

GEORG KELL
EXECUTIVE HEAD
THE GLOBAL COMPACT

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REMARKS AT THE EUROPEAN CONFERENCE ON
CORPORATE SOCIAL RESPONSIBILITY
7 November 2004

Good afternoon, ladies and gentlemen.

I am delighted to be with you today, and to join such a distinguished group on the topic of corporate social responsibility. In so many respects, Europe is the cradle of the CSR movement, so this indeed is an appropriate venue to discuss and debate these ideas.

As you know, the Global Compact has grown rapidly. It is today the world's largest corporate citizenship initiative with more than 1,700 participants from over 70 countries, involving UN agencies, business, labour and civil society groups. We have experimented much over the course of the past four years. Operational concepts based on learning, dialogue and partnerships were developed and tested at global and local levels. At the recently held Leaders Summit we had the opportunity to take stock of the initiative and to chart its future course. Some of the lessons learned, I believe, are relevant for today's discussion:

- **First, voluntary CSR Initiatives do work, but they need to be made to work;**
- **Second, we have yet to learn how to scale up;**
- **Third, CSR must be an effort to inform public policy, and therefore will be most effective when they are closely linked to domestic and international regulatory systems.**

On the first point – that CSR initiatives do work but they must be made to work – we have now good evidence from impact assessments that confirm the positive impact generated by voluntary initiatives. Their flexibility and innovation can deliver significant positive change with a minimum of resources. But to work they need the cooperation of all actors: governments, labour and civil society. Governments provide the space for experimentation and the signals for change; labour and civil society foster progression and accountability. And so long as different perceptions translate into creative tensions and pragmatic solution finding, much good progress can be made as skills and competencies complement each other. Sustaining the right balance will remain a core challenge of CSR initiatives.

Second, while CSR initiatives can produce good results they have so far failed to impact environmental, social or related challenges in a significant manner. The positive change achieved thus far is largely limited to the operations of a few actors and, overall, the change induced is small compared to the challenges at hand. Scaling up efforts,

therefore, is imperative. We must motivate the laggards, fence-sitters and free-riders to act. I will come back to this in a moment.

The third point is that CSR must be an effort to inform public policy as CSR dilemmas are often directly linked to governmental failure. This is crucial because many of the challenges that CSR tries to tackle can only be solved if governments play their part as well.

For example, the primary responsibility for human rights promotion and protection rests with governments. One of the most visible, but not the only, areas where governments are not living up to their human rights responsibilities is in situations of armed conflict. In 2004, armed conflicts raged in at least one dozen countries, undermining human rights and causing great suffering and tragedy. Moreover, it is estimated that 60 of the world's countries are plagued by rampant corruption. Clearly, this poses an enormous challenge for proper business conduct and long-term sustainable development.

Complicity in human rights abuses, environmental degradation, poverty, corruption –all are the source of the many dilemmas that CSR seeks to tackle and all too often this has much to do with what governments do or do not do. So long as the underlying governance issues remain unresolved, CSR cannot bring about lasting change. To avoid CSR becoming a temporary stop-gap, governmental policy production must be encouraged as well as the creation of the political will to enforce policies.

As power and responsibility walk a parallel path there is now an urgent need to advance our understanding of the role of government and business in support of voluntary initiatives and internationally agreed upon norms. When norms are not enforced it is left to voluntary initiatives to support those that governmental failures hit hardest – the marginalized.

The Global Compact is derived from four international declarations and conventions. This foundation in international norms gives great weight to our efforts as our ten principles are directly linked to agreements countries have often accepted, but fail to enforce.

That said, it is important to realize that voluntary initiatives should not limit their efforts to achieving minimums associated with international norms. While seeking to achieve such benchmarks is a core challenge in countries where the rule of law is weak or absent, it becomes a minimum in situations where public institutions and policies are well established. A current example is the acceptance by many businesses of the precautionary approach to environmental protection even in countries where the scientific evidence of climate change is still being contested. By the same token, where this leadership is present it must not be undercut by businesses' lobbying efforts which work against those principles to which they have committed.

I have mentioned a few lessons we have learned and now I would like to offer a few concluding remarks about where we believe the future of CSR and the Global Compact must lead.

- CSR can become a global force for social change and re-engineering but only if more companies join in and the efforts are well focused. Even with our success in gaining the participation of 1,700 companies that leaves many more of the 60,000 plus MNCs and the 10 million SMEs still outside our collective efforts. At the same time, companies that have the courage to step forward should not be automatically punished for doing so. Here, it is crucial that global stakeholders, including NGOs, help create an enabling environment, while at the same time pushing for continuous improvement. An appropriate balance can be achieved.
- Voluntary initiatives must incorporate quality assurance mechanisms so that participation itself becomes an indicator of positive performance. At the Global Compact this belief is demonstrated in our current effort to transition from an initial entrepreneurial, experimentation phase to a phase of sustained growth focused on impact.
- The opportunities for the scaling up of impact are greatest where the risk of abuse is the greatest, specifically within those countries with failed or failing governments. We are very proud that over half of the Global Compact's participants are from countries that meet this criterion. We are elated when we see business leaders accepting and acting upon the principles even in places where the governments are unwilling to act on similar commitments.
- The rapid explosion of CSR initiatives necessitates the need for convergence and harmonization. In this regard the legitimacy of universal principles provides a path forward and reinforces the sustainability and impact of our efforts.
- CSR must be totally embedded within an organization. The commitment must begin and emanate from the CEO and Board but also permeate the entire corporate culture. This is crucial in order to create positive and lasting organizational change.
- Local champions must be mobilized. Ultimately positive change must take place on the ground where the real dilemma situations reside.
- Lastly, future CSR issues must become embedded in financial markets. These markets are based on determining present and future values and unless CSR is considered in the generation of these future values CSR will not have the impact promised.

For the Global Compact, all of this means moving ahead to its next phase of development – from an initial period of entrepreneurial growth to a phase of increased maturity. In this next phase the Global Compact must create a sustained global organizational framework

that gives more ownership to the participants, improves the value proposition to participants and enhances impact. That said, the Compact will remain an ongoing experiment in cooperation and as ownership rests upon the willingness and ability to find pragmatic solutions, the Compact can only succeed if you want it to succeed.

I very much hope that we can all work together.

Thank you very much.

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