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***The UN Global Compact - A
Contribution to Sustainable
Development?***

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CONTENTS

CONTENTS	3
ABSTRACT	5
THE UN GLOBAL COMPACT – A CONTRIBUTION TO SUSTAINABLE DEVELOPMENT?	7
THE UN GLOBAL COMPACT – A TRI-SECTOR VOLUNTARY INITIATIVE	8
RESPONSIBLE BUSINESS; REGULATIONS OR VOLUNTARY INITIATIVES?	8
COMBINING MICRO AND MACRO LEVEL QUESTIONS – A RESEARCH DESIGN FOR ANALYSING THE GLOBAL COMPACT	9
DOES THE GC HAVE A POTENTIAL TO CHANGE CORPORATE BEHAVIOUR?	10
<i>Rationalistic interpretations</i>	11
<i>Environment deterministic interpretations</i>	12
<i>Institutional-cultural interpretations</i>	13
IMPLEMENTATIONS OF THE GLOBAL COMPACT IN THE 4 CASE COMPANIES	14
THE GC’S POTENTIAL TO UNDERMINE THE WORK FOR POLITICAL REGULATION OF CORPORATE BEHAVIOUR	16
<i>The GC – beyond ideology?</i>	17
BEYOND THE CROSS TABLE OF RESPONSIBILITY VERSUS ACCOUNTABILITY?	18
CONCLUDING REMARKS	19
REFERENCES	21
GLOBAL COMPACT CONFERENCES	22
INTERVIEWS	22

ABSTRACT

The aim of this working paper is to explore and debate the voluntary UN initiative “The Global Compact” (GC) as a contribution to the goal of sustainable development. The article focuses on Corporate Social Responsibility (CSR) and the GC in a larger, political economy context.

Based on case studies from four Norwegian GC member companies, the article explores the potential effects of the GC at both micro and macro level. We argue the GC has a high potential for changing company practices at the micro level by rendering legitimacy to the idea of corporate responsibility and by framing ongoing CSR-activities in universally recognised UN principles. We also argue that the GC, given its high profile, has a potential to produce change at the macro level, by influencing the international political discourse on regulatory versus voluntary approaches to corporate social and environmental responsibility. However, if the GC is to contribute to sustainable development, the limits of voluntary initiatives should not be under-communicated within the GC, neither should the secretariat use its agenda setting and legitimising power to define corporate responsibility as a strictly voluntary matter. Sustainable development is not that easily achieved.

THE UN GLOBAL COMPACT – A CONTRIBUTION TO SUSTAINABLE DEVELOPMENT?

The social and environmental responsibility of companies has been a controversial question within the United Nations (UN). In spite of documentation of unethical practices, regulatory efforts to negotiate a binding framework for transnational corporations (TNCs) were abandoned in 1989¹. In parallel to these events, the concept of “sustainable development” gained importance². This idea opened up for new conceptual connections and approaches to developmental and environmental challenges, including the role of business. Although the importance of regulatory measures was underlined at the UN Conference on Environment and Development in Rio in 1992, only voluntary initiatives were referred to when the specific role of business was discussed.

As an effort to accommodate various opinions on sustainable development as well as to strengthen policy implementation, UN Secretary General Kofi Annan launched “The Global Compact” in June 1999. Through the Global Compact (GC), Annan addresses business directly, challenging business leaders to contribute to a “sustainable and including globalisation” (Annan 1999). Assistant Secretary General Michael Doyle states: “The GC shall help define Sustainable Development for the private sector” (Paris conference 2002).

Debates and publications on the GC have suffered from a lack of concrete case studies, as well as a lack of a more contextualised approach (McIntosh 2004, Sharma 2004). In an effort to fill this gap, we have based our material on case studies of four GC member companies and framed the analysis in a wider context of sustainable development. The major dividing line concerning the business and sustainable development is between two approaches: the Corporate Social *Responsibility* approach (CSR) arguing for voluntary measures, versus the Corporate Social *Accountability* approach (CSA) demanding binding regulations on corporate behaviour.

The question of the GC’s contribution to sustainable development opens up a true Pandora’s Box of important debates on the role of business. The GC is still an organisation in the making, and it is too early to draw any definite conclusions as to how the GC contributes to sustainable development. However, our research suggests that the GC has a potential to create change in the member companies. Further, the GC has a potential for both undermining and supporting relevant regulatory approaches at the international policy arena. None of these potentials should be underestimated.

¹ The United Nations Commission on Transnational Corporation tried to negotiate a binding code of conduct, but the negotiations were abandoned in 1989 in favor of voluntary approaches.

² Sustainable development was defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs by the Brundtland Commission in 1987 (WCED 1987), emphasizing the three pillars of economy, society and the environment.

The UN Global Compact – a tri-sector voluntary initiative

The aim of the Global Compact (GC) is to create a common frame of reference based on the 10 universally recognised principles⁵ and to serve as a value-based platform for all actors working with corporate responsibility. The idea of a “Global Compact” was introduced in a context of strong public anti-globalisation sentiments, with the violent street protests in Seattle, Prague and Genoa forming a backdrop. Today the GC consists of a network of approximately 1000 member companies. In addition, actors from the UN system, supporting states, non-governmental organisations (NGOs), labour, and academia are involved.

The GC can be classified as a tri-sector voluntary initiative which sets it apart from the more common industry-led initiatives. The only commitment required on the part of the companies is a written statement of support from the company’s Chief Executive Officer and an annual, informal report on progress with the work on the GC principles.

In our opinion, the GC illustrates the turn of the pendulum from regulatory to voluntary approaches in the UN system in the last 30 years. In the inaugural speech of the GC in Davos, the UN General Secretary remarked on these two approaches:

Essentially there are two ways we can do this. One is through the international policy arena. You can encourage States, to give us, the multilateral institutions (...) the authority and resources we need to do our job. The second way you can promote these values is by tackling them directly, by taking action in your own corporate sphere (Annan 1999).

When evaluating the GC’s contribution to sustainable development, we believe that it is important to remain focussed on the systemic, regulatory context. We will follow Annan's petition and study the GC’s effect on member companies. However, only a relatively limited number of companies are involved in the GC. At the same time, recent UN estimates suggest that there are approximately 65.000 TNCs operating world-wide today (World Investment Report 2002:85). If the GC is to contribute to the UN promotion of sustainable development, it also has to make a difference for the policies and practices of non GC members.

Responsible business; regulations or voluntary initiatives?

Sustainable development is a very ambitious and all-encompassing goal which inherently implies conflicts of interests in any given society. Consequently, achieving sustainable development presupposes – given the existence of situations of irreconcilable conflicts of interest – the use of binding, and not only voluntary measures (Gjølberg 2003:13). As a voluntary initiative the GC is inherently connected to a larger debate at the systemic level concerning the relationship between voluntary initiatives and political regulation as means for influencing the behaviour of business actors in general.

The rationale behind a voluntary initiative is to take advantage of situations where the interests of business and society coincide: situations where the company profits from improving its social or environmental record. There exist a number of such win-win

⁵ Originally the GC consisted of nine principles, but following a consultation process initiated in January 2004 by the General Secretary Kofi Annan, a 10th principle was adopted by the Global Compact at its Leaders Summit on June 2004: “Business should work against all forms of corruption, including extortion and bribery.” For the complete list of principles, see <http://www.unglobalcompact.org/Portal/Default.asp>

situations, as was demonstrated for example at the Johannesburg Earth Summit in 2002. However, evidence suggests that even in win-win situation, business often fails to seize the opportunity. (World Development Report 2002). Consequently, there is a significant potential for improvements through voluntary measures.

According to CSR critics, however, voluntary initiatives are claimed to be a *competitor* to regulation by being used, consciously or unconsciously, to deflate criticism from NGOs and to pre-empt regulations of corporate behaviour (Richter 2002). According to CSR critics, there is no harmonious, complementary relation between voluntary initiatives and political regulation; it is rather a win-lose game where voluntary initiatives undermine the political regulation needed to strengthen the environmental and social performance of the business sector at large (UNRISD 2000).

Achieving sustainable development will inevitably involve win-lose situations where companies must implement changes that are detrimental to the economic bottom line (Ruud 2004). In these situations, at least in the short term, there are insufficient corporate incentives to implement such necessary changes on a voluntary basis. This implies that regulatory measures are necessary to address these situations. This does not make voluntary initiatives irrelevant or inefficient. Particularly among TNCs with extensive global improvement programmes, significant progress can be documented (Ruud 2002). However, it does mean that the relationship between voluntary initiatives and binding regulations needs to be addressed when analysing the GC’s contribution to sustainable development at large.

Combining micro and macro level questions – a research design for analysing the Global Compact

The two dimensions – potential for positive change at micro, company specific level, and potential for undermining at macro, political regulatory level – constitute the two dimensions underlying our analysis of the GC. However, the two dimensions should not be analysed separately. It is precisely the combination of the two dimensions that provides a more complete understanding of the GC’s contribution to sustainable development.

If one combines the questions of potential for change at company level with potential for undermining regulation at the macro level, it results in the following cross table:

Table 1.

Potential for change → (company/micro level)	High	Low
Potential for under- mining regulation (system/macro level)		
Low	1 = Win-win	2 = Lose-win
High	3 = Win-lose	4 = Lose-lose

As illustrated by table 1, there are four outcomes with completely different implications for our research question on whether the GC contributes to sustainable development.

Combination 1 and 4 produce the most straightforward outcomes. In Outcome 1 GC is believed to have a high potential to influence behaviour in companies, and low undermining effect on regulations at the macro level. Given this win-win combination, the GC represents a net positive contribution to sustainable development. Conversely, in outcome 4 the GC has little potential to produce real change in companies, while at the same time undermining what could have had an effect on business at large, namely regulations. This is a lose-lose combination. Given this, the GC represents a net negative contribution to sustainable development.

The implications of outcome 2 and 3 are more complex and ambiguous. The possibility of these two combinations is often overlooked in the debate since they seldom explore the two levels *simultaneously* – which is precisely our intention with the table. Outcome 2 depicts a situation where the GC has low potential to affect company practice at micro level, and a low effect on regulations. In this case, the GC has no real impact on neither micro level, nor on macro level. If so, the GC is irrelevant to the pursuit of sustainable development in a business context.

Outcome 3 however, represents more of a dilemma: If the GC has a high potential for changing individual corporate behaviour, but at the same time a high potential for undermining regulations, difficult decisions are called for. Should one give priority to great results with a limited number of member companies? Or should one give priority to negotiating a politically difficult legislation, probably based on the “least common denominator” but which in turn will encompass *all* companies, regardless of membership in the GC? Typically, CSR-proponents will argue for the former solution, while CSA-proponents will argue the latter. To solve this dilemma, one needs to know whether voluntary or regulatory instruments are the most effective in terms of changing business practice. One also needs to know whether one is faced with a win-win or win-lose situation in terms of conflicting or coinciding interest of business and society.

Does the GC have a potential to change corporate behaviour?

The GC does in many ways defy and transcend established theoretical compartments and frameworks. It cuts across common divisions between state, market and civil society, and is of a global or transnational nature. The aim of the GC is to create organisational change in companies, in terms of priorities, values and knowledge. But when is change “change”, how does one measure it, and on what level?

Our material is based on case studies of four Norwegian GC companies; Statoil – Norway’s largest company and leader in the petroleum sector; Norsk Hydro – a major company involved in light metals and oil and gas; Telenor – Norway’s largest telecom company; and Storebrand – a large company within the finance and insurance sector. In addition data is drawn from participant observation during two GC conferences – the Policy Dialogue on Business and Sustainable Development in June 2002 and the annual Learning Forum in December 2002⁴.

When analysing data from the four case companies, we employ three opposing approaches from organisational theory. Firstly, we use rational choice theory, which sees organisations as rational, unitary actors strategically pursuing their goals in a cost efficient

⁴ A complete list of interviews and conferences is provided in the list of references

manner in accordance with “The logic of consequences” (March 1994:2). Secondly, we use environmental deterministic theory. This approach portrays organisational action as determined by external pressure and expectations of what is considered “modern” according to current organisational trends and by relevant social groups in the organisation’s environment. This is often referred to as “The logic of fashion” (Brunsson 1989). Thirdly, we use new institutional theory, focussing on cultural-institutional dynamics within the organisation, where action is seen as guided by norms, ideas and values deemed appropriate by the institution, as guided by “The logic of appropriateness” (March 1994:57). These three theories all have diverging views on organisations, but used in combination, they provide a more complete picture of the organisational dynamics (Olsen 1991).

Rationalistic interpretations

The literature on voluntary initiatives often focuses on the possibility for profit, and consultancies strive to prove “the business case for sustainable development”. This strategic thinking is reflected in our material:

The experience of such tri-sector partnerships in the field of stakeholder engagement through the UN Global Compact have spurred increased cooperation between ourselves and a select few Norwegian NGOs (...) This is commercially interesting. (Chief Executive Officer, Statoil 2002)

Throughout the interviews, several elements focussing on the beneficial economic effect of membership in the GC are mentioned. The interviewees believe the GC contributes to giving the company a “social licence to operate”; It is beneficial to the companies’ reputation management, brand image, employee satisfaction, recruitment, stakeholder relations, customer satisfaction etc. In other words, the GC is perceived to give the companies a competitive advantage. The main reason seems to be the near-universal legitimacy of the UN, and the popularity of Kofi Annan in particular. The UN can provide a social capital and a legitimising power which the firms can convert into tangible commercial assets.

The GC seems to play a particularly instrumental role in the companies’ strategy for international expansion. Norwegian companies are subject to rather strict national regulations and most of the nine GC principles are institutionalised through legal framework and/or standard commercial ethics in Norway. Telenor’s and Statoil’s decision to sign the GC was triggered by their decision to expand and compete on the international arena. This process of transnationalization uncovered a need for increased competency on corporate responsibility issues outside of a Norwegian context. The GC is also actively used by Storebrand in their international work. One of our informants from Storebrand stated that the GC is relatively unknown in Norway, but is a “big seller” abroad, and that Storebrand will use the GC actively in their marketing abroad: “Cynical but true” as she phrased it.

Hence, the interpretation of the GC in the four case companies has clear components of rational and strategic cost benefit analysis, focussing on how the GC can improve the profile of the company, thereby contributing to its economic success. However, the rationalistic perspective has a limited explanatory power on our material. Several of the interviewees express doubts as to whether the GC can improve CSR performance in their companies:

Telenor has not received any concrete, useful information or contributions from the GC. Neither have we sought it out, nor expected to receive it.

The Global Compact is a “no brainer”. These principles are self evident.

Why then, does the management choose to spend time and effort on the GC if they expect little in terms of new competency, projects or experiences? An environment deterministic perspective can provide a fruitful complementary angle on this question.

Environment deterministic interpretations

This perspective emphasises external pressures and organisational fashions in the institutional environment when explaining organisational action. Organisational change is often associated with inconvenience, cost and resistance on the part of the organisation. According to the environment deterministic perspective, when faced with external pressure to change, an organisation often responds with what Professor of Management, Nils Brunsson refers to as decoupling or double talk (1989:33). This implies that the organisation communicates change outwards, but continue unchanged internally; One simply decouple external communication from internal communication. This is done in order to solve the contradiction between external pressures for conforming to organisational fashions and internal pressures to adhere to established patterns and practices (Meyer and Rowan 1991:58).

Using this perspective, the statements from the case companies might be explained. Signing the GC is not only based on the logic of consequences of rational cost/benefit calculations. It is also about myths, image and symbol politics based on the logic of fashion. This might explain why Telenor and the other companies are willing to devote time and effort to the GC in spite of not expecting any practical output from the membership. A GC membership makes sense in terms of communication to external stakeholders: it is the legitimacy associated with the UN that is the main attraction, not necessarily the competency, network or initiatives offered by the GC. This interpretation is partly supported in our material, where the interviewees from Norsk Hydro say the GC has left few traces internally, and it was never even meant to be put to this use:

We don't use the GC as a label internally in the company; we use it for external communication.

There is a hundred times more competency outside the UN – in companies and NGOs.

It seems the GC is perceived to be more effective in *communicating* responsibility, rather than *implementing* it. The organisational model of the GC is often mentioned in this context, and described as “short and sweet”, “neat” and “small and flexible” by our interviewees. This model might make the GC the perfect choice for double talk and decoupling of words and actions: The companies can benefit from the legitimacy of the UN/GC while the voluntary nature and the abstract ten principles of the GC make it hard to evaluate compliance. There is no external verification of compliance with the GC principles. Hence, words and actions are never compared within the GC system. However, even though the GC might be better suited for communication than implementation, one cannot necessarily justify the conclusion that the companies *only* communicate and *do not* implement changes in accordance to the principles of the GC

There are several elements in our material that defies interpretation in both a rational and an environment deterministic perspective. For instance, it appears to exist several internal conflicts over the importance of CSR. We therefore need to move beyond

simplistic divisions between internal versus external factors and one-dimensional rationalistic models. One needs to explore the dynamics *within* each company. The institutional/cultural perspective provides a fruitful supplement by opening up for more complex processes in the study of organisational change.

Institutional-cultural interpretations

Institutional theory sees organisations as autonomous, and emphasises norms, values and traditions when analysing organisational action and change. This perspective makes a claim which is of particular interest to our analysis: It claims that new ideas countering or transcending established organisational norms create conflict and resistance in organisations.

Our material reveals several internal conflicts over the importance of CSR. Perceptions and priorities differ between the departments, in particular between the CSR department at the corporate level and the more operational departments.

Three of the case companies have received public criticism of their operations abroad. However, surprisingly many of our interviewees expressed “happiness” over these incidents:

I am positive to what has happened lately [public criticism] because it resulted in more influence and understanding for the work of the CSR department.

I am glad for the turbulence concerning [the company's operations in] Angola. It led to a greater understanding and influence in the budget negotiations that were going on internally at the time.

Our interviewees are engaged in CSR as a profession, and in the normative aspects of business. Hence, the public criticism of their companies was perceived as positive because it resulted in improved working conditions for the CSR departments. Thus it improved the *quality of the CSR work* from a professional and normative point of view. Economic calculations did not seem to enter their reasoning.

This hypothesis is also supported by the fact that the interviewees seemed to have a strong personal identity and emotional commitment to CSR issues. Norms and ethics seemed to be their motivation, and several of them became quite agitated during the interviews:

I find it very frustrating to have to discuss these priorities [profit over CSR] when you for moral reasons should answer a categorical “No”. The longer I work with these issues, the angrier I get. People say they will deal with it... in the mean time, nothing is done. It's a sad commentary on society.

This personal commitment is reflected in most of the interviews, and might be due to their professional background. The majority of our informants have a background in social sciences while the majority of employees in their companies have an engineering or business education. Several of the interviewees had worked with development aid, or wanted to continue their carrier within this field. Some even seemed to identify closer with CSR as a professional field than with the companies in which they were employed:

It is the subject that matters, not necessarily the company. But the subject is exposed to empty talk by people with unfounded opinions. I get frustrated with people who are unprofessional – who haven't read the Human Rights Declaration or the GRI Guidelines etc. Social issues are easy to make statements about, but CSR it does in fact require expertise and skills.

The CSR-staff, due to carriers and educational backgrounds, seems to be somewhat atypical employees in the companies. There are several rationalities and identities within a single firm and these differences seem to produce conflicts in our case companies. Even though the informants report of increasing understanding today, were rather strong conflicts initially in some of the case companies. One interviewee gave this colourful description of her colleagues' reactions when she introduced CSR issues:

My colleagues thought I should have been placed in the asylum, burned on a stake – a traitor!

Thus it seems as if CSR is controversial when it conflicts with other priorities and perceptions of the role of business in the companies. Organisational factors such as personal identity professional background and intra-firm disagreements are in other words important factors for how the GC is interpreted.

We can conclude that the companies partly see the GC membership as a commercial asset, partly as an effective communicator in responding to external expectations, and partly as an idea met with both support and scepticism in the companies. Consequently, the perceptions and interpretations of the GC are influenced by different logics: both rational calculations, pressure from the environment and from institutional norms and identities. How then, has this affected the implementation of the GC principles within the four Norwegian member companies?

Implementations of the Global Compact in the 4 case companies

Based on the analysis of the case companies' interpretations of the GC there is little reason to expect extensive implementation and organisational change as a result of the GC membership: The companies have simply not conceptualised the GC as an initiative for practical change. Consequently, we could hardly find a single action in the companies that can be traced back to the membership: The CSR work in the companies was initiated before or independently of signing the GC, and the interviewees explicitly states that they have not even intended to use the GC to produce changes in the company:

I don't believe in activities tied specifically to the 9 principles. (...) It is of little use to philosophise on principles, it is better to work with practical cases from the Hydro system, or "classics" like Shell.

Is this lack of implementation a sign of decoupling or double talk? Or is it a result of institutional resistance because the GC conflicts with established norms and identities or with rational calculations? We believe the organisational theories cited above provide parts of the explanation. However, we will argue for a forth interpretation as the most fruitful in explaining the lack of implementation: the idea of identity management and of a division of labour between different kinds of voluntary initiatives.

When probing deeper into the issue of implementation, the interviewees described the GC as "a support of principles", "a bill" and as being "at the systemic level".

It is a place for agreeing on principles, not for action – that has to take place in other arenas. (...) the GC is important for placing topics on the agenda

We suggest there exists what can be described as a "*division of labour*" between the different voluntary initiatives which might explain the lack of practical traces of the GC in our case companies: The GC is conceptualised as an initiative on the *principle* level, not the operational level, and therefore does not provide a basis for action or change. The GC

principles can be termed “aspirational principles” – principles expressing the overarching, ideal goal (Zadek 2003, Waddock 2004). Signing up to aspirational principles can be a means to express direction and to manage *identity*. But these principles do not lend themselves to direct translations into action. For this need, there are other voluntary initiatives of a more operational kind, giving practical step-by-step advice for organisational change, e.g. the various ISO, SA or EMAS certification schemes. These practical initiatives, on the other hand, are not equally suited for framing CSR issues in a larger, principle-based and universal context. In our view, this is the main function of the GC in the case companies; to place the everyday practical CSR activities in a universal frame.

This argument of division of labour between the different kinds of voluntary initiatives can be illustrated as a hierarchy. At the top level of figure 1, one finds the aspirational/principle level. This consists of initiatives directed at systemic issues which provide general and universally accepted principles and a common point of reference for all relevant actors. The mid level is the strategic level, directed at a single industry, region, or more specific activities such as sustainability reporting etc. At the lowest level are initiatives of an operational nature, providing practical action plans, certification schemes etc.

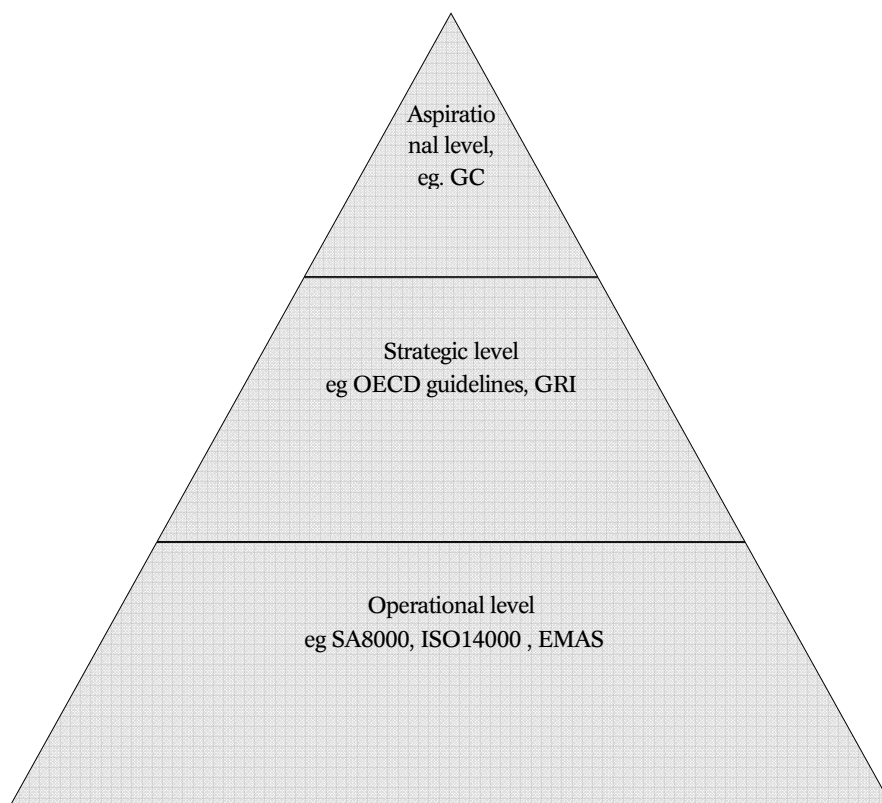


Figure 1: Division of labour between voluntary initiatives (Adapted from Warhurst 2002)

Our interviewees’ interpretations of the GC correspond to such a division of labour. They all believe the GC should remain an aspirational initiative and leave the operational issues to other, more specialised organisations.

How then, does this affect the GC's potential for producing change in the companies in terms of improved social and environmental performance? Our material suggests that the GC has a limited potential for changing corporate behaviour directly. However, we believe the GC has a high potential to create change *indirectly*. Firstly, the GC can place corporate responsibility issues firmly on the agenda both politically and in each company. More important, the GC has an ability to *legitimise* CSR work internally in each member company. As described earlier, there is evidence of conflict between the different departments in the case companies concerning the priority given to CSR. By being able to refer to the UN Global Compact, the CSR staff might gain greater understanding and support in their own companies, and thereby strengthen the scope and quality of the CSR work. This point was very clearly expressed by a delegate from Unilever, at the GC Learning Forum conference (2002):

If the GC has achieved one thing, it is to make it legitimate to talk about these issues in the company

Thus our case material indicates that the GC's main potential for change is the *indirect* influence through strengthening the CSR department in the companies by embedding CSR in a framework of universal principles. Consequently the GC might bring about a positive synergy between the aspirational level and the operational level shown in figure 1, by legitimising and stimulating CSR initiatives at the operational level.

This legitimising power assigns an important political, agenda setting role to the GC. Given its unique position – as a part of the UN, personally supported by the Secretary General, gathering the elites from business, civil society, academia and the UN – the question of the GC's effect on the systemic level becomes even more pertinent.

The GC's potential to undermine the work for political regulation of corporate behaviour

The most apparent topics at the GC Learning Forum (Berlin 2002) and the GC Policy Dialogue (Paris 2002) were discussions on practical actions and efforts in the member companies. These discussions were frequently led by leading CSR companies with a substantial CSR portfolio, which nonetheless faced failures, problems and dilemmas. Despite good intentions and real efforts – CSR raises several difficult challenges, as illustrated by this statement by one participant at the Learning Forum Conference:

“Doing well by doing good” – I'm gonna shoot myself in the head if I hear that again. These are messy, complex issues.

The GC is intended as a forum for exchanging experiences and the secretariat facilitated and encouraged these topics for discussion. Issues concerning the role of the state, regulations and more binding GC-membership seemed, however, to be “non-topics” within the secretariat. This marginalisation happened even though the questions were repeatedly raised by NGOs such as Transparency International, Amnesty International and ILO:

- We can't leave the regulation issue to later.
- It should be binding and legal, rather than all these different standards floating around.
- What's the point of participating in the GC if we aren't going to discuss the big issues?

The answers of the GC staff were interesting. Firstly, these issues were rejected on the basis of insufficient knowledge to negotiate binding CSR-agreements. Secondly, it was argued that the UN does not have the capacity to monitor the implementation of – at that time - the 9 principles in the GC companies, thereby making a more binding membership impossible. Therefore the secretariat argued that the time has not yet come, neither for international regulation, nor for making the GC membership more binding. Typical answers from the GC staff were:

- This is the trial and error stage.
- We are not in position yet – it is an ongoing process.
- We need sufficient consensus. We are not there yet.

Our impression is that these issues were uncomfortable and tense for the secretariat. The GC staff seemed to be aware of the incompatible expectations and approaches in the network, and they seemed to avoid the dilemma by using delaying tactics and by hindering the establishment of principle/political discussions at the GC conferences. The issues were not rejected as irrelevant or illegitimate, but discussion was not facilitated or encouraged – the secretariat seemed to exercise a considerable amount of its agenda setting power. On our question about the need for regulations and the possibility of undermining political regulations, the GC officer of UNEP answers:

In the end it boils down to whether you see the glass as half empty or half full. (...) But GC is not the right forum to discuss this. *It questions the whole foundation of the exercise* (van der Lugt 2002 [interview], authors' emphasis).

A debate on regulatory CSA-approach versus voluntary CSR-approach might precisely bring the incompatible demands, ideas and premises of the Accountability and Responsibility approaches to the center of the GC. This will possibly create confrontations and divisions that can threaten the cooperation in the GC network. The combination of NGOs eager to discuss political questions of corporate accountability and the companies eager to discuss practical CSR challenges constitute a real conflict of interest. The secretariat seems to be well aware of this potential conflict, and even though they acknowledge the issues, they guide the dialogues over to practical, concrete issues arguing it is too early to go into the more complex political aspects of CSA. The result is a somewhat forced and ambiguous position on the role of the GC in the political landscape of business and sustainable development.

The GC – beyond ideology?

The ambiguous relationship to the more political and principal aspect of the GC was most evident during a workshop at the annual Learning Forum. The workshop was led by the head of the GC, Georg Kell who was very clear on not mixing the GC with politics:

Don't equal the Global Compact to the UN! The UN is politicized, Global Compact is not (...) The Global Compact is seen as neutral and apolitical (...) We do not operate in a political context but in business pragmatics.

By presenting and defining the GC as practical and pragmatic, the threatening political discussions can be contained: Pragmatics is a-political and neutral, and by focussing on

case studies, projects and practical dilemmas, one can maintain the consensus and dialogue between the different groups in the network:

The Global Compact is not about politics but about practical solutions. The Global Compact is beyond ideology! We have to stay away from politics. (...) Politics is a kiss of death. (Kell 2002)

From the perspective of sustainable development, we find it problematic that the secretariat defines the work of the GC as “non-political” and “beyond ideology”. There are profound interests at stake in the struggle to define the roles and responsibilities of corporations vis a vis governments and civil society – a struggle which is also played out in the GC where powerful actors from all three parties meet. We believe the GC has a substantial role to play as an agenda setter and as an authoritative actor with the power to influence communication, definitions and perceptions in the field. Our interviewees also express expectations of GC to “define the roles and responsibilities of private sector versus the government” or to “clarify on what is expected of our company”. This corresponds well to the classification of the GC as an aspirational initiative whose primary function is to place CSR within a larger context, as shown in figure 1.

Thus, there seems to be a mismatch between the legitimising, agenda-setting, political role ascribed to the GC; and the a-political, pragmatic role which the secretariat seems to communicate on the other. If the secretariat continues their professed non-political strategy concerning controversial, political aspects of corporate responsibility, this might be interpreted as a favouring of the advocates of pure voluntarism within the GC network. If the GC becomes an authoritative centre and a legitimising force in the CSR field, this may in the long run *undermine* the support and work for binding regulations necessary to promote a general strengthening of business actors’ contribution to sustainable development.

Beyond the cross table of responsibility versus accountability?

At the same time there are signs of new trends emerging within the GC, indicating that the GC might take on a more proactive role at the systemic level. Firstly, the GC has initiated cooperation with the Global Reporting Initiative (GRI)⁵ which might contribute to a much-needed comparability and standardisation in the CSR field. Secondly, John Ruggie an esteemed Professor of International Political Economy, is engaged as senior adviser to the GC.

By trying to create an understanding of the need for accountable governance of business Ruggie has increasingly come across as a broker between the advocates of CSR and CSA in the GC conferences. One telling example of his approach came in his closing speech at the GC Learning Forum:

At the risk of sounding like a heretic, I would contend that private governance arrangements, no matter how successful, can only take us so far. They will remain relatively small islands of progress unless their achievements are rooted in, and generalized through, the sphere of public authority (...) Thus *the* key CSR question at the *global* level is (...) what are the principles and boundaries determining public and private responsibilities? (Ruggie 2002).

By acting as a broker for Accountability-views, he might facilitate a greater understanding for the need for regulatory measures towards the business community in general. His ideas

⁵ For more information on the GRI, see <http://www.globalreporting.org>

are mirrored in our case material, where several of the interviewees say they would welcome regulations: it would relieve them from the present “pressure group and NGO dictatorship” as one interviewee termed it.

Thus the GC could have a *supporting* effect on the systemic level by increasing the understanding of the role of regulations in the international business community. This opens up for a whole new dimension to voluntary initiatives as shown in table 2:

Table 2

Potential to create Change (company/ micro level) → Potential to influence regulation (system/macro level) ↓	High	Low
Supporting	1 = Synergetic win-win	2 = Indirect contribution
Neutral	3 = Win-win	4 = Win-lose
Undermining	5 = Win-lose	6 = Lose-lose

This new scenario opens up for two additional outcomes of the GC. Compared to outcome 1 in table 1, outcome 1 in this revised table implies a new, *synergetic* win-win effect. Here, the GC not only has a positive effect on corporate CSR performance, but also has a positive, *supportive* effect on the systemic level by increasing corporate understanding of a need for certain regulatory CSA measures. Combination 2 stipulates an outcome where the GC has limited direct effect on the companies, but still contributes to sustainable development through its supportive role at the systemic level. This revised and extended cross-table captures the complexity of the links between micro and macro level more accurately than the one-dimensional discourses on corporate Accountability versus Responsibility often reflected in literature and political dialogues concerning the business case for sustainable development.

Concluding remarks

Existing research on the GC often focuses exclusively on either micro or macro effects. We believe the strength of our approach lies in the integrated analysis of these two levels. Based on our arguments above, we believe the GC has the potential to contribute positively to sustainable development. At the micro level, the GC can provide legitimacy and strength to CSR departments in the member company. At the macro level, the GC can create a greater understanding in the business community of the need for increased corporate accountability.

However, the GC is still an organisation in the making, and the debate on corporate responsibility is constantly changing. The recent discussion on the binding “UN Norms for

the responsibility of TNCs” (UN 2003) illustrates this⁶. Our argument for the possibility of a “synergetic win-win” scenario for the GC, as shown in table 2, is based on limited evidence. Thus, there is still a possibility for the GC to end up as a CSR forum while excluding accountability aspects on binding regulations from its agenda. Given the high profile of the GC, we believe this could impact negatively on regulatory approaches to corporate responsibility and sustainable development in general.

If the GC is to contribute to sustainable development, the issue of win-lose situations, and the limits of voluntary initiatives should not be under-communicated within the GC, neither should the secretariat use its agenda setting and legitimising power to define corporate responsibility as a strictly voluntary matter. Sustainable development is not that easily achieved.

⁶ The proposed Norms are legally binding and involve substantial monitoring. Most governments have signaled skepticism to the Norms. However, several corporate pioneers in CSR have volunteered to do a pilot test of the Norms, thus illustrating our argument of an increased understanding and “demand” for binding instruments from corporate CSR pioneers.

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