



Local Networks, Global Change

Working Locally through the UN Global Compact

Mark Moody Stuart

The United Nations Global Compact (UNGC) is the world's largest corporate responsibility movement with some 8,000 businesses employing over 50 million people in around 150 countries.

Signatories to the Global Compact commit to working to embed ten principles covering human rights, working conditions, the environment and anti-corruption into their day to day business. In this they are supported by some 4,000 civil society and labour organisations around the world. Companies also commit to report openly and publicly on their progress on each of the ten principles. They can be challenged on the content of these Communications on Progress by civil society and consumers and if they fail to report they cease to be participants in the Compact.

The Global Compact had its origins in a speech in 1999 by the then UN Secretary General Kofi Annan in which he called for companies to enter a compact with the UN to put a human face on globalisation by embedding the principles of the major UN conventions on Human Rights, the Environment and working conditions into their day to day operations. Initially around 40 global companies answered the call and the initiative grew from there. It has always been a uniquely hybrid organisation, funded and led by business, but with one foot in the UN. When the UN Convention Against Corruption was signed in 2003, a tenth principle on anti-corruption was added to the original nine principles. Every two years since the UN Global Compact has been unanimously supported by the UN General Assembly, giving it another unique characteristic as being an initiative which is global and not seen as the particular project of one or other of the different country groupings.

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Another unique feature of the UNGC is the involvement from the outset of civil society and labour organisations. Kofi Annan encouraged them to support business in these efforts, realising that no one sector of society, nor governments, can address these large issues on their own.

Within the framework of the UNGC, groupings of companies have developed to work together to address issues which are of particular importance or relevance to their company or industry. So, there are platforms called “Caring for Climate” and “CEO Water Mandate” addressing issues of climate and water. There are working groups on the empowerment of women, supply chains, anti-corruption, human rights and the role of business in building a more peaceable society.

A frequently heard comment from the chief executives of leading companies is that shareholders have hitherto shown little interest in these matters. This is definitely changing. In a joint initiative by the UN Global Compact and the United Nations Environmental Programme (UNEP), a group of investors signed the UN Principles for Responsible Investment (UN PRI) and set up a separate organisation. Those asset owners, managers, and investors committed to take the principles of the UNGC (and reporting by companies on environmental social and governance aspects) into account in their investment strategies. The UN PRI membership now involves some 1,400 organisations with over 50 trillion US dollars of assets under management. This will over time provide tremendous leverage and support for responsible corporate behaviour.

At the same time, the UNGC was instrumental in convening a number of business schools to embed the principles of responsible business into their teachings. There are now some 500 business schools all around the world who are committed to the Principles of Responsible Management Education. They work together on teaching methods, share case studies and examples, and work to develop intellectual input and backing to responsible business practices.

Thus, from quite a small beginning a network of mutually supportive initiatives has grown involving businesses around the world with support and understanding from investors as well as educational input. The initiatives are all voluntary, but they grow by example and by gradually becoming accepted best practice. They are also kept on track by constructive challenge from civil society organisations and labour organisations involved in the movement.

Encouraging as it is, 8,000 companies represents only about ten percent of truly international companies in the world and only a tiny fraction of the small and medium enterprises which provide most employment. If we are to achieve real change we need to engage a much wider range of companies. The UN Global Compact is therefore putting a lot of effort into the development of Local Networks in more than a hundred countries around the world.

These Local Networks bring together companies of all sizes, both national and international or global, together with civil society and labour unions in countries where these exist or to address some of the major issues of their country. It is only through such Local Networks that the smaller and purely national and local companies which provide the bulk of employment in almost every economy can become involved. Such involvement has great benefits for all. In many countries, companies have been operating responsibly for many years, and such companies provide an ideal enabler for embedding the sort of changes which are needed if we are to have a more sustainable world. Many of these companies are private companies which have developed their brands and business relationships on the basis of trust and a commitment to the communities around them. For example, there are many such companies in India. These companies bring to the Local Networks of the UN a deep knowledge of the societies in which they operate. International and global companies can learn much from working with them.

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At the same time, where international companies are members of UNGC Local Networks they bring experience of operating in international markets to the standards that consumers around the world demand. They also bring experience of capital markets and the governance models required as private family companies raise the capital needed to grow and spread their wings overseas around the world.

These Local Networks thus provide opportunities for a great deal of exchange of information. They enable the building of mutually beneficial supply chains and enable international companies to understand the local market and society better, while also enabling local companies to take perhaps the first steps overseas with a partner that they have come to know.

Because of the determinedly multi-stakeholder nature of the UN Global Compact, local civil society organisations as well as local labour unions are involved. Companies of all sizes, both national and international, benefit from this engagement with other parts of society. From these interactions companies can see how best to implement and apply the universal values and principles of the UNGC in a way that is sensitive to local customs. A deeper understanding of national values and culture is of enormous help to any company delivering services or marketing products.

If I could change one thing, it would be engaging more local affiliates of major companies with Local Networks, supporting the national network leadership. They can learn from the practices of responsible national companies, many of which have been applying responsible business practices, developed in line with local culture. This is a two way process as national companies can also learn from the experience of global companies.

All companies benefit from the involvement of the small and medium size enterprises, providing opportunities for shared value approaches in the development of local supply chains. The discussions in a Local Network can and does also lead to alliances to address local issues in a practical way, taking into account political or cultural sensitivities. The involvement of civil society provides a source of intelligence on national issues and allow a major company to communicate much more effectively with its national customers and suppliers as well as with its own people.

All of the four areas into which the ten principles of the UNGC can be grouped—human rights, working conditions, the environment and anti-corruption—are important. However, in my work with the UNGC and Local Networks over the years I have always encouraged the Local Networks to set priorities. In which of the four areas are the challenges most urgent? Are there things which the Network can do collectively to address some of these challenges?

They could, for example, pick anti-corruption and work with the government and civil society to improve some aspect. For example, there may be issues of expected facilitating payments to government officials to obtain licences. Companies in a particular sector can unite to fight this scourge, but their efforts will be helped if a civil society organisation can make the sort of public statements which any individual company would find difficult.

There is a UN Global Compact Local Network in Bangladesh. On a visit to the Network there I asked what they saw as their priorities. One of the priorities of the local companies involved was related to the working conditions of Bangladeshi migrant workers working in the Gulf. Another collective initiative, strongly led by one company, was the training and employment of people who were handicapped in some way. There were remarkable examples of people who had been regarded as burdens on their families gaining steady employment in factories to the great benefit of families, employee, and employer. Both of these initiatives are indeed important for Bangladesh business and society.

Shortly after this, during a visit to the United Arab Emirates, I asked the same question on the priorities of the Local Network there. In that case there were also two priorities. One was the relatively inefficient use of energy generally. Interestingly, the other was also the concern of responsible companies for the working conditions of migrant workers.

Although in many cases these are of a high standard, in a weakly regulated environment there are also some very bad examples. There is clearly scope for co-operation between the Networks to see how this mutual concern for working conditions could be addressed.

The Bangladesh Network had many responsible Bangladeshi companies. There were also some international companies represented—mainly banks and service providers. If more of the many international companies sourcing apparel from Bangladeshi companies had been engaged in the Bangladesh Local Network it is probable that the safety of factory buildings in Bangladesh would have been a high priority and steps might have been taken to understand and address the issues which have led to unsafe factory buildings. It has taken the deaths of more than a thousand workers in the collapse of the unsafe Rana Plaza building and coordinating action of unions, which are also involved in the UN Global Compact, to begin to address the issue.

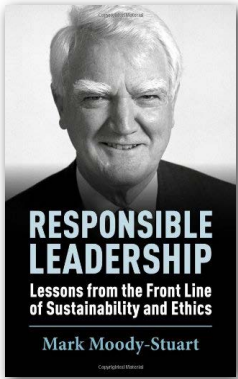
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A Local Network with more involvement of local affiliates of international companies is one antidote to this. Would that it had happened earlier. One can never be sure, but the outcome might have been different.

This is just one example of how a real mix of national and international companies with different backgrounds can bring diverse skills and experience together to challenge the collective priorities. An issue such as the safety of factory buildings in Bangladesh is highly complex. It does not simply result from the nature of supply contracts, or competition, or weak labour laws. It encompasses construction methods, the reliability of electricity supply and the need for distributed stand by generators (the weight and vibration of which contributed to the collapse) as well as safety standards and government inspections. Corruption also plays a role.

A UN Global Compact Network is an ideal place to bring all these issues out and discuss them in a constructive environment. It allows an international company to learn directly of some of the challenges which will be met during local operations and to develop appropriate strategies with local input. **Such engagement repays the effort many times over.** 📌

Info



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ABOUT THE AUTHOR | Sir Mark Moody-Stuart served as Managing Director of Royal Dutch Shell plc from 1991–2001 and as Non-Executive Chairman of Anglo American plc from 2002–2009. He has been Lead Director of Accenture plc since November 2002 and a Director of Saudi Arabian Oil Company since August 2007. Sir Mark serves as Vice Chairman of the UN Global Compact, and Chairman of the Global Compact Foundation and the Innovative Vector Control Consortium.

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