Dissonance or dialogue: changing relations with the corporate sector

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The past decade has seen a significant shift in the influence over development policy between the three groups of global actors – governments, civil society, and the private sector. While, through a series of major summits in the 1990s, UN member States attempted to establish global agreements on common environmental, social, and human-rights agendas, for most of the world's people little has changed in reality, and for many the situation has become worse. However, what the global conferences did, inadvertently, facilitate was a much more extensively networked community of civil-society actors, who, through a combination of technological advances and the formation of alliances North–South and across sectors, are now a much more active force in global decision-making forums. While larger transnational or international NGOs (INGOs) are the most visible, many of these are also linked to grassroots movements. Electronic communication has enhanced this connection and has meant a greater participation of civil society in international debates, as well as a capacity for civil-society movements to hold INGOs more accountable.

At the same time, the emergence of the private sector as a key driver of the development paradigm has become more apparent. Throughout the run-up to the Earth Summit process in 1992, the concept of sustainable development was firmly placed on the table. However, at Rio, the private sector's major achievement was to keep the issue of corporate accountability off an agenda over which it had no control, and away from a concept of which it had little understanding. As Ray Anderson, Chairman of Interface and Co-Chair of the US President's Council on Sustainable Development, said in the foreword to the carpet company's

1997 Sustainability Report: 'Three years ago, the word sustainability meant little or nothing to me. For the first twenty-one years of Interface's existence I never gave one thought to what we did for the Earth, except to be sure that we obeyed all laws and regulations.'

Subsequently, leadership within the corporate sector recognised that the concept of sustainable development was not going to disappear, and that there was an urgent need for businesses to get on the front foot in interpreting what it meant for their activities. And they moved fast. Environmental sustainability has now become a mainstream issue for business. Once industry absorbs a message, it responds rapidly – unlike governments, which are constrained by a paralysing blend of political processes and bureaucratic inertia.

The impact of globalisation

Both the corporate sector and civil society have been transformed by the process of globalisation. National boundaries provide few barriers for the transnational corporations (TNCs) that operate in a global marketplace. Similarly, the organisation of civil society is now much more internationalised, with groups of national organisations forming international affiliations in order to achieve greater impact for their advocacy activities.

With the manifest withdrawal over the past decade of government as a major regulator, monitor, and enforcer of development, the private sector and INGOs have been left eyeing each other rather warily. Of the three sets of actors, corporates and INGOs do have in common the need for a much more long-term agenda. Governments, by contrast, must focus primarily on the electoral cycle. While quarterly returns are important, businesses must plan their investment programmes over an extended time period. At the same time, INGOs are seeking sustainable solutions to global issues. Thus, increasingly, industry and INGOs are finding themselves in a parallel search for long-term certainty.

In March 1999, the oil company Shell launched a series of advertisements in the UK at the start of a US$25 million 'stakeholder consultation' campaign. For a company buffeted by the public-relations disasters of the decommissioning of the Brent Spar oil platform and the judicial execution of local activists in Ogoniland, this may have appeared as just another attempt to gloss over a battered image with an advertising blitz. However, it is increasingly evident that, in what it refers to as a 'CNN world', companies like Shell have begun to acknowledge that corporate responsibility does not begin and end with economic performance, but that in the twenty-first century companies will be judged on a much wider agenda of environmental and social accountability. As Shell's chairman Mark Moody-Stuart (1999) notes:

> In the next century sustainable business will have to be responsible and sensitive to the needs of everyone involved. It will be guided by more than one parameter. The demands of economics, of the environment and contributing to a just society are all important for a global commercial enterprise to flourish. To neglect any one of them is to threaten the whole.

This change at the top in some multinationals has not come about by chance, but has largely emerged as a result of a long and persistent campaign by international pressure groups, calling for more corporate accountability.

The call for enforceable codes of conduct for TNCs was an early, but unproductive, campaign through the 1970s and 1980s for more corporate accountability. Instead, free-trade policies, the expanding importance of foreign direct investment, and less restrictive national laws presented TNCs with an open ticket to seek the most industry-friendly regulatory climate. Although persistent criticism of activities of multinationals by pressure groups has encouraged business to develop stricter self-regulatory codes, mandatory reporting and strict compliance mechanisms have been successfully resisted.

In 1997, the UK-based consultancy firm, Control Risks Group, examined the changing relationship between INGOs and business. It concluded that business had to take INGOs seriously, because, as a force, they were now beginning successfully to interfere with business practice. By the use of technology and strategic global campaigning, INGOs had the capacity to damage a company's most precious asset, its reputation.

Companies recognised that they could no longer afford to ignore this threat, and that they needed to pay more attention to a multi-stakeholder environment. This was risky business, as it meant increased transparency in their activities, with the consequent potential for greater exposure to criticism. While initially the relationship between business and INGOs was characterised by caution and unease, a degree of common ground and mutual advantage has been discovered, such that both sides are recognising the potential for constructive engagement. While corporations been driven by the need to protect their reputation, INGOs have had cause to reconsider their views about the role of the private sector in developing countries, coming to see it as a critical ingredient of economic development and, in the foreseeable future, the only likely source of the growth needed for social development.

Much of the long-term strategic thinking about the developing world is happening not in Foreign Ministries, nor even as much as before in universities, but in private-sector think-tanks. Notwithstanding the Asian collapse and the discrediting of IMF-imposed monetarist solutions to countries in crisis, there seems little likelihood of the shift towards the market-led paradigm being abandoned in the short to medium term. Moreover, with the change in the relative weight of foreign direct investment and official development assistance to developing countries, the power of TNCs to influence development outcomes has been significantly strengthened. Multilateral development banks are increasingly adopting as a key role the facilitation of private-sector involvement in the development process.

Thus, INGOs concerned with poverty and equity now view the private sector as a significant driver of development, a key engine of growth, but one with little conscious orientation towards the impacts of the increased economic activity on the distribution of wealth. While INGOs on the whole accept that it is legitimate for the private sector to make a profit out of development, it is also held that this right carries with it a social responsibility. For these reasons, sections of the INGO community have made a strategic decision to engage in dialogue with industry in the pursuit of more socially just outcomes.

Taking social accountability seriously

It is clear that enlightened leaders in the private sector are seriously committed to making changes in the sector's ways of working. Indicative of this trend is the growing interest in the 'triple bottom line' – a concept involving economic performance, environmental sustainability, and social responsibility – outlined by John Elkington from the UK-based group SustainAbility (Elkington 1997). The idea of the 'triple bottom line' has begun to invade the consciousness of the corporate sector. In a 1998 survey of the attention given to the 'triple bottom line' agenda in the reports of Chief Executive Officers (CEOs), Elkington concludes that while 'only 11% of CEOs currently show even an embryonic understanding of the emerging agenda in this area … [this is] a dramatic increase on the position 3–4 years ago when the figure would certainly have been zero'. With the private sector's rapid-response capacity, it will be interesting to track the growth in this awareness.

What is apparent is that corporations have been much quicker to embrace the environmental issues than to adopt the social agenda. Senior executives have recognised that good environmental performance is linked to enhanced business outcomes and, with leadership from institutions such as the World Business Council on Sustainable Development (WBCSD), stewardship for the environment has become more central to the thinking of major corporations. While many are now producing excellent environmental reports, including opening up their operations to external verification, there has been much more reluctance to address controversial social and ethical aspects of their company's activities. This should not be surprising, given that the connection between social responsibility and commercial gain has yet to be clearly determined, let alone absorbed.

In May 1999, *Business Week* produced a special advertising section in association with the World Resources Institute (WRI) on finding a balance between social, environmental, and financial responsibilities, with articles written by CEOs of ten major corporations. In his overview, Jonathan Lash, WRI President, urged:

> The social challenge reflects the fact that as the private sector has grown in power and importance, so have the expectations of a diverse group of stakeholders. … With increased visibility for corporate behaviour and increased vulnerability for companies that run afoul of today's volatile public opinion, no company can afford to neglect its relationships with its stakeholders or escape the need to be part of building a better society.

Despite this call to action, all ten essays from CEOs focused on environmental issues; not one seriously tackled the social agenda. The section on 'Managing for the Future' explained:

> Despite rising interest in corporate social responsibility, there remains considerable confusion about the concept. Terms such as 'corporate citizenship', 'eco-justice', and 'business ethics' abound. … The challenge is to define business performance in relation to its impact on other stakeholders, including communities, employees, developing countries, and suppliers. Such measures should include business ethics issues such as participatory decision-making, community commitment, honesty, bribery, and corruption.

A dilemma for business is the absence of good social-performance indicators. *Business Week* admits that 'the current state of corporate social performance yardsticks parallels that of environmental performance measures 15 years ago'. As part of the 'triple bottom line' approach, social reporting is on the agenda and, with it, verification. Reports on companies' activities in the social and environmental areas are of little value unless they can be verified. Thus good reliable indicators against which a company's performance can be tracked are essential.

Corporate social responsibility

Leadership in the area is again emerging from the WBCSD, which in 1998 launched a two-year study into corporate social responsibility (CSR). In its first report, *Meeting Changing Expectations*, released in March 1999, the Group identified one of the remaining difficulties as the monitoring, management, measurement, and reporting of CSR. It also noted that much of its work thus far had been in the developed world, and there was a need to gather views from developing countries. Following a round of regional consultations in1999, the second work-in-progress report, *Making Good Business Sense*, was released in January 2000. As well as introducing a broader perspective of what CSR might mean in different cultures, the report includes some early guidelines for CSR indicators. INGOs can be encouraged by this signal of genuine commitment to finding workable solutions to CSR, and thus can be more open to working together with business in developing appropriate and verifiable social measures.

The call for more corporate responsibility with respect to human-rights standards emerged from a much higher level at the 1999 World Economic Forum at Davos, where the UN Secretary-General, Kofi Annan, challenged corporate executives to find 'new ways to embed global market forces in universally shared societal values' by adopting his proposal for a Global Compact. This comprises nine principles, derived from three areas of shared international agreements: human rights, labour standards, and environmental protection. This challenge was taken further in a statement by the UN High Commissioner on Human Rights at the Winconference '99 at Interlaken, where she reminded business leaders that economic, social, and cultural rights were equally enshrined as civil and political rights in the Universal Declaration of Human Rights, and that business was a key partner 'in the drive to consolidate social and economic rights'.

References to human rights were, until recently, conspicuously absent from most corporate policies, with notable exceptions such as Body Shop, Levi Strauss, and Reebok. More recently, sections of the oil industry, spurred by damaging reports relating to human-rights abuses, have addressed the issues more seriously in their company codes; but in general this is not an area where business feels comfortable. However, with more company executives now publicly supporting the importance of corporate social responsibility, a key role for INGOs will be to continue to hold them answerable to a broader human-rights agenda.

Despite the emergence of a new breed of business leaders, in reality companies and individuals embracing the concept of the 'triple bottom line' are still relatively few in number. Market fundamentalism remains the dominant ideological trend, with unquestioning adherence to economic globalisation being the order of the day, despite growing protests from the large proportion of the global community that is being left behind. The profit motive will remain the primary objective, with sections of industry merely seeking to give the impression of change – a 'greenwash' – rather than fully incorporating social and environmental concerns as core functions in their work.

Between co-operation and co-option: walking the tightrope

For INGOs, closer co-operation with industry is a high-risk strategy, with the inherent danger of co-option and being seen giving tacit or overt approval to unsustainable or socially inequitable activities. Constructive engagement can easily slide into complacency on the one hand, with the risk of charges of collusion leading to damaging internal dissent on the other. There is also a danger that INGOs might invest considerable resources and public prestige without achieving desired changes to policies and practices. Valuable time and resources can be taken up by requests to participate in industry advisory panels and consultative groups, only to contribute to the corporate public image without bringing about any real change. Co-option – or the appearance of co-option – by a company or industry may also have a negative effect on the credibility of the pressure groups among their peers.

Thus, it is essential for the radical transformers who place a stake in the ground and refuse to budge to remain outside the process. These groups play a critical role in defining the argument and establishing the benchmarks. There is a role for both transformers and reformers, and it is essential that each recognises and respects the legitimacy of the other's position. Otherwise, the NGO movement can become fractured, and valuable energy can be consumed in attacking each other, rather than being focused on common objectives.

INGOs' approach to the private sector needs to be flexible, with a willingness to engage in dialogue with the more receptive companies or to pursue more aggressive tactics when deemed desirable and productive. Skill in assessing these options and managing the conflicting tensions will be essential to ensure that internal and organisational policies are coherent and give a consistent and accurate message. Mistakes in the accuracy of information can be highly damaging to an NGO's credibility. Despite success with the Brent Spar campaign, the reputation of Greenpeace was harmed by the admission that the organisation had made a mistake in some of its claims. Just as companies are increasingly under the spotlight with calls for transparency and accountability, so business will also be quick to hold INGOs accountable for their statements and activities.

An interesting recent initiative in global public policy making has been the World Commission on Dams (WCD), an independent body established in 1998 by the World Bank and the World Conservation Union with a mandate to develop agreed guidelines for future decision-making over water-resource development. The WCD is an experiment in finding solutions to global disputes and, if successful, could provide a model for further dialogue between the private sector and civil society.

While concepts such as 'the triple bottom line', the 'Global Compact', and initiatives provided by the WBCSD and the WCD can provide convenient focal points around which INGOs and the private sector can have potentially productive conversations, constructive engagement between the two sectors will continue to occur at any level only for as long as both clearly see advantages in doing so. For INGOs, there is no guarantee that closer interaction will in the long term lead to more just and sustainable outcomes. While remaining alert to strategic opportunities as they emerge, advocacy groups will continue to pursue a multi-faceted approach. In a fast-moving world, flexibility will be key to INGOs remaining a relevant influence in the twenty-first century.

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