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## Review Essay

Arno Kourula

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**Arno Kourula<sup>1</sup>**

## Abstract

This review essay addresses first the author's own assessment of the United Nations Global Compact (UNGC) and second the structure and contribution of the book edited by Andreas Rasche and Georg Kell on *The United Nations Global Compact: Achievements, Trends and Challenges* (Cambridge, UK: Cambridge University Press, 2010). The book brings together contributions by academics and practitioners from business, civil society, and the UNGC office.

## Keywords

United Nations Global Compact, communications on progress, global compact local networks

The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, environment, and anticorruption.

United Nations Global Compact

*The United Nations Global Compact: Achievements, Trends and Challenges* is a compilation of reflections on the first decade (2000–2010) of the initiative. The editors, Andreas Rasche from Warwick Business School and Georg Kell, Executive Director of the United Nations Global Compact (UNGC), have been able to engage with an impressive list of contributors from

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academia, business, civil society, and the UNGC office. The list of authors is representative of the UNGC itself in the sense that it aims to bring together representatives of different societal sectors. While the debate around corporate responsibility and the (multiple) role(s) of business in society only seems to grow, the editors are able to contribute to this dialogue by offering a timely evaluation of the world's largest corporate responsibility initiative.

In this review essay, I first offer an assessment of achievements, trends, and challenges related to UNGC. Then, I describe the content of the book by discussing some insights from the rich variety of themes and topics covered and present some implications for policy makers, business managers, civil society representatives, and especially scholars. While not aiming to be a comprehensive summary of the first decade of UNGC, the book does an excellent job in evaluating the initiative's achievements, a good job at examining key trends in corporate responsibility, and a fair job at listing and addressing past and potential future challenges of the initiative. A focus on key achievements is natural since many of the contributors have been closely engaged with UNGC.

In terms of achievements, the UNGC can be considered to be successful due to processes of differentiation, legitimation, integration, mobilization, diffusion, and implementation. The initiative has certainly been successful in differentiating itself in a jungle of hundreds of global, regional, national, industry-specific, and professional voluntary environmental and social initiatives of various forms. A key part of this success has been legitimation through the United Nations (both the catalytic action of the former secretary-general and buy-in from the current one), government approval, (attempted) alignment with other key corporate responsibility initiatives, a relatively clear positioning as an umbrella principle-based initiative, and ongoing dialogue with a variety of stakeholders. As such, it has played a key part in the acceptance and propagation of corporate responsibility as a trend. A key function that UNGC has been able to do through differentiating and achieving a certain level of legitimacy is integration. It has integrated various perspectives to come to a common understanding of what key themes the initiative should address—human rights, labor standards, the environment, and corruption. Anyone who has ever been to a meeting at the United Nations knows that this type of diplomacy, communication, negotiation, and bargaining takes a lot of effort and skill. After getting key actors to come together on the themes, UNGC has been rather successful in mobilizing them. At the time of writing this review, UNGC has more than 8,700 corporations and other stakeholders from more than 130 countries as participants—it is global in nature and involves various types and sized actors. This broad membership

has led to wide diffusion of knowledge in the form of best practices. Finally, the initiative has been able to implement its 10 principles through various mechanisms including Communications on Progress (COP) and Global Compact Local Networks (GCLN). It seems that now that agreement has been reached on themes and growth in number of participants has been strong, UNGC is in implementation mode. All in all, the achievements of UNGC should not be overlooked.

In terms of trends, the book focuses on describing developments in the areas of the 10 principles—human rights, labor standards, the environment, and corruption—and provides a good overview of where we are coming from and where we are. Nonetheless, key trends related to corporate responsibility in general also come through in the chapters. These trends include transparency and pressure, measurability and impact, interorganizational cooperation and engagement, the complexity of governance at multiple levels, and sustainable development. The trends related to UNGC are closely linked to the initiative's challenges. The challenges that UNGC has faced and will face closely mirror the challenges that corporate responsibility faces. These challenges include moving from discourse to action and from a triple bottom-line framework to “real” sustainable development, being able to listen to and address all relevant constituents' voices and concerns, achieve interoperability and alignment with key corporate responsibility initiatives such as the Global Reporting Initiative and ISO 26000, staying relevant, and possibly moving from a corporate-led model toward general organizational responsibility. While UNGC has been unfairly criticized for being too market and company-oriented (which it aims to be) and not creating a global regulatory framework for corporations (which it explicitly does not aim to do), it should be noted that it limits or can potentially make impossible the emergence of alternative stricter global initiatives.

The editors structure the book into four parts. The first part reflects on developments in the four areas of the 10 UNGC principles. The second provides different perspectives from the wide variety of actors involved. The third discusses the Communication on Progress mechanism. The fourth describes concrete action taking place in Local Networks. The final chapter summarizes key takeaways from the book. While the scope of the book is very wide, I briefly present specific contributions (not necessarily in the order presented in the book) and highlight especially insightful contributions.

In the first part, Leisinger, Cramer, and Natour provide an excellent background on business and human rights and review of specific responsibilities of public and private actors based on the foundational work by Professor John Ruggie. In line with the combination of theoretical and practical perspectives

of the book, the authors give good suggestions on how to manage and implement human rights in practice. Ryder discusses what UNGC's aims are in terms of labor rights and conditions and how UNGC links to ILO principles and OECD guidelines. The chapter is insightful in its examination of the role of business-organized nongovernmental organizations (business advocacy groups) and trade unions. Unruh briefly describes the rise of global environmental governance, explains what each of the UNGC environmental principles mean, and links them to practice through illustrative case descriptions of H&M, S.C. Johnson, the carpet industry, and Patagonia. Fussler describes the Caring for Climate initiative and other climate initiatives and makes the case for why action is needed and how it should be implemented. Labelle gives an overview of how the tenth and final UNGC principle on corruption came into being (mainly through the work of Transparency International) and how it is being implemented. The first part of the book focusing on the four areas of the UNGC principles works as a reference guide on how to look at human rights, labor standards, the environment, and corruption, while providing a sense of where UNGC fits into the bigger picture. It makes complex intertwined global challenges approachable and gives clear suggestions on how to start tackling them.

The second part of the book attempts to give voice to a variety of actors that have a stake in UNGC. Woo goes over basic statistics on how the initiative has developed and describes how PricewaterhouseCoopers, Symantec, and Dow Chemical have engaged with corporate responsibility and UNGC, including listing how Dow Chemical approaches corporate responsibility metrics. Grajew tackles the challenging task of assessing the engagement between the large diverse field of civil society and UNGC focusing on the Brazilian context. While the chapter is a good review of the Brazilian situation, the theme of civil society would seem to deserve even more attention in the book. Gifford presents the Principles for Responsible Investment (PRI), an aspirational guideline initiative within the UNGC umbrella (PRI is itself an umbrella of initiatives), and a valuable assessment of the prospects of the field of responsible investment in general. Wolfe and Werhane introduce another of the successful spin-offs of UNGC, the Principles for Management Education (PRME) through statistics and case descriptions as well as ideas on how to assess the program's implementation. In an especially insightful, reflective, and ambitious piece, Kleymann and Tapie (followed by a commentary on existing networks) force academics to stop and think by arguing that business schools are missing the point and should adopt a new approach to education. Following in this reflective line, McIntosh and Waddock offer

a range of insights from their discussions with practitioners about what a sustainable enterprise might look like. This contribution is academic and practitioner interaction at its best. Palazzo and Scherer conclude the second part of book on a high note by examining the role of UNGC in deliberation and learning. While many potential stakeholder voices are not provided a voice in the stakeholder perspectives part of the book, the overemphasis of academic perspectives on UNGC (“professor-heaviness”) is understandable and especially enjoyable reading (in the opinion of an academic).

After a rather reflective second section on the roles and responsibilities of companies, the third and fourth parts focus on implementation. The third part of the book starts with an excellent overview of the governance and inner workings of UNGC provided by two staff members, Wynhoven and Stausberg. Hamid and Johner review the primary (annual) disclosure mechanism of the initiative, COP; Grether Carvalho describes how Petrobras approaches its COP; and Hohnen links the development of the Global Reporting Initiative (GRI), the main corporate responsibility reporting guideline, to UNGC. The fourth part examines how UNGC is understood, discussed, and implemented on a local level through descriptions of how the multitude of local networks have developed (Whelan) and what types of activities take place in Germany (Helmchen) and Argentina (Fuertes and Liarte-Vejrup). Gilbert provides an interesting break in an otherwise practically oriented section by providing a way to assess local networks and UNGC as a network of networks through insights from network theory. Brugger and Maurer have the challenging task of summarizing some key insights from the book. They see that the United Nations has through UNGC made a significant move toward business by offering a platform for engagement. While internal legitimacy of UNGC within the UN system is mentioned, the theme would merit even further discussion since it has probably been a key challenge. Describing the UNGC’s development and prospects in the light of the current financial crisis is especially interesting. Scaling up, while staying avant-garde and relevant, is seen as a key challenge for the initiative alongside inclusiveness, differentiation in terms of corporate participation, creation of brand value, and governance of the initiative itself.

After reviewing the variety of contributions, we get a comprehensive, but not necessarily entirely coherent, view of UNGC—just as the editors have intended. For policy makers, the book is an excellent reference to understand key themes in corporate responsibility and the relationship between the United Nations and companies. Government representatives are offered a lot of food for thought in terms of thinking about public engagement with the

private sector and the complexity of different levels of governance—organizational, national, regional, and global. While the book is obviously biased toward UNGC (as well as market and partnership-oriented approaches toward global challenges), policy makers are provided guidance on how to view different voluntary corporate environmental and social initiatives. Corporate managers are offered a number of very valuable case studies, strategies on how to approach corporate responsibility, processes and tools on how to implement the UNGC principles. While the book has a relatively strong practice orientation, company cases are relatively limited, presumably due to the fact that a wide range of resources are available to companies through the initiative itself. Civil society actors are provided a relatively small space in the book, but it is a very good source of knowledge on how the United Nations and UNGC operates and what are their aims. Nongovernmental organizations (NGOs) dealing with corporate responsibility need to know these to be able to support existing approaches and/or imagine different alternatives.

The book emphasizes that academic discourse and research can have a significant effect on practice and vice versa and implicitly seems to promote rigorous research aimed at addressing pragmatic questions. This emphasis is in part due to the fact that most academic contributors come from business schools. The book is an especially valuable guide for academics and corporate responsibility and business and society scholars should definitely review this rich contribution. While the book is not specifically focusing on theoretical contributions (except network theory), studying UNGC can offer significant potential contributions for institutional, network, governance, and corporate responsibility—just to name a few fields. COPs and GCLNs can potentially be very valuable, rich, and unique data sources.

All things considered, this book offers an invaluable and reflective look back at the first decade of the UN Global Compact and perspectives on what lies ahead. As such, it definitely deserves a place in the bookshelf of corporate managers, policy makers, civil society representatives, and especially scholars interested in corporate responsibility.

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## Author Biography

**Arno Kourula** (DSc Econ, Helsinki School of Economics) was a postdoctoral research fellow at Stanford University (January 2010-August 2012) at the time of writing this review essay. His research interests focus on corporate responsibility and cross-sector interaction. His articles have appeared in such journals as *Business Ethics Quarterly*, *Business & Society*, *Corporate Governance*, *Energy Policy*, *Journal of Business Ethics*, and *Journal of World Business*. As of September 2012, he is an assistant professor of strategy at the University of Amsterdam Business School.