United Nations Global Compact and Corporate Social Responsibility

Dr. Jagbir Singh Kadyan

Assistant Professor, Dept. of Commerce, Swami Shraddhanand College, University of Delhi, New Delhi, India

Abstract: *The United Nations Global Compact is a United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. The UN Global Compact is a principle-based framework for businesses, stating ten principles in the areas of human rights, labour, the environment and anti-corruption. Whereas Corporate Social Responsibility (CSR) refers to business practices involving initiatives that benefits the society. This papers attempts to highlight the crucial roles of the Government, the Corporate and their social responsibility in relation with the UN Global compact.*

Keywords: UN Global Compact, Governments, Corporate Social Responsibility, Business Sustainability and Society

1. Introduction

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. By doing so, business, as a primary agent driving globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.

Never before have the objectives of the international community and the business world been so aligned. Common goals, such as building markets, combating corruption, safeguarding the environment and ensuring social inclusion, have resulted in unprecedented partnerships and openness among business, government, civil society, labor and the United Nations. Many businesses recognize the need to collaborate with international actors in the current global context where social, political and economic challenges (and opportunities) – whether occurring at home or in other regions – affect companies as never before.
This ever-increasing understanding is reflected in the growth of the Global Compact, which today stands as the largest corporate citizenship and sustainability initiative in the world -- with over 4700 corporate participants and stakeholders from over 130 countries.

The Global Compact is a leadership platform, endorsed by Chief Executive Officers, and offering a unique strategic platform for participants to advance their commitments to sustainability and corporate citizenship. Structured as a public-private initiative, the Global Compact is policy framework for the development, [http://www.unglobalcompact.org/AboutTheGC/index.html] implementation, and disclosure of sustainability principles and practices and offering participants a wide spectrum of specialized work streams, management tools and resources, and topical programs and projects -- all designed to help advance sustainable business models and markets in order to contribute to the initiative's overarching mission of helping to build a more sustainable and inclusive global economy.

The UN Global Compact has two objectives:
1) Mainstream the ten principles in business activities around the world
2) Catalyze actions in support of broader UN goals, including the Millennium Development Goals (MDGs)

With these twin and complementary objectives in mind, the Global Compact has shaped an initiative that provides collaborative solutions to the most fundamental challenges facing both business and society. The Global Compact seeks to combine the best properties of the UN, such as moral authority and convening power, with the private sector's solution-finding strengths, and the expertise and capacities of a range of key stakeholders. The initiative is global and local; private and public; voluntary yet accountable. The Global Compact's has a unique constellation of participants and stakeholders -- bringing companies together with governments, civil society, labor, the United Nations, and other key interests.

The benefits of engagement include the following:
- Adopting an established and globally recognized policy framework for the development, implementation, and disclosure of environmental, social, governance policies and practices [ibid unglobalcompact.org].
- Sharing best and emerging practices to advance practical solutions and strategies to common challenges.
- Advancing sustainability solutions in partnership with a range of stakeholders, including UN agencies, governments, civil society, labour, and other non-business interests.
- Linking business units and subsidiaries across the value chain with the Global Compact's Local Networks around the world -- many of these in developing and emerging markets.
- Accessing the United Nations' extensive knowledge of and experience with sustainability and development issues.
- Utilizing UN Global Compact management tools and resources, and the opportunity to engage in specialized work streams in the environmental, social and governance realms.

In summary, the Global Compact exists to assist the private sector in the management of increasingly complex risks and

opportunities in the environmental, social and governance realms. By partnering with companies in this way, and leveraging the expertise and capacities of a range of other stakeholders, the Global Compact seeks to embed markets and societies with universal principles and values for the benefit of all. [ibid, unglobalcompact.org]

2. Government and CSR

The 2005 OECD Forum Week in Paris included CSR on its agenda. Later in the year, the UK EU presidency also convened a special conference on CSR. Events such as these raise the question whether government should have a role in the future evolution of CSR, and whether business, labour and NGOs should care if governments take an interest in the issue.
The answer to both questions is yes.

By definition, the concept of corporate social responsibility involves the voluntary acts of the business sector - outside the realm of government regulation - to improve their own sustainability and that of the world they operate in. So what is the case for government engagement, and what is its optimal role?

Ironically, government itself is largely responsible for the emergence of the CSR concept. As far back as the 1992 Earth Summit, governments defined and endorsed "responsible entrepreneurship". At the UN World Summit on Sustainable Development in 2002, for example, they undertook to encourage business to "improve social and environmental performance through voluntary initiatives, including environmental management systems, codes of conduct, certification and public reporting on environmental and social issues".

In short, governments have both identified the issue and committed to playing an active role, which some are already doing at the national level. Most governments see CSR as a tool to advance towards internationally agreed goals through non-mandated action. Privately, officials regularly hint that if voluntary instruments do not work, mandatory approaches will become necessary.

Recognizing this window of opportunity, the business community has largely taken the lead in developing many of the hundreds of CSR norms and codes of conduct that now exist. To judge by the flourishing of sustainability reporting, CSR conferences and advertisements vaunting societal sensitivities and contributions, the concept is moving from fringe to de rigueur, at least among the big players.

However, if the voluntary actions by business to improve their impact on society are to be more systematically encouraged - and taken seriously - by the thousands of companies that have limited awareness or interest in CSR issues, at least three areas of weakness require urgent attention by policy makers. [A former Australian diplomat to the OECD, Paul Hohnen is a consultant on sustainable development and CSR policy issues. paul@hohnen.net http://www.ethicalcorp.com/content.asp?ContentID=3657 Ethical Corporation Magazine]

1. Define and refine
Like the term "ethical", there is no generally agreed definition concept of "corporate social responsibility". Nor is there likely to be one, given continuing differences about whether business has any responsibilities beyond its shareholders. At the end of the day, a company's response to society's expectations will be framed by a variety of factors, including where it operates, what its products or services are, and what it assesses its risks are.

While not intending to enter this moral minefield, industrialized nations have nonetheless outlined their own vision of what constitutes good corporate behavior in the OECD Guidelines for Multinational Enterprises (MNEs). With a view to heading off debate and confusion about what CSR is, it would be generally beneficial if the OECD Guidelines were more widely accepted as providing a working definition.

The OECD MNE Guidelines, which were developed jointly with business, labor and NGOs, have the advantage of providing a common platform for use and eventual revision. If OECD governments were more pro-active in profiling the Guidelines within their own jurisdictions, and encouraged non-OECD states to embrace them, formally or informally, they would be helping to give CSR the consistent and practical operating framework it currently lacks.

2. Monitor and measure
The business lexicon is peppered with adages such as "what gets measured gets done" and "you can't manage what you don't measure". The metrics of performance are vital to assessing the costs and benefits of specific strategies. In the same way, investments in CSR activities - whether in the form of traditional philanthropy or modern partnership-based initiatives - should be monitored and measured, and the results made public. [ibid, Paul Hohnen Ethical Corporation Magazine]

While few would currently argue that governments should get engaged in the monitoring and measurement of CSR behavior, there are good reasons why they should stimulate an environment where this occurs. If governments want CSR to be a useful complementary tool to regulation, they (and the public) will want evidence that it works. By encouraging and supporting voluntary public reporting of sustainability performance, and supporting the multi-stakeholder organizations that enable reporting and dialogue about CSR performance, governments can advance measurable progress towards the goals they have set.

Down the road, governments may wish also to take CSR performance into account in rewarding progressive businesses through tools such as preferred procurement, export credits and other national policy incentives. To distinguish between the leaders and the laggards, transparent and credible performance data will be vital.

3. Strengthen and align existing tools
A globalize world needs globally recognized standards and approaches, with sufficient flexibility to respond to different levels of development and different approaches. Just as international accounting standards are helpful in promoting

understanding and consistency, there is value in having broad agreement on the goals and ethics of the international community. [ibid, Paul Hohnen Ethical Corporation Magazine]

But, for too many businesses and organizations, the implications of the many international treaties and declarations on environmental, human rights and labor issues over the last decades remain a matter of confusion. While agreements like the Kyoto Protocol have clear implications (less carbon dioxide good, more carbon dioxide bad), there is precious little practical official guidance on how to promote sustainable development, or how to be a responsible organization.

Just take the leading internationally agreed CSR norms and standards. How do the OECD MNE Guidelines relate to the UN Global Compact principles, the ILO Tripartite Declaration, and the draft UN Human Rights Norms? Not to mention the UN Millennium Development Goals and the many other UN treaties and declarations where a strong and constructive contribution from business is essential if progress is to be made.

Here, too, governments have a crucial role to play. By implementing global commitments in national legislation, and supporting initiatives that help define, link and operationalize these various initiatives, governments would be going a long way to helping civil society respond to internationally-agreed expectations.

Voluntary initiatives will never replace regulation as the engine of change. But they can provide an innovative, flexible and low-cost means for business to assess and respond to changing societal expectations [ibid, Paul Hohnen Ethical Corporation Magazine].

In this light, it would be tragic if officially-endorsed voluntary instruments lost the credibility and support they deserve though lack of attention and nurture from the sector that will benefit most from their success: the government.

References

[1] Carroll, A. B.2004. Managing Ethically With Global Stakeholders: A Present and Future Challenge. Academy of Management Executive, 18(2): 114-120

[2] Carroll, A. B. (1999). 'Corporate Social Responsibility', *Business and Society*, 38(3), 268–295.

[3] Kotler, P., Lee, N. (2005), *Corporate Social Responsibility*, Wiley,

[4] NJ Küskü, F. ve Fraser, A.Z. (2004), "An Empirical Investigation of Corporate Citizenship in Australia and Turkey", *British Journal of Management*, Vol. 15, 57–72.

[5] Maignan, I. and O. C. Ferrell (2000). 'Measuring Corporate Citizenship in Two Countries: The Case of the United States and France', *Journal of Business Ethics,* 23(3), 283–297.

[6] McGuire, J. B., A. Sundgren, T. Schneeweis. 1988. Corporate social responsibility and firm financial performance. *Academy of Management Journal,* 31: 854-872.

[7] McWilliams, A., and D. Siegel (2000) "Corporate social responsibility and financial performance: Correlation or misspecification?" *Strategic Management Journal,* 21, (5), 603-609.

[8] Abowd, J., Milkovich, G. and Hannon, J. (1990). 'The effects of human resource management decisions on shareholder value'. Industrial and Labor Relations Review, 43, 203–36.

[9] Aupperle, K., Carroll, A. and Hatfield, J. (1985). 'An empirical examination of the relationship between corporate social responsibility and profitability'. Academy of Management Journal, 28,446–63.

[10] McWilliams, A. and Siegel, D. (2001). 'Corporate social responsibility: a theory of the firm perspective'. Academy of Management Review, 26, 117–27.

[11] McWilliams, A., Siegel, D. and Teoh, S. H. (1999). 'Issues in the use of the event study methodology: a critical analysis of corporate social responsibility studies'. Organizational Research Methods, 2, 340-65.

[12] McWilliams, A., Van Fleet, D. D. and Cory, K. (2002). 'Raising rivals' costs through political strategy: an extension of the resource-based theory'. Journal of Management Studies, 39, 707–23.

[13] Siegel, D. (2001). 'Do British companies really need a minister to make them socially responsible?'Parliamentary Brief, 7, 7–8, Special Supplement on Business and the Community.

[14] Teoh, S., Welch, I. and Wazzan, C. (1999). 'The effect of socially activist investment policies on the financial markets: evidence from the South African boycott'. Journal of Business, 72, 35–89.

[15] Waddock, S. and Graves, S. (1997). 'The corporate social performance – financial performance link'. Strategic Management Journal, 18, 303–19.

[16] Waldman, D., Siegel, D. and Javidan, M. (2004). 'CEO transformational leadership and corporate social responsibility'. Working paper, Rensselaer Polytechnic Institute.

[17] Windsor, D. (2006). 'Corporate social responsibility: three key approaches'. Journal of Management Studies, 43, 1, 93–114.