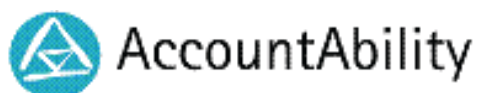




# United Nations Global Compact Leading Companies Retreat Summary Report

Toward Global Corporate Citizenship



**BOSTON COLLEGE**  
CARROLL SCHOOL OF MANAGEMENT  
**Center for Corporate Citizenship**

## *Learning, Practice, Results. In Good Company*

On June 26-27, 2008, representatives from 13 multinational United Nations Global Compact (UNGC) signatory companies, four academics, and representatives of the sponsoring organizations, the Boston College Center for Corporate Citizenship, the United Kingdom's AccountAbility, and the UN Global Compact (with the support of Accenture and GE Corporation) met in a Leading Companies Retreat. The goals of the two-day meeting were to share best practices, obstacles, and learning among the participants about their movement toward global citizenship and to formulate a non-prescriptive approach to implementation of the UNGC in multinational companies

**By**

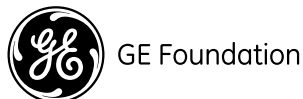
**Sandra Waddock**

**Philip H. Mirvis**

**Kwang Ryu**

With Asya Anderson, Sylvia Kinnicut,  
and Allison Lee

**The meeting was sponsored by:**



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**Dear friend,**

The Global Compact Office, in a close and very satisfactory partnership with the Boston College Center for Corporate Citizenship and AccountAbility, invited a group of global companies participating in the Global Compact to a two-day retreat at the end of June 2008. It was the first time we had the opportunity of discussing at length the expectations of transnational companies concerning our initiative and their experience in implementing the Global Compact principles in their complex and vast organizations.

The experience has been very rewarding and potentially crucial for the future development of the compact.

A vast pool of experience in using the Global Compact as a framework for progress was set on the table during the two-day retreat. In the light of what these companies suggested, our challenge is to systematize the implementation experience while scaling it up and expanding its reach. Their detailed explanation of the implementation process and their current plans illustrates that they are using a strategic approach and practice to integrate the Global Compact principles. Indeed, these companies are well beyond embedding the Global Compact in their business and, rather, the “GC way” is the foundation of their business strategy itself. This, indeed, is very good news for the Global Compact.

I would say that the challenge now for the Global Compact is to create, out of the accounts presented and the performance of many other champions that were not present at this event, a narrative based on the experience of these companies and spread it throughout the Global Compact networks.

We have also noted that participating companies are willing to take up the challenges posed by the Millennium Development Goals, the new horizon of global crises (such as energy and food) and the need for global business to participate more fully in this global agenda. They demand new forms of global dialogue, they hope for an increasing role in global leadership, and they would like to engage in platforms that can materialize private/public complementarities to build new policy frameworks where companies can operate as good global corporate citizens. In sum, they are ready to support new collaborative strategic formations for global management in a world of constraints.

These demands, sprinkled with calls for more proactive engagement platforms convened and facilitated by the Global Compact, are seen, and even requested, as the next big step that needs to be taken to allow for full functionality of the Global Compact to be achieved.

All in all, the retreat, the main aspects of which are summarized in this report, opened up a new perspective: through a frank and open dialogue with the champions of the initiative, the Global Compact Office can gain plenty of insight for the future; and in their turn, leading companies can get inspiration out of the contact with their peers and with thought leaders. In that sense, the retreat held in June is a very positive experience that should be repeated and enlarged for the benefit of the Global Compact as a whole.

Sincerely,

Georg Kell  
Executive Director  
UN Global Compact

# **Toward Global Corporate Citizenship**

What follows are observations on the dialogue and a synthesis of the issues and insights from that meeting that we hope will prove useful to other UN Global Compact signatories as well as to companies considering signing on.

## **The UN Global Compact**

In 1999 then Secretary General of the United Nations Kofi Annan gave a groundbreaking speech at the World Economic Forum. Annan issued the following clarion call to the leaders of the world's largest and most powerful companies present:

I want to challenge you to join me in taking our relationship to a still higher level. I propose that you [corporate leaders] . . . and we, the United Nations, initiate a global compact of shared values and principles, which will give a human face to the global market.

Globalization is a fact of life. But I believe we have underestimated its fragility. The problem is this. The spread of markets outpaces the ability of societies and their political systems to adjust to them, let alone to guide the course they take. History teaches us that such an imbalance between the economic, social, and political realms can never be sustained for very long. . . .

We have to choose between a global market driven only by calculations of short-term profit, and one which has a human face. Between a world which condemns a quarter of the human race to starvation and squalor, and one which offers everyone at least a chance of prosperity, in a healthy environment. Between a selfish free-for-all in which we ignore the fate of the losers, and a culture in which the strong and successful accept their responsibilities, showing global vision and leadership.

Two years later, in 2001, the UN Global Compact (UNGC) was formally launched as an organization. At its core were nine (now 10) aspirational principles, all based on globally agreed UN treaties and declarations. The UNGC provides a framework for businesses committed to aligning their strategies and operating practices with universally accepted principles in the areas of human rights, labor rights, the natural environment, and anti-corruption (see roster on page 3).

Today the UNGC is the world's largest corporate citizenship initiative with 5,600 total members and 4,300 companies participating as signatories.

A purely voluntary initiative, the Global Compact has two objectives: internalizing the 10 principles in business strategy and activities globally, and catalyzing actions by business in support of the broader UN goals, particularly to address the world's development problems, in line with the UN Millennium Development Goals.

This meeting of leading multinational companies focused on whether and how the Global Compact's 10 principles are being implemented in companies known to be progressive and forward-looking with respect to both their own values and their participation in the UNGC. The idea was that what had been learned to date about the implementation process by these leading corporate citizens might prove useful to other companies in their global citizenship journeys.

**June 2008 Leading Companies Retreat  
Building an Approach to Implement the Global Compact Principles into  
Core Management Systems in Multinational Companies**

**Participating company representatives:**

- Ms. Jill Huntley, Accenture
- Mr. Tomás Conde, BBVA
- Mr. Edgar Rodriguez Gonzalez, CEMEX
- Mr. Salvatore Gabola, The Coca-Cola Company
- Mr. Bo Miller, Dow Chemical Company
- Mr. Vinay Rao, Infosys Technologies Ltd.
- Mr. Christian P. Frutiger, Nestlé S.A.
- Dr. York Lunau, Novartis Foundation for Sustainable Development
- Ms. Susanne Stormer, Novo Nordisk A/S
- Mr. Nick Welch, Royal Dutch Shell
- Ms. Belén Izquierdo, Telefónica S.A.
- Mr. Sean Fitzgerald, Ketchum
- Mr. Charles Bartels, Manpower

**Participating academics:**

- Dr. Carolyn Woo, Dean, Mendoza School of Business at Notre Dame
- Dr. James Walsh, Gerald and Esther Carey Professor of Business Administration of the Stephen M. Ross School of Business at the University of Michigan
- Dr. David Cooperrider, Director of University Center for Business as an Agent of World Benefit at Weatherhead School of Business, Case Western Reserve University
- Dr. Sandra Waddock, Professor of Management and Senior Research Fellow, Center for Corporate Citizenship, Carroll School of Management, Boston College

**Hosts**

- Dr. Manuel Escudero, UN Global Compact
- Dr. Bradley Googins, Boston College Center for Corporate Citizenship
- Mr. Steven Rochlin, AccountAbility

**Staff**

- Dr. Philip Mirvis, meeting facilitator, Boston College Center for Corporate Citizenship
- Mr. Kwang Ryu, Boston College Center for Corporate Citizenship
- Mr. Joe Sellwood, AccountAbility
- Mr. Guy Morgan, AccountAbility
- Ms. Asya Anderson, UN Global Compact
- Ms. Sylvia Kinnicutt, Boston College Center for Corporate Citizenship
- Ms. Allison Lee, Boston College Center for Corporate Citizenship

## **The UN Global Compact's 10 Principles**

The Global Compact's 10 principles in the areas of human rights, labor, the environment, and anti-corruption enjoy universal consensus and are derived from:

- The Universal Declaration of Human Rights
- The International Labor Organization's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention Against Corruption

The Global Compact asks companies to embrace, support, and enact, within their sphere of influence, the following set of core values in the areas of human rights, labor standards, the environment, and anti-corruption:

### **Human Rights**

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights
- Principle 2: Make sure that they are not complicit in human rights abuses

### **Labor Standards**

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
- Principle 4: The elimination of all forms of forced and compulsory labor
- Principle 5: The effective abolition of child labor
- Principle 6: The elimination of discrimination in respect of employment and occupation

### **Environment**

- Principle 7: Businesses should support a precautionary approach to environmental challenges
- Principle 8: Undertake initiatives to promote greater environmental responsibility
- Principle 9: Encourage the development and diffusion of environmentally friendly technologies

### **Anti-Corruption**

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

The UNGC lists several advantages of membership:

- Demonstrating leadership by advancing responsible corporate citizenship.
- Producing practical solutions to contemporary problems related to globalization, sustainable development, and corporate responsibility in a multi-stakeholder context.
- Managing risks by taking a proactive stance on critical issues.
- Leveraging the UN's global reach and convening power with governments, business, civil society, and other stakeholders.
- Sharing good practices and learnings.
- Accessing the UN's broad knowledge in development issues.
- Improving corporate/brand management, employee morale and productivity, and operational efficiencies.

#### **Context for global corporate citizenship**

Adoption and implementation of the Global Compact's 10 principles take place in a context of unprecedented global change and global problems of increasing magnitude. Issues like climate change, potential water crises, overpopulation, and the labor and human rights problems in the extended supply chain of many large multinational corporations (MNCs) are only some of the pressing matters with which businesses have to contend in today's world. Many of these problems and the dynamics they generate are new to business. And many are beyond solution by any given firm or sector and require wholly new ways of operating if any solution is to be achieved.

Around the world global pandemics like the HIV/AIDS crisis, rising rates of obesity, and chronic malnutrition, plus scarcities in food,

increasing oil and energy prices, depleted natural resource stocks, and failing ecological systems, are creating new problems for societies and putting new demands on companies.

The increasing power and global reach of multinational corporations combined with the diminishing ability of nation states to deal with problems that too frequently reach across borders has put big business into a paradoxical position: blamed for causing or contributing to many of the world's ills but looked to for responsible conduct and increasingly for remedies. Global surveys find that citizens around the world today not only hold businesses responsible for the safety of their products, fair treatment of employees, sustainable use of raw materials, and reducing their environmental footprint, but also for redressing human rights abuses, lessening the rich-poor gap, and preventing the spread of HIV/AIDS, among many other matters that might have once resided in the domain of public policy.<sup>1</sup>

The past decades have seen concerted efforts by MNCs and businesses of all types, under the banners of corporate social responsibility, citizenship, sustainability, etc. to get their "own house" in order and begin to assume a more proactive and inclusive engagement with society.<sup>2</sup> This takes form variously in stakeholder consultations, increased corporate transparency and nonfinancial reporting, attention to and accountability for triple bottom line performance (economic, social, environmental), and the like. A select set of leading firms are moving their citizenship into the commercial marketplace by producing "green" products and services, reaching the world's poor through and base-



of-the-pyramid innovations, increasing access to health services, medicines, communications, and other technologies, improving the nutritional value of foods-and-beverages, and in other ways exemplifying the business case for “doing well by doing good.”

Still, there are big and persistent gaps between the public’s expectations of business and ratings of its social and environmental performance. Recent data from the Reputation Institute documents that in 25 countries studied, an average of just one in five people agree that “most companies are socially responsible.”<sup>3</sup> Significantly, business leaders themselves acknowledge a significant gap between their rhetoric versus the reality of their firm’s social and environmental performance. Along this line, a 2007 survey of 391 CEOs of UNGC signatory companies found large numbers agreeing that the public expectations have increased in the past five years, with many believing that they will continue to increase. These CEOs also report gaps in embedding citizenship into their strategy and operations and into their Board governance. The gap is even wider when it comes to embedding it into their supply chains.<sup>4</sup>

It is in this context that the Leading Companies Retreat took place. The insights and lessons in this document are drawn from the conversations and presentations that took place over the course of the two-day meeting at Boston College in June 2008. The text tracks the major subjects discussed at the meeting featuring key points made by each presenting company and academic discussant. A synthesis that follows in each area is unattributed because the retreat followed Chatham House rules, in which learning can

be abstracted from the conversation without attribution to any specific individual or firm.

Background information on specific company actions and implementation strategies are presented with the companies’ permission. Evidence of their practices are presented throughout this document on an anecdotal basis.

### **Business in a leadership role**

The Leading Companies Retreat began with remarks from representatives of the three conveners, an introduction of the participants, and spirited debate about the leadership role of business in global society.

MNCs have come to play a profoundly important role in the twenty-first century, significantly different from at any time in the past. Their global reach, ability to efficiently innovate and problem solve, their knowledge of brand management and how to reach customers, and the vast resources that the largest of them control place them among the most powerful institutions in the world. The benefits of globalization to business—open markets, global labor supply, lower communication and transportation costs, decreased regulations—have offered the world rising standards of living, given consumers lower prices and a greater variety of goods and services, and provided access to technology to ease their life and work burdens. However these benefits have not come without costs and criticism, well documented by scholars and development groups, and familiar to attendees of this meeting. The emergence of the corporate responsibility movement and the guidance provided by initiatives like the UNGC attest to movement afoot in these

regards.

By the time the UNGC was formally launched in 2001, many MNCs had gone or were going through significant internal struggle over heightened public expectations, challenges by the media and stakeholders, and uncertainty about their responsible role in society. At this retreat in Boston, many of the corporate participants spoke to their belief in markets but added that markets work best with “good governance, active civil society, and an understanding of and accountability for the social and environmental consequences of business activity.”

Diminishing state resources over the past decades along with increased globalization of commerce means that MNCs are increasingly being called upon to deal with issues that used to be considered primarily in the public policy or civil society arenas. Here, too, the participants acknowledged that social and environment issues posed material risks for their businesses, on the one hand, and also select business opportunities, on the other. But they acknowledged that to truly address global issues “no business can do it on its own.” This stimulated reflections about why companies joined the UNGC.

When Kofi Annan called for a “global compact of shared values and principles, which will give a human face to the global market,” he clearly hit a nerve in some leading corporations, which were already struggling to give corporate values life and meaning to their employees, shareholders, and customers, and to gain a measure of the trust from others in society who are more skeptical about their work and suspect of the motives of large

corporations.

There are, of course, plenty of examples of MNCs and domestic corporations that have adopted constructive visions and clear social and ecological values at their highest levels. Still, it is the process of driving down the vision and values into the everyday actions of the corporation—the implementation task—that is core to making the journey from rhetoric to reality. The companies represented at the retreat are on this journey. What were their motives for signing on to the UNGC?

### **Motivations for Participating in the UNGC**

Understanding why MNCs choose to adopt the UNGC principles—and what motivates their ongoing participation—illustrates several drivers of their global citizenship agenda:

- **Identification with values:** One of the major reasons these MNCs joined the Compact is that the 10 principles represent an extension and reinforcement of existing company values. The decision to embrace the principles reflects “who we are.” MNCs are spread out globally, often the product of multiple acquisitions and mergers. In key respects, the values they articulate, including commitment to UNGC principles, serve as a common standard or kind of “glue” that holds the extended enterprise together. Many MNCs have updated their values statements and codes of conduct over the past decades to speak to their global workforce and take account of the practical dilemmas posed by globalization. Participation in the UNGC is a way of affirming these values and, over time,

testing and refining them in practice.

- **Competitive advantage:** Some early signatories found that signing on to the UNGC put them into a leadership position and provided a platform for potential competitive advantage through differentiation. This means communication about UNGC membership within and outside of the firm. Of course, stepping out into the lead is not without risks, especially when social, environmental, or governance problems are found in a company, as is likely to happen in all big human enterprises. Other sources of competitive advantage derive from external validation from other actors in society and from meeting and exceeding stakeholder expectations by taking the lead on issues important to their interests and constituencies. Here the UNGC helps companies put those issues on the table. On the other hand, companies that joined when the Compact was already firmly established noted that they were at risk of possible competitive disadvantage because industry peers and stakeholders had joined.
- **Driving principles into action:** Implementation of the principles can also drive progress within operational units, through more transparent reporting and more structured thinking about the specific issues outlined by the 10 UNGC principles. This creates a new role for corporate responsibility discussions about what types of questions need to be asked, what reports, analyses, and inquiries need to be developed internally, and why, how, and what initiatives should be replicated.
- **Power of association:** Some companies find that it is useful to join because there are issues being raised relevant to their industries, because new recruits are asking about whether they are involved, and because they find that their employees and other stakeholders take pride in the fact that the firm has made a commitment to principled action through a global association. In addition, there is learning occurring in peer networks that they need access to—being part of the UNGC allows firms to participate in forums where exchanges take place through the convening power of the UN and where, on occasion, they can even meet with competitors.
- **Being part of the solution:** A final reason for initial and sustained participation in the UNGC is to become part of the process of solving some of the world's problems, especially when those problems are affecting the corporation itself. The principles themselves, coupled with the UN Millennium Development Goals, speak to high human aspirations that appeal to some companies and are embodied in their visions. In addition, since the UNGC fosters multisector collaboration, raises important issues, and provide numerous learning forums and tools, it can be a ready and relevant vehicle for MNCs to take action on important global issues. Importantly, the concept of becoming part of the solution allows companies to begin taking seriously the “what’s next?” question with respect to corporate responsibility and their core purpose, as well as dealing with specific principles and related social issues.

These pragmatic motives for signing the UNGC principles were discussed openly at the Leading Companies Retreat. Still, it was acknowledged that the decision to join was not easy or smooth in all cases. For instance, some of the leaders in a U.S. signatory had raised objections to the labor principle about collective bargaining, concerned that this would put the company “on record” in support of labor unions. In others there were concerns that support for the principles would open their firm to litigation should any “violations” of the principles ensue. There was also mention of peers in companies who regarded participation in the UNGC more or less as “window dressing”—a “nice but not necessary” commitment or even a public relations exercise with little relevance to running the business.

By comparison, other participants found the UNGC an “inspiring document” that had practical relevance and import for their firms. The inspiration and practical value is reflected in the motivations of the majority of the participants in the UNGC. A 2007 survey of participants found that many joined because it “increases trust in the company” (cited by 63 percent of members polled) and helps the firm “address humanitarian concerns” (cited by 52 percent).<sup>5</sup>

While not discounting the short-term financial expectations on companies, and the limits to virtue in markets, there are some who contend that companies will be both able and willing to deal with the social and ecological problems they are implicated in and that a new era of business-driven corporate responsibility has begun. Moreover, some

contend that there may be a new consciousness emerging among MNCs and their leaders, one that puts business proactively in a leadership role to improve society. In this frame, some companies are already serving as role models for others, making significant investments in developing countries to help people move out of poverty, while others work effectively in disaster situations, have made fresh commitments to relieve disease and suffering, or sought to foster other social benefits through their businesses.<sup>6</sup>

At a basic level the aspirational power of the UN Global Compact is about the animating power of such ideas and about promoting such movement within and across firms and sectors around the globe. The next set of discussions focused on how UNGC principles have been integrated with the “value systems” of firms and might help to transform the very purpose and role of leading multinational corporations.

### **Principles and company values**

The companies present, at the leading edge of corporate responsibility, found real resonance with their corporate values and the UNGC principles. Like many firms, moreover, they are attempting—through word and deed—to determine how the world could be better off because of the company’s business model and resources. Several companies in the midst of this transition spoke at the meeting of their experiences. Nestlé S.A., for instance, is transforming from a food and beverage to a nutrition, health, and wellness brand. Telefónica has embraced the “spirit of progress” to enhance people’s lives, the performance of business, and the progress of communities.”

A snapshot of their remarks:

- **Nestlé S.A.**, from Switzerland, included the UNGC principles directly into its Corporate Business Principles as of 2002. Compliance with these business principles, which also commit to other guidelines on specific areas (WHO, ILO, ICC business charter, etc.), is audited internally and externally. The Corporate Business Principles later became the cornerstone of Nestlé's three-layered corporate responsibility model which goes from compliance, to sustainability, to Creating Shared Value (CSV). As part of its business strategy, the company commits to generating value for both its shareholders and society in the countries in which it operates.

*Experience:* UNGC Principles serve both an “aspirational” and a “catalytic” function.

*Challenges:* Development of comprehensive metrics to measure the company's development impact; develop healthier and more nutritious products that generate both consumer benefit and create business value; translate the UNGC labor and human rights principles into practical guidelines.

- **Novartis**, also based in Switzerland, used the principles to spearhead good business conduct. This meant refocusing its citizenship on “how you do business” and “what businesses you are engaged in.” The pharmaceutical created a corporate steering committee, devised new, issue-related policies, conducted audits, revised its appraisal systems to incorporate values and responsible behavior, undertook e-training of staff, and aligned its assessment/incentive systems.

*Experiences:* UNGC principles help to prompt reflection, trigger internal debate, inform the scan and update management systems, communicate internally and externally and to facilitate a post-merger need to link the organizational cultures of the previously separate companies Sandoz and Ciba.

*Challenges:* Defining responsibilities clearly without isolating them from one another and operations of the business; after several years as a UNGC signatory finding new ways to maintain the inspiration of the 10 principles, and creating learning systems.

- **Telefónica**, founded in Spain, used the principles to transition from using its ethics code as a “defensive tool” to a “support tool” for cultural change, from image improvement to a key driver for generating revenues, reducing costs, and measuring client satisfaction.

*Experiences:* Business principles, consistent with the UNGC framework, help minimize the company's impact on its value chain and reinforce social aspirations, such as digital inclusion and philanthropy.

*Challenges:* Changing attitudes to recognize corporate responsibility as a driver of the business; incorporating diverse stakeholder views; ensuring across-the-board communication of ethics and integrity in everyday jobs; promoting social inclusion and maximizing social impact. The key premise: Doing the business right.

These presentations prompted discussion about how actual implementation of the UNGC principles demands careful attention to and reflection on the company's own

core values to determine where and how the principles can drive a firm's economic, social, and environmental agenda. It was noted, for example, that for companies seeking to make their own values come alive, the core principles of human rights, labor rights, sustainability, and anti-corruption embedded in the Global Compact provide both a supportive and enabling framework that can enhance what is already developing in a firm. By comparison, for companies new to the demands of global citizenship, the principles provide guidelines that help them move more quickly down a path of greater responsibility.

For much of the world outside of corporations, the credibility of corporate responsibility initiatives is questioned, particularly when there is a sense that companies are using them to enhance their reputations or deflect criticisms, or solely for the purposes of profit-taking. Motivations do matter and, despite tensions that might exist between doing good and doing well, both sets of motivations are typically at play when firms adopt responsibility principles. There was in the meeting a view that reputation-based approaches to corporate responsibility and "signing up" to the UNGC principles could only take a company so far. How do companies integrate the UNGC principles into their company value systems and visions?

### **How to Bring Vision and Values to Life**

The process of implementing Global Compact Principles can serve as a "lever" for driving progress within companies and into operational units by putting matters like human and labor rights, environmental concerns, and corruption onto the corporate agenda, by structuring thinking and debate on these

issues, and by stimulating attention to corporate policies and performance in these areas. Several of the companies at the retreat used the UNGC principles to raise needed questions, undertake analyses, dialogue with staff and critics, prepare reports, and consider what kinds of initiatives should be undertaken or replicated. Here are some examples:

- **Dialogue about "Who We Are:"** "What kind of company are we?" "What do we stand for?" "Where are the gaps between stated values and operating practices?" Adopting principles of responsibility as broad and as fundamental as those of the UNGC invites companies to consider their values and purpose afresh and to dig deeper into the content of their business principles, codes of conduct, and compliance frameworks.
- **Surface issues and challenges:** Some issues are not clear, and moral dilemmas arise in the business world even when there are principles, values, or a code of conduct to help guide decision making. Should, for example, UNGC member companies work in countries where there are human rights abuses? What happens if they acquire or contract with a subsidiary that is working in one of those places, or that doesn't conform to other UNGC principles? Under these circumstances, companies can use their own codes, the UNGC principles, and such to consider the moral, commercial, and values-based risks in handling these matters. Outcomes may not satisfy all stakeholders.
- **Communicate with stakeholders:** Many companies face skepticism and a lack of trust from critics who believe that corpo-

rations, particularly MNCs, care only about self-interest. Creating authenticity in large corporations involves moving away from PR spin toward embracing real principles and values that translate into action. At the same time, companies are profit-making entities and seek business continuity, a form of sustainability for the firm. Reporting on the UNGC principles and the public disclosure of progress made can help companies to “walk the talk” and show responsiveness to external stakeholders, including other businesses, customers, potential recruits, and NGOs.

- **Lift up corporate purpose:** The 10 UNGC principles speak primarily to business conduct. A discussion of the principles—internally and with stakeholders—can also generate new possibilities for action and innovation. Several companies keyed aspects of their corporation vision to the UN Millennium Goals and other goals with wide societal and global impact. This takes companies to the fundamental question: “What will it take to go beyond compliance to true transformation based on principles and values?”

This discussion on the UNGC principles and corporate value systems led to diverse reflections on how MNCs can (and do) work. Many firms present at the retreat have corporate visions supported by strong statements of values, drive their internal codes of conduct into supply and distribution chains, and use, among other tools, key performance indicators (KPIs) to motivate and document implementation of the company’s own values. It was agreed that UNGC principles in such

companies might not be used to define or redefine values but rather to test them in a global context and add nuances to existing thinking, language, and frameworks.

However, other companies, even very large ones, are considerably less far along this path of bringing values to life—or have yet to even begin. And many small and medium-sized enterprises (SMEs) have neither a framework nor many tools and resources available to help. There are clear opportunities in these cases to spread these best practices and scale-up the implementation of principles like the UNGC’s and to assist companies to take steps, appropriate to their culture, values, and particular strengths and limitations.

Another concern centered on the role of middle managers and employees in effecting needed change. For middle managers and employees, driving down the UNGC’s principles into the corporation means finding new templates for action that incorporate things like stakeholder input, sustainability objectives, and accountability tools. Supportive structures, like an organization-wide steering committee, responsibility goals, and training were emphasized. In bringing values to life, it is not just the principles that need to be taught and understood, but also the “how to” of making change in operating practices. One example raised in the meeting was that of line managers who attended a workshop on sustainability prior to a major new construction project, were excited about the concepts, then went out and did things exactly as before. The message back to management: “Look, we go out to work with a template telling us how to do this work and that’s how



it needs to get done. If you want things to change, you have to tell us how to do things differently.”

In summing this discussion three themes about vision and value systems associated with global citizenship were stressed:

- **Authenticity:** One broad theme that emerged clearly was that adoption of the principles and implementation of values needed to be based in authenticity. One change that demonstrates authenticity is when questions are raised related to values or principles, like “Does this specific action really fit with our values or social commitments?” “Have you thought about an alternative approach?” These types of questions come up in decisions about recruiting, hiring, and promotions, about making investments where considerations for energy, water, human rights, or sustainability are in play, and about many other matters. Companies can gauge to what extent core values have been driven into operations when every employee can—and often does—ask those types of questions.
- **Alignment:** A second theme concerned the alignment of values throughout an enterprise. The UNGC principles and a company’s values provide a template that helps guide action at the corporate level. The principles also need grounding at the local level, where different geographies, cultures, and specific issues, such as child labor, human rights, and land management, necessarily raise new questions and may mean different implementation strategies—all guided by principles.
- **Aspiration:** A final theme centered on the aspirations of an enterprise. Discus-sant David Cooperrider reflected how the UNGC had sought to unite the strengths of markets with the power of universal ideals. A new corporate responsibility agenda is moving firms from a stance of “doing less bad” to “doing more good.” This involves replenishment and regeneration in society and the natural environment. It means connecting principles to policies to operational practices and learning mechanisms. It also means setting bold goals.

### **Principles as a business driver**

The next section of the retreat concerned how companies used the principles as a driver of business activities and value creation. Three main avenues were highlighted: 1) incorporating the principles into compliance, accountability, and management control systems; 2) representing the principles in internal and external communication and social reporting; and 3) addressing the principles in new kinds of products and services, both philanthropic and commercial.

Three of the MNCs, based in mature markets, spoke of how they used their principles to shape their business agenda. BBVA’s agenda, for one, includes financial inclusion, responsible lending, and community investment, among others. Dow Chemical, seeking to be the “largest, most profitable, and most respected chemical company in the world,” was inspired by the UN Millennium Development Goals when it set its 2015 Sustainability Goals. Royal Dutch Shell, a leader in transparency and social reporting, is focusing its expertise on a CO<sub>2</sub> management strategy which is



influenced by values and principles. A brief look at each:

- **BBVA** (Banco Bilbao Vizcaya Argentaria), based in Spain, emphasizes “sustainable value creation” based on “profitability adjusted to principles,” and three strategic pillars: principles, innovation, people. Beyond a commitment to developing society, corporate responsibility is a driver for “differentiation and sustainable value generation.”  
*Experiences:* UNGC is a framework to improve business by increasing the company’s chances of being selected for socially responsible investment portfolios, working through human resources to make the financial sector more attractive, particularly in Latin America; working on financial inclusion and financial literacy to help create future markets.  
*Challenges:* Overcoming reputational risk by delivering value in a balanced way to stakeholders; using community investments and product innovations to build a strong license to operate; pragmatically determining how to operate responsibly across numerous countries.
- **Dow Chemical Company**, from the U.S., has focused on improving what is essential to human progress by mastering science and technology—and also the human element, the one not found on the periodic table. Dow is not only continuously working to minimize the impacts of its operations but is also striving to provide society with greater value by producing products that help mankind address its most pressing problems such as water,

food, housing, and human health.

*Experiences:* UNGC helps to reinforce a strategy focused on four themes: 1) driving financial discipline and low cost; 2) setting the standard for sustainability; 3) investing for strategic growth; and 4) building a “people-centric performance culture”; partnerships with other UN agencies and groups; multi-party ventures.

*Challenges:* Overcoming past controversies and reputational difficulties in the face of a rapidly changing product-market business model; building a principle-centered performance culture; creating a culture and strategy that uses chemistry to address the world’s most pressing challenges—in an environmentally sustainable way.

- **Royal Dutch Shell**, based in the Netherlands and the U.K., revised its Business Principles in 1997 after environmental and sociopolitical crises. UNGC principles are overlaid on existing strategies and standards, and are managed through a management control framework that includes assurance, reporting, and transparency. Company core values emphasize integrity, respect for people, honesty. The company also has made a commitment to contribute to sustainable development and to help secure a responsible and sustainable energy future.  
*Experiences:* Developing and testing scenarios on energy futures.  
*Challenges:* Moving forward based on possible scenarios that deal with hard truths, e.g., global energy demand is rapidly growing, while supplies cannot keep up, and more energy means more CO<sub>2</sub> (global warming); determining what

each unit can contribute to positive energy outcomes through a process of enlightened self-interest.

As participants debated how values could drive business activity, one leader present reminded, “Strategy isn’t set by a code or principles, but by what the world needs and what we’re capable of delivering.” On this count, another observed that companies have a choice: they can basically leave it to society to figure out what is going on, or they can create a set of business principles that frame how the company wants to do business responsibly and roll them out company wide. This sharpened conversation about how companies might move from a “value- or principle-based” commitment to corporate responsibility to effective on-the-ground practices.

### **How to Put Principles into Practice**

Several “levers” crucial to implementation were noted:

- **Lead the process:** Select companies spoke about the need for and value of leadership in implementing corporate responsibility. One company used a CEO-driven, top-down approach to integrate its principles, developing training sessions at all levels, and building on labor, safety, environment, and anti-corruption policies and practices to create a business-based platform of shared value.
- **Establish a framework:** For other companies, the key was developing a management framework that places at its core the value proposition of responsibility and sustainability. In situations where companies have already worked hard to articulate

their values, such a framework ensures that companies “walk the talk.” Corporate responsibility can be implemented through the management framework used to drive other types of change, which include decision making criteria and methods for monitoring, reporting, and transparency. One company spoke of connecting its corporate responsibility implementation to a risk-management framework. In turn, one of the academics presented an approach to “total responsibility management” that provides a comprehensive implementation framework.<sup>7</sup>

- **Connect actions to mission:** In the most successful cases where principles have become a core driver for value creation and business growth, mission is the key lever, as it represents “What we do.” Mission connects corporate aims to capabilities, and aspirations with resources. Several noted how the compliance and reporting systems of leading MNCs are beginning to “look the same.”
- **Take an integrated approach:** Discussant Carolyn Woo noted that each company’s approach to implementation was built on its unique personality, the salience of particular issues for the business, and the development of an integrated approach to corporate responsibility. Recognizing differences in timing and circumstances, the conferees noted that this involves embedding corporate responsibility into policies and processes, making it part of the corporate governance system, and using it to create value propositions in the marketplace. In one company corporate responsibility is positioned as a driver for

generating revenues, reducing costs, and growing the firm into a leadership position in its industry. This reflects a company-wide effort that began with redefining its vision and then devising the machinery needed to ensure that the company could do its business right.

It was acknowledged that there are multiple drivers of the corporate responsibility agenda and that these, too, vary from firm to firm and in different markets and social contexts. Accordingly, we heard next from two companies not based in OECD (Organization for Economic Cooperation and Development) countries.

- **Infosys**, established in 1981 in India before liberalization and reforms, the company joined because the UNGC principles reflect the company's philosophy toward employees, clients and all other stakeholders. The company's values encompass customer delight, leadership by example, integrity and transparency, fairness, and pursuit of excellence. It was the first company in India to provide audited quarterly reports (a practice now mandatory in India). It also shows human resources as an asset on its balance sheet.

*Experiences:* UNGC principles aligned with business drivers: employee recruitment/retention/development, supporting local communities, resource management (energy, water, paper), green building practices, pursuing fair and transparent business practices, and abiding by the law of the land.

*Challenges:* Local environment has not always been conducive to operating with principles, so maintaining leadership on ethics, fairness, and human resource

management is crucial; operating with multicultural workforce and multiple legal frameworks; extending company ethos to suppliers and vendors.

- **CEMEX**, based in Mexico, is a leader in social innovation and wants to deepen its employee engagement and build middle management understanding of corporate citizenship.

*Experiences:* UNGC provides a mechanism for companies to learn from one another. CEMEX built out its Patrimonio Hoy program to provide small loans for families to build houses, a combined business and social strategy.

*Challenges:* Developing measures of social impact; developing in-house systems to move strategy globally; linking short-term and long-term needs and interests, particularly in tough economic times; training and educating middle management; and integrating the web 2.0 culture into the company's culture.

These two presentations resurfaced the importance of UNGC principles in emerging markets where they help to signal to host governments the responsible role that private enterprise can play. In the same way, they inform a framework for "soft-governance" within the firm. Noting the use of principles to frame implementation of corporate responsibility in these cases, discussant James Walsh reminded that corporate responsibility hinges importantly on the business needs of companies. Many, in turn, spoke of its import to customers, business partners, and employees and the need to apply continuous improvement to corporate responsibility. A company exemplifying this presented last.

**Novo Nordisk**, based in Denmark, offers an integrative approach to principle-based management: corporate responsibility is represented in its values and practices (the Novo Nordisk Way of Management) and its products, services, and partnerships. Its values are: accountable, ambitious, responsible, engaged with stakeholders, open and honest, ready for change.

*Experiences:* Incorporated UN Millennium Goals into its objectives and audits its “triple bottom line” performance through internal value audits, employee involvement and external assurance. Collaborates with major NGOs or multi-lateral organizations on specific initiatives.

*Challenges:* Dilemmas, interactions, and trade-offs in operating with the triple bottom line within an industry that has low public trust; emphasizing innovation but simultaneously dealing with risks; building the ‘business case’ to support full embedding of the triple bottom line across organizational areas and business tasks.

Other companies at the retreat that signed the UNGC early on used it to help unite cultures after a merger, drive a new strategy or corporate vision, or create a systematic approach to implementation. For one company, that involved internal reflection on company values, analysis and research on social issues, building a leadership structure that connects across functions and areas of expertise, establishing a help desk, elaborating relevant policies with detailed guidelines that help define responsibilities clearly, and linking principles to management systems.

### **Considerations on putting principles into practice**

Integration of the 10 UN Global Compact principles into company strategies and operating practices is critically important to the long-run effectiveness of the UNGC initiative. The 2007 UNGC survey of member companies finds that large majorities are embedding key principles into codes of conduct and policies, but fewer are doing so in regard to management and employee training, and measurement and accountability, and fewer still in commercial strategies and practices.

For the majority of companies at this retreat, the Global Compact principles aligned with their values and have become embedded, more often than not in a explicit way, into their mission, management systems, and market development strategies. These companies have covered a first stage of the journey from adopting the Global Compact Principles as a framework for continuous progress on corporate citizenship to the beginnings of a second stage where the principles have helped to generate the strategies of the business itself.

Still, several factors seemed to be important to address along the way:

- **The DNA question:** In many companies, corporate responsibility issues and principles are still not driven down into the middle and lower levels of the organization. Further, it is clear that in many companies values inform but do not drive strategies, which can raise some question about their relevance when “reality bites” or tough times hit. To the extent that values

actually are baked into the strategy and part of the value proposition of the firm, they are more apt to endure.

- **Soft values and hard structures:** There is some tension between implementing principles via a values-driven versus more structured, metrics-based approach. Vision and values can bring the principles to life, but structural arrangements reflect how power is allocated in the company. Only when values are embedded in operating strategies can they effectively be translated into goals and everyday business practices. To make this work requires supportive structures with real authority and centrality. In many companies, the individuals responsible for implementing responsibility are located in staff jobs and have scant connection to operations. This is what makes coordinative structures, responsibility matrices, and operating reviews a crucial part of integrating principles into practice. In this way, the shift toward high-impact implementation is accompanied by a parallel shift from communicating performance to a new emphasis on governance arrangements.
- **Global policies and strategies and local engagement and operations:** Other issues arise between what happens at headquarters and what needs to happen within different business, functional and geographical units of an MNC—that is between the global and the local or “glocal.” Cultural issues, and different business models in different units (or functions), can be guided by a common set of values, core strategies, and policies

across the company, generating alignment of values and strategic approaches, while still providing necessary flexibility at the local level, if basic operational processes have been developed that help drive those values throughout the enterprise.

- **The role of metrics:** One thing that can be effective for companies trying to integrate principles into practice is to ensure that they are incorporated into the company’s “dashboard,” “key performance indicators,” balanced scorecard, and similar mechanisms which are used to manage and control the enterprise. In many cases data are available, but need to be consolidated and analyzed for decision making. It is particularly important that results on values-driven metrics be included in the reward system, since managers and employees will work toward metrics on which they are being rewarded. Further, and importantly, if metrics are to be useful, they need strong constituencies who need and understand them, and who can—and will—use them. Just as the quality movement was driven in part by customer demands, so is it helpful in the first stages to identify constituencies interested in key social and ecological issues.

The leap in implementation observed—truly a new stage in implementation where the Global Compact principles have become part of the business strategy itself—is happening as a new stage develops, one which is likely to encompass innovations developed in collaboration with actors across sectors and to foster a capacity and willingness to engage in novel ways around problems whose magnitude goes

beyond any one nation's or institution's capacities. A summary of the collective conversation on these matters follows.

### **To the frontiers of global corporate citizenship**

In a very real sense, serious efforts to implement the UNGC's 10 principles demand significant organizational change that goes well beyond traditional notions of corporate social responsibility in the form of compliance or philanthropy. The challenges in the world today, many MNC leaders are coming to recognize, are not simply about how things are produced (though important), but also about what goods and services are produced, what purposes they serve, and for whom. Companies' offerings, along with consumers' choices, create major consequences for the natural environment, resource use and distribution, and societal health, making the fundamental issue one of transformation. The Boston College Center for Corporate Citizenship has termed this a movement that takes firms beyond current criteria associated with being a "good company."

On this count, there are clear shifts in the marketplace demands for healthier, more energy efficient, and socially useful products and services. Studies suggest that the LOHAS (Lifestyles of Health and Sustainability) market will grow from \$200 billion in sales today to \$420 billion in three years to \$845 billion by 2015. The related "ethical consumer" market is also growing, not only in western societies but around the world. For leading companies, the combination of market opportunities and value-based principles has become a means of optimizing both shareholder and stakeholder value.

Many of the companies at the Leadership Retreat are venturing into this socio-commercial frontier, validating the point made by Peter Drucker that social and ecological problems are often business opportunities in disguise.<sup>8</sup> The key is innovation, whether technological, bottom of the pyramid, social entrepreneurial, or collaborative, yet the question is how to scale up successful initiatives.

The corporation's role in solving global problems remains unclear, with acknowledgement that there are limits to what companies can or should actually do. At the societal level, it appears that there are not many companies willing to stick their metaphoric heads up lest, like the sunflower that rises above the rest, those heads get chopped off by social critics or leave the company at a competitive disadvantage. And there are few CEOs doing that today, with some notable exceptions, some among the companies attending the retreat. Certainly, there is some risk involved in stepping forward, particularly in an era of intense competition and heightened attention to short-term financial results, yet the pressing needs of the world demand courageous and more creative leadership from corporate leaders as companies continue to assume greater global responsibility.

This challenge is compounded with the fact that partnerships (public/private, sectoral or across sectors, or related to a specific issue) with a broad scope and wide societal impact are not very well developed; differing agendas of public authorities and companies, lack of trust among potential partners, and the lack of a truly multilateral dialogue are obstacles in this area.

Yet, for many years, the state role in governance has been diminishing. Now there is increasing recognition, particularly on the part of leading companies, that the rules of markets, the rules of competition, the rules of the game for business—as well as supports and infrastructure—demand better global governance. Certainly there is an emerging need for global governance to deal with big issues—the food crisis, a water crisis in the future, climate change, humanity pushing the limits of natural resources, and similar issues that go well beyond the ability of any single nation-state to handle. Given the global clout of corporations, it is evident that nation-states and multi-lateral institutions cannot establish any kind of global governance without corporations participating in the process.

Reflecting on these developments, four items rise in prominence on the evolving agenda of leading MNCs:

- **Take a leadership role:** How do companies deal with the risk imposed by “sticking their heads up” above the crowd and assuming a leadership position? How do individual leaders gain the courage and credibility to step forward? One step, highlighted at the meeting, is defining an ennobling mission and setting far-reaching goals. This was evident among attendees in their embrace of select UN Millennium Development Goals, in setting ambitious corporate responsibility agendas, and in public commitments to “make a better world” in their areas of expertise through the business models and offerings.
- **Co-create multi-sector partnerships and innovation:** In the context of the retreat, the willingness of MNCs to undertake new partnerships for specific issues and regions became apparent—“Business can’t do it alone.” This theme resonated through discussions but led several of the companies present to form partnerships with other businesses, NGOs and governments, and to take the lead in forming multi-sector alliances aimed variously at responsible supply chain practices, lending, health care, and environmental sustainability. Plainly co-creative multisector collaborations need to go well beyond traditional approaches to public-private or social partnerships, but they demand new understandings of the language, culture, operating dynamics, and goals of each sector involved. Many collaborations fail on just these grounds, and there are of course many significant barriers to multiple organizations working together effectively to address big problems like climate change, the coming water crisis, or social equity. One important skill to develop involves learning how to lead-in-partnership.
- **Establish or join new forms of global governance:** The move toward multisector innovations hinges on business gaining a clear and compelling voice in public policy. It was noted that too often the corporate responsibility and government relations arms of MNCs are not aligned and that companies often “talk” about positive social change but put their “money” behind politicians and policies that impede it. Many of the leading companies at the retreat recognize the need for better public



policy and for regulatory frameworks that create a level playing field on which they can operate successfully, without loss of competitive advantage if they take social risks, adopt higher standards, or engage in collaborative activities. An initiative like the Global Compact could play a significant role concerning this new frontier.

- **Get ready for corporate citizenship 2.0:** Finally, the firms present also acknowledge being neophytes on capitalizing on the internet and web social networks and technologies for purposes of identifying issues, communicating intent, dialoguing with stakeholders, and mobilizing global involvement in pressing social issues. Some of the urgency arises from the “power of one,” that is, the power of a single individual or a few, to use the internet in ways that damage a brand globally, no matter what the facts might be or the context involved. But more critical was the unrealized opportunity to scale up corporate responsibility and shared valued creation that citizenship 2.0 (a term coined by Telefónica) could offer.

Summing up, we see among these companies a shift from internalization of the Global Compact principles, which will continue, toward tangible action on their societal and global impact. There is a sense of increasing challenges and pressures on MNCs to be part of global solutions. There is a latent demand for new forms of global dialogue, for leadership in the global arena, and for new forms of complementarity with nation-states and multi-lateral organizations in order to jointly produce new policy frameworks and collab-

orative formations for global management in a new world of constraints.

### **UNGC—where to from here?**

What are the prospects for progress on these four fronts? Some might argue, as Microsoft founder and former CEO Bill Gates did in January 2008 at the World Economic Forum, that there is a need for a new form of capitalism—a “warm” version, or what Gates termed a more “caring capitalism,” to complement the “cold.” One conclusion of the two-day Leading Companies Retreat is that principle-driven approaches fall on the warm side because they emphasize an enlightened self-interest that squarely places businesses in the societies and ecologies in which they exist, working for the betterment of all.

The UNGC principles have, in some leading corporations, reached the point where they have begun to significantly inform business strategies and operating practices. Communication of this progress has been and remains important. Included here are some “lessons” from these leading companies on implementation of the UNGC principles (See box on page 21.)

Is it advisable for multi-lateral organizations to express views on the subject of corporate strategy and regulation beyond “universal principles”? Devising the world’s leadership framework and best practices on corporate citizenship is a bold agenda. Demand for corporate responsibility and sustainability has grown rapidly for the past 20 years, and companies are responding to those demands in many and different ways. The UNGC has been one important agent helping to accel-



### **Implementing the UNGC Principles: Best Practices**

While some leading corporations have developed rigorous and systematic approaches to managing their corporate responsibilities, using the Global Compact as a critical support, many are considerably less far along this path. What has been learned and already written about in numerous other UNGC documents, toolkits, and frameworks of action on corporate citizenship, however, already provides a significant foundation for implementation, as do the experiences of companies that have taken the lead on the implementation process. Rather than reinvent this wheel (although, of course, new ideas and additions are always welcomed), what is really needed is to figure out how to convey the lessons that have already been learned by the leaders to others less far along and to small and medium-sized enterprises (SMEs), which typically do not have the resources of an MNC to devote to social or ecological programs.

Clearly, many more companies need to learn what the leading companies have already learned so that some of the social and ecological ills of the world can be better handled. Interestingly, one conclusion from the practices of companies already engaged in implementing the UNGC principles was that the tools, frameworks, and approaches needed may already exist. Like other management approaches (e.g., total quality management or environmental management), systemic approaches are needed and they need to be put into place with the same kind of clarity and operationalization that these other systems have. These approaches share certain characteristics:

- They are usually based on values, core principles, or value-based new developments.
- Dialogue with stakeholders, internal (employees) and external, is an integral part of all of them.
- Most take a continuous improvement approach.
- Transparency and reporting are very important.
- Rigorous analysis, similar to that for any other business problem, is required of companies implementing corporate responsibility programs, whether internally around business practices or externally.
- Companies need to determine the relevance of issues and their significance to the company and establish priorities.
- Corporate responsibility is typically integrated via the mission, vision, and code of conduct, which when done effectively become core elements of the strategic framework of the company. This integration implies changes in processes and procedures that ensure that responsibilities are taken seriously.
- Leadership commitment and change of culture throughout the organization, as well as structural changes to locate institutional oversight of corporate citizenship in the company, are all needed.

erate and, to some extent, align this response through its principles of corporate responsibility, initiatives in the financial sector and business education, and with select stakeholders from NGOs and governments. Can it do more? Should it?

During the retreat, many of the MNCs highlighted a number of areas for potential action. These include:

- 1. Vigorously disseminate what we already know:** We don't really need new tools; the existing ones work, and there are exemplary companies. Many of the tools and best practices of the MNCs have relevance for not only other big companies, but also for subsidiaries and SMEs around the world. The UNGC has recently developed and made available a toolkit on environmental management. Development of other practical tools and dissemination of existing ones is essential to the widespread implementation of UNGC principles. Tools also need to be applied across functional areas, not just at the corporate level (e.g., within marketing, procurement, accounting, R&D, operations)
- 2. Increase member collaboration:** The next stage for the UNGC and its progressive participating companies is one of innovation, co-creation, and joint work on social problems. This requires collaboration across sectors and across the business community, even working with competitors. The UNGC annually has a full roster of hosted or co-hosted meetings to develop and disseminate knowledge and practices. Very targeted ones, such as meetings

among business school faculty at Case Western Reserve and among human rights experts at Harvard University, provide the kind of in-depth engagement that deepens understanding and motivates action.

- 3. Promote partnerships and power sharing:** The next stage will require stating bold goals, bigger than any one company can do alone, and requires "power sharing" across firms and sectors. None of the current UNGC's 10 principles speak to partnership or power sharing across firms. Perhaps it is time to develop the second goal of the Global Compact (to contribute to broader goals for development and a sustainable and fairer globalization) into a roster of corporate responsibilities for consideration by members?
- 4. Establish policy and governance frameworks:** When issues are too big for one company—or one government—to deal with, corporate responsibility principles are insufficient to address them. For issues like climate change, the food crisis, or child labor which transcend corporate and country boundaries, the UNGC is positioned to help develop and disseminate guidance on policy and governance frameworks. Perhaps these subjects, too, could be part of the UNGC's platform?

### **Future Directions for the UNGC: Three Scenarios**

With these directions in mind, inspired by the two-day conversation at the Leading Companies Retreat, we suggest three possible scenarios for the future of the UN Global Compact.

**Scenario 1: UNGC principles remain goals of aspiration and intent.**

In this scenario, the UNGC continues to focus on dissemination of its principles and their continued application through dialogue and convenings. To a certain extent, the UNGC principles have begun and will continue to help to bring a wave of political and economic reform, especially in developing countries, by guiding the conduct of MNCs and informing the practices of emerging market corporations and industries.

However, there are limits to this approach. Over the next decades the price of commodities—oil, cotton, copper, etc.—will continue to escalate and the sustainability of the global economy will be called further into question. Imbalances in the global economy will threaten the profitability of businesses and sovereignty of nations. Business leaders and policy makers cannot afford to ignore the implications. A key question is whether the UNGC and the actions and initiatives it facilitates now will speak to these conditions.

Many foresee a need for a new era of global governance for corporate responsibility. Unless the UNGC expands its agenda and scope, its principles could become less significant for driving changes inside of business. UNGC signatories will remain a part of the “club,” but will seek elsewhere for solutions to global problems of business and society.

**Scenario 2: UNGC sets guidelines for practical business applications on corporate collective action with regional and/or global impact.**

In this scenario, the UNGC and its members

place a new emphasis in setting out inclusive initiatives and guidelines for corporate collective action with regional and/or global impact—that is, the Global Compact develops a new emphasis and global tools for progress concerning its second goal (catalyzing actions by business in support of the broader UN goals, particularly to address the world’s development problems, in line with the UN Millennium Development Goals).

Development and articulation of guidelines on the operation of extended supply chains, protection of cross-national ecosystems, scalable partnerships for development, and other areas of global concern could help to inform the principle-based decision making of companies. Many other groups have expertise and a voice in these regards, but the UNGC is uniquely positioned to identify and articulate the scalable approach behind the practices and give them global authority.<sup>9</sup>

Multinational companies are faced with challenges of integrating two factors that affect corporate behavior: different cultures and peoples. Setting universal guidelines can help companies “think through” global operations and the practical implications of how they source materials and labor, produce products and services, and distribute their earnings.

Many new management techniques such as open-innovation, stakeholder consultation, employee engagement, dynamic pricing, and triple bottom line accountability schemes are helping firms to achieve greater corporate responsibility. In many instances, however, there are no overarching principles behind these practices that are agreed upon nor are there any principle-based guidelines on their responsible implementation and use.

Imagine that to improve the sustainability of supply chains, MNCs institute new UNGC guidelines on supplier conduct and insist that suppliers become UNGC signatories; or the report cards of front line managers include a check list of best practices reflecting UNGC guidelines; or that executives be rewarded on the basis of principle-led decisions about the commercial development of their enterprise.

The practical challenge for UNGC signatories today is how to move principles to practice in the boardroom, executive suite, and the front lines of their organization. By linking the principles to practical business applications which go beyond the pure internalization of the principles by the company, the UNGC could provide corporations with a coherent and consistent framework and criteria to guide operational choices and resource allocation decisions. This alternative does not need to go against the voluntary nature of the Global Compact, if these guidelines are done in conjunction with the participating leading companies and they are presented as higher and desirable levels of excellence in the implementation of the Global Compact principles.

**Scenario 3: The UNGC becomes a mechanism to change the world.**

In this ambitious scenario, the UNGC becomes an instrument of collective leadership. As big challenges—like chronic poverty, unequal access to health and education, climate change, demographic shifts, and so on—continue to threaten global security, the private sector will step up to partner with varied public and civil society organizations to pilot initiatives to create innovative solutions to those challenges. Multinational companies

will form alliances with industry peers to mobilize technology and resources and form global social innovation community. Universities, too, will have new roles to play and groups to partner with and indeed the global community, connected on the web to corporate citizenship 2.0, will be watching and waiting to participate. Will the UNGC with its convening power and legitimacy provide leadership to global citizenship?

This is a complex and expansive venture for any business. Recognizing that business tends to resist regulation and mandated governance reform, the UNGC can nonetheless use its convening power and responsible conduct guidelines to frame the importance of multisector partnering and affirm the legitimacy of “soft regulation” schemes. More than this, it can use its connections to the U.N. General Assembly, as well as the World Economic Forum and other global forums, to help to reinvent the practice of multisector cooperation.

By partnering with the public and civic sectors in combined efforts to combat global sustainability challenges, the business sector will ensure its own sustainability. The risks for any one business or even a sector doing so are significant. Leadership from the UNGC on these counts is not only important, it may be essential.

## Endnotes

<sup>1</sup>GlobeScan, Corporate Social Responsibility Monitor (2001-2006), <http://www.globescan.com>.

<sup>2</sup>Note on terminology, citizenship and corporate responsibility, local language. There is a lot of misunderstanding about what is meant by corporate citizenship and its namesakes, corporate responsibility, CSR, sustainability, and so on. Perhaps this shouldn't surprise—not too long ago, corporate citizenship was equated with philanthropy and handled mainly by the community affairs function in companies. The field is still in what scholars call a “pre-paradigmatic” phase, where there is scant agreement on definitions and terms and no consensus has been reached about what it includes and does not include in its boundaries. What are the common features of most views? To begin, the field has its roots in ethics. This stresses the importance of moral conduct and associated ideals that a corporation be a responsible employer, neighbor, and contributor to the common good. At a minimum, this translates into compliance: behaving in line with current law, accepted business principles, and codes of conduct. Beyond compliance, philanthropy is an important part of the business-society equation. Firms, in the United States in particular, are more or less expected to “give back” a portion of their profits to help the disadvantaged, support community life, and, when necessary, provide disaster relief. This translates into a voluntary contribution to society in exchange for societal benefits. Still, business has its biggest impact on society through (1) its own operations and (2) its interactions with myriad suppliers, distributors, and partners through the entire value chain to end users (business customers and/or consumers). Most would agree then that corporate citizenship and CSR also encompass the harms and benefits of a company's commercial activities on society. This all translates into two criteria: 1) Minimize harm: This means taking account of and minimizing the negative impact of a firm's footprint in society. The main injunction is “do no harm” and 2) Maximize benefit: this means creating shared value in the form of economic wealth and social welfare, including reduction of poverty, improved health and well-being, development of people, care of the natural environment, etc. Here the message is “do good.” All of this, of course, is in the context of the sustainability of the corporation itself which includes securing profits for shareholders and for future purposes.

<sup>3</sup>Reputation Institute, RepTrak Pulse 2006: Social Responsibility, <http://www.reputationinstitute.com>; also see The Center's recent survey of business leaders in The State of Corporate Citizenship in the U.S.: Rhetoric versus Reality, 2007.

<sup>4</sup>McKinsey & Company. Shaping the new rules of competition. UN Global Compact Participant Mirror, July, 2007.

<sup>5</sup>UNGC Annual Report, 2007.

<sup>6</sup>See Googins, B., P. H. Mirvis, and S. Rochlin. Beyond Good Company: Next Generation Corporate Citizenship. New York: Palgrave, 2007.

<sup>7</sup>See Waddock, S. A. and C. Bodwell. Total Responsibility Management: The Manual. Sheffield, U.K.: Greenleaf, 2007.

<sup>8</sup>Drucker, Peter F., “Management: Revised Edition” Harper Collins, New York, 2008.

<sup>9</sup>In pursuit of making principles more industry relevant, the UNGC could partner with groups like the International Council on Mining and Metals and the Global Reporting Initiative. As a result, UNGC principles, which historically have been goals of aspiration, could become integrative and applicable to business operations and outputs. See, for example, Ruggie, J., “Promotion and Protection of All Human Rights, Civil, Political, Economic, Social and Cultural Rights, including the Right to Development.” A/HRC/8/5 Agenda item 3 submitted to United Nations Human Rights Council, April 2008.

## Challenging questions and issues going forward

How can the principles be present in the boardroom, executive suite and the front lines of global companies?

In what ways can adherence to the principles serve as a driver for quality management and performance?

How can global platforms be created to encourage collaboration among signatories?

If the business case for corporate responsibility is now self-evident what are the implications for the ways in which companies practice corporate citizenship?

How can the best practices of implementation be shared globally and spread through GC Networks?

How should signatories design governance and management processes to live up to this accountability?



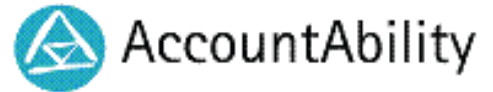


Front (l-r): Kat Cooley, Kwang Ryu, Tomás Conde, Manuel Escudero, Sandra Waddock, Carolyn Woo, Suzanne Stormer, David Cooper-rider, Allison Lee, Sylvia Kinnicutt, Bradley Googins and Philip Mirvis

Back: York Lunau, Vinay Rao, Jill Huntley, Joe Sellwood, Edgar Rodriguez, James Walsh, Chris Pinney, Diana Chavez, Charles Bartels, Bo Miller, Nick Welch, Salvatore Gabola, Belén Izquierdo, Steve Rochlin, Asya Anderson, Christian Frutiger, Sean Fitzgerald, Sean Gilbert and Guy Morgan



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**Center for Corporate Citizenship**



### **AccountAbility**

AccountAbility is an international nonprofit organization, with bases in Beijing, Geneva, London, Sao Paulo and Washington, established in 1995 to “promote accountability innovations that advance sustainable development.” AccountAbility’s work focuses on responsible business practices and the governance of collaborations between public and private institutions, and is exemplified by our groundbreaking standards work, including the world’s only assurance standard for sustainability performance (AA1000AS), our annual Accountability Rating with Fortune magazine of the world’s largest companies, and our annual Responsible Competitiveness Index of progress of over 100 countries in building a responsible approach to international competitiveness and trade. **[www.accountability21.net](http://www.accountability21.net)**

### **Boston College Center for Corporate Citizenship**

The Boston College Center for Corporate Citizenship is a membership-based research organization associated with the Carroll School of Management. As a leading resource on corporate citizenship, the Center works with global corporations to help them define, plan, and operationalize their corporate citizenship. The Center offers publications including a newsletter, research reports, and white papers; executive education, including three Certificate programs; events that include an annual conference, round-tables and regional meetings; peer-to-peer learning forums and a corporate membership program. **[www.BCCorporateCitizenship.org](http://www.BCCorporateCitizenship.org)**

### **United Nations Global Compact**

The UN Global Compact brings business together with UN agencies, labor, civil society and governments to advance 10 universal principles in the areas of human rights, labor, environment and anti-corruption. Through the power of collective action, the Global Compact seeks to mainstream these 10 principles in business activities around the world and to catalyze actions in support of broader UN goals. With over 4,000 stakeholders from more than 100 countries, it is the world’s largest voluntary corporate citizenship initiative. **[www.unglobalcompact.org](http://www.unglobalcompact.org)**.

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