

# Introduction

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UN Global Compact

The UN Global Compact is an historic experiment in learning and action on corporate citizenship. By promoting the idea that corporations earn their licences to operate not only by being profitable but also by improving practice in line with globally determined core principles and engaging in meaningful dialogue on human rights principles, labour standards and environmental protection, the Global Compact redefines corporate citizenship. Learning to talk productively about these important issues, the framers of the Global Compact believe, will lead not just to talking but also to ‘walking the talk’. To be successful, the listening and talking inherent in the operating principles of the Global Compact must lead to real—and responsible—actions, actions that constructively engage stakeholders in all realms of the societies within which companies operate.

This book frames the development of the Global Compact in its first few years, setting the broader context of corporate responsiveness and responsibility, broadly illustrating the evolution of the United Nations and elaborating evolving modes of global governance and new organisational forms. In many ways the Global Compact is at the centre of these efforts to bridge the gap between business as a profit-maximising machine and business as an integral part of society—a part that adds value not just in economic terms but also in societal terms, while not doing harm to nature.

Early in 2003 we invited contributions to a special edition of *The Journal of Corporate Citizenship* to reflect on the origins and developments of the Global Compact. That special edition of the journal has led to this book, the publication

of which marks the third anniversary of the launch of the Global Compact by the Secretary-General on 6 July 2001. Almost without exception, each of the contributors to this book has experience in many of the following areas: business, social activism, teaching, writing and journalism, research, management, and broadcasting. Perspectives from researchers and non-researchers, theorists and practitioners, critics and supporters from this wide range of backgrounds and life experiences has produced a rich conversation in itself. None of the views expressed here is necessarily endorsed by the others or by the United Nations but, to misquote Voltaire, 'We defend the right to disagree' within the pages of this book. As the UN Secretary-General Kofi Annan says in his Foreword to this book: 'This variety of perspectives represents a strength, not a weakness. It illustrates that values and principles, projects and initiatives are two sides of the same coin' (page 9).

*Learning to Talk* provides an opportunity for contributors to take contemplative stock of the first few years of learning from the Global Compact. The Global Compact complements other corporate citizenship initiatives by promoting dialogue on the relationship between business and society. As the only truly global corporate citizenship initiative, it does not provide an auditable standard but rather a set of principles through which businesses and the United Nations can work in partnership for global social development. For some businesses the Global Compact represents simply a codification of their existing policies and management practices, but for many it represents a first engagement in learning about how to talk about—and implement—important universally agreed principles. In that sense, the Global Compact represents both a challenge and an opportunity for businesses to raise their game by aligning profitability with the common good and even to make discussable issues that previously were 'off the table'. For more background information on the Compact please go to [www.unglobalcompact.org](http://www.unglobalcompact.org).

The Global Compact draws its moral authority and global convening power from the UN Secretary-General and its moral and political legitimacy from the United Nations. Within the United Nations, the Global Compact can be viewed as a series of nested networks involving the Secretary-General's Office, the International Labour Organisation (ILO), the United Nations Environment Programme (UNEP), the United Nations High Commission for Human Rights (UNHCHR), the United Nations Development Programme (UNDP), the United Nations Industrial Development Organisation (UNIDO), business, international non-governmental organisations (INGOs) and labour. In its external manifestation, the Global Compact can variously be described as an international learning network, a social network of people and organisations engaged in a global conversation, as a global action network and as a multi-stakeholder dialogue. The greatest success of the Global Compact has been in providing a convening platform for a growing global conversation about social development that engages actors from all important sectors of society and for bringing previously undiscussable issues into the conversation about globalisation.

However the Global Compact is viewed, it is time to reflect on the first tentative steps of an initiative that aims at integrating business into a society that was born in the aftermath of the Cold War, in what some see as the triumph of global

economic liberalism and others have seen as the evil of globalisation. In the first few years of the Global Compact the world has experienced the terrorist attacks on the USA on 11 September 2001 ('9/11') and the 2003/4 Iraq War—not forgetting the 40 or so interstate and international wars that are ongoing at this time.

In these early days, whatever is written about the Global Compact will be tentative, but there can be some serious reflection on its aims and origins, and some telling of stories of engagement. There can also be some recognition of how this initiative has quickly become an important reference point in the dialogue on global and corporate governance. The remainder of this introduction looks at the chapters presented in this book and provides a perspective on many of the current discussions in a field that links corporate responsibility, learning theory and global governance.

## ***Learning to Talk: an overview***

### **Part 1: The origins and development of the UN Global Compact**

The Secretary-General of the United Nations announced the idea of a global compact in a speech to the World Economic Forum, meeting in Davos, Switzerland, on 31 January 1999. The Global Compact was then officially launched at a high-level meeting in New York in July 2001 chaired by the Secretary-General, Kofi Annan, and attended by senior representatives of business, international civil-society organisations and trade unions as well as representatives of UNEP, the ILO and the UNHCHR. For June 2004 he called a high-level meeting to discuss the progress that was made during the intervening three years. *Learning to Talk* is an account of those first three years.

In calling for a Global Compact between business and society, Kofi Annan put his personal authority and credibility on the line. For him the Compact was a mission that took the United Nations forward by recognising the need for a new world order of social partnerships among business, states and civil society. It was a recognition that multilateral organisations, such as the United Nations, had to find accommodation with other international, global and supraterritorial organisations, whether in business, government, or civil society. Support and legitimacy for this approach was gained at the Millennium Summit held in New York in January 2000 under the banner of 'Renewing the UN': 'Strengthening the UN depends on Governments, and especially on their willingness to work with others—the private sector, non-governmental organisations and multilateral agencies—to find consensus solutions.'<sup>1</sup> Further to this the Secretary-General delivered a report to the General Assembly on co-operation with partners, 'in particular the private sector'.<sup>2</sup>

The Global Compact is the first foray into direct constructive engagement with business by the United Nations. On 31 January 1999, on his third visit to the World

1 [www.un.org/millennium/sg/report/summ.htm](http://www.un.org/millennium/sg/report/summ.htm)

2 'UN Cooperation between the UN and the Relevant Partners, in Particular the Private Sector', Report of the Secretary-General, 28 August 2001, 01-52342(E): 39.

Economic Forum, Annan spoke of his hopes for a creative partnership between the United Nations and the private sector. He made the point that the everyday work of the United Nations—whether in peacekeeping, setting technical standards, protecting intellectual property or providing much-needed assistance to developing countries—has helped to expand opportunities for business around the world. His hopes were, as is the Global Compact itself, aspirational:

Our challenge today is to devise a similar compact on the global scale, to underpin the new global economy. If we succeed in that, we would lay the foundation for an age of global prosperity, comparable to that enjoyed by the industrialised countries in the decades after the Second World War (see page 29).

And so the Global Compact was born out of a desire and a necessity to humanise the globalisation process, to build social and environmental pillars in the global temple of commerce. As John Ruggie, a principal architect of the Global Compact, says in this book, ‘*business* created the single global economic space; business can and must help to sustain it’ (page 41).

In contextualising the Global Compact Ruggie reminds us that, while this is not the first time the world has experienced globalisation, this time it is different. The first wave occurred in the 19th century and its unfettered capitalism led to two world wars because it lacked social legitimacy and reflected neither the needs nor the aspirations of the vast majority of ordinary people. Markets need to be embedded in broader frameworks of social values and shared objectives if they and the societies they operate within are to survive and thrive. The difference in the current wave of globalisation is that we have moved from an international world to a global world. We have moved from national economies, engaged in external transactions that governments could mediate at the border by tariffs and exchange rates, to global markets leaving behind national social bargains.

Kell and Levin highlight the need to understand that the Global Compact is but one effort to resolve the deficiencies of global capitalism. Just as the Millennium Summit had highlighted the need to understand new global networks that work alongside international co-operation, so ‘the Global Compact is an historic experiment in learning and action’ (Kell and Levin, page 65). As an inter-organisational network (see Ruggie, pages 39-40) the Global Compact is a ‘global amalgamation of strategic and wide public policy learning networks that cultivates integrative learning’ (Kell and Levin, page 47). That it is new, innovative and creative in its origins and processes is a challenge to all actors—not least the UN itself. It is also difficult for many in the corporate responsibility and accountability movement who are rightly looking to measure and report on the social and environmental impact of business. But this UN initiative is different and complements other corporate responsibility initiatives by providing a learning platform for multiple actors to be drawn into the conversation about human rights, labour standards and environmental protection. It is also different because for the first time, the UN is directly (and controversially) engaged with business enterprises.

In opening the United Nations to engagement with the business community for the first time, Kofi Annan recognised that the power of businesses in the modern world needs to be balanced with the interests of the societies of the world and the

nations that constitute the United Nations. As Erroll Mendes writes, 'The first major attempt by the United Nations to develop a code of practice for what were termed transnational corporations (TNCs) began in 1977 and a draft code was completed in 1990. Within two years it was dead, killed by the TNCs and Western governments that fiercely opposed it' (page 101). In the vacuum left by the inability of the institutions of global governance to act, a plethora of international and national organisations, non-governmental organisations (NGOs) and business groups have attempted to develop codes of conduct, benchmarks and verification systems applicable to the multinational enterprises (MNEs) globally. As Mendes reports, there are now hundreds of codes that companies can align themselves to.

In this explosion of new initiatives comes the Compact, with an explicit desire to involve the United Nations in forging links between business and society and in bringing the UN machine up to speed with the new globalised world. Cornis van der Lugt, from UNEP (Chapter 8, page 131) refers to this rapprochement between business and the UN based on an understanding by the Secretary-General that sees globalisation as essentially a business-led process. Van der Lugt detects that the UN, through the Global Compact, may have found its own 'third way' and the emergence of a co-regulatory approach. Mendes (Chapter 6, page 101) links the high aspirations of the Global Compact to sustainable human development and human rights.

This shift to active engagement between the UN and business poses the most enormous of challenges to the United Nations, split as it is into a 'family' of organisations with diverse histories, governance procedures and organisational behaviours. According to McIntosh (Chapter 22, page 323), the United Nations and its agencies themselves are on a voyage of discovery to see if they can learn how global business operates. They collectively need to learn how the UN agencies can work together and how to operate to the same standards that the Global Compact demands of business. Further, they need to learn how to manage new social partnerships among corporations, states and civil-society organisations. The outcome of this venture isn't clear as Georg Kell notes when (Chapter 25) questioning the extent to which UN member-states will actually grant the UN an important role in the economic sphere of activity. Success, as he notes, is far from assured at this point.

Nevertheless, as Kell confirms, such criticism of the Global Compact has been instrumental in provoking an ongoing search for the right incentives and methodologies to bring about desired changes while maintaining the integrity of the institution. Georg Kell and David Levin (Chapter 3, page 44) argue that the UN Global Compact must cover two objectives: to help 'lay a foundation of shared values' and to 'promote concrete and sustained action'.

The Global Compact is an experiment, an experiment about the aspirations of humanity in their best sense. One of the major questions is whether the experiment—or a more institutionalised version of it—will continue when Kofi Annan, with whom it is personally identified, is no longer Secretary-General. The issue of experimentation is difficult for all concerned, but especially for an organisation whose members espouse such high principles and set such high targets—as witnessed by the Global Compact's principles and the UN Millennium Develop-

ment Goals.<sup>3</sup> There is an ambivalence about the Global Compact. On the one hand, it generates a network of concerned companies and relevant others. On the other hand, it is set in the nationally based and bureaucratic context of the numerous agencies of the United Nations, each with its own mandate. On the one hand, it is an experiment in learning, networking and the development of a global conversation about human rights, labour standards and environmental protection. On the other hand, its success will only be accepted by some external critics if it can be shown to have clearly achieved improvements against the Millennium Development Goals or diminish what many perceive to be the problems of globalisation. The longevity of the Global Compact experiment and the idea that the Global Compact may evolve a life of its own, and leave its mother ship—the United Nations—means that ownership could disperse away from the United Nations. Kell and Levin (Chapter 3, page 50) say that:

The importance of the evolution of these local networks cannot be overstated. It represents a shift towards the decentralisation of the network and the distribution of ownership, both critical to the longevity of the initiative. Besides devolving responsibility to local networks, the Global Compact Office has increasingly empowered ‘enablers’, such as the World Business Council for Sustainable Development (WBCSD) and Business for Social Responsibility (BSR), to expand the network and to manage issues related to individual companies. Such decentralisation will enhance the potential of the Global Compact to embed markets around the world within a broader consensus of societal needs and concerns.

So, the challenge is that the UN Global Compact should raise the level of conversation about shared global values, particularly in the corporate world, and lead to recognisable actions that result from partnerships between business and the UN which in turn lead to the delivery of the Millennium Targets. In order to do this it must build an inter-organisational network of global change agents, with the UN as the norm entrepreneur.

## **Part 2: The Global Compact and human rights**

By July 2001, 43 companies had committed themselves publicly and in a letter to the Secretary-General to support the Global Compact, and, by the time of the third Learning Forum meeting in Nova Lima in Brazil (in December 2003), this had risen to 1,200. One of the most contentious areas has been the Global Compact principles that refer to human rights. Labour standards and environmental protection codes, conventions and regulation are accepted, if not necessarily adhered to, but human rights is a new field for most businesses.

Klaus Leisinger (Chapter 5, page 73) introduces the links between business and human rights by acknowledging the disquiet about globalisation. He recognises that those who are interested in global development issues point out the over-emphasis on trade and investment at the expense of social issues. But, as Leisinger

3 For more on the Millennium Development Goals, see Appendix A.

says, most signatory companies did not fully realise the implications of what they were committing themselves to and that, furthermore, most have yet to respond to the human rights debate. In addition, for Leisinger, corporate responsibility has three dimensions, or developmental stages of understanding: must, ought to and can—and these stages apply to the emerging understanding of how companies should cope with human rights issues.

Tom Donaldson, in a paper first published in *The Journal of Corporate Citizenship* in July 2003 (reproduced in this volume, Chapter 4), also says that there are three rungs on a ‘justificatory ladder’ that companies must climb in order to be able to support the Global Compact. These are: ‘egoism’, ‘co-operative egoism’ and then ‘citizenship’. The idea of the first rung is based on absolute self-centredness. The idea of the second rung is based on Adam Smith’s invisible hand (remembering that he never envisaged the size and scope of the modern corporation). Ascendance to the third rung rewrites the role and rules for the company. As Donaldson says (page 70): ‘The very name “Global Compact” suggests a hypothetical, implicit, social contract.’

Even if, as Leisinger suggests, companies did not know what they were doing when they signed up to the Global Compact, there is a growing debate on the issues that arise from Principles 1 and 2: namely, those of the corporation’s ‘sphere of influence’ and ‘complicity in human rights abuses’. Among enlightened companies this debate has been furthered by the growing numbers of codes, management systems and other reporting mechanisms that have grown up in the past few years around the interface of financial, social and environmental performance measurement, sometimes simplistically referred to as the ‘triple bottom line’. Erroll Mendes (Chapter 6, page 104) refers to this growing debate as ‘ripples coalescing in the pond of ethical consciousness of the global human family’.

Mendes and Leisinger both argue that the business and human rights debate and the Global Compact consultation process require clarification on these issues, and the more radical argue that the notion of citizenship redefines the company in modern society. As Mendes says (Chapter 6, page 111):

The problem with taking the non-complicity principle so far is that it would encompass virtually all business operations in virtually all countries, including European and North American countries. The problem is where to draw the line.

Finally, in this section, Mara Hernandez offers both optimism and a reality check in thinking about the potentialities of the Global Compact. She says that (Chapter 7, page 127) the Global Compact might contribute to a new shift in the ‘“cognitive framing of quality”, from customer satisfaction to stakeholder engagement, building on the “prevent-and-improve” mentality of TQM [total quality management]’.

In Part 2 of the book Donaldson, Leisinger, Mendes and Hernandez analyse the ethical relationship between business and society via the Global Compact’s human rights principles. In doing so they speak to the heart of this initiative: namely, that it is an attempt to normalise or institutionalise shared global understandings of human rights, labour standards and environmental protection and provide a normative framework to guide the behaviour of corporations.

### Part 3: The evolution of the UN and the UN Global Compact: critical perspectives

The discussion on human rights and the Global Compact redefines the responsibilities of corporations to encompass their day-to-day relationships with a range of internal and external stakeholders. This redefinition leads inexorably to the literature on corporate citizenship and responsibility. Jem Bendell (Chapter 9, page 166) argues that there is a logical progression from definitions that require the company to improve its own internal behaviour and also become involved in the community (McIntosh *et al.* 1998) to corporate citizenship being used to describe a social situation where companies take on the role of providing some of the basic needs and rights of citizens (Crane and Matten 2003).

So, the Global Compact helps redefine the responsibilities of the corporation, going way beyond the 'do good' activities of philanthropy to look at operating practices and strategies and in so doing reinforces recent definitions of corporate citizenship.

Jim Baker, here representing the International Confederation of Free Trade Unions, is not convinced by all this talk of corporate responsibility and citizenship. He says that (Chapter 10, page 169): 'CSR is often rooted . . . in public relations'. Given that Leisinger points out that most companies have not even begun to think about, let alone engage with, human rights issues, Baker may well be right. For most companies the corporate responsibility department is small, under-staffed and not part of mainstream activity or strategic planning. It is akin to a lifeboat being towed aft; it may be pulled on board and its occupants allowed access to the wheelhouse should conditions become difficult for the reputation of the company.

Cornis van der Lugt quotes John Elkington's belief that many business leaders think of corporate responsibility or citizenship as being some 'new form of religion . . . rather than a new form of value which society will demand and which successful businesses will deliver through transformed markets' (Chapter 8, page 141; quoting Elkington 1997: 5). Van der Lugt (page 141) also refers to research that shows that companies fail to exploit the economic advantages of being 'more proactive on environmental issues' because of a range of technical and managerial issues.

Leisinger (Chapter 5), Donaldson (Chapter 4) and Bendell (Chapter 9) all refer to a hierarchy of moral progressions that a company must move through if it is to claim the high moral ground of corporate citizenship. Such movement is worthy in its own right; however, more instrumental—profitability-related—notions can also be served by responsible corporate citizenship, despite some degree of vacuity in arguing that there must always be a 'business case for corporate citizenship'. Despite our belief that there should always be a social case for business action, it is possible, as Claude Fussler (Chapter 19) details, to show that companies that adopt corporate citizenship initiatives, such as the Global Compact, also show better financial performance.

Jem Bendell (Chapter 9) queries the case for the Global Compact when he asks whether the co-regulatory approach might undermine mechanisms for mandatory corporate accountability.

Such scepticism about the misguided virtue of the corporate citizenship movement is echoed by Jim Baker (Chapter 10, page 171), who is concerned that the Global Compact, in trying to be too many things to too many people, may thereby undermine its own relevance and uniqueness. By being vague it may allow the charge of 'blue- or greenwashing' to stick.

Finally Michael Pedersen (Chapter 11), while largely supportive in his analysis of the Global Compact, points out that the primary reason for companies joining the Compact is for reputational and risk management reasons. The challenge is to see how signatory companies change the way in which they do business.

## Part 4: action and learning

The complexity of many global systems means that they cannot be completely understood at any single representational level. This reality means that neither a totally holistic nor a totally reductionist approach will help us understand the complexity that is embedded in, but not made explicit by, the simplistic idea of the 'single bottom line' and its recently discovered partner, the 'triple bottom line'.

Chris Tuppen from BT, a first mover in signing up to the Global Compact, says that he has found that the underlying values behind sustainable development are not necessarily useful arguments to be used as the basis for CSR integration in companies (Chapter 12, page 200): 'not because [others in business] do not share some of those values as well, but because the language of pure moral justification does not sit comfortably in the conventional business lexicon'. He says that (page 201) BT has not done anything uniquely specific as a result of signing. BT sees the Global Compact as synergistic and becoming a signatory has helped embed corporate responsibility in the company. Even at its inception, there was no doubt that the Global Compact was going to challenge accepted practice and thinking on the current business model, as elicited in the chapters in this collection, but if we return to the original model proposed by Ruggie in 2000 it may help (Chapter 2, page 33):

The Global Compact has explicitly adopted a learning approach to inducing corporate change, as opposed to a regulatory approach; and it comprises a network form of organisation, as opposed to the traditional hierarchic/bureaucratic form. These distinctive (and, for the UN, unusual) features lead the Compact's critics seriously to underestimate its potential, while its supporters may hold excessive expectations of what it can deliver.

What the Compact attempts is nothing less than rearranging the moral contract between business and society, which in turn requires new learning and new ways of seeing the world. To accomplish these tasks, we need new language that describes systems at a range of levels of complexity. The overriding feature of high-level systems is the interaction of cross-disciplinary thinking, including consideration of 'hard' technical systems and 'soft' people systems. The acquisition of dependable evidence on the performance of these systems in a common communicable format is one challenge; the production of simulations involving new systems is another. Applying this learning to corporate responsibility is arguably

one of the research and learning tasks for this century. It is also the task that many of the contributions to this book begin to tackle by looking at new relationship models and new organisational forms.

Like other contributors to this book (e.g. Ruggie, Chapter 2; Leisinger, Chapter 5; Post and Carroll, Chapter 21; Mendes, Chapter 6; and McIntosh, Chapter 22), Kell, executive head of the Global Compact, and Levin accept the challenge (Chapter 3, pages 50-51):

The complex structure, diversity of actors and variety of activities within the [Global Compact] network produce a unique context of multiple dialectics in which several types of learning occur. For instance, the Global Compact engenders both network learning and organisational learning. Organisational learning occurs when an organisation institutionalises new structures, routines or strategies that effect changes in action . . . Network learning refers to learning accomplished by organisations as a group, rather than as individuals. At both the network and organisational level, learning may be cognitive, behavioural or both . . . When cognitive and behavioural changes combine and generate repeated, successful implementation, the network learning may be classified as integrative.

It is this integrative aspect requiring a multidisciplinary approach that was at the heart of one of the learning points for Novo Nordisk (McIntosh and Stube, Chapter 18) In the company's investigation of its first-tier supply chain, it was reported that, for one supplier (page 271) the greatest learning came from the cross-functionality of the company's questionnaire.

Given the challenges of joining an effort that has moral, logistical and organisational implications, it is perhaps a wonder that any company joined at all. Yet Pfizer joined—one of the world's largest companies, with a reputation for not being willing to engage with some critics such as NGOs and thus viewed by some NGOs and civil-society organisations as arrogant, unapproachable and incommunicative. In part, companies such as Pfizer joined, according to Nielsen (Chapter 16), because the Global Compact's structure was aspirational—providing a 'positive incentive' rather than a set of rules. Despite the observation that other major US companies had not joined the Global Compact, Pfizer's board unanimously decided to support the Compact. Then the challenge was to introduce, and later embed, across a company with 120,000 employees operating in more than 100 countries.

Despite 'unexpected twists and turns' (page 243) the vision of better healthcare for all was compelling and Pfizer recognised (page 243) the importance of good health in sustaining economic prosperity—and the interdependence of the business community with other important social actors in generating both healthy lives and communities.

Kell and Levin (Chapter 3, page 58) point out that it is the intention of the Global Compact that learning to talk has occurred in multiple ways, not just within companies but also within and between UN agencies. In the UN the Global Compact has, they say, 'enhanced the quality and attractiveness of . . . their workshops around the world' (page 58):

The first phase of the Global Compact Learning Forum was concluded at the Denham conference in England in November 2001. The two most important find-

ings arising from an analysis of the company submissions were that they contain significant information about *outcomes* (what had been achieved) but much less about the *processes* the companies went through to achieve these outcomes and that there is an urgent need to study these processes and to share these stories with other companies. Second, it was felt that there was a need for further research, particularly in-depth, long-term studies of processes (McIntosh *et al.*, Chapter 27).

Sandra Waddock (Chapter 14) reported on the second Learning Forum in Berlin in 2002 and noted that there was ‘significant evidence of progress toward understanding what it will take to create a global context in which the principles of the Global Compact become “on-the-ground” reality in companies and in other types of enterprises’ (page 230). She points out that driving the principles into practice is the real test of the Global Compact in both multinational corporations and smaller companies. The third meeting of the Global Compact Learning Forum took place in Belo Horizonte, Brazil, in December 2003 and was attended by delegations from business, civil society, multilateral agencies, trade unions and governments from around the world. It is clear that the quality of company case studies is improving as they learn to work with outside researchers and commentators, but the report of this conference says that perhaps the greatest challenge for future conferences should be to help participants envision what the world would look like if the Global Compact principles were to become normalised and institutionalised (McIntosh, Chapter 17).

Finally, in this section of the book, the case study from Novo Nordisk exemplifies points made by many contributors concerning the ethical advancement of companies towards attaining some sense of citizenship. That the company becomes an agent of positive social change, congruent with its ability to survive and remain profitable, is at the heart of the drive, through initiatives such as the Global Compact, to humanise the globalisation process. As Novo Nordisk said in their 2003 report and reiterated in 2004: ‘Social responsibility extends beyond the company’s grounds. It reaches throughout the supply chain and to the global agenda of sustainable development.’

This section on learning through engagement with the Global Compact exemplifies the learning that has been taking place throughout the world of corporate responsibility. Engagement by companies in the Global Compact is mirrored by a small number of companies that are actively engaging with other corporate responsibility initiatives such as the Global Reporting Initiative, AA1000 and SA8000. There are also a significant number of companies that recognise the necessity to be proactive in understanding their social and environmental impacts and performance and are beginning to report as much. However, this is not the case for the overwhelming majority of companies for whom the day-to-day reality of staying alive, or survivability, looms larger than writing sustainability reports.

## Part 5: the unfolding world of the UN Global Compact

One of the preoccupations of business is in asking for the business case for corporate responsibility. Of course, as Jim Baker asks in Chapter 10, if the business case is so obvious, then why aren’t all businesses doing it? But there are continuing efforts to link financial performance, the single bottom line, to social and environ-

mental performance, the triple bottom line. One such is presented in this section by Claude Fussler, from the World Business Council for Sustainable Development (WBCSD). Fussler (Chapter 19) found that a business performance index based on a group of 76 signatories of the Global Compact outperformed the Morgan Stanley Capital World Index, concluding that ‘Global Compact Signatories . . . create premium shareholder value at acceptable risk levels’ (page 282).

This is useful supporting evidence and draws on the sister publication to *Learning to Talk*, *Raising the Bar: Creating Value with the UN Global Compact* (Fussler *et al.* 2004). But, while it is axiomatic that a business should always remain solvent, there should always be a social case for corporate responsibility. Business is after all licensed to operate by society.

All of these arguments suggest the need for business to engage with global issues. Developing a global systemic vision means attempting to map the relationships between business and society and to have a more coherent understanding of the linkages, connectivities and convivialities because, as Steve Waddell suggests (Chapter 20, page 301):

[It] is necessary to identify the critical leverage points for the Global Compact to take action and avoid being overwhelmed by the scale of its challenge . . . The depth of the work suggests that it is critical for the Global Compact to develop some profound, deep-change, initiatives that will be long-term and require an interpersonal and inter-organisational intimacy that goes beyond the intellectual and into the emotional-spiritual dimension where stakeholders can ‘re-vision’ their future.’

Most companies adopt a position that is, on the face of it, irrational because of an emphasis on short-term profits and bounded rationality. Jim Post and Tanja Carroll (Chapter 21, page 309) remind us that: ‘Learning is a process, not an event. The organisational capacity to learn is the characteristic that most clearly separates successful from unsuccessful organisations.’ The idea of seeing the world as a complex place and as adaptive and dynamic links Waddell’s Global Action Networks, Ruggie and Kell’s inter-organisational learning networks and Post and Carroll’s extended enterprises. ‘Within this rich picture our institutions can be seen as social systems that should work within an inclusionist view of “life in space” and on Earth’ (McIntosh, Chapter 22, page 326).

Our corporations have become complex adaptive systems (but with unfortunately narrow purposes) and are now extended enterprises, intertwined with all aspects of life on the planet. Post and Carroll (Chapter 21, page 302) characterise this as a world of ‘extended enterprises, with long supply chains, complex market channels and extensive networks of voluntary and involuntary stakeholders. There is interdependence, and risk, at every point in these networks.’

Global linkages, regional networks and multi-stakeholder dialogue characterise the Global Compact—and represent yet another new form of relationships among social actors, another form of extended enterprise. According to Post and Carroll (Chapter 21, page 305) these extended enterprises represent nodal points for a set of relationships. This notion suggests a shift in understanding what kinds of ‘capital’ are needed to run modern companies with their extended supply chains—and that is relational capital.

Klaus Leisinger (Chapter 5) acknowledges that society is a complex system of intertwined and yet (relatively) independent subsystems, including an economic subsystem, where interaction between these subsystems—described as ‘organised complexity’—gives a whole (system) that is more than the sum of the parts (sub-systems).

As we have seen, it is not possible for a company to truly embrace the principles of the Global Compact as envisaged by Annan without fundamentally changing the company orientation away from profitability for its own sake, and towards stakeholders and societies and towards nature. This shift occurs precisely because companies in the Global Compact must see themselves as extended enterprises and as complex adaptive systems if they are to negotiate successfully the relationships that networks imply.

Because of the ways it creates linkages among participating entities, whether they are businesses, NGOs, labour/trade unions, states or UN agencies, the Global Compact is structured as a new organisational form, what Steve Waddell (Chapter 20) calls a global action network (GAN). According to Waddell, GANs arise in situations of great complexity around issues that cannot be resolved through normal organising mechanisms. GANs, suggests Waddell, may represent a new form of inter-organisational and global governance—and the Global Compact is one of the more visible of these emerging entities. Waddell goes on to say (page 290) that

GANs address issues that cross national boundaries and are recognised as being global in nature. This includes issues such as: corruption, which has produced the GAN of Transparency International; the environment, which has produced numerous GANs such as the Forest Stewardship Council; peace and security, which led to the Ban the Landmines initiative; and healthcare, which is the focus of the Anti-Malaria Campaign.

The problem for the Global Compact is that if the boundaries are too expansive, there will be lack of focus and inability to cohere. A major challenge for the Global Compact is thus to balance an expansive global vision with a highly strategic systems intervention based on a clear awareness of ‘the system’.

For one of the companies discussed in this book, Pfizer, it was exactly this open systems view that encouraged the company to enter the Global Compact. Nancy Nielsen says (Chapter 16) that it was easy for Pfizer to join the open-network approach of the Global Compact as a place to engage and learn. So it may be that the strength of the Global Compact has to be in seeing it as an open system rather than as an ‘old’ hierarchical form.

The Global Compact, alongside other corporate responsibility initiatives such as the GRI, has the elements of a GAN. They are all synergistic with one another and with many of the in-house company systems (such as BT’s—see Chapter 12). So perhaps Deborah Leipziger (Chapter 24, page 342) is correct when she says that ‘The Global Compact can gain both depth and momentum by promoting convergence with other initiatives in the field of corporate responsibility that extend beyond principles.’ But it must also be remembered that if the Global Compact seeks too much convergence it will, as Baker said in Chapter 10, become irrelevant. It must

remain aloof and apart from the more mechanistic management technologies of some other systems thereby retaining its ability to raise the level of conversation to the humanisation of globalisation by utilising the moral authority of the UN.

In complex adaptive systems, such as the Global Compact, paradox, ambiguity and surprise are inherent characteristics. One of the greatest surprises has been the birth of the Global Compact Cities initiative led by the cities of Melbourne, Bath, Porto Alegre, San Francisco and Nuremberg. David Teller (Chapter 23) writes of using the Global Compact as a convening platform to bring together disparate actors from across the community in ways that have not been attempted previously.

## **Part 6: taking off**

In concluding this brief introduction to a multi-dimensional collection of thoughts on the development of corporate citizenship via the Compact it is good to remember two points that Ruggie made back in 2000: that business created the single global economic space; business can and must help and that the Global Compact has explicitly adopted a learning approach to inducing corporate change, as opposed to a regulatory approach; and it comprises a network form of organisation, as opposed to the traditional hierarchic/bureaucratic form (see Chapter 2). These distinctive (and, for the UN, unusual) features lead the Compact's critics seriously to underestimate its potential, while its supporters may hold excessive expectations of what it can deliver (Chapter 2, page 33).

Georg Kell, in Chapter 25, provides some personal insights from inside the Compact Office; Gill Coleman, in Chapter 26, talks of learning and action.

The crucial questions from all the contributions to this book are: Can we learn to listen, to talk, and to walk the talk?