’s nine principles translate into corporate practice throughout the supply chain. The UNDP-sponsored Partnership Forum focused on discussing good practice and lessons learned about how business can partner with the UN. It also aimed at encouraging further input on state-of-the-art partnership practice.

Preliminary work has also begun to better define boundaries between different actors in the global economy.

Upcoming dialogue initiatives include an event focused on transparency and corruption as well as dialogue on sustainable production and consumption patterns.

The Compact has been successful in building a repository of intellectual capital through the Learning Forum. The forum has served as a database for CSR issues and initiatives. Through case studies, examples and projects, it has fostered public disclosure of events, thereby increasing the transparency of participant organisations. Using the convening power of the UN, it has sourced and communicated cutting-edge information to fill knowledge gaps and to facilitate use of best practices. In accordance with specific objectives over the past year, existing databases were expanded and improved to include new functionalities to facilitate submissions. During the past year, 138 new examples were submitted, representing a range of industry sectors and countries. The Compact has also been successful in creating an Academic Network to help guide the evolution of the Learning Forum and to influence the academic agenda and promote management theories that reflect the Global Compact's values-based approach. The Academic Network includes over 90 academics representing 60 institutions.

Before elaborating on the progress made so far, it is important to define the terms 'example' and 'case study', as these will be referred to frequently. Participation in the Global Compact requires a lasting and visible commitment to its shared values and principles. Participating companies are therefore encouraged to provide examples of how they internalise the Compact's nine principles and how they address other issues, such as HIV/AIDS, conflict prevention, water management, and transparency, in their management practice. These examples are intended to focus on internal efforts that effect changes in policies, strategies, codes and standards, decision-making and other practices. They can also contain public reports related to Global Compact issues, such as sustainability reports and annual reports. Stakeholders are encouraged to discuss and comment on the examples.

Global Compact case studies, as distinct from the brief, descriptive examples mentioned above, are independently prepared reports on managerial decisions related to the companies' internal implementation of the Global Compact principles. During the latter half of 2002, a case study methodology evolved earlier was refined by the Learning Forum partnering with the Academic Network. Thirteen new case studies were submitted during the year. The individual business case studies are intended to enable decision-makers and others to learn from a specific company's experience. A summary of these studies is provided in the Appendix (pages 48-49).

The case studies and examples show a spectrum of possible modalities and mechanisms by which companies can contribute towards applying the nine principles. Some of these are outlined below. While any example may fall into multiple categories, the attempt is to highlight the range of possibilities that can be enacted, rather than building water-tight segments. However, it is important to keep in mind that cases and examples vary considerably in their methodology and purpose. The analysis in this paper, therefore, is exploratory in nature. It tries to offer a framework for a preliminary analysis of available data, and this framework will undoubtedly be either modified or overhauled as information becomes more specific.

There are several examples of companies acting unilaterally. For example, the Credit Suisse Bank has produced a cutting-edge sustainability report. BP has shown leadership in designing an internal greenhouse gas emissions trading system to reduce carbon dioxide emissions. Companies in the NRG group have worked towards earning formal ISO accreditation. Others such as Kikkoman and Fuji Xerox have initiated and achieved global recognition for their environmental programmes which resulted in decreased carbon dioxide emissions and better waste management.

Others have worked through a variety of inter-company and inter-sectoral partnership mechanisms to achieve Compact goals. The Compact has also served as a building block for global framework agreements between global companies and international trade unions. As of today, over 20 such agreements have been reached, contributing to enhanced social dialogue at the global level. For example, Statoil operates in over 20 countries and faces a wide range of challenges on labour standards and employee relations. The company entered into and renewed a comprehensive labour agreement with an international trade union. This agreement was the first of its kind. The agreement is aligned with the Compact's principles and covers 16,000 employees in over 20 countries.

At the project level, the Compact has inspired myriad partnership projects around the world. For example, DaimlerChrysler in South Africa has entered into a strategic partnership with the German Development Agency GTZ to help battle the mortifying statistics of AIDS in South Africa. The company aims to reach its workers, their families and the community through its outreach programme. The programme has aimed at preventing new cases as well as offering the best possible care to those infected.

Telenor has started a joint venture with other Norwegian companies to develop an e-learning programme on CSR. Deutsche Telecom started the Global Communication Initiative along with other companies to bridge the digital divide. Aventis has teamed up with international NGOs such as the WHO (World Health Organisation) in a production–distribution partnership to tackle sleeping sickness in Africa. Deloitte Touche Tohmatsu has initiated a partnership with the UK government, other corporations, non-profit organisations and educational institutions to offer IT training to disadvantaged young adults.

Some companies have built initiatives around their intrinsic core competencies which also serve broader social goals. For example, the Gerling Group offers lower insurance premiums for cars that fulfil some environmental criteria. Others have implemented activities that are not necessarily directly related to their core competencies, but which show the internalisation of a broader social goal.

While most firms did not start their initiatives with financial rewards in mind, many organisational initiatives have resulted in cost savings, revenue enhancements or both. Reaping financial rewards through CSR activity is not new; however, the actual numbers mentioned by some companies are impressive. Two patterns are worth mentioning. First, a number of companies, including the ISS group, the Tata Group and Gerling, list a range of intangible benefits as among the gains they reap. These include better customer relations, increased staff commitment, improved morale and satisfaction. Recognition of intangible benefits is one more step towards reconciling the goals of fiduciary accountability and corporate responsibility. Second, many examples do not report either tangible or intangible benefits to the firm. This is, almost counter-intuitively, heartening. This is because social impacts are invariably mentioned and it is therefore very likely that businesses are engaging in responsible behaviours even if short-term financial results do not immediately warrant them.

Many initiatives have started at the national and local levels, using various partnership mechanisms such as working with local authorities and NGOs. For example, a number of public- and private-sector companies in India, including the Tata Group, BHEL and ONGC, carry out a variety of localised, community-level initiatives. An interesting, boundary-spanning initiative has been pioneered by the oneNest group. This group sources arts and crafts from indigenous groups in developing countries worldwide, and works towards ensuring a fair price for their wares.

A number of initiatives have been started in many countries at once, and have therefore had a global reach. For example, the ABB group has taken a lead in starting a multi-stakeholder dialogue in 34 countries, to monitor and measure its performance regarding Compact-related policies.

In December 2002, the Global Compact Annual Learning Forum meeting was held in Berlin, with over 200 participants from various sectors. Participating companies shared practical case studies on how they had integrated the Global Compact principles into core business operations. Companies have made far-reaching efforts to institutionalise the Compact's principles. They have used a range of mechanisms and techniques to achieve this end. Some of these have been participatory initiatives, steering committees, internal structures to manage knowledge, incorporating the Compact's principles into employees' job responsibilities and criteria for success, setting benchmarks and identifying internal change champions.

To facilitate the practical application of the Global Compact's principles, the Learning Forum invited 'enabler organisations' to contribute to tool and product development. In this regard, the Learning Forum initiated linkages with numerous organisations, including many of the most prominent associations and institutes dedicated to corporate citizenship and corporate social responsibility. A Performance Builders group has been formed as a result of these initiatives and a first meeting was held in Geneva in May 2003 to discuss and identify tools and training packages and to discuss the group's future activities.

The development of country and regional networks has been promising. The Compact has incessantly focused on moving away from the possibility of becoming a top-down initiative with little ownership at ground level and has encouraged the growth of networks from the grass roots. Networks have shown interesting results in countries as diverse as China, Cameroon, India, Panama, Poland, Germany and Scandinavia. In Scandinavia, a group of large companies holds at least one event a year to share experiences and learning. The Nordic Network has now met five times. The central theme of the latest meeting was managing human rights and responsibility in the supply chain. Work was also done on developing suitable indicators and organisational learning. Interestingly, one company from the host country that is not yet a part of the Compact is invited to events.

The network in Panama consists of domestic and multinational companies, NGOs and the UNDP. Three important business organisations including the National Chamber of Commerce have also joined. The lead partner identified by the UNDP is CEDIS (Centro Empresarial de Inversión Social), a not-for-profit organisation advising local enterprises on corporate responsibility.

In Poland, support for the Compact is a component of the social policy of the Ministry of Labour. A Global Compact steering committee has been established with global and indigenous corporate members. The members of the committee have built a cross-sector partnership with the UNDP on the LA2I and Business initiative. This project aims to use business as a catalyst to improve institutional capacity at the municipality level to deliver more effective services to citizens. Businesses participate by imparting economic and business-related education, training and employee secondments. The committee also supports the School for Leaders project, which aims to improve the skills of individuals involved in public work. Training input is a major component of business participation.

In India, around 90 leading Indian companies have joined the Compact, along with a plethora of industry associations, employer organisations and professional bodies. These bodies play an important role in promoting the Compact's cause to their members. A number of meetings and conferences have been used as forums to advocate the Compact's cause. Six case studies have been developed as part of the pilot phase of establishing local learning forums.

Recent developments in China and in Arab countries have shown how business pragmatism can be a forward-looking and positive force for constructive social change, even when governments are not willing to commit to new initiatives. In China, the UNDP

has developed close relationships with businesses over the last few years and has cooperated on a number of initiatives ranging from sponsorship of events and publications to partnership projects. The China Reform and Development Forum Committee, under the auspices of the Chinese Academy of Social Science (CASS), is establishing a Global Compact Learning Forum China Centre. Acting as a learning hub for the Global Compact in China, the Centre will work in co-operation with a broad range of stakeholders, including business, government, academia, labour and civil society. In Arab countries, a number of companies have broken with tradition and have signed up to the Compact. Comprehensive awareness campaigns are under way in both regions.

Finally, multi-stakeholder networks exist in a number of countries including Spain, Belgium, Cameroon, Austria and Switzerland.

The Compact has also succeeded in fostering intra-organisational learning both within and between UN agencies. A good example of this has been the shortening of the learning curve of the UN's human rights agency in relation to partnerships with the private sector. Because knowledge was transferred through the Compact, the agency was able to achieve in one year what the UN's environment agency achieved in ten.

One of the Compact's unique features is that it has gained credibility in both developed and developing countries. Over 50% of participating companies are from developing countries.

Continued relevance of the Compact: challenges and the road ahead

The Compact remains relevant in today's context because the debate is no longer about whether the world should 'go ahead' with the force of globalisation. Rather, it is about building a certain integrity into the process, in order to secure sufficient social legitimacy by extending its benefits to a large swathe of the world's population, currently excluded from access to markets and opportunity. Statistics paint a grim picture indeed of the state of the world's peoples. Half the world's population lives on less than \$2 a day. The Compact can make an important contribution towards improving this situation by embedding markets in shared values and by offering opportunities for collective solution-finding. In a very real sense, therefore, the Compact may well influence whether globalisation will succeed or whether it will remain an unfinished experiment, relegated to the annals of history.

The essential challenge the Compact faces involves building a solid foundation of equity and prosperity for all, where the nations of the world live with openness rather than protectionist boundaries. Before elaborating on the challenges ahead, it may be useful and essential to highlight certain characteristics of the Compact that place it in a unique position to advance such causes. First, while the Compact is an example of how business can contribute to sustainable growth and lasting peace, the Compact permits the involvement of multiple actors, apart from businesses, in initiatives at both the macro level and the micro level. Second, the Compact has taken on the form of regional and national nested networks. These networks enjoy the legitimacy and moral authority associated with being based on core universal values, which are akin to what academic literature calls 'hypernorms'. Simultaneously, these networks experience enormous latitude, offering flexibility in conceptualising and implementing initiatives. This feature gives the Compact's activities the important ability to adapt and customise to local situations.

The Compact's uniqueness, however, contributes to making its task in the next few years daunting.

The multiple forces at play in the global arena may carry an extraordinary amount of power to reconfigure or reshape the Compact. The biggest challenge that the Compact

faces at the macro level will be to decisively either affect or counteract the way the story of globalisation plays out on the world stage. National security concerns, battered economies and geopolitical uncertainties have created a scenario where the world could well regress into Cold War-era factions or economic blocks. Global recession would seriously undermine the ability of nations to live together in peace and mutual respect. Unilateralism, protectionism and terrorism could rear their ugly heads, and dominate economic and political reality.

Second, while the Compact is a pragmatic response to a number of ills that nations face, it can never be a substitute for political will and state-led action. Much of what the Compact aims to achieve will be a realistic response to the failures of governments and governance. It is a grim reality that governments and political will have failed to address the world's most pressing human problems such as poverty and inequity. However, the conceptual endgame where the Compact prescribes an alternative governance model is not implicit in the design of the initiative. This challenge will require the Compact to be adept at manoeuvring itself into an appropriate slot in the state–market–civil society paradigm. The Compact must clearly position itself as a player that works towards more effective governance at the global and national levels.

Third, at the level of implementation of initiatives, the Compact needs to be able to show critical impact on central issues that influence the prospects and opportunities of the poor.

The Compact needs to expand both horizontally and vertically. While some of the cooperative models of solution finding have resulted in important initiatives such as Growing Sustainable Businesses in LDCs and the Business Guide to Conflict Impact Assessment, the Compact needs to further scale up its activities in order to exert a significant influence on policy making and business models. Again, while it is undoubtedly encouraging that a good number of organisations, including over 1,000 companies, have joined the Compact, this number is minuscule when compared to the approximately 60,000 multinationals in existence. Also, millions of small and medium-sized enterprises (SMEs) are either not aware of the Compact or have not become involved with its activities. Many of these SMEs may be part of the supply and distribution chains of larger companies and multinationals or are independent, small enterprises operating on shoestring budgets. These businesses represent much of the source of employment in today's world, and efforts have to be made to reach out to them. The Compact would also need to become part of the activities of many more high-visibility multinationals.

Fourth, the Compact should continue to be able to deftly manage a diverse network of actors. Actors in the network bring with them views and ideologies that can be diametrically opposed to the ideologies of other participants. Some will choose to engage in dialogue, others may opt to confront 'opponents'. Some participants will play leadership roles and others will be content to be laggards and to free-ride. Tensions between actors thus need to be maintained at a creative and productive level rather than being allowed to spiral out of control. Doing so successfully will remain a critical challenge for the Compact.

Last, the success of the Compact rests heavily on the internal ability of the UN to display the capacity to orchestrate such a set of networks. This challenge is augmented by the fact that the Compact has an extremely ambitious goal: it seeks to establish a model of corporate citizenship that, while flexible in methods and options, aims to influence the activities of business both within the organisation's boundaries as well as externally, in the way it chooses to respond to social needs. This goal throws into sharp relief the fact that the UN is still a highly hierarchical and compartmentalised organisation. Managing an issue network such as the Compact, which transcends political and organisational boundaries, can test the organisation's ability to renew itself from within.

Conclusion

Amazingly simple in concept, the Compact principles can be agonisingly complex to execute. At its core, the Compact is nothing more than a moral compass. Its simplicity, then, resides in the crystal-like clarity that only a moral compass can give. Its complexity arises from precisely the same clarity, that at its core it is nothing *less* than a moral compass. The Compact principles suggest that multiple actors with often seemingly irreconcilable beliefs pull in concert towards a common vision. Actors should then agree on how to navigate the unclear boundaries between belief and bigotry, responsibility and accountability, interventions and interference. Players in the capitalist system would need to agree on where competition ends and where collective conscience begins.

Many will remember the popular slogan used during the growth of the environmental movement: 'We have met the enemy, and he is us.' The time is now ripe for Compact actors to realise that they have met at least a part of the solution, and that it is them. The Compact's relevance will lie in the decision participants make to either build a sustainable society that offers opportunity to the world's citizens or to condemn millions of people to lives riven with conflict, ravaged by disease and bereft of hope. Right now, global players have a choice.

Further reading

- Kell, G., and D. Levin (2002) 'The Global Compact Network: An Historic Experiment in Learning and Action', *Business and Society Review* (submitted 10-09-02).
- Kell, G., and J.G. Ruggie (1999) 'Global Markets and Social Legitimacy: The Case of the Global "Compact"', *Transnational Corporations* 8.3 (December 1999): 101-20.



Appendix: overview of business case studies presented at the Learning Forum meeting in Berlin, in December 2002

Case study title	Country/ company	Related institution	Short description
BASF's Eco-Efficiency Analysis	Germany BASF	University of Cologne	The topic of this business case study is BASF's eco-efficiency analysis, a tool used by the company as a strategic instrument for integrated and balanced assessment of the economic and ecological aspects of products and processes. The issue addressed is the promotion of environmentally friendly products and processes in the chemical industry. The eco-efficiency analysis promotes Global Compact principles 7, 8 and 9 and is implemented throughout this global organisation.
Broad Air Conditioning	China Broad Air Conditioning	Peking University	Broad's management must decide whether to pursue the current market's demand for cheaper electrical air conditioners, or the more environmentally friendly but more expensive natural gas alternative. The case highlights the various perspectives and influences on the decision, both internal and external to the organisation, and the top management's current decision to pursue an environmentally friendly strategy.
DaimlerChrysler South Africa Dealing with the effects of HIV/AIDS on Human and Social Capital	Germany DaimlerChrysler	Stuttgart Institute of Management and Technology	At a larger social and political level, DaimlerChrysler South Africa sets an example for a strategic and human rights-oriented approach to the disease, in a country where AIDS is still sometimes surrounded by myths and misperceptions. Through its HIV/AIDS programme, DCSA supports Global Compact principles 1, 2 and 6.
Designing Sustainability at BMW Group: The Designworks USA Experience	USA Designworks USA	Haas School of Business; University of California, Berkeley	This case study describes how an industrial design company developed a Sustainability Management System (SMS) standard, designed and implemented an SMS throughout its business, and then became the first company in the world to achieve third-party SMS certification. The case also describes ongoing development and challenges and examines how the SMS has facilitated the implementation of the Global Compact.
Environmental Preservation and Other Efforts of Kikkoman Corporation—As a Japanese Forerunning Supporter of the UN Global Compact	Japan Kikkoman	Business Ethics and Compliance Research Center of Reitaku University	This paper outlines the efforts Kikkoman Corporation has made, as well as its philosophy regarding environmental preservation and other issues related to the Global Compact before and after it declared its support for the initiative in January 2001. It also touches on how it has dealt with major challenges with regard to issues it has had to face in its business operations, and finally refers to matters remaining unresolved.
Eskom Global Compact Case Study: Flexible Hot Water Load Management Control System	South Africa Eskom	AICC	Eskom, in a move to reduce electricity consumption during peak periods of demand, has initiated two broad programmes that seek to reduce the demand for power during these times. These initiatives were FLEXICON and COMRICON. By selecting the FLEXICON programme, which works for the company, the community and the environment, Eskom demonstrates the integration of principles 8 and 9 of the Global Compact into its operations.
Spedpol Case Study Ethical Principles: A Tool for Empowerment	Poland Spedpol	The L. Kozminski Academy of Entrepreneurship and Management	During the process described in this case, the company's project team working with employees designed the ethical code, defining the principles of co-operation within the company, an attitude towards customers, competitors, the surrounding environment and other values. The general idea behind this process is to guarantee respect for dignity and autonomy within different stakeholder groups.
In Search of Ecological Excellence: Skanska's Environmental Management at the Kukule Ganga Hydropower Project	Sweden Skanska	Stockholm School of Economics	The Kukule Ganga Hydropower Project (Kukule Ganga HPP) is located on the river of Kukule Ganga in southern Sri Lanka. The construction is a 'run of the river' project and the small scale of the dam reduces the social and the environmental impact. It was the first hydropower project in the third world to gain ISO 14001 certification. And it was highlighted by Skanska and its client Ceylon Electricity Board as 'a model for how an environmental management system should be implemented on a large-scale project'.

<i>Case study title</i>	<i>Country/ company</i>	<i>Related institution</i>	<i>Short description</i>
Indian Association for Savings and Credit	India Housing Development Finance Corporation	Partners in Change	The subject of this case is the Housing Development Finance Corporation Limited (a leading Housing Finance company in India). The objective of the case is to document its engagement with Palmyrah Workers Development Society (a leading NGO in south India) to shape a replicable response to the problem of access to formal credit for housing and livelihood needs of the poorer sections of society in India. Home ownership and access to credit are human rights issues for any society.
Novartis and the United Nations Global Compact Initiative	Switzerland Novartis	University of Notre Dame	This case presents the efforts on the part of Novartis management to embrace the Global Compact as an integral part of their strategy for sustainable corporate development. Based on managerial interviews, the process of integrating a principles-based human rights dimension into corporate behaviour is assessed.
Samarco, Salvamar Project: One Project, One Idea	Brazil Samarco	Fundação Dom Cabral	The harmonisation between the natural beauty of beaches and mangroves and an industrial plant led to the implementation of an environmental management system. The project was internally developed, based on international standards but in accordance with Samarco's needs and profile. The Salvamar Project provides an example of what can happen when employees are involved and committed to the company's initiatives.