ABSTRACT

The aim of this paper is to gain a better understanding of the actual developmental impact in the South that this new mode of governance can potentially unfold. Following a brief overview of recent academic work on the strengths and limitations of Corporate Social Responsibility in the light of international development as well as specific studies on the Global Compact, the results of a quantitative analysis of the Compact are presented. Particular emphasis is placed on a set of 416 descriptive case studies published by corporate Compact members. Although these cases cannot be viewed as representative of the Compact in general, they can illustrate which kinds of projects are deemed appropriate as best practice examples within the Compact network, and therefore indicate the direction in which the Compact in its current form is at best evolving. The results of the analysis raise doubts regarding the general suitability of contemporary CSR initiatives to tackle some of the most pressing developmental challenges. Instead, only certain topics are commonly addressed, while a number of issues such as anti-corruption measures or labour rights are underrepresented in the case study sample. Furthermore, a strong bias towards large Northern MNCs within the Compact can be identified, raising questions about the Compact’s ability to meaningfully embrace SMEs as well as companies from the South.

Keywords
Cross-border CSR, Development, UN Global Compact, CSR Business Case, Multinational Corporation
1 INTRODUCTION

Seven years into its existence, the UN Global Compact has evolved into one of the largest and most visible CSR initiatives worldwide. In its institutional design, the Compact mirrors and reinforces the recent shift towards CSR and development in that it almost solely relies on the voluntary engagement of its members in order to aim at a more sustainable and inclusive global development. In contrast to previous attempts to regulate corporate behaviour, the current generation of CSR instruments is of a more conciliatory tone, emphasizing voluntary actions and the formation of partnerships with governmental and civil society actors (Gouldson & Bebbington, 2007; Kell, 2003, 2005; Ruggie, 2002). Along these lines, the private sector and especially large multinational corporations (MNCs) have become major players in international development. Rather than being viewed as one of the key obstacles to development in the South, MNCs are now commonly seen as part of the solution to today’s major global developmental challenges. However, substantial doubts prevail regarding the actual impact in terms of development these new CSR instruments will be able to unfold (see e.g. Pattberg, 2006: 11pp.; Prieto-Carron, Lund-Thomsen, Chan, Muro, & Bhushan, 2006).

The aim of this paper is to gain a better understanding of the actual developmental impact in the South that this new mode of governance can potentially unfold. Following a brief overview of recent academic work on the strengths and limitations of Corporate Social Responsibility in the light of international development as well as specific studies on the Global Compact, the results of a quantitative analysis of the Compact are presented. Particular emphasis is placed on a set of 416 descriptive case studies published by corporate Compact members.

In the first part of the analysis, a general account of the current state of the Compact is provided, with particular focus on the distribution of membership in relation to company size and region/country of origin as well as the number of case studies published as an indicator of the level of engagement of companies within the Global Compact network. In the second part, an in-depth analysis of the descriptive case studies published on the Compact website is presented. Particular attention is paid to those 269 case studies published by European Compact members. Although these best practice examples are by no means representative of the private sector’s engagement in the Compact in general, they can provide insight into how the Compact and consequently CSR is interpreted by its members and what kind of activity is perceived as an appropriate CSR best practice example.¹

The results of the analysis can help to shed light on the relationship between the current generation of CSR instruments and (sustainable) development in the South. The results of the analysis raise doubts regarding the general suitability of contemporary CSR initiatives to tackle some of the most pressing developmental challenges. Instead, only certain topics are commonly addressed, while a number of issues such as anti-corruption measures or labour rights are underrepresented in the case study sample. Furthermore, a strong bias towards large Northern MNCs within the Compact can be identified, raising questions about the Compact’s ability to meaningfully embrace SMEs as well as companies from the South.

¹ The UN Global Compact Office commonly uses the term ‘corporate citizenship’ instead of CSR. However, despite conceptual differences of CC and CSR, especially in corporate practice but also in parts of the literature both terms are often used interchangeably. Therefore, for the purpose of this analysis, corporate citizenship is subsumed under the notion of CSR.
2 CSR AND DEVELOPMENT

The concept of Corporate Social Responsibility (CSR) has been extremely successful in recent years, and has become increasingly relevant in areas that had previously been dominated by official development assistance (see e.g. Blowfield & Frynas, 2005). “Doing well by doing good” has gained a large and growing number of advocates. A plethora of best practice examples of CSR in developing country contexts has evolved, to a large extent highlighting the “business case of CSR”. Several studies highlight the economic potential for MNCs tapping into developing country markets (see e.g. Kirchgeorg & Winn, 2006; Prahalad, 2005; SustainAbility & International Finance Corporation, 2002; Thorpe & Prakash-Mani, 2003; Warhurst, 2005; World Business Council on Sustainable Development, 2004). Especially “emerging markets” such as China, Brazil, or India are increasingly exposed to CSR. In the case of South American businesses, Newell and Muro note that “the degree of embeddedness within global markets emerges as perhaps the single most important driver of CSER behaviour. Countries within the region with the highest levels of foreign direct investment and greatest exposure to global markets have demonstrated the greatest involvement in CSER initiatives” (Newell & Muro, 2006, 57).

In summary, CSR can best be described as an umbrella term, referring to the responsibilities of business towards society. CSR is not an entirely new concept in most parts of the world. Albeit often termed differently, there have been similar approaches towards business responsibility in many different countries (see e.g. Blowfield et al., 2005; Prieto-Carron et al., 2006). However, the current dissemination of CSR instruments is somewhat different in that it stems from the Anglo-American tradition of business responsibility, highlighting the voluntary nature of CSR as well as focusing especially on Northern multinational companies (MNCs) (see e.g. Fox, 2004). Along these lines, Midttun et al argue that “given its emphasis on non-formal market-endogenous processes, the CSR model has tended to emphasise a non-authoritative, self-regulatory approach” (2006, 375).

Regardless of the question whether these new CSR initiatives are effectively producing viable outcomes in terms of (sustainable) development, CSR has proven to be an attractive option vis-à-vis regulative approaches: (a) business can increase its regulatory autonomy; (b) host governments can devolve responsibility to business and therefore save scarce resources; and (c) non-governmental organisations can raise their profile and funding (see e.g. Michael, 2003). One tangible result that has certainly been achieved by the current CSR “movement” is that it “has got people talking about worker rights, global governance, sustainable enterprise and all manner of topics that have relevance to the well-being of the poor and marginalized” (Blowfield, 2005b: 515). However, one central theme regarding Corporate Social Responsibility in a developing country context is that current practice is outpacing research on the broader implications of this increased reliance on business self-regulation.

As a consequence, the CSR and development agenda is shaped and consolidated while failing to address a number of substantial shortcomings of the concept itself (see e.g. Blowfield, 2005b; Blowfield et al., 2005; Prieto-Carron et al., 2006). Below, a brief overview of

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2 An overview of CSR definitions is provided by e.g. Carroll, 1999; Hopkins 2006: 15-44; Moir, 2001; Moon, 2002. For the purpose of this article, the current mainstream initiatives, such as the UN Global Compact, SA8000, the Fair Labour Association (FLA), the Global Reporting Guidelines (GRI), ISO14001, or the multitude of codes of conduct, serve as a proxy for CSR. Instead of defining a target state of corporate responsibility, the focus is on understanding the contemporary mainstream CSR regimes that are already in place today.

3 In this report, OECD based companies are referred to as Northern companies.
some major criticisms regarding the current practice of mainstream CSR in developing countries is presented.

a) The CSR business case.

A growing number of scholars criticise the “CSR business case” that is brought forward by its proponents. This business case is commonly grounded in arguments concerning the enhancement of a company’s competitive advantage, corporate reputation, efficiency-enhancing measures, the beneficial impact on staff morale, and CSR being portrayed as a proxy for competent management. Another central issue is the adoption of CSR as a risk management tool (see e.g. Utting, 2005: 380). However, evidence is mixed at best: for example, both cases of Northern MNCs “exporting environmentalism” to Brazil and Mexico (e.g. Garcia-Johnson, 2000), as well as other Northern MNCs creating “pollution havens” abroad (e.g. Leonard, 1988) have been identified. In his critique of the strategic use of CSR in the oil industry, Frynas (2005) comes to the conclusion that CSR is generally used instrumentally in order to e.g. gain competitive advantage or maintain a stable working environment. As a consequence, CSR is commonly focused on add-on measures and technical solutions, to a certain extent neglecting the contextual environment or even the intended beneficiaries that are addressed by the CSR measures. The strategic use of CSR and its link to corporate reputation point towards a number of critical issues. From this perspective, companies should only engage in CSR if this is less costly than the reputation damage that might be inflicted by e.g. a consumer boycott. At the extreme, businesses only use CSR as a mere public relations tool to enhance the company image, while preventing alternative (regulatory) approaches and detracting from their own corporate social performance (see e.g. Christian Aid, 2004; Greer & Bruno, 1996; Welford, 1997).

b) The stakeholder concept.

Closely related to the wide-spread business case rationale is the critique of the crucial role the stakeholder concept plays in the strategic use of CSR. By definition, companies tend to focus on those stakeholders that have a crucial stake in their operations. Therefore, a company might disregard those groups which are not perceived as primary stakeholders. A number of researchers suggest that the intended beneficiaries of CSR initiatives are either not adequately involved or even completely left out of the CSR agenda (see e.g. Blowfield, 2005a; Blowfield et al., 2005; Frynas, 2005; Pedersen, 2006; Prieto-Carron et al., 2006). Likewise, Jenkins argues that the central role of the stakeholder concept within CSR per se disadvantages the poor since they do not have a stake (Jenkins, 2005). Another potential shortcoming of the stakeholder concept is that it treats stakeholder management as “ideationally neutral” (Blowfield et al., 2005: 507; Prieto-Carron et al., 2006). Consequently, power relations are not adequately addressed but rather the assumption prevails that all stakeholders are dealt with in an equal matter. This is clearly not the case if a company

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4 In particular, Frynas points to so-called “Participatory Rural Appraisals” that are thought to enhance the involvement of local stakeholders, but in practice mainly serve as a public relations tool (Frynas, 2005).
5 Clarkson’s distinction between primary and secondary stakeholders is followed in that primary stakeholders are “those without whose continuing participation the corporation cannot survive”, whereas secondary stakeholders are “those who influence or affect, or are influenced or affected by, the corporation (...) but are not essential for its survival” (Clarkson 1995: 106-107)
6 Following Clarkson’s definition of stakeholders, this would not quite be possible; however, it can be suggested that the poor commonly only have a marginal stake in a company.
distinguishes between primary and secondary stakeholders. In general, stakeholders must be willing and capable of entering a dialogue with a company in order to articulate their needs. Lawrence argues in her case study on Royal Dutch Shell and Amnesty International/Pax Christi International that generic factors such as the motivation, legitimacy and organisational capacity of all parties involved determine the success or failure of corporate-stakeholder engagement (Lawrence, 2002).

Alongside the impact of corporate power, the cultural specificity of CSR is not adequately reflected in the stakeholder concept. Blowfield (2004) gives a number of examples for ethical trade initiatives that fail to address the cultural context in which they take place and therefore are perceived as irrelevant or even counterproductive locally. He concludes that ethical trade resembles CSR in general in that it “seeks to benefit the poor and marginalised affected by global supply chains, but it does so through instruments and processes that may be unable to adequately capture beneficiaries’ values and priorities, and may even undermine them, promoting in their place values and social constructs that reflect and reproduce the priorities of the originators of ethical trade” (Blowfield, 2004: 88). Consequently, he points to the need to recognise values (Blowfield, 2005c: 123), referring back to Rawls’ distinction between universal and “universalizable” ethics (Rawls, 1971). Furthermore, the dynamics and peculiarities of stakeholder pressure and negotiations also have to be taken into account. NGOs tend to target highly visible market leaders rather than the most irresponsible companies (for a brief account of CSR and corporate reputation on the basis of game theory see e.g. Klein & Harford, 2005).

c) Inadequacy of CSR agenda.

An increasing number of scholars have recently pinpointed to a diverse range of issues that are in danger of being left out of the mainstream CSR agenda. To mention a few, tax avoidance and transfer pricing (see e.g. Jenkins, 2005), corporate power and policy influence, the negative effects of economic liberalization (see e.g. Prieto-Carron et al., 2006; UNRISD, 2003), or the “resource curse” effects of the influx of foreign aid or oil revenues on governance in developing countries (see e.g. Frynas, 2005) all are commonly not addressed, although they potentially form an essential source of pitfalls regarding corporate social performance in developing countries. It can be argued that the CSR agenda is largely shaped by Northern actors, whereas there is a clear lack of participation/integration of developing country actors (see e.g. Fox, 2004; Fox, Ward, & Howard, 2002; Utting, 2001; Ward, 2004; Ward & Fox, 2002). In their analysis of CSR in Argentina, Newell and Muro conclude that “MNCs are the key drivers and respondents (of CSR). Often responsive to their home countries and receptive to shareholder and activist pressures overseas, their strategies reflect European or North American priorities” (Newell et al., 2006, 64). Typically, conflicting views resolve around labour rights in developing countries. A reduction of excessive working hours for example might not be appreciated locally, if it takes the employees the opportunity to earn a sufficient income (see e.g. Kaufman, Tiantubtim, Pussayapibul, & Davids, 2004 for an analysis of the Thai garment industry). Equally, measures to combat child labour might face local opposition if they drive the children’s families into poverty (e.g. on the efforts to combat child labour in the Sialkot soccer ball industry and the difficulties that were created locally see Hussain-Khaliq, 2004).

A controversial debate between North and South also exists around a number of environmental issues. Regarding widespread environmental certification systems such as ISO 14001, a key question is who covers the cost occurred by monitoring and certification, which can easily outweigh the benefits from the perspective of Southern suppliers (for an account of monitoring and supply chain management from the perspective of Chinese low
labour cost producers see e.g. Fox, Donohue, & Wu, 2005). This especially affects small and medium enterprises in the South (see e.g. Luken & Stares, 2005; Utting, 2001). In recent years, there have repeatedly been accusations that the current forms of CSR as well as the Northern environmental protection movement simply serve as a means of Northern protectionism (see e.g. von Moltke & Kuik, 1998). Kemp notes that in Indonesia, the CSR agenda is mainly externally driven and therefore questions the relevance of CSR in the Indonesian context (Kemp, 2001). It should be noted that other actors such as domestic civil society organisations can also contribute to this process. In the case of Latin America, a significant number of domestic civil society organisations depend on funding from abroad, and therefore often uncritically support the promotion of CSR instead of assuming their watchdog function within society and questioning the adequacy of certain CSR initiatives in the Latin American context (see Haslam, 2004; Newell et al., 2006).

The bias in the CSR agenda is also reflected in the theoretical literature that informs the practice of CSR. In an attempt to classify the literature on the role of CSR in development, Michael comes to the conclusion that CSR has been leaving out “all the difficulties and complexities that development theory has been debating for a century” (Michael, 2003: 126).

d) The governance dimension of CSR.

The above factors pinpoint towards the governance implications of a large-scale application of the current set of CSR instruments in a developing country context. A general mismatch between the underlying CSR mainstream theory and the policy environment of developing countries can be observed. In his analysis of the relationship between companies and poorer local communities, Newell concludes that “mainstream CSR approaches assume a set of conditions that do not exist in most of the world. CSR can work, for some people, in some places, on some issues, some of the time” (2005: 556; see also Newell, 2006). A number of scholars have recently pointed out that numerous failures of these CSR initiatives can be traced back to the absence of an “enabling environment”, i.e. a basic set of necessary framework conditions which would be the necessary preconditions for the success of these initiatives (see e.g. Fox, 2004; Ite, 2004). Weyzig (2006) observes a general lack of stakeholder engagement in Mexico, leading to a situation in which the CSR agenda is almost exclusively shaped by business.

Structural shortcomings may lead to the creation of “enclaves” in the host country rather than a general improvement of social and environmental conditions, since the latter might be beyond the capacities of individual companies (see e.g. Kolk & van Tulder, 2002; O'Rourke, 2003; Pearson & Seyfang, 2002). The difficulties of companies to effectively monitor their supply chains can serve as an example for this lack of capacity (see e.g. O'Rourke, 2002, 2003; Welford, 2005). CSR initiatives might in fact even contribute to a “disabling environment” (Utting, 2001: 11) in that they weaken the framework conditions which would be essential for the functioning of other CSR instruments. Feldman (2003) describes how the institutionalisation of the NGO scene in Bangladesh has in fact lead to a certain depolitisation of the Bangladeshi civil society. Another typical example would be the extensive efforts of the extractive industry in remote areas, often providing basic infrastructure in the areas they operate in and in turn lead to a further weakening of local authorities (e.g. for a case study on the impact of mining operations in East Kalimantan on local authorities see Kunanayagam & Young, 1998). Furthermore, the current form of mainstream CSR might prohibit alternative and potentially more effective policies: Utting lists a number of initiatives outside of the current UN CSR “flagship”, the UN Global Compact, that are carried out in cooperation with various UN organisations but are currently in danger of being crowded out by the Global Compact (Utting, 2002: 33).
3 THE COMPACT IN THE CONTEXT OF CSR AND DEVELOPMENT

The UN Global Compact, initiated by General-Secretary Kofi Annan and launched in July 2000, has rapidly evolved into one of the most visible and politically relevant global corporate citizenship initiatives. It currently comprises roughly 3000 corporate members, as well as a growing number of NGOs, trade unions, business associations, government bodies, and academic partners (see figure 1).

![Figure 1: UN Global Compact members (as of January 11th, 2007)](Data source: http://www.unglobalcompact.org)

The Compact is thought to put forward a set of commonly shared universal values, recognising and promoting the environmental and social responsibilities of business towards society (on the origins and development of the Compact see e.g. Bendell, 2004; Kell, 2003; Kell & Ruggie, 2001; McIntosh, Waddock, & Kell, 2004b). The initiative documents the substantial shift from previous attempts to regulate the international activities of the private sector, towards voluntary and market-led approaches, relying on the self-interest of business to assume wider responsibilities towards the societies they operate in. This is especially illustrated by the Compact’s direct link to the UN Millennium Development Goals (e.g. Black, 2006: 66; UN Millennium Project & Sachs, 2005).

The Compact also marks a significant shift within the UN itself: in the last two decades, the previously antagonistic relationship between the UN and the private sector has changed rapidly and markedly (detailed see e.g. Kell, 2005; Mohaupt, Schmitt, & Hochfeld, 2005; Therien & Pouliot, 2006: 57-60). Regulatory efforts regarding the activities of multinational corporations (MNCs) were abandoned (a detailed account of the UN Draft Code of Conduct for TNCs until its suspension in 1992 is provided by e.g. Morgera, 2006: 94-97), and, subsequently, the Global Compact was created. In essence, the Compact is a very pragmatic approach to corporate responsibility, acknowledging that with the given amount of resources and the governance structure of the General Assembly, regulatory approaches would clearly be beyond the UN’s capacity: “The probability of the General Assembly adopting a meaningful code approximates zero” (Ruggie, 2002: 32).
The Global Compact is intended to serve as a “social contract on minima moralia” (Leisinger, 2003: 114), forming an umbrella or “moral compass” (Kell, 2003, 41) for more specific and practical approaches. At its core lie ten principles drawn from four major international agreements: the Universal Declaration of Human Rights, the Fundamental Principles and Rights at Work of the International Labour Organization (ILO), the Rio Declaration on Environment and Development, and the UN Convention against Corruption (detailed see e.g. Waddock, 2004). The ten principles address the areas of human rights (principles 1-2), labour rights (3-6), environmental responsibility (7-9), and corruption (10).

"Businesses should…
1 ...support and respect the protection of internationally proclaimed human rights
2 ...make sure that they are not complicit in human rights abuses
3 ...uphold the freedom of association and the effective recognition of the right to collective bargaining
4 ...uphold the elimination of all forms of forced and compulsory labour
5 ...uphold the effective abolition of child labour
6 ...uphold the elimination of discrimination in respect of employment and occupation
7 ...support a precautionary approach to environmental challenges
8 ...undertake initiatives to promote greater environmental responsibility
9 ...encourage the development and diffusion of environmentally friendly technologies
10 ...work against all forms of corruption, including extortion and bribery"

Figure 2: The ten principles of the UN Global Compact
(Source: UN Global Compact Office, http://www.unglobalcompact.org)

The overarching goals of the Compact are two-fold: “The first involves efforts to internalise the Compact and its principles by making them part of business strategy and operations. The second is to facilitate co-operation and collective problem-solving between different stakeholders” (Kell, 2003, 36). This second aspect is strongly reflected in the Compact structure as a “set of nested networks” (Ruggie, 2002: 33). Beside the private sector and the UN Secretariat, the Compact involves six UN specialized agencies, as well as NGOs, labour associations, think tanks, and government representatives.

The Compact mirrors and reinforces the current shift towards CSR and development in that it almost solely relies on the voluntary engagement of its members in order to aim at a more sustainable and inclusive global development. Consequently, recent academic work on the Compact reflects the general debate on the impact of mainstream CSR on development (for an overview see e.g. Bendell, 2004; Therien et al., 2006; for a detailed critique see e.g. Zammit, 2004). Within the supportive camp, there seems to be a consensus that on the basis of leadership and organizational learning, a critical mass of businesses could be reached to establish a set of globally acknowledged values: “Although the GC has not yet created a tipping-point, the evolving multi-level network structure has the potential to create one”

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7 These are the International Labour Organization (ILO), the UN Development Programme (UNDP), the UN Environment Programme (UNEP), the Office of the High Commissioner for Human Rights (OHCHR), the UN Industrial Development Organization (UNIDO), and the UN Office on Drugs and Crime (UNODC).
(Waddock, 2003: 51); (see also e.g. Kell, 2005: 72; The Global Compact, 2004: 9). Whitehouse (2003: 300) argues that the approach is still valuable in terms of establishing a novel dialogue and learning network structure, which could inform a future regulatory regime. Williams sketches out a number of shortcomings regarding the Compact and accountability of MNCs, but also argues that the Compact might be the “most effective means to gain consensus of the role of business in society” (2004: 755).

On the other hand, a number of researchers as well as a multitude of civil society groups criticise the Compact for its lack of accountability and transparency, at the extreme leading to “blue washing” (Bruno & Karliner, 2000) of corporate activities. As a consequence, they continue to call for binding policy solutions (see e.g. EarthRights International, 2004; Fiorill, 2002; Hurd, 2003: 108; Judge, 2000; Mohaupt et al., 2005: 53-55; Utting, 2002). In part as a response to this criticism, Georg Kell highlights the complementary nature of the Compact, arguing that the “voluntarism versus regulation” debate is an unnecessary dichotomy (Kell, 2005: 71-74). In this regard, he is backed by scholars arguing that voluntary approaches eventually evolve into binding regulation (see e.g. Picciotto, 2003). However, Utting points out that the Compact might “have crowded out important mechanisms and institutional arrangements involving new forms of international law, oversight or monitoring of TNC activities, mediation or arbitration of disputes, and critical research into regulatory alternatives and the social, environmental and developmental impacts of TNCs” (Utting, 2002, 33). As an example, he lists a number of initiatives designed to raise CSR performance of MNCs outside of the Global Compact that involve other agencies within the UN system, and that have recently slowed down in development (ibid, 33pp.; also see e.g. Bendell, 2004; Gjolberg & Ruud, 2005; Hemphill, 2005). Similar concerns have been raised by the international trade union movement, fearing that the Compact with its very general principles might lead to a crowding out of more specific codes of conduct (see e.g. Justice, 2002: 99).

This point is closely linked to the agenda that is shaped by initiatives such as the Compact. McIntosh et al argue that “the greatest success of the Global Compact has been in providing a convening platform for a growing global conversation about social development that engages actors from all important sectors of society and for bringing previously undiscussable issues into the conversation about globalisation” (McIntosh, Waddock, & Kell, 2004a: 14). However, several scholars point out that the current mainstream CSR agenda is ignoring a number of important issues such as tax avoidance and transfer pricing (see e.g. Jenkins, 2005), corporate power and policy influence, or the negative effects of economic liberalization (see e.g. Prieto-Carron et al., 2006; UNRISD, 2003). Furthermore, Utting argues that “rather than systematically address and internalize all nine principles, companies can pick and choose among the principles and corporate activities they want to deal with” (2002: 31). It should also be noted that thus far, companies have mainly joined the Compact for reputation and risk management reasons (see e.g. Baker, 2004; Pedersen, 2004). It could be argued that through the pursuit of partnership approaches, the UN are at risk of putting forward business interests rather than the public interest (see e.g. Prieto-Carron et al., 2006: 985pp.; Utting, 2005). Richter even goes further in her critique in that she rejects public private partnerships and therefore the Compact in general (Richter, 2003).

There have been at least three quantitative studies attempting to assess the Compact’s impact on its business members. A McKinsey study, mainly focusing on managerial perceptions of Compact members, comes to the conclusion that in more than half of the respondents’ companies, the Compact membership has contributed towards accelerated policy formulation. However, only 10% of the respondents could identify company activities that solely originated through the participation in the Compact (Blair, Bugg-Levine, & Rippin, 2004; McKinsey & Company, 2004). A study carried out by the
German Öko-Institut examines a number of “case stories” published on the Compact website, followed by questionnaires sent out to the companies. A number of recommendations are derived from the analysis, ranging from the increased inclusion of NGOs to external monitoring of member activities and improved coordination among the participating UN agencies (Mohaupt et al., 2005). A recent UNIDO study focuses on SME participants in the Compact. Despite a number of positive aspects that are identified, the survey reveals several shortcomings regarding this group of companies. One key finding is that many SMEs do not perceive the Compact as relevant to their day-to-day operations. Instead, their interest in the Compact rather seems to be fuelled by philanthropic reasons (UNIDO, 2004: 25).

As a response to the growing number of critics, several changes in the design of the Compact have recently been made. Among the most important of these are a modified and further decentralised governance system (as of August 2006), newly installed integrity measures, and complaint procedures to enhance the quality of the Compact and protect the United Nations logo from misuse (e.g. Morgera, 2006: 100-101; The Global Compact, 2005a).

4 THE CURRENT STATE OF THE COMPACT

The Compact provides a rich and publicly available data base on best practice examples of CSR activities. As part of its membership, a company can post examples of corporate best practice on the Compact website. These so-called “case stories” are intended to serve as brief and descriptive examples of the various activities member companies engage in as part of the Compact membership. According to the Compact Case Story guidelines, they should be designed for a broad audience and should be limited to a maximum of about 3,500 words. Furthermore, they can be prepared by the companies themselves and do not have to be externally verified (The Global Compact, 2005b). As of October 1st, 2006, 416 of these Compact case stories have been posted on the Compact website. All case stories are published in a standardised format and therefore well-suited for empirical analysis.

In this section, results of a quantitative analysis of these Global Compact best practice examples are presented. Although by no means representative of the Compact in general, the case stories can serve as an indicator of the current focus of the Compact business members and consequently allow for analysis regarding the nature and scope of current best practice of CSR in development. It is argued that since the reporting companies post these examples as best practice examples on the website, they consequently perceive these activities as appropriate best practice for the Compact network and CSR in general. It is argued that this set of descriptive statistics can shed light on how Compact members interpret their engagement in CSR, and to a certain extent indicate generic strengths and limitations of mainstream (voluntary) CSR practice.

8 The Compact distinguishes between descriptive “case stories”, detailed research “case studies” (externally prepared, in-depth best practice examples) and “communications on progress (COP)”, which are also publicly available on the Global Compact web pages.
Figure 3: Example of Case Story presented on UN Global Compact website
(Source: UN Global Compact Office, http://www.unglobalcompact.org)

As can be seen in figure 3 above, the following information is provided for every case story:
(a) name of company and title of case story, (b) publication date of case story, (c) Compact principle(s) addressed by the case story, (d) case story category 9, (e) host countries, (f) a case description and/or a link to additional information, and (g) information on the author(s) of the case story and person to contact.

9 This category distinguishes between partnership projects and those carried out internally by the companies.
Figure 4: Membership and case story reporting sorted by company origin and size (as of Oct 1st, 2006)

(Data source: http://www.unglobalcompact.org)

Figure 4 provides an overview of the regional distribution of corporate membership and case story reporting within the Compact. After its initial start, the Compact had been criticised for its failure to involve SMEs as well as businesses from non-industrialised countries. In terms of membership, subsequent measures in engaging members from these previously underrepresented segments have apparently been very successful: almost half of the business participants are now SMEs, and membership has especially picked up in parts of Asia and Latin America. Today, four of the ten largest local Compact networks are based in non-OECD countries. However, regarding the companies’ willingness to publish best practice examples, it becomes clear that in terms of active member participation, the development is still highly unequal. The publication of best practice examples is mainly restricted to large Northern companies.

This becomes particularly apparent in the case of Argentina and Mexico: here, efforts have been extremely successful in attracting new Compact members, now forming the third and fourth largest Compact networks. However, none of the Argentinean and Mexican companies have produced any best practice examples. This corresponds with the fact that UNDP has been very active in attracting members to the Compact in Argentina (Newell et al., 2006). Thus, the high participation rate is more likely to reflect these “recruitment activities” than the intrinsic interest of Argentinean companies in CSR. This divide becomes also apparent within Europe. Although a significant number of businesses from the new EU

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In this paper, OECD based companies are referred to as Northern companies.
member states have joined the Compact, the number of best practice examples is significantly lower (5%) than in the EU15 countries (27%).

Generally, both in terms of membership growth and case story reporting, the development within regions is highly unequal. For example, membership and case story reporting in Asia are mainly limited to India and China, whereas other Asian regions only play a marginal role in the Compact. The bias towards large Northern companies in terms of active participation is further documented by the 104 participating FT Global 500 companies: when the Compact Office labelled 334 (i.e. almost 10%) of its members as “inactive”, none of the FT Global 500 companies were affected by this measure.

These issues point to the fact that in terms of institutional capacity and media exposure, large Northern companies are more willing or capable of playing an active part in the network. If the companies’ willingness or ability to provide best practice examples is interpreted as a proxy for the general level of activity of these companies within the Compact, then it has to be assumed that the agenda of the Compact is primarily driven by large Northern companies. Furthermore, it is then likely that learning within the Compact takes place in the direction from North to South.

Looking at the countries of impact that are addressed by the case stories (figure 5), a strong bias towards European countries can be identified. Almost two thirds of the EU companies’ case stories take place within Europe. With regards to the above figures it has to be noted that here, the distribution within the regions is also highly unequal. South Africa accounts for about 50% of the case stories reporting on activities in Africa; in Asia, more than two thirds of the case stories focus on activities carried out in India, China or Japan; only 12 of the 162 cases reporting on activities in Europe take place outside of the EU.

As can be seen from figure 6 below, the degree of internationality of the case stories is clearly a function of company size and country of origin. Overall, only a small number of cases address specific problems in specific host country contexts. Put differently, a vast majority of the Compact business members tends to focus on activities carried out in their home countries. In particular, SMEs and companies based in non-OECD countries generally report on their domestic activities.
Two thirds of the “large Companies” best practice examples also focus on their home market activities, whereas the vast majority of the case stories reported by FT Global 500 companies either have a global outreach or address specific areas abroad. Looking at the case stories published by businesses from EU member states, it can be seen that a significantly larger number of case stories are based on activities in their home markets than e.g. in the case of US-based companies.

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11 This term refers to all companies that are not labelled as SMEs in the Compact data base, with the exception of those 104 Compact members that belong to the FT Global 500 (as of Oct 1\textsuperscript{st}, 2006).

12 Activities that are claimed to have a global outreach focus on policy-related activities.
Figure 7 gives an overview of which principles are addressed by the case stories. Generally, a bias towards environmental issues can be identified: about half of all case stories address principle 8 (environmental responsibility), and about one third of them address principles 7 (precautionary approach) and 9 (environmentally friendly technologies). Also quite widespread with 31% is principle 1 (human rights). However, this principle seems to serve as a residual category. In contrast, labour rights and especially corruption are rarely addressed. Regarding the tenth principle, which covers corruption and bribery, one obvious reason is that it only was announced in June 2004 that corruption would become part of the Compact principles. However, only 6 of the 134 case stories that have subsequently been published address corruption.

Furthermore, differences in case story reporting can be observed between companies from different regional origins. Generally, in the case stories of non-OECD based companies, the bias towards environmental issues is less distinctive, whereas especially human rights issues are more widespread. This points to the fact that although the ten Compact principles are assumed to refer to universal values, there might be different judgements about trade-offs between any of these values. It does not come as a surprise that in countries with a weak economic background and high poverty rates, environmental problems generally might be perceived as less pressing than e.g. basic human rights problems. In the case of companies from EU member states, the bias towards environmental issues is more pronounced than is the case of e.g. non-OECD or US-based companies.

At least two factors cause a more even distribution of principles addressed among case stories. First, a number of large companies have submitted several case stories and try to present a diverse portfolio of different activities, aiming to address all of the Compact principles. Second, if those 44 case stories that simultaneously address all 9(10) Compact principles are excluded from the analysis, the bias towards environmental issues becomes even more apparent: in this sample, hardly any case stories can be identified that address human rights abuses (13% instead of 20%), forced labour (11% instead of 19%), or corruption (2% instead of 6%).

This is also documented by figure 8 below: here, 278 case stories of EU-based are considered. As can be seen, among those case stories that have a “global” outreach, a far more even distribution can be observed than in those that target specific countries of impact. Looking at the two latter samples of EU-based companies’ case stories, a similar distribution of principles addressed can be observed both in their home markets and abroad. Given the fact that almost 80% (51 of 65) of the sample of case stories reporting on activities abroad take place in non-OECD countries, it could have been expected that companies would respond to different pressures and problem structures in these countries and therefore would have a stronger focus on e.g. human rights abuses, discrimination or forced labour than in their EU home markets.

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13 See e.g. UN Global Compact Office, http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/principle10.html.
14 A good example is the French transportation and storage company RATP, addressing eight different principles in its seven case stories.
15 Originally, there were only nine Compact principles; in July 2004 anti-corruption was announced as the tenth principle. Case stories that simultaneously address all principles mainly report on policy-related activities, codes of conduct, etc.
Figure 8: Compact principles addressed and countries of impact (EU-based companies, as of Oct 1st, 2006)  
(Data source: http://www.unglobalcompact.org)

Figure 9: Case stories and sector influence: the example of the automobile, finance & insurance, and food & drinks sectors (as of Oct 1st, 2006)  
(Data source: http://www.unglobalcompact.org)
As can be seen in figure 9, another factor that influences content and countries of impact of the case stories is the sector affiliation of the reporting companies. Given the industry structure of the food & drinks sector, the high number of SMEs in this sample leads to activities that are smaller in scope and more likely to target specific issues. On the contrary, the other two sectors are dominated by large and more internationalised MNCs and tend to focus on less “tangible” activities such as e.g. codes of conduct, sustainability reporting, or management systems. However, the general distribution pattern of principles addressed as identified above can also be identified in all three sectors.

Looking at the content of the activities of EU firms within the sample of 278 best practice examples, some interesting patterns can be identified. Two main clusters can be identified: 77 case stories focus on “organisational” activities such as code and strategy formulation (36), the implementation of management systems (30), or environmental (or sustainability) reporting (11), whereas 193 case stories report on activities with direct “tangible” outcomes. Of the latter, the majority of cases reports on activities targeting environmental problems (106). Of these, 55 case stories report on the introduction of environmentally friendly technologies. Other common themes are water or waste management, or environmental conservation projects. Three further clusters that can be identified are gender/workplace discrimination (27), healthcare (17), and economic development in non-OECD countries (12). Surprisingly few case stories specifically target issues such as child labour (7), labour rights (3), or corruption (3).

5 CONCLUSIONS

Regarding the above analysis, it should be kept in mind that the Compact case stories form only one element of the Compact learning network. In particular the Compact’s goal of serving as a platform for multi-stakeholder is substantially different from the vast majority of the above corporate best practice examples. However, the analysis of the case stories can provide insight into how corporate Compact members perceive their role within the Compact and what types of activities are commonly perceived as appropriate best practice examples of CSR. Insofar, the results can be used to project the potential mainstream (corporate-led, voluntary) CSR is likely to unfold in the context of development. Drawing from the above analysis, a number of implications regarding CSR in the context of development have emerged:

(a) **Bias towards large Northern companies.** Despite the successful efforts to attract small and medium enterprises as well as Southern companies, large Northern companies seemingly continue to play a key role in the Compact. The relatively large number of case stories could point to a larger capacity and willingness to respond to external pressures among these companies, and subsequently a more active part in the Compact network. If the Compact is to effectively engage multinational companies in development through their CSR activities, it will have to ensure that they are actively involved in the dialogue that takes place in the host countries they operate in.

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16 Of this set of 278 case stories could not be considered because of insufficient information provided by the respective companies on the Compact website.
(b) **Home market orientation.** The vast majority of case stories addresses issues tackled in the companies’ home countries. Although this might not come as a surprise, it could have implications for the future development and impact of the Compact. Given the ambitious link between the Compact and the UN Millennium Development Goals and the pronounced role of leadership within the network, a proactive role of the private sector in international development would presuppose a more international perspective of the Northern companies.

(c) **Unequal development in the South.** Both in terms of the reporting of best practice examples, and the countries of impact that are addressed, the case stories are mainly limited to small number of sub-centres in the South, such as India, China, South Africa, or Brazil. The question emerges how those countries that are only playing a marginal role in international trade can be reached by predominantly voluntary, market-based instruments, or if measures such as the Compact rather contribute towards a further “South-South divide”.

(d) **Bias towards environmental activities.** Among the ten principles, environmental issues seem to be (over-) emphasized, whereas others are largely ignored in the case stories. For example, human rights abuses, labour rights and especially corruption clearly seem to be less popular issues to address.

(e) **Bias towards policy-related activities.** The majority of case stories focus on policy-related activities. The institutional embedding of sustainability issues is clearly important; however, this can only be an intermediary goal on the way towards actual performance improvement. Looking at the sample of case stories by EU-based companies, it becomes evident that only few development issues (e.g. cleaner technologies, HIV/AIDS) are addressed through specific activities, whereas the majority of development-related projects focus on policy or strategy formulation and the implementation of management systems.

(f) **Limited ability of agenda-setting.** The UN has a considerable amount of soft power at its disposal in that it can generally influence the Compact agenda. However, this agenda-setting ability is clearly limited. While e.g. the Compact’s efforts to put HIV/AIDS on the agenda is reflected in a considerable number of case stories focusing on this issue, the adoption of anti-corruption as the tenth principle has thus far not produced a noticeable response by business in terms of case story reporting.

In summary, the results of the above analysis suggest that the link between CSR and actual development impacts currently seems to be relatively weak. If initiatives such as the UN Global Compact are to substantially contribute towards the UN Millennium Development Goals, a major shift in the mindset of their proponents will have to take place soon. The results of the above analysis confirm Peter Utting’s assumption that “rather than systematically address and internalize all (...) principles, companies can pick and choose among the principles and corporate activities they want to deal with” (Utting, 2002: 31). Further research on the actual impact of CSR in the context of development is urgently needed in order to assign the rights place for CSR within the policy mix for sound development strategies.
6 REFERENCES


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