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HEADLINE: Signing up to corporate citizenship

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BODY:

Georg Kell is a man in a hurry. As executive head of the United Nations' Global Compact on corporate citizenship, he believes the increase in recent years in companies' efforts to show their credentials on social responsibility does not go far enough.

"If you (as a company) respect human rights, if you treat your workers well, if you're sensitive about the environment, then of course there are benefits," he says.

"But in essence corporate responsibility remains a 'micro' issue. The challenge is how to scale up such micro solutions - how to translate them into more systemic change processes that address the big-picture challenges of poverty and market exclusion."

As point man for Kofi Annan, UN secretary-general, in the Global Compact, Mr Kell, a fast-talking diplomat and former financial analyst, is more than happy to pick up that challenge.

After Mr Annan used a speech in 1999 at the World Economic Forum in Davos to launch the Global Compact, Mr Kell has supervised its rapid expansion. It now involves more than 700 companies, plus dozens of civil society groups, trade unions and academics.

He is also happy to live with the consequences of pushing voluntary corporate citizenship initiatives on to the UN agenda. Those consequences range from corporate fears that the Global Compact represents the slippery slope towards increased international regulation of business, to complaints by non-government groups that it represents the exact opposite - the watering down of long-standing UN efforts to rein in transnational companies.

The Compact, which still draws on the personal support of Mr Annan, is based officially on the call for "business to embrace universal principles to make globalisation more stable and inclusive by embedding markets in shared values".

There are nine such principles to which companies must commit themselves, covering: protection of human rights; abiding by core labour standards on freedom of association, child and forced labour and anti-discrimination; and environmental protection. A tenth "principle" opposing corruption is being considered.

Many companies that have signed up are from developing countries. They include 86 from India and 91 from the Philippines, while 20 come from the UK and 40 from the US.

In practical terms, Mr Kell says, the Compact is a "learning and action network" that has launched thematic initiatives such as the "role of the private sector in zones of conflict", as well as a "learning forum" for sharing experiences. Themes this year include Aids in the workplace

and public/private partnerships. Country-based "local networks" of companies, government departments and other signatories to the Compact have been set up in more than 40 countries.

Mr Kell insists that persuading executives of the need to endorse the nine principles - or getting "the message into the boardroom", as he puts it - remains the Compact's core activity.

This "leadership model" of recruiting chief executives to promote corporate citizenship inside and outside their companies has been highly successful, he argues. The large number of companies that have signed up, and the presence of big names among them, is evidence of this, although he admits many companies were initially hesitant and the Compact has no capacity to check how far a chief executive's commitment has changed company behaviour.

Volkswagen, the German carmaker, is one such big name (others include Nokia, Nike, BP and Hewlett-Packard). Reinhold Kopp, VW senior vice-president, says it took his company some time to "work out exactly" what the Compact stood for compared with other international corporate social responsibility networks.

Having signed up, Mr Kopp says the Compact has distinct advantages: "The nine principles are easy to grasp and communicate, both inside the company and outside, and there is no strict code of conduct. Voluntary approaches are better."

Such corporate involvement lays the basis for the "scaling up" that Mr Kell says is so necessary. He sees the Compact as a response to frustration within the UN that grand-sounding resolutions adopted by the world body were simply not being implemented by governments.

Mr Kell, a 48-year-old German, speaks from experience, having worked for several years in the UN's now-defunct centre on transnational companies.

He admits that these resolutions achieved little, mainly because many governments see human rights, labour and environmental issues in a "politicised way", treating the issues as a bargaining chip.

Crucially, a new wave of "internationally oriented, pragmatic businesses" see things differently. They recognise the need to act on these issues in order to gain and retain market presence, he argues.

The move by Mr Annan to encourage business to cut through this logjam of government-based negotiations on these social issues "was the real trick behind the Compact", Mr Kell says. Indeed, an internal UN report notes that, via the Compact, "UN values are penetrating the texture of leading companies. Never before has the UN achieved so much leverage with so few resources."

But this "trick" of involving the companies in achieving UN goals is also where the criticism of the Compact begins. While some companies remain wary of being drawn into UN processes, the main criticism has come from civil groups.

They feel the UN - which, compared with the World Bank and International Monetary Fund, has long been seen by such groups as a bastion against business influence - has given too much ground to companies. They have three main areas of complaint.

First, some argue that the Compact is engaged in "bluewashing" corporate reputations; companies can improve their international standing by endorsing the nine principles, they say, without necessarily changing their behaviour.

Mr Kell says this is a serious argument, although it is based on a "misunderstanding that the Compact has a monitoring or regulatory function - it does not".

Nevertheless, he admits that greater accountability of companies' activities regarding the Compact is needed and points to new proposals for signed-up companies to declare activities in their annual reports.

Second, the UN is also accused of giving companies access to its decision-making mechanisms - so watering down its interest in regulating the activities of trans-national companies (TNCs). Jens Martens of Weed, a Berlin-based non-government development policy think-tank, says: "Kofi Annan should invest the same energy in drawing up binding rules on TNCs as he does in the Compact."

Mr Kell says it is "totally absurd" to argue that the Compact will detract from the UN's work on standards and regulations. With a staff of only 11 in New York the Compact is "like a tiny island in the UN" that can at best act as an "experimental platform" for new approaches.

Last, civil groups criticise the Compact for taking a naive view on how globalisation works. "The Compact simply ignores the numerous studies on the negative impacts (on developing countries) of market liberalisation, for instance," says Mr Martens.

This is where Mr Kell is least convincing. On the one hand, he expresses frustration with civil groups that take "an ideological approach" to globalisation.

For its part, the Compact "tries to stay away from politics - we are beyond ideology", he argues. The only concrete goals consist of pointers laid down by Mr Annan to reduce "trade asymmetries" and debt in developing countries and to increase flows of aid.

On the other hand, Mr Kell argues forcefully that "the only hope we have is to make globalisation work, as poverty is caused by too little globalisation, not too much".

With such a benign view of globalisation - he admits that it could be seen as "pro-business" - Mr Kell knows that companies will still queue to sign up but also that some civil groups will remain deeply sceptical. He is not worried, however.

"It is this controversy that keeps us going," he concludes.