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The global compact's contribution to global governance revisited

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Johanna Brinkmann-Braun and Ingo Pies

The Global Compact's Contribution to Global Governance Revisited

Diskussionspapier Nr. 2007-10

des Lehrstuhls für Wirtschaftsethik
an der Martin-Luther-Universität Halle-Wittenberg,
hrsg. von Ingo Pies,
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Abstract

The United Nations Global Compact (GC) is an international learning network that links companies with United Nations agencies, labour and civil society. Neither a regulatory regime nor a voluntary code of industry conduct, it is a unique contribution to the process of global governance, where the traditional rules of the political game are being challenged by the introduction of new actors and new methods of political coordination in the political arena. As a first step, this paper examines the origins, mission and objectives of the initiative and relates them to the current organizational structure. As a second step, the progress on organizational and collective learning through the GC is explored. Here, the paper illustrates how the revised organizational structure has helped to improve both organizational and collective learning efforts. However, the potential of the GC's local networks has apparently still not been fully exploited. In summary, the innovative, incomparable and flexible opportunities of the GC's engagement mechanisms appear to simultaneously be the major strength and chief weakness of the initiative. The paper concludes that the future success or failure of the GC will hinge upon the initiative's ability to make substantial progress in quantitative (number of participating companies) and qualitative (value of participation) terms.

The Global Compact's Contribution to Global Governance Revisited¹

Johanna Brinkmann-Braun and Ingo Pies

This paper examines the United Nations Global Compact's (GC) origins, its current organizational set-up, and its present achievements as regards organizational and collective learning. The first part of the paper is mainly descriptive, explaining the mission, objectives and background of the initiative (Section 1); the rules that apply for participants (Section 2); the GC's current organizational structure (Section 3) and funding (Section 4). The second part of the paper analyzes the initiative's contribution to organizational and collective learning (Section 5). Here, the thesis is put forward that through one of its engagement mechanisms, the 'Learning Forum', the GC has contributed to organizational learning, promoting a paradigm shift from philanthropy to the integration of corporate citizenship into core business. However, the initiative has been less successful in advancing collective learning, especially as regards the exploitation of multi-stakeholder learning through the local networks. The flexibility of the GC's engagement mechanisms is thus both the major strength and chief weakness of the initiative. Looking at the challenges for the future (Section 6), the paper concludes that the success or failure of the initiative will hinge upon the GC's ability to make substantial progress in quantitative (number of participating companies) and qualitative (value of participation) terms.

1. Origins and Development

The GC is a voluntary, international *learning network* that links companies with United Nations (UN) agencies, labour organizations, and civil society. The GC's mission is to advance a sustainable and equitable economy by embedding it in shared values and principles. This mission is to be achieved by the initiative's two complementary objectives: first, to mainstream ten universal principles in the areas of human rights, labour, the environment and anti-corruption in business strategy and operations; and second, to encourage and facilitate dialogue and partnerships in support of these principles and broader UN goals, such as the Millennium Development Goals.² The GC is neither a regulatory regime nor a voluntary code of industry conduct, but "an ambitious and unprecedented experiment"³. As such, the GC is a unique contribution to the process of global governance, where the traditional rules of the political game are being challenged by the introduction of new actors and new methods of political coordination in the political arena.⁴

The idea of a 'Global Compact' was first proposed by the former Secretary-General (SG) of the United Nations, Kofi Annan, in an address to the World Economic Forum in

¹ A slightly different version of this paper will be published in Brouder, Alan and Christian Tietje (eds.): *Handbook on Transnational Economic Organizations* (forthcoming). We would like to thank Alan Brouder and Christian Tietje for their helpful comments.

² Cf. Global Compact Office (GCO) (2005).

³ GCO (2002; p. 4).

⁴ Cf. Brinkmann and Pies (2003).

January 1999, suggesting that business leaders and the UN initiate “a global compact of shared values and principles, which will give a human face to the global market”⁵.

In his speech, Kofi Annan warned the private sector that the imbalance between the rule-making for the economic, social, and political realms could trigger a backlash against globalization. While many rules that favour global market expansion had been developed and their enforcement enhanced by institutions like the World Trade Organization (WTO), rules intended to promote social objectives like human rights, labour, and environmental standards lagged behind and were to be implemented by under-funded and relatively weak UN agencies. Annan pointed at the enormous pressure from various interest groups to incorporate restrictions into the trade regime and investment agreements, aimed at preserving standards in the areas of human rights, labour, and the environment. The importance of Kofi Annan’s message was later emphasized by anti-globalization demonstrations at the WTO Ministerial Meeting in Seattle in 1999, in Prague at a conference of the International Monetary Fund and at the G8 summit in Genoa in 2001. The SG’s idea of a Global Compact was intended as a contribution to the social and environmental pillars of the global economy by strengthening the role of the UN (rather than the WTO).

Following the enthusiastic response to the Secretary-General’s call to action from business and governments, the Global Compact was officially launched as a voluntary initiative at UN Headquarters in New York on 26 July 2000. By 2007, more than 3,800 participants, including some 3,000 businesses in 100 countries around the world had joined the initiative, making the GC the largest corporate citizenship network in the world.

While emphasizing that governments have the main responsibility for implementing universal values, participants of the GC are asked to embrace and implement, in their own spheres of influence, a set of ten universally agreed principles⁶ (see Box 1).

Box 1: The Global Compact’s ten principles⁷

Human Rights:

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: [Businesses should] make sure that they are not complicit in human rights abuses.

Labour Standards:

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: [Businesses should uphold] the elimination of all forms of forced and compulsory labour.

Principle 5: [Businesses should uphold] the effective abolition of child labour.

⁵ Annan (1999).

⁶ The principles were derived from the 1948 Universal Declaration of Human Rights (UDHR), the 1992 Rio Declaration of the United Nations Conference on Environment and Development (UNCED), the Fundamental Principles and Rights at Work adopted at the 1995 World Summit for Social Development and reaffirmed by the International Labour Organization in 1999, and the United Nations Convention Against Corruption, which entered into force on 14 December 2005.

⁷ Based on UNGC (2007a).

Principle 6: [Businesses should uphold] the elimination of discrimination in respect of employment and occupation.

Environment:

Principle 7: Businesses should support a precautionary approach to environmental challenges.

Principle 8: [Businesses should] undertake initiatives to promote greater environmental responsibility.

Principle 9: [Businesses should] encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption:

Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.

Box 1: The Global Compact's ten principles (continued)

The ten principles were selected on the basis of, first, their operational and strategic relevance at the corporate level; second, having been developed through international agreements; and third, being of crucial importance to give the global market a social underpinning.⁸ The GC thus aims at both promoting responsible corporate citizenship and strengthening the role of the UN. The initiative marks a major change in the UN's attitude towards the private sector (and vice versa), since the relationship between the UN and business had been dominated by suspicion and mutual prejudices for decades.⁹ At the beginning of the 21st century, the importance of the cooperation between the UN and non-state actors – in particular the private sector – was emphasized in the Millennium Declaration (GA Res. 55/2)¹⁰ and several resolutions of the General Assembly (e.g. GA Res. 55/215; GA Res. 56/76; GA Res. 58/219; GA Res. 60/215)¹¹.

2. Participation

The GC involves different social actors: companies, labour, civil society organizations, academia, and the United Nations as an authoritative convener and facilitator.¹² All participants are encouraged to take part in the Compact's main engagement mechanisms: Learning, Dialogue, Local Networks, and Partnership Projects (see Section 5 below).

Companies become participants by sending a letter from the Chief Executive Officer, endorsed by the company's Board, to the UN-Secretary-General, expressing support for the GC and its ten principles. This requirement was based on the conviction that a commitment to responsible business practices must extend beyond a single executive to include a company's governance body on championing the GC's principles both internally and outside the organization. Participants from the private sector are

⁸ Cf. Nelson (2002).

⁹ Cf. Cohen (2001).

¹⁰ UNGA (2000a).

¹¹ Cf. UNGA (2000b; 2001; 2003; 2004; 2005).

¹² Cf. GCO (2005).

expected to publicly advocate the initiative and to adjust their business operations so that the GC and its principles become part of their strategy, organizational culture, and daily operations. The progress made in internalizing the principles ('Communication on Progress', see Section 5 below) into business operations must be publicized in the annual report or another prominent public document of the company, and a link to this report must be submitted to the Learning Forum (see Section 5 below). Since the content of such reports must usually be approved of by a company's board, this requirement provides another mechanism to ensure that a company's support extends to its governance body (the GC refers to these requirements for business participants as its 'Leadership Model'). Participation in the GC is open to all companies, except those that are 'complicit in human rights abuses, tolerate forced or compulsory labour or the use of child labour, are involved in the sale or manufacturing of anti-personnel mines or their components, or that otherwise do not meet relevant obligations or responsibilities by the United Nations'.¹³

International and national labour organizations are recognized as a separate grouping in the GC because of their distinct role from both business and other elements of civil society. The structures of the international trade union movement allow for a coherent participation in the GC in a way that covers sector and sectoral engagement as well as general policy issues. In 2007, more than thirty labour organizations had joined the GC, e.g. the International Confederation of Free Trade Unions (ICFTU), the International Federation of Journalists and the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM).

In 2007, more than thirty global *Civil Society Organizations* (CSOs) and over two-hundred local CSOs were listed as participants of the GC, among them well-known organizations like Amnesty International, Human Rights Watch, The World Conservation Union (IUCN), and Transparency International. In order to ensure that dialogue involves multiple, diverse stakeholders and remains constructive and productive, the participation of CSOs in GC activities hinges upon four traits: "the willingness to engage with all actors of society; the proven ability to make a substantive contribution; the ability to transcend a single-issue orientation; and the proof of a minimum level of transparency and accountability in matters like membership and funding".¹⁴ These selection criteria had given cause for consternation among CSOs and evoked criticism that the initiative did not do enough to involve CSOs in its activities and especially in the national compacts.¹⁵ In 2007, the policy regarding the participation of local CSOs was apparently relaxed, since "signing as a participant to the GC is a signature for continuous improvement".¹⁶ Local CSOs not fulfilling all requirements are supposed to improve their performance by interacting with other CSOs and business on the platform of the GC, e.g. at the Local Network level and by participating in Learning Forums and other GC activities.¹⁷

The Global Compact's *Academic Network* increases knowledge and understanding of corporate citizenship through research and educational resources. Through the expertise of academic institutions, think tanks, and other organizations from all over the world in the areas of human rights, labour, the environment, and anti-corruption, the

¹³ (UN 2000).

¹⁴ GCO (2003; p. 4).

¹⁵ Cf. Zammit (2003).

¹⁶ GCO (2007).

¹⁷ GCO (2007).

network is expected to provide tools that help to integrate the Compact's activities. Furthermore, the network is intended to be instrumental in formulating guidelines for university programmes and business schools to incorporate Corporate Citizenship into their curricula, e.g. formulating principles for responsible management education.

3. Organizational Structure

The GC's organizational structure has been subject to several reviews since the initiative's establishment in July 2000. The latest review was endorsed by the Secretary-General in August 2005. Its purpose was to transform the initiative "from its initial phase of experimentation to one of greater focus, transparency and sustained impact"¹⁸. Supporting the voluntary, non-bureaucratic, and network-based character of the GC, a light multi-centric governance framework was introduced. It was designed to enhance greater involvement in and ownership of the initiative by participants and other stakeholders themselves. The governance functions are shared between six entities, fulfilling differentiated tasks: The Global Compact Leaders Summit, the Global Compact Board, Local Networks, the Annual Local Networks Forum, the Global Compact Office and the UN Inter-Agency Team.¹⁹

A *Global Compact Leaders Summit* will be held triennially to review progress and provide overall strategic direction for the Global Compact.

The twenty-member *Global Compact Board* was established by the Secretary-General in April 2006. It is the successor of the *Advisory Council*, which had provided strategic guidance to the initiative from 2002 to 2004. The Global Compact Board is designed as a multi-stakeholder body and comprises four constituency groups – business, labour, civil society and the UN. The majority of the Board's members represent the business sector (twelve members), together with representatives from labour (two members), civil society (four members) and the UN (two members).²⁰ The Board is supposed to provide ongoing strategic and policy advice for the initiative as a whole, with a special focus on the implementation of the GC's *integrity measures* (see Section 5 below).

Local Networks constitute a significant part of the initiative. Over fifty networks world-wide help to anchor the GC within different national, cultural and linguistic contexts. Through activities and events, they are supposed to deepen the learning experience of participants on the ground. The networks also have the opportunity to nominate members for election to the Global Compact Board. The *Annual Local Networks Forum* is an annual meeting for the representatives of Local Networks to share experiences, review and compare progress, determine lessons learned and best practices in order to enhance the effectiveness and quality of Local Networks.

The *Global Compact Office* (GCO) is an integral part of the UN Secretary-Generals' office at UN headquarters in New York. This protects the GCO from interference and/or blockade of its operations by individual member states, as the activities of the UN Secretary-Generals' office are not subject to the approval of the UN's member states. Among the GCO's responsibilities are brand management and implementation of the integrity measures. Within the UN System, the GCO gives general advice on business-

¹⁸ GCO (2005; p.1).

¹⁹ Cf. GCO (2005).

²⁰ UNGC (2007b).

related issues to other UN offices, agencies, funds and programmes. It also facilitates the UN's own measures to implement the GC's ten principles within operations and activities, e.g. procurement or the management of the staff pension fund.

The *Inter-Agency Team* comprises the GCO and the six participating UN agencies (The Office of the High Commissioner for Human Rights (OHCHR), the United Nations Environment Programme (UNEP), the International Labour Organization (ILO), The United Nations Development Programme (UNDP), the United Nations Industrial Development Organization (UNIDO), and the United Nations Office on Drugs and Crime (UNODC), aiming to pool and leverage their expertise. The Inter-Agency Team is responsible for ensuring support for the internalization of the GC's ten principles, both within the UN and among all participants.

4. *Financing*

Funding for the GC's structure and activities is provided by different sources. The GCO is funded by voluntary annual contributions from governments through the Global Compact Trust Fund.²¹ In 2007, the total budget of the GCO was USD 2.9 million, with contributions from the governments of Denmark, France, Germany, Italy, Netherlands, Norway, Spain, Switzerland and the United Kingdom.²²

The *Foundation for the Global Compact* in New York was established in April 2006.²³ Based on a Memorandum of Understanding with the UN, the Foundation is authorized by the GCO to raise additional funds on its behalf from the private sector, including businesses, foundations and individuals. The funding is used for the GCO and for events, publications, research, and other activities related to the Global Compact. In 2006, the foundation's goal was to raise at least USD one million. In order to safeguard the Global Compact's integrity, funds raised through the Foundation must not be used to pay the salaries of Global Compact staff. Furthermore, the Foundation will also not exert any influence on the GCO's strategy and operations.

5. *The Role of the Global Compact in Global Governance*

The Global Compact is an unprecedented and unique initiative. Among its key assets are the international credibility and convening power of the United Nations, epitomized by the courage, authority, and appeal of the founder of the initiative, the former Secretary-General Kofi Annan. It is also the only arrangement of its kind that is based on principles that were universally endorsed by governments. From the very beginning, the GC thus had the potential to constitute a truly global platform with appeal to *all* societal actors from all over the world. John Ruggie, one of the architects of the initiative, once claimed that "no other voluntary initiative can be so ambitious because none can claim a similar basis of legitimacy"²⁴.

²¹ GCO (2005: 7).

²² GCO (2007).

²³ GCF (2006).

²⁴ Ruggie (2002).

Despite this rather favourable initial set-up, the initiative has evoked considerable criticism from civil society organizations, either directed at the voluntary nature of the GC in general or at the lack of enforcement and monitoring mechanisms within the GC itself. Without venturing into the broader discussion of the desirability of regulatory vs. voluntary approaches, it must be noted that the voluntary nature of the GC as a *complement* and *not a substitute* to existing and future regulatory approaches has always been made very clear. In that sense, the criticism of the GC for *not* undertaking a regulatory approach rests on a misconception of the original idea of the initiative as a multi-stakeholder platform for learning and dialogue.²⁵ Regarding the lack of enforcement and monitoring mechanisms, the initiative has introduced specific requirements for business participants and other integrity measures (see below) in order to safeguard the integrity of the GC from potential abuse and to further develop its learning opportunities. Nevertheless, the initiative does not have the mandate or the resources to monitor and judge a participant's performance.²⁶

Neither a regulatory regime nor a voluntary code of conduct, the GC seeks to achieve its objectives through its *learning network-approach*. The initiative strives to generate two types of learning: *organizational learning*, and *network learning*. The former occurs when an organization institutionalises new structures, routines or strategies resulting in behavioural changes. Network learning refers to collective learning accomplished by organizations as a group.²⁷ The engagement mechanisms of the initiative at the global and national levels (Learning Forum, Dialogue, Local Networks, and Partnership Projects) can thus be analysed and evaluated regarding their contribution to organizational and network learning.

The *Learning Forum* is a virtual platform (i.e. the GC's website) that is conceptually located at the heart of the GC's engagement mechanisms. It has three specific goals: first, to offer a platform to identify critical knowledge gaps and disseminate information; second, to source and communicate good practices and cutting-edge knowledge to its participants; and third, to foster accountability and transparency through its web portal and offer the opportunity to share experiences on the GC's website and at meetings (also called the 'Learning Forum').

The current structure of the Learning Forum is by itself a result of an ongoing organizational and network learning process. The original Learning Forum model encouraged business participants to submit examples and case studies to the website, describing their learning process regarding the implementation of the ten principles. The idea was that this would lead to an open discussion of the examples provided which in turn would help identify good practice. Instead, the very few examples posted were of a single-project or philanthropic nature and, as a result, a fruitful discussion never materialized. These problems led to a revised approach of the Learning Forum.

In 2003, a new annual reporting requirement, the 'Communication on Progress' (COP), was introduced, asking business participants to express their continued support for the GC, describe their actions in support of the GC's principles using, as much as possible, indicators or metrics such as the Global Reporting Initiative (GRI) Guidelines, and provide information about future plans with respect to all ten principles. However, very few companies complied with this reporting requirement. In July 2005, a new

²⁵ Cf. Brinkmann and Pies (2003).

²⁶ GCO (2005).

²⁷ Cf. Knight (2002; p.23).

policy regarding the COP was introduced as part of a set of *integrity measures* to avoid potential abuse of the initiative. Participating companies that fail to submit their COP are marked as ‘non-communicating’ and after two years they are marked as ‘inactive’ on the GC’s website. Inactive participants are neither allowed to participate in any GC events, including local network activities, throughout the year, nor authorized to use the Global Compact name and logo. This new policy serves a two-fold purpose: First, it will increase the number of COPs available and thus enlarge the basis for both organizational and network learning. Second, it will enhance the transparency (as regards non-submitting companies) needed in order to safeguard the integrity of the initiative.

In March 2007, 621 companies were listed as non-communicating and 569 companies were marked as inactive as opposed to 927 companies that had submitted their COP in 2006.²⁸ The number of non-compliant companies was thus still greater than the number of participants using this engagement mechanism, even if the number of COPs submitted in 2006 marked an increase of forty-one percent over 2005. Apart from concerns regarding the number of companies using the Learning Forum at all, concern has also been expressed over the *quality of the content* as an appropriate basis for learning. But if one recalls the initial philanthropic and selective nature of the examples submitted, the quality of the current submissions already marks an improvement. Both the provision of practical tool-kits that help integrating the principles into business’ strategies and operations as well as the new requirements regarding the COP have certainly contributed to *organizational learning* resulting in a paradigm shift from philanthropy to integrate corporate citizenship into core business.

The GC’s *Policy Dialogues* create a platform for the participants in order to influence policy-making and the behaviour of all stakeholders and to mobilize collective action on a specific problem (i.e. network learning). Since the foundation of the initiative, several dialogues have been launched; addressing issues that involve business directly, e.g. ‘Business and Sustainable Development’, with the *Growing Sustainable Business for Poverty Reduction Initiative* and the *Global Compact Performance Model* as important outcomes or the policy dialogue on ‘Sustainable Consumption: Marketing and Communications’. Nevertheless, in an impact assessment of the GC published in 2004, the majority of the dialogues conducted were considered as *unsuccessful* by the participants, due to a lack of follow-up and delivery of promised end-products on most major meetings.²⁹ One exception had apparently been the Policy Dialogue on the ‘Role of Business in Zones of Conflict’, where a Business Guide to Conflict Impact Assessment and Risk Management, policy recommendations on transparency and case studies on multi-stakeholder initiatives and revenue-sharing regimes had been developed. The GCO itself emphasized the need for a sharper focus on linking global dialogues with sectoral and local needs and action.³⁰ One promising example towards achieving this goal is the GC’s financial initiative ‘Who Cares Wins’, launched in June 2004. The initiative – endorsed by the CEOs of more than twenty firms representing over \$6 trillion in assets – brings together leading investment, asset management and brokerage houses that have developed guidelines on how financial analysts can better integrate environmental, social and corporate governance aspects into their work. As an outgrowth of the initiative, the GCO – in partnership with the

²⁸ UNGC (2007c,d,e).

²⁹ Cf. McKinsey (2004).

³⁰ Cf. GCO (2005).

United Nations Environment Programme (UNEP) – co-led the development of the *Principles for Responsible Investment*, officially launched by the SG in 2006. The Principles are the first set of international investing guidelines to place the management of environmental, social, and corporate governance issues into the heart of the mainstream investment process. The enormous potential and power of *network learning* as a contribution to creating an enabling environment for the achievement of the GC's mission is clearly shown by this example.

Due to their sheer numbers and decentralized nature, it is impossible to assess the contribution of *Local Networks* and *Partnership Projects* to the GC's learning approach in detail. The Local Networks are crucial for the viability of the GC's learning approach as only they are able to flexibly adapt and customise to local situations and to conceptualise and implement local initiatives. They also support the Learning Forum by providing mutual assistance among their members in the preparation and review of the 'Communications on Progress'. Furthermore, Networks constitute a unique arena at the local level, where stakeholders that are usually antagonistic towards each other – namely civil society and the private sector – can enter a constructive dialogue and identify common interests for collective action.³¹ It must be noted that in 2004, a mere five percent of networks engaged the full range of stakeholders (i.e., companies, CSOs and labour), with fifty-eight percent of networks having only one or two stakeholder groups represented.³² In some countries, this might be explained by a lack of democratic governance and thus the absence of functioning CSOs. Nevertheless, the potential for both organizational and network learning via Local networks had apparently not yet been fully exploited.

Through Partnership Projects, the participants translate common interests into concrete action. A myriad of such projects has been inspired by the GC since its foundation. The outcome of these projects will be the main gauge of the extent to which the initiative improves the lives of people. One notable example is the Seed (Supporting Entrepreneurs for Environment and Development) initiative, spearheaded by IUCN, UNDP, and UNEP, and supported by the GCO.³³ Launched in 2004, Seed seeks to foster locally-driven, locally-owned multi-stakeholder partnerships comprising business, CSOs, public authorities and local communities that contribute to the Millennium Development Goals and the Johannesburg Plan of Implementation. Seed has three components: a biennial awards scheme, capacity-building activities, and a research programme that all aim to identify and support nascent, entrepreneurial partnerships and to disseminate their best-practice experience. The award scheme offers a combination of exposure and capacity-building services for partnerships, e.g. training sessions on fundraising strategies, the development of business plans, governance structures and reporting mechanisms. Seed's research and learning channel is based on the submissions to the Seed Awards and the experiences gathered in capacity-building activities to awardees. The initiative seeks to stimulate a research programme focused on locally-driven, entrepreneurial partnerships. The goal of the programme is to inform policy makers and support the creation and implementation of new partnerships. Corresponding with the focus on learning of the Global Compact, Seed contributes to the learning process of building and implementing partnerships in a successful way,

³¹ Cf. Brinkmann and Pies (2003).

³² Cf. McKinsey (2004); Pies and von Winning (2006).

³³ Cf. Witte and Reinicke (2005).

making it a good example of the potential of Partnership Projects envisaged by the initiative.

In summary, the major strength of the GC's engagement mechanisms is the same as its chief weakness: they offer innovative, incomparable, and flexible opportunities for multi-stakeholder learning, but whether this potential can ultimately be realized depends heavily on the creativity and the level of engagement of all participants.

6. Trends and challenges

Due to the very nature of experiments like the Global Compact, it is an open question whether the future outcomes of the initiative will turn out to be a success or a failure. Nevertheless, the result will certainly be influenced by the initiative's ability to make progress in *quantitative* and *qualitative* terms.

Today the GC is the world's largest corporate citizenship initiative with more than 3,000 business participants. Yet this number is dwarfed by the more than 68,000 transnational corporations in existence, with more than 800,000 subsidiaries and by millions of small and medium-sized enterprises at the national level. In that sense the journey has just begun. In the future, the GC will focus on *recruiting further corporations* from emerging economies such as China, India, Brazil and Russia, where the potential for positive change is supposed to be greatest.³⁴

The ability to recruit more participants in itself critically depends on the *value of participation* and thus on the attractiveness of the engagement mechanisms in terms of their ability to catalyze dialogue and collective action. It has already been mentioned that there is still room for improvement regarding the functioning of *all engagement mechanisms*, especially as regards the inclusiveness and efficiency of *local networks*.

Finally, the success or failure of the initiative will also be measured by the ability of the GC to realize its potential as a mechanism of *UN collaboration and renewal*. To address these challenges sufficiently will be a demanding task requiring the combined efforts of all stakeholders. But, as the former UN Secretary-General Kofi Annan once aptly remarked, the importance of this endeavour to make the Global Compact a success must not be underestimated:

"You, the different stakeholders in this initiative, have different viewpoints and interests. But rarely has there been a moment in recent history when it has been so critical for all of us to protect our common space, building on what unites us. (...) So I ask all of you to work together – business, civil society, labour and governments and, of course, us – and to work with the United Nations, to reduce the global risks we all face, and to realize the promise of a fairer, more stable world. The Global Compact can only be a small part of the solution. But even the longest and most arduous journey proceeds with one step at a time."³⁵

³⁴ Cf. Kell (2005).

³⁵ Annan (2004).

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