

From Global Compact to Global Impact

In June the largest corporate responsibility (CR) initiative in the world, the United Nations Global Compact (UNGC) celebrated 10 years since its launch, with a Leader's Summit in New York. I've followed the the Global Compact since correspondence in 1998 with its founder George Kell; we discussed how the UN could learn from how NGOs and business had been allying during the 1990s to promote social and environmental performance of business. Therefore I thought the New York summit a good place to both celebrate the Compact, and hear participants' views on its future.

Celebration is justified, as the UNGC has done more than any initiative to globalise the idea that voluntarily enhancing the social, environmental and ethical performance of business can be both good for business, and important for the world. But introspection is also justified, for two main reasons. First, the relationship between business and society has not improved markedly in the last 10 years, with problems including spirally inequality, steeping carbon emissions, commodity inflation and speculation, and financial crises, all suggesting ineffective economic governance. CR practitioners need to grapple more clearly with these systemic problems if we are to provide significant solutions for sustainable development. Second, as CR is now an established agenda and there are hundreds of CR initiatives worldwide, so the role for the UN in the CR space needs to evolve. Therefore the UNGC could further clarify its role, specifically what the UN brings to CR and what CR brings to the UN. Given that the UN is our premier global political forum, and the UNGC is about business, so global economic governance would appear a natural and needed niche for the UNGC to embrace. Therefore, to coincide with the anniversary, the *Journal of Corporate Citizenship* published my analysis of the currently limited role of the UNGC in addressing economic governance.¹ I argued the need for business support for an enhanced role for the UN in helping member states regulate markets for the common good.

The 10th anniversary has prompted others to discuss the role of the UNGC, both past and future.² The Leader's Summit reflected some of that thinking, with emphasis placed on the need to reach a "tipping point" in corporate responsibility and sustainability. Yet the UNGC needs to evolve its approach, including changing some of the approaches that have served it well in the first ten years, if it is to be effective over the next ten in encouraging that tipping point. Three things in particular could change.

First, the UNGC has had a member-recruitment orientation where has sought to appear a safe and trusted partner to most corporations. That approach has helped it to grow. However, it has also meant that some more challenging issues have been sidestepped or sidelined. To achieve greater change these difficult issues need addressing, which will mean some companies become nervous or critical. Yet the UNGC now needs to show a strength of leadership to press ahead in concert with true global leaders.

Second, the UNGC has relied on the pro bono input from established consulting firms to build its programmes, with the consulting firms receiving high profile access and acclaim in return. This approach has helped the UN to speak the language of business, and be understood. However, the established consulting firms rarely challenge large corporations as they seek to serve them, and they rarely innovate ideas with impact because their business model does not allow time for a depth of reflection and research. Going forward, the UNGC needs to reach out beyond the conservative consulting firms in order to better encourage learning on how to reach a tipping point.

1 Bendell, J. 2010 'What if we are failing? - towards a post-crisis Compact for systemic change' in *Journal of Corporate Citizenship*, Vol 38. <http://globalcompactcritics.blogspot.com/2010/06/what-if-we-are-failing-towards-post.html>

2 See for instance the series of reflections published by Griffith Business School, at: <http://www.griffith.edu.au/business/sustainable-enterprise/resources/the-un-global-compact-looking-forward-ten-years-after>

Third, the UNGC has stayed clear of issues of trade and investment policy. This approach has allowed it to move the CR agenda forward without protracted and highly politicised debates about trade agreements. However, the time has now come for core economic governance issues to be address, as well as the influence of business over related policy making, if a tipping point in CR is to be reached.

It is time for the UNGC to take more leadership on a transformative agenda. Previously the international reach and pulling-power of the UN flag was enough to make the UNGC a remarkable contribution, but in future it needs to add a third strength: interfacing CR with economic governance challenges. In doing that its secretariat and participants will need to enhance their understanding of four interlocking areas: social change processes, the ethics and accountability of new governance mechanisms, ways and means of reforming economic governance towards sustainable development, and the evolving role of the UN in world affairs, including economic affairs. Arising from this time of reflection, we need to see the same level of bold and the creativity that gave rise to the Compact in the first place. Only then will it move from a global compact to a global impact. My experience at the Leader's Summit suggested the ambition for a wider impact is only just beginning – hence my reason for writing this column.

The current limitations of the UNGC were illustrated by (not within) the report on CEO opinions on CR and sustainability, by an international consulting firm, which set the tone for the Leader's Summit. On the one hand, it had some useful analysis of cross-cutting changes that are needed to mainstream CR, such as changes to the investment practices and regulations to internalise more externalities.³ It is promising to see such ideas expressed by CEOs, as hitherto they had only been discussed by more critical analysts, such as in these World Reviews and the *Lifeworth Annual Reviews* (particularly the review of 2005 “*Serving Systemic Transformations*”, and the 2006 “*Tipping Frames*”).⁴ On the other hand, the report and the research behind it was clearly designed to make the participating businesses feel comfortable, avoiding challenging questions. And oh, how comfortable the 766 CEOs who responded then appeared, with 81 percent agreeing that CR issues are “fully embedded into the strategy and operations of my company.” We are not told the identity of those CEOs, so we can only speculate whether BP's Tony Hayward was one. Over 5000 other CEO members of the UNGC clearly felt comfortable enough not to even respond to this key survey requested of them by the UN. Some delegates thought the questions were rather bland, with delegate Dr Ven Pillay of the University of Pretoria wondering why CEOs were not asked direct questions like whether they would have their remuneration linked to independent measures of their firm's social and environmental performance: surely not a worry for them if CR is embedded in strategy and operations already?

The report was what one would expect from a consultancy that seeks to tickle not ruffle the feathers of c-suite executives. That 81% figure may do wonders in drumming up new business from CEOs feeling they are behind the game. The past decade the UNGC has utilised the pro bono support of management consultants to establish its work programmes, and been keen to appear a trusted and careful partner of business. Yet might the UNGC have reached a stage after 10 years where it need not concern itself with appearing corporate-friendly and focus more on setting an ambitious change agenda, generating and disseminating methodologically sound, incisive and informative data on the realities of corporate responses to sustainable development? If so, are the academics up to it? There is less institutional self-interest in a university spending resources on a CEO opinion survey – they can not leverage the relations and profile in the same way after such a study. This highlights a weakness of an organisational model reliant on pro bono support – the agenda is shaped by a pot-pourri of commercial interests with only the herbs of human values keeping it tasty.

3 http://newsroom.accenture.com/article_display.cfm?article_id=5018

4 These reviews are now available in the book *The Corporate Responsibility Movement*, Bendell ed, 2009, Greenleaf.

The hope of having a wider systemic impact was expressed by the UNGC secretariat, in part by their increasing use of the terminology of sustainable development as an integrated goal for economy and society, that corporate responsibility initiatives should work towards. This new emphasis was captured well by Professor Malcolm McIntosh during the leaders' commentaries posted on the summit website.⁵ A goal of reaching 20,000 members in 10 years was presented by the UNGC as a vision in keeping with its new emphasis on systemic change, which raises questions about people's understanding of "systemic". However, the Deputy Director of the UN Global Compact, Gavin Power, expressed a more ambitious call that "companies and investors must now work together to identify and overcome the barriers that prevent sustainability from being permanently embedded into the majority of global business activity."⁶ In releasing *The Blueprint for Corporate Sustainability Leadership* the UNGC sought to define what it wants to see from participants, though they made it clear this document did not constitute a new requirement. The blueprint includes some useful emphasis on "taking action in support of broader UN goals and issues" including "advocacy and public policy engagement".⁷ It is a start in outlining the importance of contributing to a movement for a transformation in economy, but it provides thin advice on what is a highly complex area. The phrase "tipping point" was used throughout the Leaders Summit, which was appropriate given we were in the city home to journalist Malcolm Gladwell who popularised the term. However, as any social scientist who has read his book understands, there is no clear theory of what a 'tipping point' is or how it is reached. If our topic here is how to create systemic change, where sufficient numbers of individuals or organisations change in order to re-pattern the way most of us behave, then there are many of fields of social science that we can draw upon. Draw on them we must, if we are to be serious and not rhetorical about seeking systemic change.

Insights on social change processes (in society and in meetings) can come from organisational change management, marketing, innovation and entrepreneurship, behavioural economics, social movements studies, network sciences, systems theories and cybernetics, institutional theory, social psychology, sociologies of power, design thinking, theories of art practice, and more. As sustainability and CR professionals begin to talk more explicitly about catalysing change in society, we need to find ways to draw upon such fields, integrate their insights and make them practical for practitioners and policy makers.

Currently the fields receiving the most attention are those that are most known to management consultants – such as marketing (the basis of most of the evidence in the book *Tipping Point*), and organisational change management (for instance the current popularity of the U-process to structure the design and facilitation of change-oriented meetings). It is not certain that the leading management consultants recognise the wealth of knowledge on social change. For instance, in April, McKinsey published a matrix on social change, suggesting it as a new contribution,⁸ when it was an unintentional recycling of philosopher Ken Wilber's four quadrant model of the locations of change.⁹

If the Leaders Summit marks the beginning of a wider acknowledgement amongst the CR and

5 Professor McIntosh called for a focus on creating a sustainable economy, the video can be seen at: <http://www.un.org/webcast/globalcompact/leaderssummit2010/?mediaID=ls100625-8>

6 Global CEOs Want Investors to Act to Create Sustainability Tipping Point, Press Release, UNGC. 24th June, 2010. <http://www.unglobalcompact.org/news/49-06-24-2010>

7 http://www.unglobalcompact.org/docs/news_events/8.1/Blueprint.pdf

8 A new paradigm for change, By John Elkington, 6 April 2010, in What Matters. http://whatmatters.mckinseydigital.com/social_entrepreneurs/a-new-paradigm-for-change

9 Ken Wilber, 2000, *A Theory of Everything: An Integral Vision for Business, Politics, Science and Spirituality*. (Note that is is not an actual model of change, but a tool for helping people to think outside and inside their existing focus for the object of their change intention.)

sustainable business professions of the need to serve systemic transformations, then it needs to be followed rapidly by a new awareness about where to learn about such change. The famous management consultancies may not be the places to look for the relevant expertise, as there is a level of conceptual development required that costs time and money. My own experience of seeking insight from relevant intellectual traditions suggests a lengthy process for contributing to what could be termed a “social change management” agenda. First I had to increase my knowledge of the variety of intellectual traditions connected to change and which ones that seemed to hold particular potential for my work in CR. Then I had to immerse myself in the relevant academic literature, while discerning the key lessons for a wider audience, rather than the noise of self-referential debates that plague so much academic study. The third step I took was to share the results of this inquiry, as a workshop and publication, as part of a process of discovering its relevance for change makers. This process of translating social theories into relevant and usable tools is not only time consuming, but not often funded, as I discovered when attempting it with social movements theory¹⁰, network sciences¹¹, and institutional theory. The strategic planning guide for transformative partnering that we are releasing latter this year is one output from this work.

As becoming smarter about social change processes is a key imperative for the UNGC and its members, then being smarter about the ethics of shaping such change is also key. The UNGC is said by some, such as conference blogger and leading CSR academic Dirk Matten, to be a part of an emerging global governance architecture.¹² If initiatives like the UNGC and other private regulatory initiatives do achieve such power that governance is a useful term to describe their role, then this raises issues of accountability and fairness. In whose name do they govern?¹³ A prerequisite for addressing this issue and developing appropriate processes is for it to be recognised as warranting attention. Too often when people raise these issues, including at the Leaders Summit, senior business people cite how their business-like approach means they do not have time for such philosophical debates. That comes over a bit rich, given most are 100% dedicated communications professionals, unlike us small entrepreneurs.

To become smarter about the new mechanisms of governance, we could look towards the political economists who have been looking at business-state relations in depth for decades. The UN's own research institute on development issues published a book in 2010 looking at precisely this issue.¹⁴ Through conceptual and historical analysis, as well as case studies from Brazil, Chile, India, Mexico, Peru, Russia and South Africa, this book examines the means by which corporations influence social, labour market and development policy, the reasons for their positions and the scope of their influence. It demonstrates how, under appropriate conditions, and with the right guidance, the inevitable political influence of large firms can be prevented from undermining inclusive development. Such depth examinations of the issues have not found a place within the debates and initiatives of the UNGC these past years. One reason for this is the interests of the political economists themselves, where the focus is on academic publishing rather than engaging policy makers, civil society and companies to see how their insights are relevant to practice. Another reason appears to be the limited interest from UNGC participants and conveners in engaging with intellectually challenging analyses, where synergies with voluntary corporate action are not immediately obvious. If these silos persist for the next 10 years then we will not progress far in enhancing the accountability and ethics of the emerging forms of private governance.

10 Bendell, ed 2009, *The Corporate Responsibility Movement*, Greenleaf

11 Bendell, Jem and Ellersiek, Annkathrin. 2009, *Noble networks? Advocacy for global justice and the "network effect"*, United Nations Research Institute for Social Development (UNRISD), Geneva.

12 <http://craneandmatten.blogspot.com/2010/06/elephant-in-room.html>

13 For a discussion of this issue see Bendell, J., 2005, 'In Whose Name? The Accountability of Corporate Social Responsibility' in *Development in Practice*, Volume 15, Numbers 3 & 4, June, p362-374.

14 José Carlos Marques and Peter Utting (2010) *Business, Politics and Public Policy: Implications for Inclusive Development*, Palgrave, Basingstoke.

A third area to become smarter about is economic governance. The question at the heart of CR in general and the UNGC in particular is the impact of business and finance on society. The most important changes in that relationship have gone unaddressed by the UNGC. In recent years the financial crisis has highlighted the social impact of changes in market governance. Key issues include monetary reform and commodity market regulation, as recognised by the G20 French Presidency. Large corporations and their associations have an impact on those policy deliberations, so their positions on these issues should be under examination and discussion within the UNGC, as I explained in some detail in the JCC article.¹⁵ The UNGC has increased its work on the public policy dimensions of CR, for instance with Bertelsmann Foundation.¹⁶ This will be important scale up; indeed, it should be the start of a more comprehensive engagement with economic governance issues.

A fourth and related area for smarter action in future is the role of the UN in global economic governance. Since its creation post World War II the UN has been marginalised on economic issues by the traditional economic powers. Countries in the OECD and G8 have worked for the World Bank, International Monetary Fund (IMF), World Trade Organisation (WTO) and Bank of International Settlements (BIS) to be the key agents of global economic governance, because that is where they dominate the agenda and/or decisions. The UN is the closest we get to a democratic process representing interests of governments of the world, and so its initiatives on economic governance issues have the backing of the majority of the world's governments, unlike the institutions mentioned above, or latterly the G20 club of powerful nations. Various parts of the UN system have sought a voice on the recent financial crisis, and been roundly ignored by the world's largest economies. Indeed, recommendations from its agencies such as UNCTAD would, if heeded, have averted the current levels of economic inequality and instability that arose from a market fundamentalism enforced on nations by the IMF and World Bank. Some officials within the UNGC may have their own views on economic governance, trade and development, but the UN has in its mandate a role on economic governance. Moreover, as economic power continues to shift from the West to the rest, it is likely that as we emerge from this financial crisis, the majority of UN member states will no longer acquiesce to the dominance of global economic governance by institutions that are not representative of their interests. Therefore, if thinking ahead about the future of the UN, it would make sense for the UNGC to consider whether the interests of the majority of its business participants will best be served by a revamped role for the UN in global economic governance. That agenda may not be interesting to some company members based in the OECD or G8 countries, that have been the traditional leaders of CR and active in UNGC. However, the majority of UNGC members are from the rest of the world, and together could become the new leaders in a new phase of CR focused on systemic change in economic governance, that revitalises role of the UN in a more multi-polar world.

Simply through its existence, the UNGC has provided us new opportunities to imagine pathways towards sustainable futures for the planet. That is due to the incredible efforts of Georg Kell and his dedicated band of professionals and volunteers, who have been inspired by the idea that this could be a historic and game changing initiative. Ten years in, now is the time for the same level of bold creativity that gave rise to the Compact in the first place: to move from a global compact to a global impact. Some bureaucrats close to Ban Ki Moon regard him more as an administrator than a visionary leader.¹⁷ If that means we won't see the UNGC secretariat leading the way in addressing economic governance issues, then it will be necessary for the progressive participants to join

15 [Bendell, J. 2010 'What if we are failing? - towards a post-crisis Compact for systemic change' in Journal of Corporate Citizenship, Vol 38. http://globalcompactcritics.blogspot.com/2010/06/what-if-we-are-failing-towards-post.html](http://globalcompactcritics.blogspot.com/2010/06/what-if-we-are-failing-towards-post.html)

16 The Role of Governments in Promoting Corporate Responsibility and Private Sector Engagement in Development (2010) UNGC and Bertelsmann Stiftung.

17 Disquiet grows over performance of Ban Ki-moon, UN's 'invisible man', *The Guardian*, Thursday 22 July 2010 <http://www.guardian.co.uk/world/2010/jul/22/ban-ki-moon-secretary-general-un>

together and form smaller groups that can learn together about social change, governance accountability, pressing economic challenges, and a revitalised role for the UN in global economic governance. If the UNGC does not address these areas in tangible ways in the coming years, then those people who say the UNGC was designed to avoid core economic justice issues will be the ones writing its history.

We've decided at Lifeworth to do our bit, and donate some time to systems change initiatives, which we announced at the Leaders Summit.¹⁸

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¹⁸ <http://www.un.org/webcast/globalcompact/leaderssummit2010/?mediaID=ls100625-7>