

The Importance of Voluntarism

THE UN GLOBAL COMPACT IS COMMITTED TO VOLUNTARISM AS A COMPLEMENT TO REGULATION

The United Nations Global Compact is a global voluntary initiative that draws on partnership, learning and dialogue to advance two complementary objectives:

- (1) to mainstream the Global Compact's ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption in business activities around the world; and
- (2) to catalyze business actions in support of broader UN goals, including the Millennium Development Goals.

These goals are pursued by creating a culture of transparency and accountability to foster innovation, instill a sense of stakeholder responsibility, and facilitate the adoption of sustainable corporate practices.¹

The UN Global Compact believes that voluntary initiatives play an essential role in the drive to encourage business to embrace corporate responsibility and business ethics. Voluntary corporate responsibility initiatives are programs that promote corporate self-regulation to the end of sustainable management. By participating in a voluntary initiative, companies commit themselves to a set of shared standards and principles of responsible behavior. Companies participate in such initiatives not because of obligation, but because of drivers and concerns—both internal and external.

Voluntarism is the spirit animating voluntary initiatives. It represents corporate commitment to better citizenship. The best voluntary initiatives harness this commitment by building a space for private-sector stakeholders to develop innovative solutions to the challenge of integrating sustainable corporate practices. They create a culture of transparency and accountability to ensure that stakeholders meet, and ideally exceed, their obligations.

At the same time, voluntary initiatives—which by definition are not legally binding—should never be a substitute for effective regulation. Rather, they can be its powerful complement. Companies must, of course, comply with the law, whether or not it can be enforced. But voluntary initiatives have the unique potential to become corporate drivers. They can lead companies to strive to be better than the law requires and, in this way, move beyond lowest-common-denominator standards or rules.

¹ See the UN Global Compact “Policy for the ‘Communication on Progress’ (COP)” http://www.unglobalcompact.org/docs/communication_on_progress/COP_Policy.pdf.

VOLUNTARY INITIATIVES INSTILL A CULTURE OF CORPORATE LEADERSHIP AND INNOVATION IN THE PURSUIT OF RESPONSIBLE BEHAVIOR

Voluntarism can make responsible business practice an integral business concern. Involvement in voluntary initiatives can inspire stakeholders' ambition and imagination, and can embed the quest for responsible behavior in the corporate culture. In this way, voluntary initiatives can ensure that, if enforceable regulation is passed, it does not simply become a ceiling, but remains a floor.

- ***Voluntarism can assist in embedding universal principles of ethical globalization in markets and economies:*** Building trust and confidence in markets will, and should, remain an urgent priority in the coming years and decades. Voluntary corporate responsibility initiatives can diffuse principles of good practice into local, regional, and global economies—thereby helping to ensure that globalization is sustainable and inclusive.
- ***Voluntarism can foster competition among organizations to be better corporate citizens:*** Voluntary initiatives can tap into companies' desire to distinguish themselves by developing better ways to act responsibly. Transparent and accountable, the best voluntary initiatives cast light on companies' true commitment to corporate responsibility. Voluntary initiatives can thus draw on the corporate pursuit of competitive advantage to encourage innovation in search of the best sustainable practices.
- ***Voluntary initiatives can provide a forum for cross-spectrum stakeholder collaboration:*** Developing effective corporate responsibility standards depends on learning from past actions and adapting to changing circumstances. There are no definitive answers. The quest for corporate responsibility requires the willingness to hone approaches in the face of facts on the ground. Voluntary initiatives spur the learning process by providing a space for diverse stakeholders—from business to civil society—to discuss issues and collaborate in resolving them. Regulation, in contrast, almost never incorporates this “partnership” dimension.
- ***Cultivating a spirit of voluntarism can encourage business to take the lead in promoting corporate responsibility:*** Too many governments are unable or unwilling to pass and enforce regulation respecting human rights, labor rights, the environment and anti-corruption. Voluntary initiatives are built on business's internal drivers and concerns; but they can also help redirect those drivers and concerns by embedding voluntarism in the corporate decision-making fabric. If properly cultivated, a culture of voluntarism can become a bedrock principle of business; it can inspire corporate leadership to do more than the law demands.
- ***By shaping internal corporate drivers, voluntary initiatives can help bridge regulatory gaps:*** The strength of voluntarism is that it can become self-sustaining. As a bedrock principle of business, voluntary commitment to responsible behavior can limit reliance on government action. In this manner, voluntary initiatives can help bridge the void while

regulation is being developed and raise the bar when regulation is either insufficient or improperly enforced.

VOLUNTARY INITIATIVES CAN MOVE CORPORATE RESPONSIBILITY FROM CONCEPT TO FACT

The challenge is to move corporate responsibility from abstract theory to real-world change. Voluntary initiatives can create the practical foundation to explore and implement sustainable corporate practices. This learning and practical experience can, in turn, inform the development of effective regulation, wherever necessary.

- ***Voluntary initiatives can facilitate the emergence of stakeholder consensus:*** Stakeholder acceptance of sustainability standards is a prerequisite to the spread of corporate responsibility. Voluntary initiatives can inspire collaboration between stakeholders and reshape businesses' internal drivers and concerns. In doing so, voluntary initiatives can help build consensus that corporate responsibility ought to be a mainstream business concern.
- ***Voluntary initiatives demonstrate how businesses can implement sustainable corporate practices:*** Regulation is often silent as to how it should be implemented. Voluntary initiatives can fill the regulatory silence. In particular, they can offer a platform for the development, testing and exchange of practical responses to the challenges that arise in implementing corporate responsibility measures. And they can raise awareness and understanding of the tools and resources available to help business implement sustainable practices.
- ***Voluntary initiatives provide flexibility to develop well-tailored responsible practices:*** Sustainable corporate practices should be developed and implemented with sensitivity to the needs of different communities and stakeholders. There is no one-size-fits-all approach. Responsible corporate practices must cater to different countries' and regions' governance institutions, history, business culture and geography. Voluntary initiatives are invaluable in this regard: they can offer stakeholders a forum in which to apprehend locale-specific responses to unique challenges.
- ***Voluntary initiatives can limit the risks and costs of corporate responsibility:*** Effective corporate responsibility programs require investment of time and resources. Voluntary initiatives can lower these costs by bringing together stakeholders from business and civil society to cooperate in developing shared standards. This cross-spectrum cooperation can help stakeholders to identify, prevent and mitigate business risks while implementing approaches that cater to the interests of many different stakeholders.
- ***Voluntary initiatives can help identify material opportunities and drive long-term business success:*** In recent years, more and more evidence has emerged establishing the link between a company's ability to manage environmental, social and governance issues and its ability to drive enterprise value. Through a commitment to voluntary corporate

responsibility companies can: (i) find new revenue sources (e.g. green products); (ii) attract and retain the best talent; (iii) and secure investment sources with a long-term orientation. All of these factors can help companies meet their business objectives and goals.

- ***Voluntary initiatives can lead to the development of more robust practices:*** Multi-stakeholder voluntary initiatives can draw on the knowledge of business and civil society to develop more robust responsible practices than any one business can develop on its own. The collective wisdom and experience of diverse stakeholders can sharpen best practices so that individual businesses are not forced to reinvent the wheel.

VOLUNTARY INITIATIVES CAN GIVE VOICE TO THE PEOPLE'S CONCERNS

The increasing engagement of governments, consumers, local community members, business partners, and employees is an important driver of corporate responsibility. Voluntary initiatives provide tangible ways for companies to give voice to the demands of these stakeholders and to develop business practices sensitive to the people most affected by their actions.

- ***Voluntary initiatives help companies build brand equity:*** The public increasingly demands greater corporate commitment to human rights, labor rights, environmental standards and anti-corruption measures. Voluntary initiatives encourage companies to pay heed to public demands by showcasing their commitment to corporate responsibility.
- ***Voluntary initiatives allow companies to foster relationships with local communities:*** Individual communities require well-calibrated action to meet their particular needs. Voluntary initiatives can offer companies a space in which to implement targeted, sustainable corporate practices that build lasting relationships with the particular communities affected by their business activities.
- ***Voluntary initiatives provide a forum for companies to inspire their employees:*** More than ever before, the most qualified people are pursuing employment opportunities at companies whose principles align with their own. Employees and recruits want to be part of a team that is doing good, not just doing well. Voluntary initiatives give companies the ability to differentiate themselves by demonstrating that corporate responsibility is more than an obligation—it is an aspiration.