Chapter 20
The United Nations Global Compact: What Did It Promise?

Oliver F. Williams

Abstract Many scholars have identified an important issue for the global economy: Providing some mechanism for requiring assurance that ESG information provided by a business is accurate and objective. Where some have gone wrong is in trying to change the mission of the United Nations Global Compact (UNGC). From its inception, the UNGC has been clear that its mission is not to provide such assurance. This article first outlines the background for the historic announcement of the UNGC by the then Secretary-General of the UN, Kofi Annan. Then a summary of the major criticisms of the initiative is provided with a focus on the Sethi-Schepers article. Finally, I argue that the mission of the UNGC, to gain consensus in the global community on the shared values and moral norms that will guide the global economy, is being accomplished, although it is a work in progress.

Keywords UN Global Compact · Shared values and moral norms · Voluntary initiative · Global governance · Nongovernmental organizations (NGOs)

The Context for the UNGC

In 2000, I published a book titled *Global Codes of Conduct: An Idea Whose Time Has Come,* which included essays by many of the major scholars in the area, as well as appendices with most of the major codes contending for the global ethic (Williams 2000). In my view, the crucial issue was gaining a consensus on the norms which

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should guide the global economy and the Caux Principles had the best chance of gaining legitimacy in the global business community, given that its formulation involved significant business leaders and also that it was an international endeavor from the start. All that changed when, in January 1999, the then Secretary-General of the United Nations, Kofi Annan, spoke to the World Economic Forum in Davos, Switzerland, about the need for a new Global Compact for business. One of the issues that emerged with the globalization of the economy is the lack of common agreement on the appropriate norms that should guide business, especially in developing countries. Is a multinational company responsible for human rights violations of its subcontractors? What are appropriate norms for guiding a company's environmental policy in a country where there is no legal framework, at least in practice? In the 1990s, with the huge expansion of the global economy and outsourcing into poor developing countries, there was much public attention and controversy around the issues of sweatshops and child labor. The focus of much of the public controversy was on Nike and whether the company had a responsibility for the inhumane practices of its subcontractors. Nike, at first, claimed no responsibility for the conduct of its suppliers and contractors since these were independent and not owned by the multinational. After a consumer boycott, Nike later changed its position, formulated a code of conduct for suppliers, and became a model employer (Zadek 2004). For purposes of this study, the important point to note is that, because of the Nike case and other similar ones, there was a growing concern about globalization in the late 1990s.

Globalization is perceived as being both a threat and a promise. The promise is seen in the rising prosperity experienced by many in rich and poor countries alike in the aftermath of international linkages (Chandy and Gertz 2011). The threat is the growing perception, by nations and by individuals, that no longer can we control our way of life. Whether it is corporate downsizing, take-overs, rapid withdrawal of finances, bankruptcies, human rights abuses, or the loss of jobs, the pace of change and the disruption of communities is very troubling to many. Joseph Schumpeter's "Creative Destruction," described so well in his 1940 work, *Capitalism, Socialism and Democracy*, is a double-edged sword that cries out for a human resolution (Schumpeter 1942).

Business, as one of the major institutions of society, was in the forefront of this challenge. In the late 1990s, there was a growing call for global ethics. From various parts of the world, proposals were emerging for a new global code of conduct. For example the Caux Round Table Principles are largely the work of Japanese, European, and U.S. business leaders (Williams 2000; Cavanagh 2000; Goodpaster 2000). The CERES Principles are an attempt to protect the worldwide environment (Massie 2000). There is an ever-increasing concern that human rights in developing countries be promoted and protected, highlighted in the code for apparel industry, the US White House Apparel Industry Code of Conduct (Apparel Industry…1997). In South Africa, there were the famous Sullivan Principles (Sethi and Williams 2002) and in Northern Ireland there were the Macbride Principles (McManus 1997).

The basic premise is that good ethics means good business. Business needs predictability in order the thrive and moral norms ensure that predicatability has a chance. A global ethic is a requirement of our new situation of the shrinking borders of our world, compressing peoples, cultures, and economies. Technology and the internet has hastened the arrival of our global village and the challenge to fashion a humane village is one that remains for our time. The nature of globalization is such that the role of the firm was being redefined as well as the role of national and global institutions. The challenge requires that business define its ethical responsibility with global standards just as it defines product, production and employee standards.

In the 1990s there were anti-corruption codes put forward by the major international governmental and nongovernmental organizations. The Organization for Economic Cooperation and Development (OECD), the Organization of American States (OAS), the European Union (EU), the World Trade Organization (WTO), the World Bank, the United Nations Commission on Transnational Corporations (UNCTC), the International Chamber of Commerce, and Transparency International (TI) are all international instruments working effectively to combat corruption. Significant progress has been made and many are optimistic.[1]

For most business leaders, the global ethic that held the most promise, largely because it was formulated by the business community, was Caux Round Table's Principles for Business. In 1986, a group of senior business executives from Japan, Europe, and North America began meeting annually in Caux, Switzerland to discuss measures to lessen trade tensions. These discussions led to further meetings about ethical issues and, finally, in 1994, to the adoption of the Caux Principles for Business. Many are champions of the Caux Principles, not only because they are a set of ethical standards that hold across cultures, but also because they are advocated and advanced by business leaders themselves, rather than NGO's or others. The Principles address the responsibilities of managers and companies from a stakeholder perspective and include all the elements that a company may want to include in its own code of conduct. Slowly, but surely, a global ethic was catching on in the business community. This surely was an idea whose time had come.

In the late 1990s, many followers of the world scene were convinced that the globalized world needed to gain consensus on new forms of global governance. The regulatory authority of the nation state was eroded with the growing power of multinational business. Applying international or national law to companies operating in dozens of countries had little prospect for success. In fact, as evidenced in the Nike case, global governance was often facilitated by civil society actors bringing moral pressure on business. And as we saw with the Caux Principles, business was partnering with NGOs and academics to formulate global norms for its operations. Business was taking on the character of a political actor, not only in formulating new rules of conduct for itself, but also in accepting new responsibilities, for example, in protecting workers' rights; participating in the fight over HIV/AIDS;

[1] Transparency International (TI) is one of the best resources for information on the struggle against corruption: www.transparency.org.

and advancing education in poor areas. Yet, the lingering problem remained that for every Nike that transformed itself from an amoral company to a leading light, there were hundreds of companies that were unaware of or unconcerned about their responsibilities in the area of human rights, as well as the social and environmental issues in developing countries.

The Proposal of the United Nations

Suddenly, an answer appeared on the scene as to how we would gain a consensus on the moral norms that would guide the global economy. On January 31, 1999, the then Secretary-General of the United Naitons, Kofi Annan, gave an address to the World Economic Forum (WEF) in Davos, Switzerland, which outlined the challenge and the promise of what has become known as the United Nations Global Compact (UNGC). His basic insight was that national economics have always assumed certain norms or moral values, some codified in law, but many that are not, and now that we have moved to a global economy, we must find a way to embed moral norms in the globalized situation.

National markets are held together by shared values. In the face of economic transition and insecurity, people know that if the worst comes to the worst, they can rely on the expectation that certain minimum standards will prevail. But in the global market, people do not yet have that confidence. Until they do have it, the global economy will be fragile and vulnerable—vulnerable to backlash from all the "isms" of our post-cold-war world: protectionism: populism: nationalism: ethnic chauvinism: fanaticism: and terrorism (Annan 1999).

Annan suggested that the UN "facilitate a dialogue" so that the universal values in the areas of human rights, labor standards, and environmental practices (and later anti-corruption initiatives) might become embedded in the global market. Since we do not have a global state to formulate the norms and conventions for a global economy, the UNGC would be a platform where companies and various stakeholders would, through debate and discussion, come to some minimal agreement on global norms and practices.

The basic proposal of Annan, that business and the United Nations join together to promulgate a "global compact of shared values and principles, to give a human face to the global market," was met with widespread approval in the business community (Tester and Kell 2000). When the Secretary-General, in 2000, first promulgated the Global Compact, he had a clear vision of the problem, but only a broad outline of the solution. The problem was that globalization of markets, while it created vast amounts of new wealth, did not distribute this new wealth very well. Millions of people in India and China were lifted out of poverty, but many people in the world were victims, rather than beneficiaries, of this new engine of wealth creation. Whether it be blue collar workers who lost lucrative jobs on auto assembly lines in Detroit; populations of major cities in China that lost clean air to breathe; or poor peasants who were subjected to sweatshop conditions in Asia and Latin

America, increasing discontent was in the air. In former times of great economic volatility, nation states took measures that restored social harmony and political stability.

For example, the Great Depression of some 75 years ago was the birthplace of the social safety net, evolving into such programs as social security, medical benefits, unemployment insurance, food stamps, and so on. The problems today are global in scope and even where nation-states might be willing or able to regulate, they are reluctant to do so for fear of losing new investment to nations with less stringent regulations. The race to the bottom is a fact of life in developing countries.

Kofi Annan saw clearly that if globalization and its ability to create massive wealth was to continue, there must be a set of ideals which would guide business and insure that the legitimate concerns of all, especially the least advantaged, were not neglected. This set of ideals, what has become known as the Global Compact, consists of ten principles. As of 1 November 2021, there were over 14,000 business participants and 3,000 civil society signitories.

The ten principles of the Global Compact focus on human rights, labor rights, concern for the environment, and corruption and are taken directly from commitments made by governments through the UN: the Universal Declaration of Human Rights (1948); the Rio Declaration on Environment and Development (1992); the International Labor Organization's Fundamental Principles and Rights at Work (1998); and the UN Convention Against Corruption (2003).[2] In addition to making the principles an integral part of the business strategy and corporate culture, a company is asked to engage in partnerships to advance broader UN development goals as, for example, the Sustainable Development Goals of the UN.[3]

The Global Compact was designed as a voluntary initiative. A company subscribing to the Principles is invited to make a clear statement of support and must include some references in its annual report or other public documents on the progress it is making on internalizing the principles within its operations. This Communication on Progress (COP) must also be submitted to be posted on the Global Compact website.[4] Failure to submit a COP within one year of becoming a signatory to the company (and subsequently every year) will result in being delisted. As of November 2021, over 13,000 companies have been removed from the list of participants for failure to communicate progress.

Scholars have suggested that corporate responsibility initiatives may be categorized as one of four different types: principle-based initiatives, certification initiatives, reporting initiatives, and process-based initiatives (Rasche et al. 2012).

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[2] The UNGC has provided a Global Compact Self-Assessment Tool with 45 questions. The tool enables any company to evaluate whether the ten principles are anchored in the company strategy and to assess the company's performance in the four areas of human rights, labor, environmental issues, and anti-corruption concerns. See: www.globalcompactselfassessment.org

[3] The Millennium Development Goals had a target date at 2015, at which time they were be replaced by a more comprehensive agenda called The Sustainable Development Goals. See www.sustainabledevelopment.un.org.

[4] See the UN Global Compact Communication on Progress: www.unglobalcompact.org/COP/

Certification initiates, for example, Social Accountability 8000[5] have auditing and verification procedures. Reporting initiatives are best represented by the Global Reporting Initiative (GRI), a series of some 70 suggested questions, to assist in preparing a sustainability report about the ESG issues.[6] Process-based initiatives are best represented by the ISO 26000, an outline of a process to enable businesses to integrate CSR into the business plan.[7] Principle-based initiatives are best represented by the Caux Principles, the UN Global Compact, and the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. Principle-based initiatives are a set of ideals, general in nature, that members of an organization are expected to follow; these norms have no explicit enforcement mechanism. I find the UN Global Compact, a self-declared principle-based initiative, the one that is most likely to succeed in garnering the global consensus required to establish the legitimacy of the norms. The UN has already established itself as legitimate in the eyes of many in the global community and the universal norms of the Global Compact are at the heart of the UN, having been based on UN documents.

The unique mission of the compact is to foster the growth of humane values in the *global* society, a challenge heretofore managed by nation-states for their own domestic situation. To advance the 10 principles, the Global Compact has established over 80 country and regional networks where dialogue, learning, and projects are carried forward in a local context and norms for the local situation can emerge. Kofi Annan, former Secretary-General, expressed it well: "Let us choose to unite power of markets within the authority of universal ideals. Let us choose to reconcile the creative forces of private entrepreneurship with the needs of the disadvantaged and the requirements of future generations." As indicated above, I am convinced that the UN Global Compact is the best initiative that can meet the major challenge posed by globalization: developing a consensus on global ethical norms. The United Nations with its visibility, global reach, universality, neutrality, and convening power is considered legitimate in our world today and with the local networks of the UNGC operating almost everywhere, there are channels of communication readily available. Through the process of persuasion, discussion and arguing about practices, for example, sweatshops, the norms and values that enable global governance are internalized; major players are "socialized" and the voluntary compliance of the UNGC shapes the new CSR agenda (Palazzo and Scherer 2006; Rieth et al. 2007). There is a growing recognition that the CSR agenda of the UNGC is a legitimate one; as a visiting professor in Asia for the 2012-13 academic year, I have been especially impressed by many of the Global Compact members in China where there is a relatively new UNGC local network, and where the CSR agenda has taken hold.

[5] Social Accountability 8000 is a social certification standard designed in 1997 to assist businesses in implementing human rights standards in the workplace. See www.sa-intl.org/

[6] The Global Compact suggests that signatories use the GRI framework and relevant questions for their COPs. See www.gobalreporting.org/

[7] ISO 26000 provides a business with a framework for responsible behavior and action. It is not a set of standards. See www.iso.org/iso/discovering_iso_26000.pdf

The normative worth of the UN, specifically the universal values embodied in the ten principles of the UNCD, is widely accepted in Asia.

The Global Compact China Network, with over 300 companies, consists of Chinese state-owned companies, private companies and multinationals in China. At a 2011 meeting, "Pen Guagang, Director General of the Research Bureau of the Chinese State Assets Supervision and Administration Commission of the State Council (SASAC) expressed emphasis on corporate responsibility among its member companies and its support of the Global Compact. The Global Compact China Network will facilitate the communication and collaboration between Chinese and foreign companies, helping Chinese companies to make a greater contribution to the UN MDGs. I sincerely wish that the Global Compact China Network will play a greater role to enhance corporate social responsibility and international collaboration.[8]

Critics of the Global Compact

From the start, there have been some critics of the UNGC (Nason 2008; Slob and Kell 2008).[9] One important set of critics is simply not convinced that economic globalization is a good idea. Another group of critics is within the UN itself and fears that business may become too influential in the United Nations. A third group believes that without some required certification process that companies are walking the talk, business will use the UNGC as a cover story, "bluewash" as it is called (powder blue is the UN color). This, of course, is the Sethi-Scheper's position. Each group will be considered.

An important group of critics does not believe that economic globalization, as it is presently conceived, will ever bring authentic development to the poor, even if the principles of the compact were implemented.[10] Accountability for this sort of critic would involve carefully assessing whether the poor and developing nations are indeed better off with economic globalization. They are angry that Kofi Annan, with his Global Compact and its voluntary nature, has assumed the answer. In the final analysis, this school of thought sees the only answer to the plight of the poor as a radical change, ''a binding legal framework for the transnational behavior of business in the human rights, environmental and labor realms."

A 20 July 2000 letter from prominent scholars and NGO leaders to UN Secretary-General Kofi Annan summarizes this objection.

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[8] China has become an important partner in the UNGC. See "Global Compact Relaunches China Network," www.unglobalcompact.org/news/172-11-28-2011

[9] See the blog "Global Compact Critics," http://globalcompactcritics.blogspot and CorpWatch, www.corpwatch.org/

[10] This paragraph and the next five closely follow an earlier article of mine: The UN Global Compact: The Challenge and the Promise," *Business Ethics Quarterly* 14, no. 4 (2004): 759–61.

> We recognize that corporate-driven globalization has significant support among governments and business. However, that support is far from universal. Your support for this ideology, as official UN policy, has the effect of delegitimizing the work and aspirations of those sectors that believe that an unregulated market is incompatible with equity and environmental sustainability…Many do not agree with the assumption of the Global Compact that globalization in its current form can be made sustainable and equitable, even if accompanied by the implementation of standards for human rights, labor, and the environment…We are well aware that many corporations would like nothing better than to wrap themselves in the flag of the United Nations in order to "bluewash" their public image, while at the same time avoiding significant changes to their behavior…Without monitoring, the public will be no better able to assess the behavior, as opposed to the rhetoric, or corporations.[11]

It is well beyond the bounds of this study to make some final judgment on the merits of the contemporary practice of economic globalization, but I do submit that there is a convergence in the vision of the globalization critics and the compact. Both are trying to retrieve the notion that there is a moral purpose of business and not only in wealth creation but also in its distribution.

One way to view the compact is as an attempt to create the moral underpinnings of the global economy that were assumed by Adam Smith for a national economy. In *An Inquiry Into the Nature and Causes of the Wealth of Nations* (*The Wealth of Nations)*, Smith sought to understand why some nations were wealthier than others. Part of his answer was that nations that encouraged free competitive markets were wealthier. In a curious kind of way, in the context of the economy, when *each person pursues his or her self-interest the common good is enhanced* and all are wealthier. Given competition, the baker bakes the very best bread possible and sells it at the lowest price feasible so that he will have the resources to buy what he wants. Although motivated by self-interest, the result is that the community has good bread at a reasonable cost. Thus, Smith showed how economic self-interest was beneficial for the community (Smith 1804).

In my view, however, the crucial point in Smith's analysis is his assumption in *The Wealth of Nations* that is quite explicit in his *The Theory of Moral Sentiments:* The "self-interest" of business people would be shaped by moral forces in the community so that self-interest would not always degenerate into greed and selfishness (Smith 1790). Wealth creation enabled and sustained a humane community when it was practiced by virtuous people.

My argument is that Smith assumed that an acquisitive economy existed in the context of a moral community that would ensure that single-minded focus on making money would not persist (Werhane 2000; Williams 1993).[12] Yet it is precisely

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[11] Letter to Kofi Annan, Secretary-General, United Nations, 20 July 2000, from Upendra Baxi, Professor of Law, University of Warwick, UK, and others. Available at CorpWatch, www.corpwatch.org/

[12] The 1991 encyclical letter of Pope John Paul II, *Centesimus Annus,* makes this central point: "The economy in fact is only one aspect and one dimension of the whole of human activity. If economic life is absolutized, if the production and consumption of goods become the center of social life and society's only value, not subject to any other value, the reason is to be found not so much in the economic system itself as in the fact that the entire socio-cultural system, by ignoring

this challenge of fostering the growth of humane values in the *global* society, a challenge heretofore managed by nation states for their own domestic situation, that marks the unique mission of the Global Compact. The argument made by Global Compact officials is that unless the moral purpose of business is retrieved, economic globalization is doomed to failure. This is the basic business case for the UNGC and its role in the creation of norms.

It is precisely because a backlash to globalization would represent a historically unmatched threat to economic prosperity and peace that the Global Compact urges international business leaders to take reasonable steps to secure the emerging values of global civil society in exchange for a commitment on the part of the United Nations to market openness (Tester and Kell 2000).

Globalization critics see little value in the compact unless "the emerging values of global civil society" are somehow mandated by a worldwide legal framework. The compact, seeing little prospect for worldwide legal statutes, advances a vision of the moral purpose of business that relies on transparency and the interest companies have in maintaining their good reputation as the ultimate sanction.

It may be helpful to pursue further the argument of those critics who see the only answer as a worldwide legal framework (hard law), rather than a set of voluntary principles (soft law). Hard law is understood as binding and enforceable, while soft law is legally non-binding. Typically, soft law appears in the form of guidelines, resolutions, or principles. The Global Compact is considered soft law, but like most soft law, there are penalties for joining the UNGC and then not complying, for example, by not submitting a Communication on Progress (COP). As indicated earlier, over 13,000 businesses have been expelled (delisted) for not complying, that is, not submitting the required COP.

Scholars have noted that hard law seldom just appears on the scene, but rather has a history and usually follows when norms, soft laws, and customs that are thought to be important by society are flagrantly violated (Yang 2012; Pitts et al. 2009). For example, the U.S. Foreign Corrupt Practices Act (FCPA) passed in 1976 by the Congress outlawed bribery of foreign government officials and other corrupt practices in business after the public was outraged by a huge bribe that Lockheed paid to Japanese officials to obtain a large order of aircraft. There long had been a custom, a norm, and a soft law in the industry against bribery, but it took egregious violation of soft law to energize the evolution to hard law. The FCPA is an unusual case because it was one of the major drivers of global soft law on bribery, the 1997 OECD Convention on Anti-Bribery. This soft law, in turn, influenced the U.S. to amend the FCPA to include the new features found in the OECD Convention, resulting in the 1998 International Anti-Bribery Act (soft law becoming hard law).

There are a number of examples where it becomes clear that soft law cannot achieve the desired results and thus society influences the governing body to move

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the ethical and religious diminsion, has been weakened, and ends by limiting itself to the production of good and services along." John Paul II, *Centesimus Annus* (Washington, DC: The US Catholic Conference, 1991), 77.

to hard law with sanctions. This is clear in the U.S. Sarbanes Oxley legislation which requires that companies keep detailed records supporting their financial statements and has severe penalties for senior officers when financial statements are found fraudulent. Before Enron and WorldCom this was standard practice (soft law), now it is standard practice with tough enforceable sanctions (hard law).

All this discussion on hard and soft law is by way of noting that in much of the world there have not been norms, customs, and soft laws that guide business. A significant value of the UN Global Compact is to highlight the normative dimension, the universal values of the UN Global Compact is to highlight the normative dimension, the universal values of the UN, and bring them into the strategic plan of a business. Once we have a firm consensus on the soft law required for the global business community, then the possibility of evolving into hard law becomes a reality. Whether hard law is better than soft law in the area of CSR is, of course, a matter of great debate and that debate will be part of any future agenda.

A second group of critics of the UNGC is within the UN itself, but here Sethi and Schepers are out of date in claiming that the UNGC lacks support in the UN itself. Historically, the UN did not have a close relationship with the private sector and in the 1960s this was amplified as many developing countries moved away from their colonial masters and became independent. The UN served as a countervailing power for developing countries who understood multinational companies to be part of the problem of muted economic and human development and certainly not the solution. All this began to change in the 1990s and was accelerated with the election of Kofi Annan as secretary general. There were a number of moves to enhance cooperation between UN institutions and the business world.

Georg Kell, the executive director of the UNGC from its founding in 2000 until he retired in 2015, wrote an insightful piece on the history and development of the project (Kell 2012). As indicated in the 20 July 2000 letter cited above, some NGO and academic leaders strongly disagreed that globalization could be rendered more helpful to the poor and many in the UN were opposed to Kofi Annan taking a strong stand for the Global Compact. In the face of some opposition within the UN, Annan courageously decided to make a plea for a closer relationship between business and the UN at his January 1999 address before the World Economic Forum at Davos. Business leaders were enthusiastic about closer cooperation with the UN, not only because the UN supported public goods essential for world trade (e.g., security, monetary rules and infrastructure improvement), but perhaps, more importantly, because the UN has a consensus on human rights and the implications for labor, the environment, and corruption. It is important to note that when Annan officially launched the Global Compact in 2000, it did not have a mandate from the Member States of the General Assembly. Only in 2007 did the General Assembly officially allow the Global Compact to be called the UN Global Compact, signaling that the pet project of the secretary-general was now a UN project.

The challenge in the early years of the compact was to get enough UN employees up to speed on how to work with business. If business was to take action to advance UN goals, a tenet of the UNGC, UN personnel had to have the knowledge and skills to facilitate this task. An interagency working group was formed in the UN to have developed personnel in the various UN agencies and has been relatively successful.

While no one would claim that all UN officials are today passionate advocates of the UNGC, Kell argues that many who were skeptics early in the game are now "strong supporters." The Sethi-Schepers article does not reflect this change. With the election of Ban Ki-moon as Secretary-General in 2006, the UN had a talented leader who believed in the future of UN-business partnerships and the importance of the UNGC. One major challenge that remains for the UN leadership is to ensure that the principles of the Global Compact are embedded in the UN itself: Does it practice what it preaches? This too is a work in progress now under the leadership of Secretary-General Antonio Guterres, first elected in 2017 and reelected for a second term in 2021.

Sethi and Schepers represent the third group of critics. They want to change the mission of the UNGC and focus on the fact that a company reporting annually on its progress in advancing the ten principles of the UNGC, in what is called its COP report, is not required to have the report certified or audited. They continue to call for some performance "seeking assurance as to the accuracy and objectivity of the information" (Sethi and Schepers 2014). Compact officials respond that this criticism misses the point. "The Global Compact is not designed as a code of conduct" (Slob and Kell 2008); rather, "it is a means to serve as a (frame) of reference to stimulate best practices and to bring about convergence around universally shared values." At this stage, the goal is to gain consensus on the moral purpose of business and to include the substance of the principles as a part of business strategy and operations. Since companies will include a discussion of their compact-related activities in their annual reports, the power of public transparency and the watchdog role of the media and NGOs serve as an accountability structure. What compact advocates have in mind is that when actual business practice falls short of ethical standards, public criticism is a good corrective. For example, Lynn Sharp Paine, in an insightful study of the merging of social and financial imperatives, discusses how Royal Dutch/Shell made a major change in policy and practice after strident criticism of its activities in Nigeria (Paine 2003). Although Shell has had serious problems in 2004 with top management overstating oil reserves, the company is still considered be many to be a leader in promoting and protecting the rights of workers and communities. Yet, even with this role of the press and activist groups, while the compact is a noble endeavor, unless the participating companies are involved in some sort of independent monitoring and verification system, some corporate critics may never acknowledge its legitimacy.

Of course, one premise of the compact is that there will always be NGOs, activists, social investors and others who will be on the scene to pressure firms and the Global Compact to be better corporate citizens. There is a growing realization that NGOs or organizations of civil society play an important role in such a dialogue, for their focus is properly the common good—the culture of civility, health, environmental protection, and so on. This is certainly not to say that NGOs are always above reproach, for they, too, need accountability structures. In economic terms, NGOs focus on overcoming the negative externalities of business. Contrary to Sethi and Schepers, I have found that major NGOs, including Amnesty International, Human Rights First, The Nature Conservancy, Global Witness, and Transparency International, are participating in the deliberations of the compact. The International Confederation of Free Trade Unions, Business Associations, and Academic and Public Policy Institutions have joined the compact and are active participants.

In my view, an outstanding NGO, which has as its mission what Sethi and Schepers would like the UNGC to do, is the Business and Human Rights Resource Centre.[13] This NGO has a weekly newsletter and tracks "the positive and negative impacts" of over 5,100 companies in 180 countries. "We expose reality in a field too often dominated by rhetoric, and help protect vulnerable people and communities against abuses." Companies can respond to any criticism of their practices and discuss corrective action where necessary. The Centre is playing a crucial role in the development of a more just global economy, but it is not the same role as the UNGC has charted for itself.

What May Be Called Progress? A Growing Consensus on the Moral Values in Global Business!

On the opening page of the Sethi-Schepers article, the authors pose the issue that is at the heart of our differences: "what may be called progress." I take it that for Sethi-Schepers, "progress" would mean having "an independent external monitoring and compliance verification system," "seeking assurance as to the accuracy and objectivity of information that is being voluntarily provided by the signatory companies as to their adherence to the UNGC principles." To be sure, this would avoid "free riders" and some companies have decided to undertake such a comprehensive verification system to meet the concerns of their particular market. But make no mistake about it, this is not the mission of the Global Compact. In the words of Kofi Annon in his 1999 address to the WEF, the UNGC is founded on gaining a consensus on the shared values that will underpin a dynamic global economy. As Georg Kell put it in his debate with Bart Slob, the UNGC is trying "to bring about convergence around universally shared values."

If I do not believe an independent external monitoring and compliance system is "progress," what do I see as "progress?" In brief, progress for me is the growing consensus in the global community on shared values or moral norms. Although I am based at the University of Notre Dame and direct a Center for Ethics and Religious

[13] Published in English and Spanish, the *Weekly Update* of the Business and Human Rights Resource Centre has sections on International issues, Africa, Americas, Asia and Pacific, Europe and Central Asia, and the Middle East and North Africa. It also has a weekly section on "Recent company responses an non-responses" to allegations made about companies' ESG performance. (www.updates@lists.business-humanrihts.org).

Values in Business at the Notre Dame Mendoza College of Business, I also have a visiting position a the University of Stellenbosch (South Africa) and, for the 2012-13 academic year, served as a visiting scholar at Kyung Hee University in Korea. From my observations and many discussions with business leaders in Africa and Asia, it is clear that the fuzzy area of moral norms for global business is developing, and leaders, as well as the citizenry, are becoming aware of what is right and what is wrong in business practice. For example, compare the response time to the allegation of sweatshop conditions of subcontractors of Nike in the 1980s with the response time of Apple in 2012. When Nike was first criticized in the 1970s for the mistreatment of workers who make its athletic shoes, the response by Nike was that it did not own the companies manufacturing the shoes and it would not accept any responsibility for the mistreatment. Nike officials believed there was no moral norm which obliged the company to protect offended workers. After almost twenty years of struggle, there is now a moral norm widely accepted that obliges companies to take responsibility for the behavior of their subcontractors. This was quite evident when, in 2012, Apple was severely criticized for the treatment of workers by its contract supplier in China, Foxconn Technology Group. Apple's top management knew the company had violated a moral norm and, immediately, Apple CEO, Tim Cook, visited a Foxconn plant in China and pressed the contract manufacturing group to protect and advance the human rights of its workers by correcting unsafe working conditions; paying a decent wage; avoiding forced labor; and correcting overcrowded dormitories (better late than never). I am certainly not congratulating Apple, for they only acted when the press exposed the situation. The point I am making is that there is progress in the development of moral norms for global business and that this progress comes through vigorous debate and often a struggle. Apple knew there was a moral norm here and never questioned its legitimacy (Duhigg and Greenhouse 2012).

Progress for me is also evident in the UNGC program funded by the Siemens Integrity Initiative, which is based on promoting collective action to embed a moral norm against bribery in areas where such a norm is not present. Coordinated by the UNGC Principles for Responsible Management Education (PRME), teams developed academic modules for graduate business education to address transparency, ethics, and anti-corruption. With a $2.87 million grant, five projects in areas where bribery is thought to be a problem (Egypt, India, Brazil, Nigeria, and South Africa) were initiated.[14] The projects were premised on the assumption that, through collective action, a moral norm reflecting that harmfulness of bribery can be established. David Vogel, a scholar who has many misgivings about the voluntary nature of CSR, does however understand what the UNGC sees as its mission: "…the UN Global Compact's broad membership suggests that business norms regarding social responsibility are taking root beyond just the United States and Europe. Some firms

[14] "Sensitizing Future Business Leaders: Developing Anti-Corruption Guidelines for Curriculum Change," www.wiemens.com/sustainability/en/core-topics/collective-action/integrity-initiative/

in South Africa, Brazil, Mexico, Malaysia, and Costa Rica, among others, have begun to develop their own CSR programs" (Vogel 2005).

Sethi and Schepers continue to claim that they find no evidence that CSR is being advanced and that statements from UNGC officials are more like cheerleading than constructive criticism: "…all credible and publicly available data and documentation conclusively demonstrate that the UNGC has failed to induce its signatory companies to enhance their CSR efforts and integrate the ten principles in their policies and operations." While it is true that you will not find "assurance" that individual company reports are accurate and objective on the UNGC website, as this is not part of the mission, you will find the *Annual Global Compact Implementation Survey*, which assesses how and to what extent signatory companies are engaging with the ten principles and the Millennium/Sustainable Development Goals.[15]

The survey is conducted by MBA and doctoral students from the Wharton School of the University of Pennsylvania. The largest survey of CSR practices, in 2011 over 1300 companies form 100 countries participated. Results included that 63 percent of the companies stressed supplier adherence to sustainability principles; smaller companies showed gains in key areas such as human rights and anti-corruption. Seventy-five percent of the companies are involved in projects to advance UN goals; and a majority of companies indicated involvement in partnership projects. Significantly, the report notes that action on the human rights principles "continues to lag behind" the action on the other three areas. Encouraging suppliers to participate in the global norms is a priority, but the report notes that "while 63 percent of respondents say their companies consider supplier adherence to sustainability principles, most are only taking limited action to support and incentivize such adherence." The report is quite lengthy and detailed; the purpose of the discussion here is simply to provide a flavor of its contents. In accord with tis mission to develop global norms, the report is not concerned with individual companies, but with the aggregate behavior. Similar results are found in more recent reports, for example, the annual United Nations Global Progress Reports which are available on Google.

Another point made by Sethi and Schepers is that companies gain great prestige by joining the UNGC: "It promised the companies all the prestige of the UN for the simple act of becoming a signatory with a vague promise to embed the ten UNGC principles in their operations." If there is so much prestige in being a member of the UNGC, why did over 14,000 companies fail "to generate the puny amount of information that would satisfy the UNGC's standards for COP?" Obviously, many companies do not believe this so-called prestige is worth much!

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[15] *Annual Review of Business Policies and Actions to Advance Sustainability: 2011 Global Compact Implementation Survey*. See also the *United Nations Global Compact Annual Review 2010*, www.unglobalcompact.org/. There are over 3,000 examples of business advancing the MDGs. See *Delivering Results: Moving Toward Scale: Accelerating Progress Toward the Millennium Development Goals* www.unglobalcompact.org/

The most troubling assertion by Sethi and Schepers is that there is a "loss of public trust and support of UNGC from important constituencies among civil society organizations, and those individuals and groups adversely impacted by corporate activities and resultant negative externalities." To be sure, some individuals and groups were opposed to the UNGC form its inception in 2000. There are, however, numerous partnership projects to advance UN goals with companies and civil society organizations. The 2011 Global Compact Implementation Survey reports that the majority of companies are involved in such partnerships: 78 percent with NGOs; 65 percent with other companies; 58 percent with academia; 34 percent with the UN; and 33 percent with other multilateral organizations. More data from Sethi and Schepers on their assertion would be helpful.

Is the UN Global Compact the Final Answer?

To be sure, there is no final answer. If the purpose of business is to create sustainable value for stakeholders and if the future of a sustainable global economy requires consensus on global moral norms, then the UNGC may be the best available initiative to bring businesses and other groups of civil society together to forge the consensus. One of the criticisms by Sethi and Schepers is the UNGC focus on increasing thenumber of signatory companies, but they never enquire as to the rationale for this increase. The UN Globcal Compact, as of 2021, had over 14,000 signatories from business based in more than 160 countries. These companies employ more than 50 million people representing all industries, all ranges of wealth on the part of home countries and all sizes of companies. To develop consensus on global norms and to achieve the transformation envisioned to an inclusive and sustainable global society, however, it will take many more companies. Today there are over 80,000 multinational companies and to garner a critical mass of these businesses, all working toward a common goal, it will take renewed effort. The UNGC has set a target of 20,000 companies in order to have the critical mass to advance significantly the sustainable vision. At the same time, there will be great effort applied to ensure that signatories actually advance the sustainable vision through their strategic plans and projects. This will be a qualitative effort as well as a quantitative one.

In conclusion, I continue to believe that there is a need to have a central organization which can be a forum to gain consensus on the norms and values for sustainable development in the global economy and that the UNGC is the best organization for this important role. The Global Compact offers a forum under the umbrella of the United Nations—with its visibility, global reach, universality, neutrality and convening power—where some of the best members of civil society—non-governmental organizations, academic and public policy institutions, individual companies, business associations and labor representatives—can come together to discuss the changing role of business and the moral norms needed for a more just global economy.

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