

The Global Compact Challenge

What is 'The Global Compact Challenge'?

The Global Compact Challenge is a tool aimed at stimulating Global Compact participants to scrutinize their approach to corporate responsibility (CR). The focus of the tool is not on the UNGC principles themselves, but on the need for participant companies to mobilise wider improvements in performance across industry sectors, along value chains and through links with public policy. In this way, the challenge represents a companion piece to the UNGC publication *Raising the Bar*.

The original challenge is set out in the report *Gearing Up*, which was prepared by SustainAbility at the request of the Global Compact Office. This report concluded that while CR initiatives have the potential to bring about positive change, this will only be realised if such initiatives focus on achieving critical mass across all industry sectors, and are connected to wider public policy efforts that address the root causes of the problems. For more information on *Gearing Up* including free copies of the report please see www.sustainability.com/publications/gearing-up.¹

The Corporate Responsibility Gearbox

To help companies review their approach to corporate responsibility generally, the report sets out a 'CR Gearbox' that describes the different approaches or 'gears' that companies can take to CR. The report concludes that most companies should be operating in the higher gears.

1st Gear: Comply

Companies operating in first gear do not generally recognize any responsibility to stakeholders beyond making a profit. For companies at this stage:

- PR and legal departments often play a major, defensive role.
- Stakeholder engagement is seen primarily as philanthropy.
- Relations with government are seen as primarily a compliance issue.
- No business case is perceived for going beyond compliance.
- Key drivers are NGOs, the media and government.

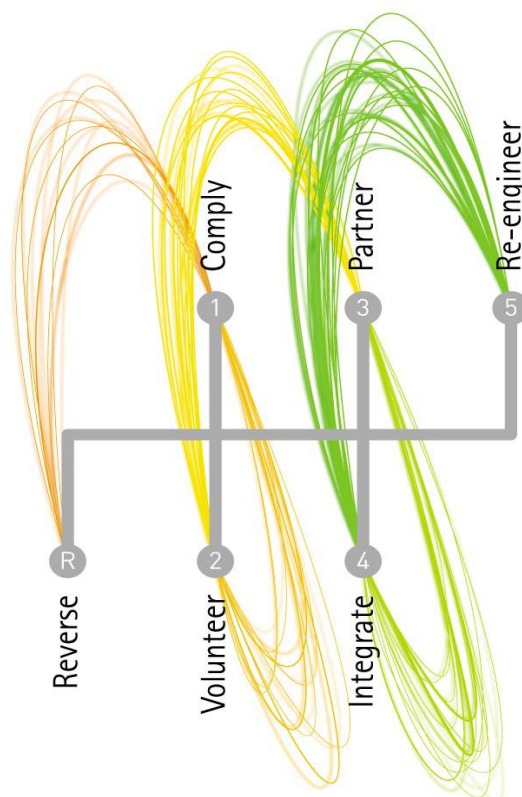
2nd Gear: Volunteer

In second gear, companies begin to move 'beyond compliance', but the CR emphasis is on:

- Measuring and managing direct operational impacts – though primarily for PR benefit.
- 'Communicating to' rather than 'engaging with' stakeholders.
- Participating in the development and trialling of voluntary industry standards.
- Risk management and eco-efficiency as key elements of the business case.
- Responding to peer pressure as a key driver.

3rd Gear: Partner

In third gear, CR is increasingly something that companies can only do well in partnership with other actors such as NGOs, suppliers, customers and industry peers.



¹ SustainAbility is grateful for the financial support the project received from Novartis, Pfizer, SAP, DaimlerChrysler and Novo Nordisk.

In this gear:

- CR experts take centre stage, with CEOs 'wheeled out' for major events.
- Stakeholder engagement evolves into a two-way dialog with wider society.
- There are close relationships with governments, for example through tri-sector or public-private partnerships.
- The business case focuses on proactive risk management and reputation building.
- Key drivers are NGOs, some parts of government and leading businesses, with much of the media (because there is less drama) beginning to lose interest.

4th Gear: Integrate

In fourth gear CR issues are seen as strategic, requiring integrated responses across companies and value chains, but prioritisation also becomes increasingly important.

- Top management and boards are actively involved.
- The company engages civil society and governments in 'progressive alliances' working towards common objectives.
- The focus is on embedding CR goals in all business processes.
- The business case is strategic as businesses begin to connect long-term corporate objectives with wider societal challenges.
- The drivers are many and various, including from the financial sector, but companies pushing the envelope still often find that the drivers are inadequate in key areas.

5th Gear: Re-engineer

In fifth gear the focus shifts to systemic change, addressing future markets, market frameworks and business models.

- New players come to the table, including 'change agents' like inventors, entrepreneurs, venture capitalists and investment bankers.
- Progressive alliances target system change, focusing on governance and markets.
- CR moves beyond products or services to re-examine business models.
- The business case maybe negative with a 'first mover disadvantage' in the short term.
- There are many drivers of change, including growing financial sector activity, but governments and governance systems once again must play a central role.

And Reverse...

Many companies, while operating primarily in forward gears, keep their public policy lobbying in 'reverse' – hampering progress on key social and environmental issues and preventing the development of the levels of trust necessary to develop genuinely shared solutions.

Take the Challenge

The following questions are intended to help companies assess whether their CR programmes are likely to provide foundations for long-term business success and deliver solutions to pressing social and environmental problems.

Q1 Which gear are we in today?

- Who in our company is engaged in CR, and are top executives involved?
- How do outside actors influence our decision-making around CR?
- Are we working to drive improved performance across our industry?
- Are different parts of our organisation in different gears?
- If so, why, and with what potential implications?

Q2 Where do we want to be by the end of 2007?

- Which gear do we need/want to be in by 2007?
- Who will need to be involved internally and externally?
- What are the main barriers to change, and how can we overcome them?
- How can we help co-evolve wider governance frameworks to address key issues?

Q3 How can we achieve scale?

- Who in our organisation thinks in terms of 'scalability' and system-level change?
- What changes externally are needed to ensure real progress on our CR priorities?
- Are there 'progressive alliances' involving government and civil society to tap in to?