The United Nations Global Compact and the MENA Region

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Abstract

This paper assumes that the concept of CSR is well understood and will not make efforts to give any working definition. It instead starts by critically discussing the foundation intentions of the concept by analysing key arguments against it. Then, the more recent adoption of international policies as a guideline for the control of the activities of corporations was evaluated adopting the United Nations Global Compact (GC) as a case study. Focus on this is based on the fact that it is coming from the UN, a global entity with the power to influence world order. Subsequently, focus shifted to the MENA region in which existing perceptions of CSR practices were discussed in line with a successful example of an organisation from the region that truly practices CSR as it should be. From the matters that arose, conclusions were drawn.

Introduction

Snapshots of events in the corporate world over the past three decades, especially questions about the behaviour of multi-nationals and whose interests they really serve have only led to CSR being severely criticised. From myriads of definitions, its core foundations are hinged on the premise that it is appropriate for organisations to 'give back' to the society from which it has made so much profits. This school of thought had been the basis of several working definitions; however, more practical and critical sources have argued that it was in the wake of anti-corporate campaigns that posed threats to companies' licenses to operate that necessitated its popularity (corporate watch, 2006). Therefore, while it is not the action of 'giving back' that is the main bone of contention, it is the reasoning behind the giving and questions of who actually benefit in the long run that have been queried. In other words, evidences point to the direction of CSR being used more as a strategy to tactically create good public image which subsequently lowers operational barriers and rakes in more profit to the organisation, than for social intervention for which it was actually intended. This positive impact on the bottom line thus creates some sort of creative, secondary business unit for corporations in which x amount is invested into a social cause, in guise of receiving z amount, comprising $x+y$, where y is the 'earning or return' from taking part in the charity acts. In this light, a key argument is that y should not be a part of business as usual. The possibility of this is however constrained by the fact that once x and y combine to make z, z becomes a wholesome figure from which the actual value of y is impossible to ascertain, whereas y is supposed to be for social causes strictly. From this, CSR could become less debatable if y can be determined and completely ploughed back into the society.

Furthermore, the ambiguity of responsibility itself as a concept is contestable. Who are organisations responsible for or accountable to? Shareholders or other stakeholders? Who comes first? Should responsibility be a primary focus in which from types of businesses corporations do, to their strategy implementation, all stakeholders are considered or that the interests of shareholders come first and if things get bad, responsibility comes in as a secondary tool to mop up the mess created? These questions make CSR quite difficult to pin down. It overlaps with other such concepts as corporate citizenship, sustainable business, environmental responsibility, the triple bottom line; social and environmental accountability; business ethics and corporate accountability (Broomhill, 2007). Moreover, recent questionable behaviours of big corporations further cast shadows on the effectiveness of CSR and makes it seem to enable businesses propose ineffective, voluntary, market-based solutions to social and environmental crises under guise of being responsible. The intentions are to deflect blame of problems away from the company, and protect company interests while hampering efforts to tackle the root cause of environmental and social injustice (Corporate watch, 2006).

Ultimately, the success of CSR as a concept will continually be undermined until it is understood that companies are created to make profits, and will act only in ways to achieve this end. Personally, it is not the excessive returns made that are of concern, but how these are made. Business can and should be done ethically, a notion the world is gradually shifting towards haven experienced first hand how disastrous it can be when corporations do things their way, some totally destroying posterity's livelihood. To help CSR make more sense however, some global frameworks have emerged inside the last decade as fundamental reforms to corporate culture. The aims of these are to control the activities of corporations within globally acceptable standards. To what extent can these laws and guidelines help put CSR back on track and how judiciously are companies following these rules? What matters arise from this? These questions are the focus of the next section.

United Nations Global Compact (GC): Intentions, Impacts and Criticisms

The UN GC was endorsed by chief executives as a practical framework for the development, implementation, and disclosure of sustainability policies and practices, offering participants a wide spectrum of work streams, management tools and resources — all designed to help advance sustainable business models and markets (United Nations, 2011). Furthermore, it is a voluntary initiative that endorses businesses to act along the lines of ten principles based on human rights, labour, environment and anti-corruption. *Ceteris paribus*, a proper implementation should instil a culture of corporate leadership and innovation, move corporate responsibility from concept to fact and give voice to people's concern. In other words, several criticisms of CSR are catered for in which stakeholders' opinion significantly influences actions corporations take amidst other key responsible attitudes the framework proposed. Impressively, over 6000 companies and 2000 civil society groups across 130 nations have voluntarily signed into the GC framework and promised to abide by the rules (United Nations, 2010). This figure is notably solid and keeps increasing annually, a strong indication that the organisations themselves are beginning to respond to global pressures for responsible businesses.

Some implications of this development from global practices are:

- Rapid transition of corporations from beginner to advanced practitioners of CR.
- High possibility of wide spread of responsible practices to corporation subsidiaries.
- Organisations now seem to have a conscience through this framework that allows for real self-evaluation.
- The CEOs of corporations, who hitherto were seen as masterminds of irresponsible practices are now at the fore of this change. For example, the United Nations, (2010) reported that 69% of participants now evaluate responsible practices at the CEO level.
- Increased consciousness and deliberate compliance to improved human rights, environmental sustainability practices and anti-corruption practices. From all indications, more companies seem to pass this test annually indicating some good progress.

Overall, the GC seems to be taking corporate culture to the desired end. Each year, newer reports reveal significant changes and improvements. It is however these significant improvements that raise eyebrows.

This paper would start criticising the framework by questioning its 'global' rationale. Its argument is that certainly, for such frameworks to be globally acceptable, they have to come from globally reputable organisations, with positive and ambitious aims. Must it however be the United Nations? The UN was originally enacted to regulate world order at the state level and not at the corporate level as this framework suggests. Such a pact with private non-state entities questions the goodwill of the UN and launches enquiries into whose interests are actually being served. Besides, the involvement of the UN may only guarantee enactment success and not practical implementation success which is the most important yet most easily prejudiced. This is because every corporation wants to be seen as good and compliant to global policies, again possibly as a strategy and PR tool to get their jobs done and will stop at nothing to portray themselves as compliant under the guise of other priorities. Hence, the soaring numbers of organisations signing the charter may be another indication that CR is still revolving around the same old circle instead of progressing towards a new front. Before evaluating a few strategic dimensions further, a quite startling revelation was recently released by a Joint Inspection Unit (JIU), an external oversight body of the UN in its report on the GC. It was claimed that though the report had been ready for a long time, its release was delayed because of lobbyist who wanted several parts of it played down (Global compact critics, 2011). The report claimed that the partnership of UN with corporations provided a substantial 'reputational risk' and that it pursues a 'self-expanded' mandate. It further asserts that there is the possibility that very powerful organisations are using this to achieve selfish aims that overshadow the original intentions of the framework. For example, there seems to be a skew of corporations belonging to the GC with 48% coming from Europe and America and 20% from Asia.

From more strategic dimensions, joining the GC is voluntary. At the moment the only requirement is for CEOs to sign a letter. This entry requirement is rather too low for a pact that has lofty aims. Also, the fact that there seems to be inadequate monitoring mechanisms of organisations participating in the act poses yet another flaw. Although the UN claimed to have turned down over 2000 companies, on what grounds was this done when the entry requirements requires just a signature! These paint the framework as not having the right kind of bite that it should have. With its supposed magnitude, entry for corporations should pose serious concerns to them because it should have a firm control over their activities. From an implementation perspective, the GC is not legally binding and offers no sanction for organisations belonging to it still doing the wrong things. This renders it toothless and inconsequential, making critics argue that it has offered little or no change. Also, it is one thing for organisation to agree to consider stakeholders, in fact several of them actually sample the opinions of these groups yet it is another thing entirely to listen to them. Listening implies that proper actions are taken towards the requests of the stakeholders, yet not many corporations do this. Also GC seems to address management systems and not corporate strategy which is where the implementation power is, therefore improvements are encouraged in systems rather than deeds. Finally, GC progress reports are based on what organisations claim they are doing and are not necessary true reflections of what is actually being done. In further appreciating possible implications for real life practice, the next section applies GC within the context of the MENA region. Strands of likely implications and consequences for organisations in the region wanting to partake in the CSR activities are critically drawn.

GC and CSR in MENA: Implications For Arab Organisations

The MENA region is often characterised by highly centralised power that favours the wealthy and powerful (Ararat, 2006). With the region also characterised by the failure of governments, political instability and poor quality of life for a vast majority, the manifestation of CSR comes out in the form of corporate philanthropy. This assertion was collaborated by a recent survey of the opinion of business students and policy makers in the region on CSR practices. They submitted that Arab organisations see CSR as philanthropy whereas the latter is only a tiny fraction of the broad requirements of the former in its real sense. Therefore, CSR in the region is driven by the rational choices of business or political choice rather than society's expectation or power from below (Ararat, 2006). Though this may be improper especially as it seems to contradict the true spirit of Islamic traditions of charity, *zekat* and *tsedaka,* it can be argued that the failed governments that have plagued the region leaves organisations with no choice than to offer philanthropic help as social intervention rather than for humanistic purposes to reduce social pressure in order to create healthy business environments thus protecting their own interests as well. This motive for embarking on social causes defeat the true aim of CSR which aims at producing responsible businesses who gain no benefits whatsoever from social causes and leaves it in the same cadre as their counterparts in other parts of the world as earlier argued. Perhaps this explains the limited participation of Arab organisation in the Arab CSR network, having only 24 companies with about six of these being foreign multinationals.

From the GC perspective however, Arab companies account for only 2% of organisations that have signed on the framework.

Without a doubt the social inclinations of these companies are quite high and most of them fall into the categories of companies that provide either only social services as NGOs or those that do these for other agendas, with only a few grasping the full intentions of the GC in real actions. One of such is the International Medical Centre (IMC) in Saudi Arabia. This medical facility not only indulges in social acts such as educating the populace, treating patients with dignity and creating patient educational materials which are distributed to teach sustainable health practices as community services, but also boasts of outstanding work ethic and qualitative service as evident in several testimonials from patients that led to the publishing of the Hospital's 'Book of Letters'. Only very few companies can boast of this kind of achievement in which their deeds are judged by the populace and not by internally generated reports that could have been modified to portray falsehood. Interestingly, IMC is the only organisation from the KSA that is on the Global Compact and serves as a worthy example that for other organisations in the MENA to follow. This case study indicates that responsible businesses need not be policed around by laws and regulations. With the looseness of the GC well known, its implications for organisations in the MENA region are not quite significant. For example, GC advocated for proper human rights and labour, yet several organisations in the MENA still be indulge in activities that severely undermine the rights of works (Ararat, 2006), without any sanctions, while some of these may already be listed on the GC. Therefore, companies seeking to indulge in CSR in MENA with or without the GC frameworks should do so by the courtesy attached to professionalism and in the true spirit of charity concepts in Islam as evident from the IMC story. It must be noted however that IMC's responsibility is imbued on it by the nature of its business – dealing with human life and could thus be a strong reason for its responsible behaviour, yet lessons learnt from its approach to business can be imported to other spheres as well.

In conclusion therefore, legal frameworks are not a guarantee for change but can facilitate it. On a positive note, if truly the GC is helping organisations share best practices, then we can look forward to a better world. However, there are a lot to think about with the several implementation gaps earlier exposed, particularly in the area of transparency of organisations. There are no standard reporting formats checkable by actual works seen on ground. We should thus, not focus on what is reported in annual evaluations because these are based on what organisations claim to have done but to establish means of ensuring that the truth is told at all times. Yet, the story of IMC in the MENA region is an example to how annual progress can be measured by the testimonials of the masses. Also, it must be understood that getting businesses to act responsibly could take time; therefore trying to impress the globe by publishing improvements may not help. Rather, let the truth be told. If responsibility is yet on the back-foot, let it be said so that collectively, solutions can be found because transparency is the key to and bedrock of any sustainable initiative. On a final note, the MENA region provides a peculiar case study of a twist to the concept of CSR. There is a need for organisations in the region to understand that corporate philanthropy is not a guarantee that businesses are responsible. Rather, in addition to the social intervention many seem to be engaged in, other key facets of responsibility as suggested by the GC such as in human rights, anti-corruption, and labour rights should be incorporated as part of essential best practices of responsible businesses to practice. With this, the region should be on the march to more realistic progress in the nearest future.

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