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Corporate contributions to global governance  
through corporate social responsibility:  
the UN Global Compact and the Global Reporting Initiative

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**Abstract**

The current global financial crisis has shown the challenges brought about by global liberalism in the political order. Beyond intergovernmental strategies to deal with these challenges, private companies have developed their own mid- and long-term strategies to maintain or acquire credible public roles in global governance. Corporate Social Responsibility (CSR) and corporate sustainability initiatives are among these strategies and have paved the way for the emergence of global multi-stakeholder standard-setting mechanisms where business interplays with NGOs, labour organizations and international agencies such as UNDP, UNEP, OECD, ILO, or even the UN Secretary-General. This paper focuses on the role of business in global governance and argues that CSR has developed beyond a self-regulation corporate movement to become a private, voluntary set of practices, with their own virtues and contradictions. This interpretation arises from the empirical research on two multi-stakeholder standard-setting initiatives: the UN Global Compact and the Global Reporting Initiative. These public-private mechanisms relocate the role of the private sector in international politics and, despite their notable legitimacy deficits, they constitute new transnational strategies to deal with the global financial crisis.

## **Corporate contributions to global governance through corporate social responsibility: the UN Global Compact and the Global Reporting Initiative**

For a long time the predominance of the state-centric vision within International Relations meant that scant attention was paid to the role played by non-state actors in the study of this discipline. In recent decades, various authors and lines of research have contributed to filling this gap, analysing the role of non-governmental actors in world politics, especially with respect to transnational companies and global civil-society organisations. The transformations in the international system which have resulted from the processes of economic globalisation and the end of the Cold War have placed these actors firmly on the academic agenda. Since the 1990s, different projects and theoretical approaches have emerged that focus on the new dynamics of power and authority of businesses and civil society organizations within the global politic system. Global processes have changed the nature of power and authority in the global order and, in parallel to this, have transformed the intellectual methods through which International Relations theory is interpreted.

Corporate responsibility and sustainability include a broad framework of policies and practices adopted by corporations and SMEs to solve the negative social and environmental impacts arising from their operations within global supply chains. According to the European Commission (2002) Corporate Social Responsibility (CSR) is a "concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis." Through these practices, corporations, businesses and SMEs embrace responsibility for the impact of their activities on the

environment, consumers, investors, employees, communities, stakeholders and all other members of the public sphere.

CSR is a complex process with multiple dynamics of action. Most notions of CSR have the objective of contributing to a deliberate inclusion of public interest into corporate decision-making. First of all, most CSR practices are designed by businesses as self-regulating mechanisms whereby business monitors and ensures its support for social and environmental public concerns, national law, ethical standards, and international norms. However, there are also CSR practices that have been built up through the emergence of public-private partnerships, business-NGOs partnership or multi-stakeholder initiatives.

Beyond that, CSR is a contested concept in global business and global politics, basically due to the fact that there are many ways of understanding and applying CSR among private communities around the world. Within this movement, in the year 2000 the UN Secretary-General launched UN Global Compact to promote best practices for businesses in human rights, environmental challenges, labour standards and anti-corruption practices. It encourages the private sector to proactively promote the public interest by encouraging community growth and sustainable development, and by voluntarily eliminating practices that harm the public sphere, regardless of international law standards and regulation.

CSR is the result of different processes which have transformed transnational political relations and within which global business elites play a strong role in the face of pressure from civil society during a period of transformation of the nation-state. Corporate responsibility and sustainability has emerged as a new private area within the complex architecture of global governance.

This paper aims to contribute to the study of the role of companies in world politics. The principal objective of the research is to set out a theoretical framework which allows us to understand the emergence of the role of the corporate community as a private authority within the

business movement of CSR. The paper focuses on the role of business in global governance and argues that CSR has developed beyond a self-regulatory corporate movement to become a private voluntary set of practices, with its own virtues and contradictions. This interpretation comes out of the empirical research on two multi-stakeholder standard-setting initiatives: the UN Global Compact and the Global Reporting Initiative.

The predominant interpretations within the discipline of International Relations with regard to the emergence of CSR have been developed either from critical-theory perspectives or from studies on global civil society. The critical-theory interpretation of CSR presents these practices as constitutive elements within a space of self-regulation. Companies have developed and promoted CSR as a new area of institutionalised activity which improves their identity as a social institution and which, alongside this, legitimates their role in global society. The interpretation from the global civil society perspective explains the emergence of CSR through the configuration of a new global public domain which goes beyond intergovernmental politics, though without replacing it. From this perspective, CSR represents a new, transnational political space which gives new shape to global governance and which did not previously exist: the coming together of a private-authority initiative and new forms of political action driven forward by global civil society (Ruggie, 2007). Non-state actors, companies and global civil-society organisations participate in spaces directly linked to the management of global public goods, such as in the case of the management of human rights and the environment. These new spaces of negotiation and conflict between companies and global civil society converge in spaces of partnership, where negotiations consider the integration of sustainable development into business management. These spaces of self-regulation which companies have developed in order to manage their environmental impact can be analysed from the perspective of the construction of a hegemonic political and social order in a new space of consensus

amongst social forces (Levy and Egan, 2003; Levy and Newell, 2005; Levy and Kaplan, 2008).

This paper sets out from an interpretation of CSR which places it in the context of the emergence of a new dynamic in global governance, that of the development of social networks and global public-policy networks. At the same time, this interpretation allows us to introduce the role of the most innovative business elites in relation to new forms of governance, as is demonstrated by initiatives such as UN Global Compact and the Global Reporting Initiative.

## **I. A new pathway of public functions for the private sector**

Corporate social responsibility and sustainability had its origins at the end of 1980s as a consequence of the transformation of global economic and international political structures. It is not just a private movement; it is the result of different pressures and the transformation of the international community and the changing role of private institutions (NGOs and businesses) in the arena of global governance.

Utting (2005: 375) describes the emergence of CSR as a “dual business movement”. First, big businesses were pressured by social, political and market pressures associated with anti-corporate activism, civil-society campaigns, responsible consumers and investors, as well as regulatory threats. However, the business movement was not simply responding or reacting to social pressures, it was a strategic change through which the global business community mobilised itself to influence, to control and to lead the agenda of global institutional reform in order to govern corporate activities (Utting, 2005). Thus, corporations have exerted their influence through different strategies, such as business associations, business networks, round tables and self-regulation. These networks allow them to control the emergence of the institutional infrastructure of CSR.

However, civil society has been involved in different forms of confrontation with corporations, though this confrontation soon transformed itself into new areas of engagement. Along with confrontational spaces, new collaborative spaces also emerged, based on the changing role of civil society and its relationship with businesses. Within the neo-liberal context of the early 1990s, some NGOs shifted away from their critical perception and changed their strategy to one based on a third way or voluntary approach (Utting, 2005). The result of this was the emergence of a new collaborative agenda between corporations and NGOs.

Nevertheless, we also argue that there is another macro-movement in the international community that underwent a major transformation at the end of the Cold War. The understanding of the emergence of CSR's institutional infrastructure from a comprehensive approach also meant that it was necessary to review the changing evolutive relationship between the private sector and the international community, basically under auspices of the United Nations. The changing global governance arena allowed the world order to move beyond the state-centric multilateralism adopted in 1945 to a reconstituted global version of embedded liberalism that actively embraces the potential contributions to global social organization from civil society and corporate actors (Ruggie, 2007:25).

After the fall of the Berlin Wall, the evolution of environmental challenges forced the United Nations to change its strategy. The celebration of the UN International Conference on Environment and Development held in Rio de Janeiro in June 1992 was a major change. During the preparation of the Earth Summit, the UN organisers tried to embed private-sector and civil-society organizations into world environmental and developmental decision-making processes. Some of the large business organizations such as the International Chamber of Commerce (ICC) were invited to play an active role. This led to the

setting-up of the World Business Council for Sustainable Development (WBCSD).

During the decade of the 1990s, the UN Secretary-General continued this strategy and asked the private sector to participate in global initiatives to find common solutions for global environmental and developmental challenges. As a consequence of this, an important milestone was reached in 1999, when the UN Secretary-General, Mr. Kofi Annan invited the private sector to join the UN Global Compact as a business commitment to global principles. More recently, parts of the private sector committed themselves to the UN Millennium Development Goals (MDG), which were presented in 2001. Finally, the celebration of the World Summit on Sustainable Development held in Johannesburg in September 2002 help to consolidate the new collaborative framework between the UN and the private sector.

During this period, multi-stakeholder processes also emerged, under the auspices of the UN, aiming to contribute to the advancement of practical solutions for addressing urgent sustainability issues. Hemmati (2002) argues that a major achievement of the UN during the 1990s has been the integration of public-private partnerships and multi-stakeholder principles into the international public-policy processes.

Step by step, business compliance with certain human rights and labour standards and its signing up to global CSR initiatives – such as UN Global Compact and the UN Principles for Responsible Investment – are becoming a key element in participation in global markets and in improving global business accountability and transparency.

Today, almost all the United Nations entities and agencies are actively collaborating with the private sector to address different issues related to climate change and the environment, health systems, education reforms, human rights, humanitarian disasters, peace and security, and economic and social development (UN Global Compact, 2008).

Currently, CSR evolution is linked to the evolution of the international political economy, the impact of the global financial crisis and the emergence of a multipolar world order. The emergence of new economies such as China, India, Brazil, Russia, and South Africa has changed the domination of Western corporations in global markets. The lack of a hegemonic power and the impact of the financial crisis show the importance of Chinese corporations in global supply chains, basically in Africa and Asia. The increasing importance of developing countries in the international community and the emergence of new power networks, such as the G20, create a new environment in which to solve the financial crisis. Governments are reasserting their control and interest in economic activities and financial risk.

### **1. Political roles of business elites in global governance**

The study of the emergence of private authority in International Relations has led to various subsequent research works on the public role of the private sector (Fuchs, 2005; Haufler, 1999, 2001; Ruggie, 2004), and the political power of companies in the global political economy and in global governance (Djelic and Sahlin-Anderson, 2006; Pattberg, 2007). The development of these works in the core of the discipline widens the analytical perspective on the role of companies as political actors within global politics and provides new analytical tools (May, 2006).

In recent decades companies have adopted a wide range of new roles – as investors, innovators, experts, decision-makers and implementers – in the development of the structure of global governance with regard to social and environmental issues. These roles, at the same time, have transformed the ways in which global-governance mechanisms are developed.

Companies are no longer subject to normative impositions on the part of States and have moved on to become protagonists in the development of new governance frameworks. In this context business elites adopt the roles of political decision-makers and the creators of

international norms (rule-making). The regulatory role is exercised through instruments of self-regulation; at the same time these elites promote public-private partnerships and implement and apply these norms (rule-enforcement) (Fuchs, 2005; Haufler, 2001; Levy and Newell, 2005b; May, 2006; Newell and Levy, 2005, 2006).

In addition to the role they play in negotiating and elaborating economic, financial, social and environmental policy and agenda,<sup>1</sup> companies play a fundamental part in the implementation of agreements at the national level. Indeed, they have the technological and organisational capacity to define what the timeframe for the application of international agreements will be and what exactly the commitments will consist of.

In the framework of the management of social and environmental impacts arising from transnational business activity, business elites adopt new public roles through the promotion of auto-regulatory private initiatives, such as codes of conduct, management and audit systems, and reporting and monitoring mechanisms, or through public-private networks that lead to the establishment of global public-policy networks (Haufler, 2001; Reinicke, 1999; Reinicke, Benner and Witte, 2003). From a political perspective, business elites participate in political decision-making processes, in the processes which establish the political agenda (agenda-setting) and the regulatory agenda (rule-setting), as well as in the development of governance norms and ideas (Haufler, 2001; Fuchs, 2005; May, 2006, Ruggie, 2004).

The development of these mechanisms of self-regulation and public-private co-regulation is directly linked to the emergence of soft-law mechanisms and the trend towards the juridification of International Relations (Abbot and Snidal, 2000), over which the State does not have

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<sup>1</sup> Within the ambit of environmental global governance, also linked to CSR, it should be noted that various standards have been developed, such as the different international environmental and social standards (such as ISO, International Standards Organisation), or the development of certificates such as those of the Forestry Stewardship Council (FSC) or The Marine Stewardship Council (MSC).

exclusive control, as private actors also have an influence within these fields.<sup>2</sup>

In order to understand the link between CSR and global governance, we need to consider the fact that CSR responds to the emergence of a new transnational public sphere which goes beyond the framework within which nation-states act, and which is dominated by companies in cooperation with global civil society. We are dealing with a new public space unlike the intergovernmental political space linked to States, even though its objective is the same, namely to provide society with global public goods (Ruggie, 2004).

One of the ambits in which private authorities have played a major role is in the global governance of the environment. Since the Rio Summit of 1992, companies have become important actors in areas related to the international environmental regime.

Companies are directly or indirectly involved in social, work-related and environmental degradation, but, at the same time, they are playing an ever-greater role in leading the development of new frameworks and regimes to manage the negative consequences of business activity.

For over a decade, within the transnational environmental context business elites have taken on the roles of lobbyists, experts, self-regulators and providers of capital and technology in the development of new frameworks of regulation of environmental issues (Levy and Newell, 2005). As a result, the last few years have seen the emergence of different communities of transnational business elites which have acted as agents of change and as catalysts for environmental and social

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<sup>2</sup> Within these forms of self-regulation there are different categories: 1) intra-organisation norms of business and professional associations which bring together individuals or companies from a certain economic sector; 2) norms related to technical standards, that is, guidelines which regulate the technical characteristics of products; 3) corporate codes of conduct which establish suitable or recommended practices, often with the aim of discouraging State intervention in certain areas, such as the environment, labour rights, human rights and consumer protection; 4) international contracts; 5) international commercial arbitration; and 6) norms which assess corporate conduct in financial matters, such as the norms related to ratings (Slaughter, 2000a). There is a large body of analysis on the role of authorities in global governance.

policies, with original initiatives and providing financial, technological and organisational resources through which they aim to improve their negative social and environmental impacts. Others, however, oppose this process of change and maintain a conservative attitude.

With this aim, business leaders have adopted different strategies. In the material ambit, companies develop new products and technological strategies in order to guarantee their future position in the market. In the discursive ambit, they try to influence and question the scientific and economic bases in favour of regulation and they use public-relations techniques, adopting the language of sustainability and CSR to develop new ecological products. In the organisational ambit, firms, especially TNCs, build sectoral or transversal coalitions beyond State borders in order to converge with global civil society.

Newell and Levy (2006: 159) characterise the new company managers that adopt this attitude as *street-level bureaucrats* due to their everyday involvement with environmental policy. These are young managers that put themselves on the frontline to innovate and shape the measures necessary for the development of sustainable environmental policy through private practices.

These leaders dialogue with other agents through alliances and negotiations with governmental environmental agencies, inter-governmental organisations and civil-society organisations. In this sense, politicians and political institutions – whether from national, regional or local government, or intergovernmental organisations – must consider the role that corresponds to companies and business managers in the design of environmental policy.

In order to advance in the study of business strategies adopted within the framework of social and environmental responsibility, it is necessary to create an analytical model which includes the link between the study of global governance structures and the study of the specific management practices utilised by businesses. In this sense, the strategies and operations of the companies which adopt environmental

policies can be considered as political strategies (Levy and Newell, 2005), as the practices of social and environmental responsibility emphasise the interaction between the material practices of companies and the dominant discourse, structures and strategies of sustainable business.

The corporate strategies and practices of sustainability and responsibility that have been developed in recent decades by TNCs are tools which, in addition to improving the technological advantages and competitiveness of firms, contribute to legitimating businesses as a social institution within a context of neoliberal globalisation which incorporates the values of sustainability (Levy and Newell, 2005).<sup>3</sup>

Within this framework, it is considered that the development of environmental and social management strategies by companies over recent years can be analysed as a political strategy of the most innovative transnational business elites. From an ideological point of view, these instruments represent an attempt by business elites to harmonise the interests of the market with social and environmental challenges, with their political strategy based on a discourse of collective success or, better still, of a dual public-private success.

## **2. CSR and the privatisation of global governance**

Taking these developments into consideration, research into CSR within the discipline has led to the study of what Pattberg (2007) calls *private governance*. Private governance can be defined as “a form of socio-political steering in which private actors are directly involved in regulating – in form of standards or in more general normative guidance – the behaviour of a distinct group of stakeholders, including business

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<sup>3</sup> The analysis put forward by Levy and Newell (2005) is innovative in that it develops a trans-disciplinary framework which integrates tools from different disciplines. On the one hand it includes proposals from the literature on International Political Economy and governance; on the other hand it connects this research to the theory of the firm, of management and of organisations, taking into consideration studies on strategic policy of the firm (corporate political strategy, CPS).

and, in a wider understanding, also public actors such as States" (Pattberg, 2007: 52). In the global context, a significant part of these new forms of governance emanate from private sources (Dingweth, 2005a). These private sources are non-state actors, especially companies and global civil society, which are involved *inter alia* in the establishment of the transnational agenda, political decision-making processes, monitoring and reporting processes, standard-setting processes and the implementation of regulations (Pattberg, 2007: 9).

CSR meets the principal characteristics which Pattberg (2007: 52) attributes to private governance. Firstly, private governance focuses on the development of regulations and norms in spaces of structural exchange and not on spontaneous behaviour such as market interactions. In this sense CSR, after a decade of development, has become a structural space. Secondly, private governance includes processes and frameworks of institutionalisation that go beyond mere cooperation between actors; there can thus be no doubt that CSR has become institutionalised. Thirdly, private governance has the potential to organise equivalent spaces of political decision-making and implementation in terms of its function within public mechanisms.

From the above it follows that CSR could be analysed as a space within which private authorities act. However, CSR is not private. It is a phenomenon which has become progressively institutionalised through norms and principles of corporate behaviour, and which includes institutional frameworks and constraints in the form of self-regulation, behavioural standards or norms directed at the behaviour of companies in their economic activities all around the globe. However, it is not only companies which participate in CSR. Quite the contrary in fact, as companies work in cooperation with inter-firm CSR organisations (CSR Europe, WBCSD, IBLF), private technical organisations such as the International Organization for Standardization, NGOs, foundations and international governmental organisations; this cooperation is carried out via corporate management instruments and mechanisms, certification

of business management, self-assessment, reporting, transparency and accountability.

CSR is a global governance system which can be described as a systemic interaction between private actors, corporations and global civil-society organisations, together with UN bodies, through specific rules in a specific field: company sustainability policy within globalised society. The focus on an institutional analysis of global governance allows us to analyse CSR as a specific governance system, sustained by actors and regulations such as mechanisms of transnational organisation. The institutionalisation of regulatory practices driven forward by private, non-state actors, such as firms and global civil society, can be compared to certain functions of public actors.

This corresponds with the definition of governance set down by the Commission on Global Governance (1995), which states that "Governance is the sum of the many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may be accommodated and co-operative action may be taken. It includes formal institutions and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions either have agreed to or perceive to be in their interest." This is a definition of governance which CSR fits in with very well.

CSR is a new global-governance mechanism which has emerged over recent decades from the intersection between various forces in world politics, between transnational business elites and global civil-society elites. In order to develop CSR, companies have taken as a reference point various soft-law instruments developed by governments as normative reference frameworks: the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (1977, 1991 and 2001) of the ILO, the OECD's Guidelines for Multinational Enterprises (1977 and 2000), the WHO/UNICEF International Code on Marketing of Breastmilk Substitutes and, most importantly, the Universal

Declaration on Human Rights, adopted and proclaimed by the UN General Assembly in its resolution 217 A (III) of 10 December 1948.

Alongside this, in recent years governments have also developed public policies which promote CSR, voluntarily in all cases. One of the most active governments in this sense has been that of the United Kingdom, which has gone as far as creating the figure of Minister for Corporate Social Responsibility. This notwithstanding, the role of public authorities has been secondary when compared to the political role played by the private sector and social civil society.

The study of private authority focuses on the analysis of empirical examples, which differ according to their actor-constellation, issue-area and instrumental approach; examples of these are the Forest Stewardship Council, Marine Stewardship Council, Global Reporting Initiative, and UN Global Compact. These governance mechanisms differ according to the purpose of governance as well as in line with the actor-constellation involved. Pattberg (2007: 12) classifies them as public, hybrid and private. Public forms of global governance include the provision of services and implementation of international norms through comprehensive or issue-specific international organizations, as well as rule-making in international negotiations. Public actor-constellations may include intergovernmental organizations, governments, government agencies, and a wide variety of sub-national public authorities. Hybrid forms of governance are often labelled with the general term public-private partnership (PPP), but include many distinct cooperative arrangements between public and private actors, involving governments, intergovernmental organizations, transnational corporations, global advocacy networks, and non-profit organizations. Private forms of governance are purely private in nature, involving firms, business associations, advocacy networks, think tanks, and non-profit organizations.

Private governance institutions can be understood as systems of rules, norms, and obligations prescribing the behaviour of transnational

actors in a specific issue area. They emerge as the result of close cooperation between companies, business associations, and a wide range of non-profit organizations (Pattberg, 2007). We see how in many policy areas, ranging from forestry to the conservation of living marine resources, there is an emergence of private institutions – systems of norms, rules, and obligations – that result from the close cooperation between a variety of private actors. Transnational corporations, non-profit organizations, business associations, and think tanks increasingly begin to agree upon, implement, and monitor different forms of regulation, including general codes of conduct, management standards, and certified product labels.

The concept of private inter-firm regimes is broader than private governance institutions because it incorporates different forms of cooperation as well as different sets of regulations. Private inter-firm regimes – understood as formal and informal norms, principles, rules, and decision-making procedures – exercise a “form of self-regulation or rule-setting in the absence of an overarching global political regime.” Whereas the traditional debate on international regimes, by definition, has only focused on cooperation between States, the concept of private regimes broadens this narrow view to incorporate formal and informal institutions that are the source of governance for an economic issue area as a whole. As a consequence, private inter-firm regimes are different from other forms of cooperative business arrangements – such as industry associations, production alliances, and cartels – in terms of the breadth of their activity, often incorporating less institutionalised forms within their scope. Private governance institutions, in contrast, are understood as specific institutionalised cooperation between private actors focusing on the creation of voluntary norms and rules (Pattberg, 2007).

The concept of private governance institutions is also different from the concept of private organisations: first, it includes less formalised co-operations not qualifying as an independent organization; second, it

focuses on systems of rule only, thus excluding sufficiently debated issues of non-state actors' involvement in policy-making or rule-implementation at the international level; third, it highlights alternative actor-constellations within institutions and organizations; fourth, it acknowledges the network character of many institutions; and fifth, it overcomes distinctions between the profit and non-profit sector of transnational society, focusing on their joint efforts to create and sustain global public goods instead (Pattberg, 2007: 14).

### **3. Private authorities and the institutionalisation of CSR**

In order to analyse the role of private elites in the development of CSR, it is necessary to analyse the different initiatives through which CSR has become institutionalised. The focus on the institutional analysis allows for an analysis of the participation of the business elites which drive CSR mechanisms forward. As has been observed, companies have adopted different mechanisms through which to institutionalise CSR, amongst which the practices of private self-regulation, inter-firm CSR cooperation organisations and multi-stakeholder regulation are of particular note. The institutionalisation of regulatory practices promoted by private actors allows us to compare the activity of these business elites with certain functions of public actors in the area of global governance, in this case as regulators.

CSR has progressively developed through interactions and/or joint actions within routine business management in cooperation with other actors. In these interactive spaces, different actors exchange information, objectives and resources. When these interactions are repeated frequently they generate processes which lead to their formalisation, that is, contracts, pacts and conventions are signed, and associations, consortia and other organisational instruments are constituted. This process explains how new institutions are created, and these contemplate new rules and procedures which provide guidelines for the behaviour of actors and the relations between them. In reality it is

the institutions which represent the rules of the game of social interaction.

Institutionalisation represents the action or effect of institutionalising, and the norms of this process are defined as “the set of regulatory principles which organise the activities of individuals within a society in terms of defined organisational guidelines, from the point of view of one of the basic, perennial problems of any society or organised social life.”<sup>4</sup>

Over recent years CSR has become progressively institutionalised through initiatives – mechanisms driven by companies – which allow business elites to develop their preferences. A distinction is drawn between institutions and organisations, though organisations do in fact form part of institutionalisation. Institutions represent the rules of the game, whereas organisations are bodies which are structured in terms of the rules (statutes, norms, customs etc.). Organisations, such as trade unions, are organisations in that they organise a certain human grouping and, at the same time, they form part of a social institution which defends the interests of labour.

In all institutionalisation processes there are at least three significant aspects. Firstly, institutions regulate a set of behavioural guidelines referring to fundamental issues and problems of the society being institutionalised. Secondly, institutions control individual conduct in the society in question in accordance with defined, constant and organised guidelines. Thirdly, these guidelines bring with them organisation and regulation through defined norms.

In order for an activity to become institutionalised and thus become a system or institution, certain conditions need to be met. Firstly, a proportion of the society must believe that the activity carries out an important social function which is valuable in itself. In the case of CSR, this function is the governance of the social and environmental risks of transnational business activity. Secondly, institutionalisation requires the

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<sup>4</sup> The definition of social institutions is taken from Eisenstadt, S. (1974), which is employed in Sills, D.L. *Enciclopedia Internacional de las ciencias sociales*. Madrid, Aguilar.

formulation of norms which determine the conditions of cooperation and competition between members of the system and which allow the system to function, even though there may be discrepancies regarding the aim or objective of this system. In terms of CSR, the actors who participate in CSR consider that the its instruments and norms include respect for human rights and sustainable development. There must be possibilities to criticise and assess the development of these norms and, if required, they can be used by other members of the institution. Furthermore, the results must be open to public criticism. Thirdly, institutionalisation has a further requirement: the adaptation of the norms which regulate the behaviour of social agents who work in CSR to the functioning of other social systems and norms that govern these agents, such as the values and principles of international, multilateral political society.

All these processes have occurred within the ambit of CSR, meaning that it has become institutionalised over the last decade. One of the most important characteristics of the global development of CSR in recent years is its diversity. This diversity is expressed in the multiple and varied ways in which the concept is understood, in the multitude of sources of regulation and, above all, in the complexity of the instruments and initiatives found within it. However, beyond the formal structure, this diversity corresponds with the diversity of opinion on the concept of CSR and its application held by different sectors of the transnational business community.

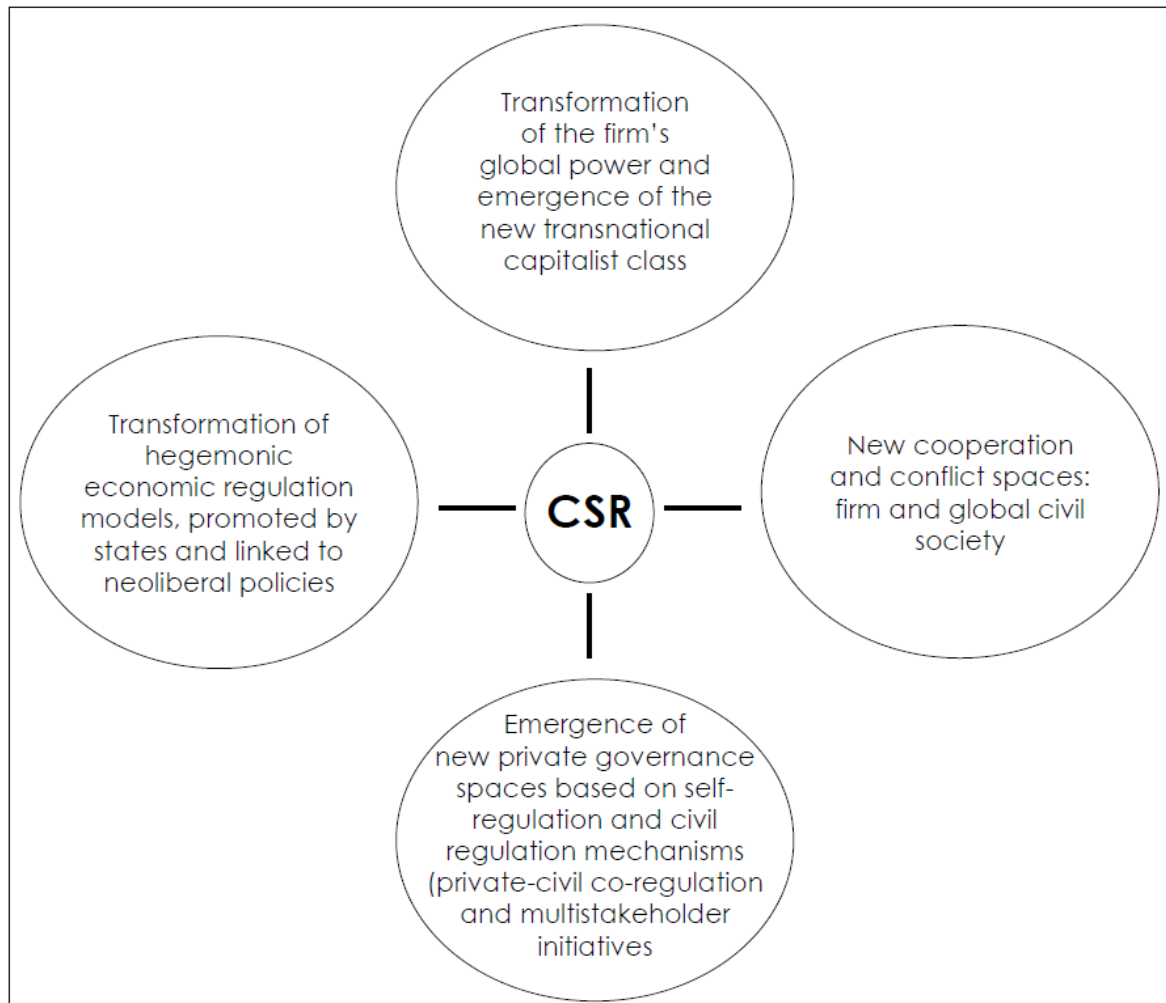
There are even many ways of referring to what is the same concept: corporate social responsibility, sustainability, corporate citizenship, sustainable social governance etc. The global business community itself cannot agree on the definition of CSR or how it should be applied, nor which instruments should be used or what it means within the political context. This disparity also carries through to the multitude of mechanisms and governance instruments which companies all around the planet apply internally and which cannot be universalised. It could

even be said that each company applies CSR according to its own culture, values, context and needs. For this reason there can be as many models for the application of CSR as there are companies.

This issue is very important in order to understand the institutionalisation process of CSR, which has not followed a single, formal and rational course, rather it has seen the creation of various networks, organisations and informal initiatives which companies participate in. Thanks to the active and innovative participation of firms in various networks and institutions, CSR has gone through a process of institutionalisation.

This process saw the emergence of two movements which eventually converged: firstly, the social critical movement of corporate responsibility which was linked to activist networks from transnational civil society and global NGOs; secondly, and in parallel to the first movement, was the business CSR movement driven forward by the private sector. These parallel movements – social and corporate – around CSR constituted a complex phenomenon which is explained by the convergence of different factors in the process of development of global capitalism that have occurred in the international political economy in recent decades.

**Figure 1. Political processes converging in the emergence of CSR as a global governance tool**



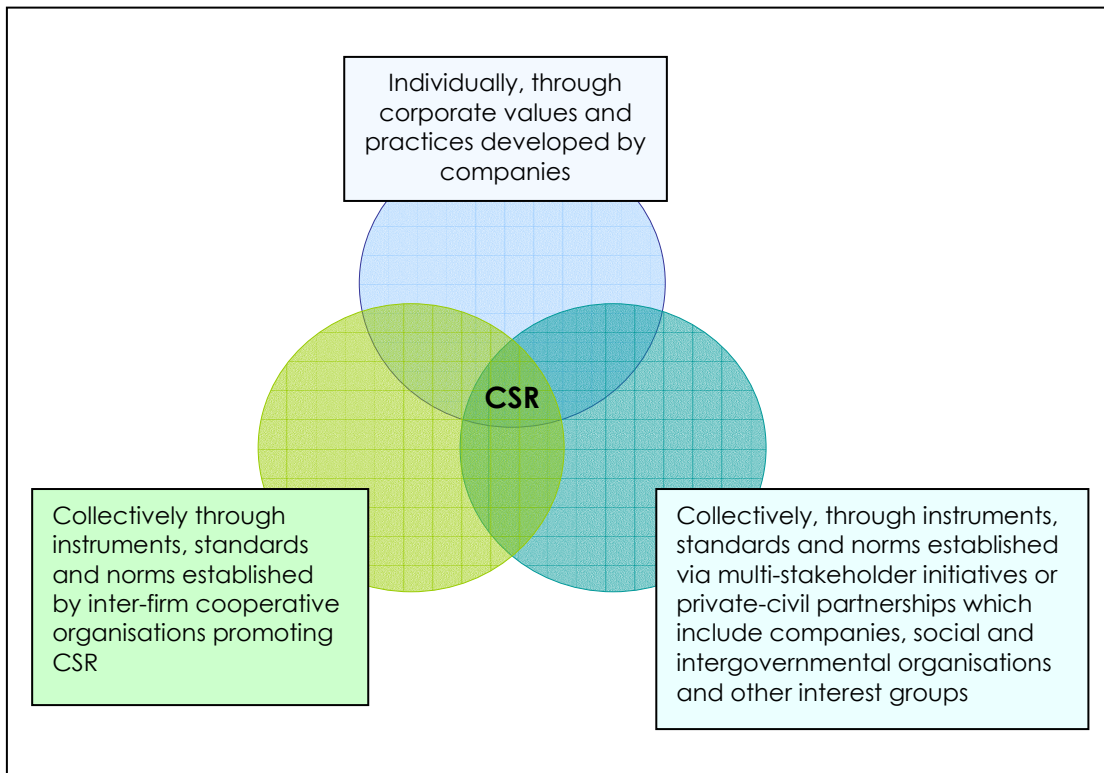
Source: Own elaboration

Business leader networks have given great importance to the institutionalisation of CSR. CEOs, presidents and senior management have promoted different business networks and also participated in multi-stakeholder initiatives. CSR has been built up within different regulatory strategies: industry self-regulation, civil co-regulation and multi-stakeholder regulation. These elements constitute an innovative space of governance that brings together private self-regulation and multi-stakeholder regulation. They link business-leader networks to the UN system, especially the UNDP, ILO and the Secretary-General.

## **II. Multi-stakeholder initiatives of CSR**

In recent years CSR has institutionalised around the following instruments: industry self-regulation; regulation arising from social organisations; private-civil co-regulation; multi-stakeholder regulation; international soft-law agreements promoted by international governmental organisations; governmental public policy aimed at promoting CSR; and state regulation. Analysis of the mechanisms or instruments adopted by companies in order to manage their social and environmental responsibility demonstrate that companies exercise their authority through different channels. The institutionalisation of CSR has come about through three basic mechanisms: (i) companies themselves, at an individual level, have pushed forward with self-regulation through the creation of business-management models; and collectively (ii) companies have promoted self-regulation through participation in private inter-firm cooperation organisations based around CSR and sustainability; and (iii) companies, in collaboration with global civil society and specialist bodies of the United Nations, have promoted cooperative mechanisms through participation in dialogue, partnership and multi-stakeholder regulation initiatives.

**Figure 2. Mechanisms and instruments adopted by companies to manage CSR**



Source: Own elaboration

This triple dynamic corresponds with the triple dynamic of institutionalisation. Firstly, CSR has institutionalised over time through specific instruments and practices that companies themselves have designed to develop their CSR policies. Secondly, business elites have promoted the creation of private inter-firm cooperative CSR and sustainability organisations aimed at institutionalising CSR. And thirdly, business elites participate in various multi-stakeholder initiatives in which CSR mechanisms are developed. These are instruments such as the UN Global Compact or the Global Reporting Initiative, in which business elites participate alongside other actors from global civil society and international governmental organisations, especially in collaboration with specialist bodies from the UN.

Multi-stakeholder initiatives describe processes which aim to bring together all the major stakeholders through a new form of

communication to find new solutions to complex challenges and possibly make decisions on a particular issue<sup>5</sup>. Currently, the areas addressed are global corporate accountability, sustainability and responsibility, and the initiatives have been used for problems and challenges related to sustainable development and the new social challenges linked to globalisation. The objective has been to find new initiatives for global decision-making and governance structures. Until now, these initiatives have proved to be useful for those situations where dialogue is possible, where listening, reconciling interests, and integrating views into joint solution strategies seems appropriate and within reach. One of these is the EU Multi-stakeholder Forum on CSR adopted by the European Commission.

Multi-stakeholder initiatives are based on democratic principles of transparency and participation and they aim to develop partnerships and strengthened networks between stakeholders. They recognize the importance of achieving equity and accountability in communications between all stakeholders, as well as involving equitable representation of three or more stakeholder groups and their views.

In order to involve different actors, these initiatives are building on a wide spectrum of structures and levels of engagement. As a consequence, they can consist of dialogues on policy or develop into consensus-building, decision-making and implementation of practical solutions. Each situation, issue or problem is different. As such, the corresponding programs have to be designed taking into account the need for the participants to design a process specifically suited to their abilities and circumstances.

However, they also share a number of common aspects, values and ideologies underlying the innovative process: first, they have emerged because there is a perceived need for a more inclusive and effective way of addressing the urgent sustainability issues of our time.

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<sup>5</sup> See "Multistake Processes" at UNEP Forum:  
<http://www.earthsummit2002.org/msp/index.html>

During the last decade, not including businesses or NGOs in different global agreements has led to numerous difficulties in implementing those agreements. Second, as they are new issues and new processes, the participants need to take ownership and responsibility for them, using and refining them to serve their own purposes and the wider purposes of the global community of which they are part. And, third, innovative political processes are still evolving, based on individuals who agree to participate in decision-making processes. They are people-centred processes which are based on voluntary participation.

Within the framework of CSR, business leaders have tended to build relationships with social actors, which are organised in transnational civic activism networks which make up the social critical movement of corporate responsibility. This element has transformed the political role of business elites in the frameworks of global governance – firstly in their relations with the governmental and inter-governmental public sector and, secondly, above all, in their relations with social and environmental NGOs, trade unions and civic transnational activist networks. As has been observed, CSR has been formulated from the development of a new space between the corporate CSR movement and the social critical CSR movement. Within this meeting space new forms of dialogue have emerged between private, profit-driven actors and non-profit actors. In some cases, these spaces for dialogue have ended up creating new regulatory initiatives, which have become known as multi-stakeholder (or civil) regulation.

Over the last decade, as a result of governance of the social and environmental impacts of global business activity, various multi-stakeholder initiatives have emerged which formulate new forms of civil regulation created through inter-sectoral dialogue and cooperation. Amongst these initiatives are UN Global Compact, Global Reporting Initiative, International Cyanide Mining Code, Marine Stewardship Council, Forest Stewardship Council, EU Multi-stakeholder Forum on Corporate Social Responsibility, Ethical Trading Initiative, Extractive

Industries Transparency Initiative, Responsible Investment Principles, Social Accountability SA8000, MFA Forum, Global Alliance for Workers and Communities and African Comprehensive HIV/AIDS Partnership, along with many others.

These new regulatory instruments have been institutionalised within multi-sectoral dialogue spaces which bring together business leaders, inter-governmental organisations, environmental organisations, social organisations, socially responsible investors, consumer organisations, trade unions and other actors from global civil society, especially academia. All these instruments are characterised by having been formed around new political-planning organisations in which different private, public and civil actors participate.

These emerging spaces for multi-stakeholder political dialogue represent a new space for political cooperation which allows for an analysis of the role of business elites in global governance that goes beyond private interests in dialogue and consensus with other political forces. For business elites, participation in these initiatives means finding themselves in new spaces from which to forge multi-sectoral and collective political relations in order to regulate private social and environmental risks which are directly linked to the governance of global public goods, such as climate change, human rights, labour rights and natural resources (Haufler, 2001; Ruggie, 2004).

This new political interrelation points towards the emergence of a new public role for private authorities (Haufler, 2001), as well as to the consolidation of a neoliberal space of political consensus between the hegemonic social forces of business elites and global civil society (Levy and Newell, 2005).

From the perspective of the role of public authorities, it is especially important to stress that, within the framework of these initiatives, governments have remained in the background, as they have not actively participated in them (Haufler, 2006). Their lack of participation is in large part due to the fact that we are dealing with initiatives which

have emerged in transnational spaces, beyond the jurisdiction of nation-states, to which the initiatives are not accountable. Unlike governments, inter-governmental organisations, especially specialist bodies of the UN, have played a direct role in many of these initiatives. On many occasions bodies such as UNDP and UNEP have backed and supported these initiatives.

## **1. UN Global Compact**

UN Global Compact was created in 1999 under the auspices of the Secretary-General of the United Nations during his discourse to the transnational business community at the Davos Conference. As has been previously outlined, this is a new strategy that aims to transform the relationship between the United Nations and the private sector and it is the most important CSR global-governance initiative in the global political community.

Its objective is the adoption of a voluntary commitment to values of social responsibility on the part of companies and, more generally, of all organisations. With this aim, it establishes ten basic principles based on human, labour and environmental rights, as well as the fight against corruption. The first of these rights is based on a commitment from organisations to accept and comply with the Universal Declaration of Human Rights. The second is based on ensuring that these universal rights are not violated. The third, fourth, fifth and sixth principles are based on the Declaration of the ILO on basic principles and labour rights. Above all, they refer to the need to respect freedom of association, to not allow forced labour and coercion, to eradicate child labour and to not discriminate in the workplace. The following three principles are related to a commitment to the environment and take the Rio Declaration on Environment and Development as a reference. In this sense, it is indicated that companies must maintain a preventative focus with respect to the environment, promote initiatives which foster greater environmental responsibility, and favour the development and diffusion

of technologies that respect the environment. Halfway through 2004 it was seen as necessary to reinforce the nine aforementioned principles with a tenth, that of the fight against corruption, which was based on the United Nations Convention Against Corruption. In this respect, companies must work against corruption in all its forms, including extortion and bribery.

The operative phase of the UN Global Compact started in July of 2000 at the United Nations Headquarters in New York, which is when the first companies signed up to the initiative. The UN Global Compact is the world's largest corporate citizenship and sustainability initiative. Since its official launch on 26 July 2000, the initiative has grown to include more than 7700 participants, including over 5300 businesses in 130 countries around the world. It is a network-based initiative with the Global Compact Office and six UN agencies at its core. It is a global political forum, as an authoritative convener and facilitator. Among the participants are companies from all sectors and all geographical areas of the world.<sup>6</sup> UN Global Compact pursues two basic objectives: firstly, to commit companies to the ten basic principles, these directly affecting business activity and its social and environmental impacts all over the world; and secondly, to catalyse corporate action in the framework of the main objectives set out in the Declaration of Millennium Goals.

With these two objectives in mind, UN Global Compact was designed in order for companies to participate in constructive solutions in collaboration with the international political community and civil society, thereby facing up to the main challenges of humanity whilst keeping in mind the relationship between companies and civil society. UN Global Compact attempts to combine the best elements of the United Nations system and values, such as its moral authority and its power to persuade, establishing a relationship with the private sector in order to seek out solutions for global problems in collaboration with the

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<sup>6</sup> See the UN Global Compact website at <http://www.unglobalcompact.org/AboutTheGC/index.html>

various parties involved. In this sense it is an initiative which is global and local, public and private, voluntary and aimed at assuring accountability.

The UN Global Compact addresses the private sector, but involves a multi-stakeholder platform with different social actors. Firstly, companies, whose actions it seeks to influence. But also governments, labour organizations, civil-society organizations, academia, the public sector, cities and the United Nations agencies.

UN Global Compact Governance is based on a governance framework built upon the following organs:

1. Global Compact Leaders Summit: Top business executives
2. Local Networks: country and geographic regions
3. Annual Local Networks Forum
4. Global Compact Board: multi-stakeholder
5. Global Compact Office: management team
6. Inter-Agency Team: the Office of the UN High Commissioner for Human Rights, the International Labour Organization, the United Nations Environment Programme, the United Nations Office on Drugs and Crime, the United Nations Development Programme, the United Nations Industrial Development Organizations, the United Nations Development Fund for Women.
7. Global Compact Donor Group: voluntary contributions from Governments to a UN Trust Fund. Current donors are: China, Colombia, Denmark, Finland, France, Germany, Italy, Republic of Korea, Norway, Spain, Sweden, Switzerland and the United Kingdom.

The members of the Board represent the following four constituencies: Business, Business Organizations, International Labour and Civil Society.

The UN Global Compact is funded by voluntary contributions from Governments to a UN Trust Fund. The Donors Group meets twice annually to review progress made and ensure the effective and efficient use of

the contributions that donor governments have provided to the Global Compact Trust Fund.

The UN Global Compact can be defined as a constellation of participants and stakeholders, with unique characteristics at the international level. Until now, nobody has been better able to draw together the private sector around the Millennium goals than the Secretary-General of the United Nations, who has managed to integrate governments, civil society, the trade-union movement and the bodies of the United Nations.

For the business community, the main benefits from forming part of the UN Global Compact are the following:

1. The adoption of an internationally recognised political framework for development, the implementation and transparency of global governance policies and practices for the environment, human rights and labour rights.
2. Sharing the best practices and solutions for facing common global challenges with other companies and global political society.
3. Solutions are developed in partnership, through which companies collaborate with United Nations agencies, governments, civil-society organisations and other interest groups.
4. Business units are linked, through their production and sub-contracting chains, throughout the planet, especially in developing countries, via local and regional offices of UN Global Compact.
5. Companies gain access to the knowledge and experience developed by the United Nations system and its bodies over fifty years in the areas of development and sustainability.
6. Companies can use the management tools and the resources which have been created around UN Global Compact as business management tools to deal with the social and environmental impacts of economic activity.

A key driving factor of the institutionalisation of UN Global Compact is the learning processes. It also emphasizes the training dynamic based on dialogue, guidance, best practices and information-sharing transferred between firms and participants. Haufler (2001) identifies the learning process as a basic element to promote private self-regulation into global markets and global governance. She also highlights the learning dynamic and the learning processes that can take place within new institutions based on non-enforcement mechanisms. Companies and firms benefit from entering into a network of information-sharing that produces consensus on rules, standards and values, as well as on how to implement these. UN Global Compact is a loose network of collaboration on relevant topics which stresses cooperation and mutual information-sharing.

The Global Compact was designed as an innovative project with new driving forces, a new institutional structure and new rules of engagement unlike pre-existing UN bodies and programs. The major driving forces come from a double market-social movement. It is based on the emerging relationships among global markets and multinational corporations, and the emergence of civil-society activism, led by campaigning NGOs, corporate-watchdog networks, responsible investors, responsible consumers and labour organizations. Businesses are pushed by social, political and market pressures and civil society and shareholder activism. Nevertheless, the key innovative institutional driving factor adopted within Global Compact is based on the idea of a collective-action network, where business collaborates with global civil society, trade unions and the UN.

## **2. Global Reporting Initiative**

The Global Reporting Initiative (GRI) is currently the accepted global standard for drawing up CSR reports for a significant part of the transnational business community. This standard is also accepted by a large number of governments and global civil-society organisations,

especially amongst those which form part of the social critical movement of corporate responsibility. Furthermore, it is publicly accepted by intergovernmental organisations such as the United Nations, the OECD, the European Union and the International Labour Organisation (ILO), amongst others.

The Global Reporting Initiative sets out the guidelines for companies and other organisations in order to publish non-financial accountability reports, known as sustainability reports. In general, the aim of reports, be they financial or non-financial, is to provide stakeholders and society as a whole with an instrument to show the accountability and transparency of the activity, results and impacts of business. In the case of non-financial or sustainability reports, companies hold themselves accountable for their social and environmental impacts and publicly inform on these.

The GRI standard is based on the principle of the triple bottom line (Elkington, 1998), in accordance with which companies assume their triple responsibility: social, environmental and economic. In order for the company to take on transparency and show their openness to society, a fundamental step is for it to offer information which is relevant, structured and organised. This information is published in an annual non-financial report parallel to the annual financial report.

From 1997 until 2002, GRI was a project that was developed around CERES and Tellus Institute, based in Boston.<sup>7</sup> It was soon thought that GRI should be an institution that was independent of CERES, that it should have its own infrastructure and permanent resources. It was thus possible to ensure the multi-stakeholder nature of GRI, with all sectors able to participate and create the institution right from the start.

In this sense, the creators of the project were aware that one of the main challenges facing the project was the ability to generate economic resources and an independent institutional framework which

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<sup>7</sup> This information has been taken from interviews carried out with Allen White and Robert Massie, two of the creators of GRI.

would provide it with legitimacy.<sup>8</sup> In the initial years the creators were able to find resources and employ them in the project. However, in order to maintain the multi-stakeholder structure, it was necessary to maintain this resource contribution over time and for the institution to become self-financing.

This challenge was partly met by the participation of the United Nations Environment Programme (UNEP), as the creators of the project were able to involve this body right from the start. Thus, in 1997, UNEP signed up to the project in order to give support to the budding initiative. From the beginning of the 1990s, UNEP had backed various initiatives with the objective of developing a programme on non-financial reports.<sup>9</sup> This is a line of action of the Division of Technology, Industry and Economics (DTIE), which considered that it was a priority to develop a framework that could help companies to draw up accountability reports on their environmental policies and impacts. Owing to this, the DTIE had supported various research projects, the most important of which was with the British organisation Sustainability, with which it worked on issues of sustainability and reporting, and with which it developed the Global Reporters programme, which assesses sustainability reports published by companies.

The participation of UNEP was a fundamental catalyst in the development of GRI (Palenberg, Reinicke and Witte, 2006). The Division of Technology, Industry and Economics became heavily involved in the development of the project, providing administrative and technical assistance. Various UNEP technicians and professionals formed part of the first board of directors, which was created in 1998 to develop the first phases of the project, and they participated in the development of the first guidelines, which were presented in 1999. Since then, a UNEP representative always forms part of the GRI board of directors, and

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<sup>8</sup> This information has been taken from interviews carried out with Allen White and Robert Massie, two of the creators of GRI.

<sup>9</sup> See <http://www.unep.fr/scp/about/>

various professionals and technicians participate in different management bodies and in the stakeholder bodies.

UNEP has backed the project and given it legitimacy as a global political project. It gave support to GRI so that it could gain financial support from the United Nations Foundation. This factor was fundamental in that it meant that the initiative had financial support at the beginning in order to develop. In June 2002, when GRI was established as an independent, non-profit-making organisation with its headquarters in Amsterdam, UNEP kept up its participation and granted it the status of UNEP collaborating centre,<sup>10</sup> which maintains its institutional support. Its objective is to promote international harmonisation of reporting standards so that these become a relevant and credible norm in corporate transparency with regard to social, environmental and economic impacts, as well as supporting responsible decision-making (Palenberg, Reinicke and Witte, 2006).

GRI maintains its independence through its governance structure and its financing system. The governance structure of GRI ties in with the idea of collaborative governance (Zadek, 2006) or with the structure of a global action network (Waddell, 2005). The creators of GRI were always clear on the need to provide the institution with an appropriate governance framework in order to maintain its nature, as well as ensuring that it had geographical diversity and economic independence in order to maintain a balance of power and legitimacy.<sup>11</sup>

The organisation's organs of governance are: board of directors; stakeholder council; technical advisory committee; organisational stakeholders and secretariat. In order to ensure the balance of power between different stakeholders an effort is made to balance the

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<sup>10</sup> See <http://www.unep.fr/scp/gri/>

<sup>11</sup> This information has been taken from interviews carried out with Allen White and Robert Massie, two of the creators of GRI, as well as with Steve Waddell, an external advisor.

channels of finance through different sources: governments, companies, foundations and inter-governmental organisations. The prime objective of GRI is to be a self-sufficient institution.

The board of directors is the organ responsible for GRI, though its governance structure is multi-stakeholder, and it holds the fiduciary, financial, legal and strategic responsibility for the organisation. It is made up of 15 members spread across different interest groups and from different geographical areas. It is the organ which is charged with taking final decisions, taking into account the proposals laid out by the stakeholder council and the technical advisory committee, and it takes the strategic and political decisions. The objective of the stakeholder council is to be a multi-stakeholder organ of debate and political deliberation on GRI's strategic issue-areas and political decisions. Its function is to choose the members of the board of directors and put forward recommendations to this organ from a strategic perspective. It is made up of 45 members, who represent a balance of all GRI stakeholders and their geographical distribution. The stakeholder council holds one or two meetings a year.

The technical advisory committee provides the board of directors with the relevant reports and technical advice in order for it to be able to progress in its work and so that it is able to advance in the development of guidelines. The organ is made up of 15 experts from different fields linked to GRI guidelines and indicators, such as environmental issues, human rights, labour rights, financial and economic issues, reporting and accounting standards. The experts must demonstrate their technical knowledge and provide a mix of geographical perspectives on the aforementioned issue-areas. The experts are selected by the board of directors after prior consultation with the stakeholder council and the secretariat.

The stakeholders support the objectives of GRI, form working groups and are responsible for choosing the stakeholder council. They include all the GRI member institutions, of all types, sizes and locations. These are

the principal members of the organisation and their participation is fundamental, be they companies, civil-society organisations, trade unions, accountants, consultants, foundations or governments. The stakeholders must review and approve the annual budgets.

The secretariat is the permanent professional team, with its headquarters in Amsterdam, that implements the work programmes that are drawn up on the basis of the final decisions taken by the board of directors. The secretariat has grown over time and consolidated its work, and the management of this organ corresponds to the chief executive of GRI, who also forms part of the board of directors.

As regards finance<sup>12</sup>, since its creation the aim has been for GRI to be financed by global networks so as to maintain a balance between the following channels: subsidies and grants for projects from governments, inter-governmental organisations, foundations and others; private finance from companies for projects and specific events; income earned from providing training courses and other services; support from members.

### **3. A pattern for collaborative governance through CSR**

UN Global Compact and GRI are two voluntary initiatives which complement each other in the promotion of corporate social and environmental responsibility. In this sense, UN Global Compact is a catalyst for social leadership and innovation in that it conveys CSR as a corporate commitment with ten principles on social and ethical issues, the environment and the fight against corruption.

Furthermore, the GRI guidelines for the drawing-up of sustainability reports provide a means by which to measure progress and performance in relation to the ten principles. Both initiatives are based on the same international documents on which CSR is built, especially

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<sup>12</sup> This information has been taken from interviews carried out with Teresa Fogelberg, executive vice-president, and Nelmara Arbex and Sean Gilbert, both members of the secretariat of GRI.

the Universal Declaration of Human Rights; this is to say, they are complementary in terms of their mission and working frameworks. For this reason, right from the start they have actively collaborated. Both of these regulatory initiatives offer companies a platform that supports the public role of private authorities in carrying out their social and environmental responsibilities. (Kell, 2006).

The relation between UN Global Compact and GRI is increasingly important. Both initiatives emerged practically simultaneously between 1998 and 1999. Due to the impact of the creation of UN Global Compact by the Secretary-General of the United Nations, the creators of GRI used UN Global Compact's legitimacy to spread their new standard on sustainability reports, thereby providing an innovative transparency and accountability tool to the signatories of UN Global Compact. This process increased the value of GRI and at the same time consolidated a relation between the two initiatives, both of which set out from a shared premise: the will to become multi-stakeholder processes.

When GRI had just two years' experience under its belt, it was taken up as one of the social-responsibility instruments mentioned in the final implementation plan that came out of the United Nations Conference on Social Development held in Johannesburg in September 2001; in the plan GRI was cited together with UN Global Compact. However, GRI was the only non-governmental initiative to be highlighted. Hence, right from the start, GRI had the backing of UN Global Compact, it being one of the multi-stakeholder regulatory instruments that complemented the initiative that Kofi Annan had initiated with the private sector at the Davos Conference in 1999. UN Global Compact is a process in which different multi-stakeholder regulatory mechanisms have been constructed over time, these giving shape to this new hybrid ambit of regulation based around CSR; it has been promoted by the Secretary-General of the United Nations, with the support of the social critical movement of corporate responsibility and structuralist neoliberal business leaders who have promoted CSR.

UN Global Compact and GRI have established a “value platform for sustainability”. The *G3 Sustainability Reporting Framework* can be used to develop the communication on progress (or progress report) that UN Global Compact requires. In effect the G3 guidelines provide the principles, instruments and indicators necessary to respond to the demands of UN Global Compact. Bearing in mind the fundamental value of UN Global Compact progress reports, it is important to see how these relate to sustainability reports. The progress reports were designed as an instrument to allow companies to communicate their advances in relation to the ten principles of UN Global Compact to their stakeholders. The communications on progress should thus be integrated into the other instruments that companies use in order to be held accountable for their non-financial impacts, that is, in their sustainability reports.

On the 28th of May 2010, at the Amsterdam Global Conference on Sustainability and Transparency, UN Global Compact and GRI signed a Memorandum of understanding (MoU) to strengthen the quality of sustainability reporting in the corporate sector. The agreement is intended to provide companies in the Global Compact with a clear set of reporting principles and indicators to meet the initiative's compulsory annual disclosure requirement, also known as the Communication on Progress. The agreed collaboration, combining the expertise and efforts of GRI and the UN Global Compact, will allow the two initiatives to work together to significantly extend their outreach and support to companies so that these can improve their sustainability performance. The G3 Guidelines provide principles, disclosures on management approaches, and performance indicators – all organized in a framework that clearly responds to each of the Global Compact's disclosure requests and which can enhance the quality of the Communication on Progress (COP). The COP is the mechanism through which UNGC participating companies demonstrate progress towards attainment of the ten UNGC Principles.

Under the terms of the agreement, GRI will develop guidance regarding the Global Compact's ten principles and the issue-areas to be centrally integrated into the next edition of its Sustainability Reporting Guidelines, a comprehensive framework developed to facilitate transparency and accountability for businesses and other organizations seeking to disclose their environmental and social performance. At the same time, the Global Compact will adopt the GRI Guidelines as the recommended reporting framework for the more than 5800 businesses that have joined the world's largest corporate-responsibility platform. In addition to creating a reporting framework that will be implemented universally, the new collaboration is also intended to provide a benchmark for financial analysts and other stakeholders to better analyse and identify risks and opportunities as they relate to environmental, social and governance (ESG) issues.

The UN Global Compact represents a new pattern of global institution which is different from state-based organisations. It is based on the idea of a learning forum and/or network (Ruggie, 2001). UN Global Compact is based on a progressive institutional change under capitalism that suggests that new policies, norms and regulations reflect the change in the balance of social forces, activist pressures, regulatory threats and crisis conditions. The aim of GC was to enhance dialogue among its participants from all sectors – the UN, business, labour and civil society organizations – to reach a broader, consensus-based definition of what constitutes a good practice, which any of the parties could then use to translate their commitment to the GC principles into concrete corporate practices (Ruggie, 2001). UN Global Compact became a voluntary learning network composed of both public and private members based on a non-binding agreement of principles of business, environmental and social accountability and responsibility.

A key driving factor of the institutionalisation of UN Global Compact is the learning processes. It also emphasizes the training dynamic based on dialogue, guidance, best practices and information-

sharing transferred between firms and participants. Haufler (2001) identifies the learning process as a basic element to promote private self-regulation in global markets and global governance. She also highlights the learning dynamic and the learning processes that can take place within new institutional bases on non-enforcement mechanisms. Companies and firms benefit from entering into a network of information-sharing that produces consensus on rules, standards and values, and how to implement them. UN Global Compact is a loose network of collaboration on relevant topics which puts the emphasis on cooperation and mutual information-sharing.

Thus, the UN Global Compact cannot be analysed as a conventional international institution. The structure and the components make the network an inclusive and learning-based forum that brings together different players and stakeholders around the issues of international business and markets with the objective of discussing and advancing on issues such as corporate conduct and principles, basically in the areas of social and environmental challenges, human rights and anti-corruption principles and practices.

The role of private authorities within the UN Global Compact is a key driving force. Businesses and corporations are the main focus of the Compact, they are basic members within its structure and the main receptors of the rules of engagement. The governance framework is structured through the channels of different authorities. Within the UN Global Compact, private authorities interact with public authorities in different bodies, projects and initiatives.

The main element of this structure is the connection among different stakeholders represented in the structure, these basically being private authorities. These stakeholders differ in terms of their roles and responsibilities. Since the year 2005, the main emphasis of the Compact is on the Business partners' members at the core of the networks. The structure is designed to improve international business practices and standards. So, business representatives' members work together with

NGOs, labour organizations, academia and experts. The relationship between these oppositional groups within the Global Compact relies on respect for international principles and values, as well as mutual respect and cooperation between participants.

The structure of the Compact is designed as a network of multi-stakeholder interaction with five main bodies in charge of the governance and decision-making processes: the Leaders Summit, the Board, the Local Networks, the Annual Local Networks Forum, the Global Compact Office and the Inter-Agency Teams. All of these bodies are embedded into the relationship between private authorities and the UN.

The Board of Directors is at the centre of the structure. Its membership represents various stakeholders in the network: business, business associations, labour organizations and NGOs. The members of the Board of Directors and the Global Compact Office are at the centre of the network, with other multi-stakeholder bodies occupying the surrounding concentric circles.

The Global Compact Leaders Summit is a basic body where business leaders come together with NGO leaders and labour leaders to dialogue, share best practices and learn from shared proposals.

Public authorities are represented by the Donors Group where governments – the main sources of funding – have observer status. Besides that, the Global Compact also includes different UN Agencies and Programs, all of which develop an activity related to the Compact.

UN Global Compact can be defined as a public-private cooperative governance initiative. It is a hybrid public-private institution based on a non-mandatory or non-enforcement model. Major functions are: dialogue, learning and information-sharing. Nevertheless, it is difficult to classify the network, because it encompasses characteristics from a variety of designs and focuses on process not policy.

## Conclusions

The UN Global Compact and the Global Reporting Initiative are deeply embedded in the changing nature of global-governance mechanisms and the new forms of hybrid global-governance initiatives. Both represent a new institutional model, defined as a learning network. They include multi-stakeholder membership: businesses, business associations, UN agencies and bodies, non-governmental organizations, civil society, academia and observers from national governments.

Furthermore they recognize an explicit acknowledgement of the central role that business has come to occupy within the international community. And within their platforms they include both private authorities and public authorities; however, private authorities, businesses, NGOs, labour organizations and the UN occupy the centre of the network.

The main challenges for both of them are linked to the emergence of a soft global-governance framework in corporate social responsibility and sustainability. They operate not as inter-state organizations and, basically, they are organized as a global network of local networks based on business collaboration with the UN Global Compact Office and the GRI Secretariat. Currently, a major debate lies in the role that government should play in the future of the initiatives, above all on the future of corporate accountability and sustainability and regulations.

These initiatives have emerged as a response to the systemic changes in global governance that have been enhanced by the growth of new forms of cooperation among public and private actors. Through their transfer of moral authority to the private sector within the framework of corporate responsibility and sustainability, both aim to generate incentives for the participation of the private sector in global issues. They aim to build an institutional space for cooperation among formerly opposed actors.

During the last decade, the UN Global Compact and GRI have emphasized the normative role of the initiative. They have created a multi-stakeholder global institution designed as a learning network for business engagement, information-sharing and standard-setting in human rights, labour standards and environmental challenges.

The multi-stakeholder dialogue of CSR has allowed for the political role of transnational business elites to transcend the sphere of private initiative. Some spaces within CSR, such as the multi-stakeholder initiatives presented in the paper represent the construction of spaces of transnational political debate; within the framework of these spaces, transnational business elites agree to dialogue and negotiate in consensus and they accept the democratic rules of the game together with NGOs, trade unions, technical bodies and inter-governmental agencies. These young spaces, still with little coercive power, should be understood as a process of transnational political innovation around which a new balance of power can be created amongst transnational political elites. The tension between the neoliberal vision and the vision of a new global political domain thereby allows us to advance in the study of the restructuring of forces in world politics.

As has been analysed, CSR is linked to the transformation of the strategy between the United Nations and the private sector fostered by the Secretariat General of the United Nations under the presidency of Kofi Annan during the 1990s. In effect, the emergence of public-private partnerships in the multilateral system of the United Nations has its origins in the will of the former Secretary-General of the UN to transform the traditional policy of conflict with the private sector which had developed over time since 1945 into a policy of cooperation. In this vein, from 1995 onwards Kofi Annan designed a new cooperative strategy with the private sector with the aim of transforming a relation based on decades of conflict. This change was considered to be fundamental in order to consolidate the role of the United Nations both in the new system of

global governance and in its relations with non-state actors, especially companies.

The change in strategy promoted by the Secretary-General of the United Nations has allowed governments and private actors, companies and civil society to be more interconnected in the development of new forms of governance in line with what Bull and McNeill (2007: 3) label as “market multilateralism”. This concept refers to the transformation of the multilateral system developed around the UN in recent decades. In this new system of market multilateralism, cooperative initiatives between nation-states combine with an emergent system made up not just of States, but also multilateral organisations and private actors, especially transnational companies.

The concept of market multilateralism shows the emergence of a system of world order which does not only comprise nation-states but which also integrates private actors, NGOs and companies. The emergence within this new system of order and the power of “generalised principles of behaviour” responds to the interaction between two types of norms: the classic norms of multilateralism and the norms of the marketplace.

This process links up to the new framework of “collaborative governance” (Zadek, 2006), a concept which refers to “spaces of deliberative cooperation that involve private, public and civil actors with the aim of establishing norms and behavioural standards for both those involved in their creation and for a potential community of actors”. These norms and standards are developed in areas linked to corporate social and environmental responsibility.

The commitment of companies to CSR and accountability is presented as a framework for acting that goes beyond economic interests and which is based on shared global governance between global civil-society organisations.

In this sense, one of the channels through which CSR instruments influence global public policy is through the effects of the participation

of the business sector on the instruments of collaborative governance. Over time, business leaders have gradually begun to perceive that these instruments of collaborative governance can help them to improve their competitiveness and behaviour in the marketplace, which means they can avoid negative externalities and improve their competitiveness in global markets.

Collaborative governance linked to CSR is structured around a process of construction of norms and corporate behavioural standards with regard to social and environmental impacts of businesses and their policies of accountability in relation to society and stakeholders. In this new context, the principle of cooperation between social sectors has become one of the main principles on which the organisation of new governance mechanisms is based. Zadek (2006) considers that in the future this model of inter-sectoral collaboration will become one of the most important models and instruments in the world. In this sense it should be noted that the United Nations system is a participant in this process, though, up until now its participation has been largely disaggregated and lacks a clearly integrated line of action.

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