

## Managing According to the UN Global Compact



Editors  
JOANNE T. LAWRENCE  
PAUL W. BEAMISH



# GLOBALLY RESPONSIBLE LEADERSHIP

Managing According to the UN Global Compact

Editors

JOANNE T. LAWRENCE

*Hult International Business School*

PAUL W. BEAMISH

*Richard Ivey School of Business*

*Western University*



Los Angeles | London | New Delhi  
Singapore | Washington DC

FOR INFORMATION:

SAGE Publications, Inc.  
2455 Teller Road  
Thousand Oaks, California 91320  
E-mail: [order@sagepub.com](mailto:order@sagepub.com)

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United Kingdom

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GLOBALLY  
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# Foreword

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Georg Kell

*Executive Director, UN Global Compact Office*

**T**hrough the United Nations Global Compact, close to 7,000 business leaders in nearly 140 countries have made a commitment to corporate sustainability in the spirit of universal values. These companies represent nearly every industry sector and size, hailing equally from developed and developing countries. In addition, approximately 3,000 civil society stakeholders—nongovernmental organizations, academia, labour, and foundations—are engaged in the Global Compact, working to advance responsible business practices as a partner in common causes, as provider of information and support, or as a watchdog to hold companies accountable.

Today, sustainability ranks highly on the corporate agenda as executives everywhere recognize the growing relevance and urgency of global environmental, social, and economic challenges. Regardless of size, location, or sector, businesses are looking beyond the traditional drivers of financial performance, seeing how sustainability issues can affect their bottom line. Market disturbances, civil unrest, or natural resource constraints can indeed have wide-ranging and material impacts. But sustainability issues are not only viewed from a risk management perspective. Increasingly, business leaders are discovering the tangible benefits and opportunities of greater sustainability—particularly associated with green growth and base-of-the-pyramid approaches.

Yet, the Global Compact's almost 7,000 business participants represent only a sliver of the world's estimated 70,000 multinationals and millions of smaller enterprises. And of those companies that are engaged, only a minority have taken the agenda seriously enough. Just one quarter of Global Compact participants consider their sustainability efforts to be at an advanced level, suggesting that a very small percentage of the broader business community is at the leading edge of



sustainability practice. Too many companies are still using corporate social responsibility or sustainability as a public relations vehicle, with little intent to make meaningful changes to their practices.

A new level of corporate performance will be needed to deliver on the sustainability promise. This will involve increasing the scale and intensity of current efforts—reaching companies that have yet to embrace corporate responsibility, motivating less-advanced companies to deepen their commitment, and spurring front-runners to lead the way to the next generation of sustainability performance.

This book is a welcome contribution to these efforts, as it gives students valuable guidance on how to manage corporations based on the Global Compact principles. Through practice cases spanning a wide range of issue areas, the reader learns firsthand how companies tackle challenges and seize opportunities in their day-to-day operations.

It is also a critical resource for educators who are engaged in the Principles for Responsible Management Education (PRME), an initiative launched by the Global Compact and key academic partners to provide a framework for integrating the Global Compact's principles into the curriculum and research of management education.

# Introduction

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## *Why Globally Responsible Leadership?*

Joanne T. Lawrence and Paul W. Beamish

Today's multinational corporations have grown in size and influence in large part due to the trust, consent, and support of the constituents they serve. As businesses have grown more global, the challenge becomes how to retain this trust and balance the diverse needs and motivations of their various stakeholder constituents: higher profits for shareholders; lower prices for consumers; better jobs and higher wages for employees; less pollution and waste for communities; and healthier, safer products for families. Furthermore, there is the growing call, often from those very same constituents, to heed a moral imperative about how to behave, especially in emerging markets. As business has expanded its reach and influence and communication technology has made many actions transparent, to what standards should it adhere, and should those standards be voluntary or mandatory?

In business schools, we teach international marketing, finance, and operations using fundamental principles that cross regions and national borders, yet when it comes to universal standards to guide how we make decisions and behave toward those very same stakeholders, we often fall short. We justify actions based solely on local laws and cultural norms, yet globalization has made “but that’s how it’s done here” or “when in Rome do as the Romans do” increasingly unacceptable responses. Communication technology has given us a real-time window into the world that most of us can’t ignore, making cultural relativism one of management’s greatest challenges.

This book grew out of our separate efforts to come up with a way to teach corporate responsibility to international students aspiring to be global managers. It seemed that there was no consistent way to identify and approach the topics that would be needed to be successful in, and common to, every student’s native

culture yet cross all of them. It became clear that there was a need for some framework that would place the big, globally relevant issues in context—the ones that large corporations operating globally would need to address strategically and embed organizationally in order to be effective, respected, and successful.

As we each sought a solution, we came across a common idea: organize the multifaceted topic of corporate responsibility into an overarching framework that captures its core substance and provides a base of knowledge applicable worldwide. What does a truly global manager today need to know to lead responsibly? How does he or she develop the necessary core management competencies?

As the world's largest voluntary corporate citizenship initiative, with close to 10,000 business and civil society participants from nearly 140 countries, the UN Global Compact and its ten principles emerged as the global guideline we were seeking.

## How This Book Is Organized

*Globally Responsible Leadership* uses the UN Global Compact and its ten principles as a framework for understanding the issues facing global business managers today. Drawing on the knowledge of contributors from different parts of the world, the book strives to show readers the intersection between business and the major global issues of our time—human rights, labour, the environment, anti-corruption—and, most critically, how to address these issues in the day-to-day running of their operations.

*Globally Responsible Leadership* views corporate responsibility as both a core managerial competence (how do you identify, nurture, and meaningfully engage stakeholders, for example?) and a core corporate competence (how might an organizational culture of corporate responsibility lead to greater innovation and be a source of operational and strategic advantage?).

Ideally, the book helps readers to appreciate that by adhering to these principles, business can be part of the solution, especially in helping to progress and transform the livelihoods and lives of those billions of people in emerging markets that fall within a company's sphere of influence. It presents corporate responsibility as integral to a just and civil workplace and to a thriving and prosperous global society.

There are four parts to the book:

**Part I** provides an overview of the UN Global Compact, its history, its intended role, and how it fits into the larger infrastructure for corporate responsibility that continues to emerge. It presents the pros, the cons, and the ethical foundation on which they are based.

**Part II** gives perspectives on each of the four areas of the Compact, written by academics from around the world who have focused their passion and research in each.



These four areas comprise the content of corporate responsibility and the knowledge areas that every manager operating globally should be aware of.

*Part III* contains case studies, organized within the four areas, enabling readers to consider these areas in actual contextual situations. These case studies provide an opportunity for thinking through the issues and seeing how managers facing the same conundrums actually addressed them.

*Part IV* includes exhibits from the UN Global Compact website to give readers a sense of how organizations express their commitment to these principles, how they measure and report on their progress against them, and a blueprint for how to integrate them into their operations.

At the end of Parts I and II, there are study questions intended to provoke thoughts about what these issues mean in a global context as well as from the perspective of the lives they touch. Within the references, there are lists of articles, books, and websites that we encourage you to consider in order to learn more. Finally, there are appendixes that contain links to the working documents used by UN Global Compact signatories as they seek to embed these principles into the very fabric of their businesses.

At the end of a course using *Globally Responsible Leadership*, students should better understand

- The major issues affecting multinational enterprises and the need to address the complex dynamics between business, society, and the environment successfully
- That stakeholders are all interconnected and need to be respectfully and meaningfully engaged by managers as they make their business decisions and seek global solutions
- The need to create a responsible organizational culture around a core set of universally accepted values
- That responsible resource management can be integrated into strategy and be a source of innovation and competitive advantage
- That corporate responsibility is fundamental to good corporate governance, the long-term credibility and viability of a business, and creating enduring value for all stakeholders

Finally, to understand at the deepest level that corporate responsibility must begin and end with business managers—you!—actually being responsible and accountable, and that it must be led from the top.

We welcome you on our shared journey.

## The Ten Principles of the UN Global Compact

The UN Global Compact asks its participating companies to embrace, support, and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption, and to support the broader UN goals, such as the Millennium Development Goals (MDGs).

### Human Rights

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

*Principle 2:* make sure that they are not complicit in human rights abuses.

### Labour

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

*Principle 4:* the elimination of all forms of forced and compulsory labour;

*Principle 5:* the effective abolition of child labour; and

*Principle 6:* the elimination of discrimination in respect of employment and occupation.

### Environment

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

*Principle 8:* undertake initiatives to promote greater environmental responsibility; and

*Principle 9:* encourage the development and diffusion of environmentally friendly technologies.

### Anti-corruption

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

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*Note:* For more information, visit [www.unglobalcompact.org](http://www.unglobalcompact.org).

## The Eight Millennium Development Goals

The Millennium Development Goals (MDGs) are a universally agreed-on set of goals developed to fight global poverty. They were introduced in 2000 and signed by 191 member countries of the UN:

We recognize that, in addition to our separate responsibilities to our individual societies, we have a collective responsibility to uphold the principles of human dignity, equality and equity at the global level. As leaders we have a duty therefore to the entire world's people, especially the most vulnerable and, in particular, the children of the world, to whom the future belongs. . . .

We consider certain fundamental values to be essential to international relations in the twenty-first century. These include

- **Shared responsibility.** Responsibility for managing worldwide economic and social development, as well as threats to international peace and security, must be shared among the nations of the world and should be exercised multilaterally. As the most universal and most representative organization in the world, the United Nations must play the central role. (UN Millennium Goals Declaration, September 8, 2000)

The signatories set themselves an ambitious target: to eradicate poverty by 2015. To gauge their progress, the eight MDGs break down into 21 quantifiable targets that are measured by 60 indicators.

The goals to which they agreed are:

*Goal 1:* Eradicate extreme poverty and hunger

*Goal 2:* Achieve universal primary education

*Goal 3:* Promote gender equality and empower women

*Goal 4:* Reduce child mortality

*Goal 5:* Improve maternal health

*Goal 6:* Combat HIV/AIDS, malaria, and other diseases

*Goal 7:* Ensure environmental sustainability

*Goal 8:* Develop a global partnership for development

Business is considered an essential player in this effort, especially with regard to Goal 8, which seeks to help developing countries gain greater access to markets, finance, essential medicines at affordable prices, and new technologies, especially information and communication.

For more information, visit [www.un.org/millenniumgoals](http://www.un.org/millenniumgoals).



# Acknowledgments

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**T**his book represents the collective wisdom and experiences of many, some of whom have expressed their views within its pages, others whose beliefs and actions informed those views, and still others whose stories are told in the cases. We would like to take this opportunity to acknowledge a few people in particular.

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We owe an equal debt of gratitude to his successor, Jonas Haertle, the current Head of the PRME Secretariat. Jonas patiently answered all questions, provided access to UN Global Compact staff, introduced us to numerous potential chapter authors, and helped us to pilot potential study projects that would actively engage students. Jonas saw the book's potential as a means of aligning the next generation of business leaders with globally accepted behavioral standards. He brought the book to the attention of Georg Kell, Executive Director of the UN Global Compact, whom we also thank for taking the time to support our efforts by graciously agreeing to write the Foreword.

We would like to acknowledge our insightful and knowledgeable contributors—David Cooperrider, Daniel Malan, Andreas Rasche, Michael J. D. Roberts, Peter Rodriguez, Sandra Waddock, Florian Wettstein, and Nadya Zhexembayeva—all of whom, without exception, were cooperative and supportive throughout this entire process. Their commitment to the principles of the UN Global Compact and faith in the ability of business to be a positive force is without question. Andreas Rasche, in particular, played a pivotal role early on as we sought contributors. He continued to be a steady source of encouragement throughout the project.



We would also like to thank the many academics around the world whom we contacted, and while unable to participate directly, offered helpful advice and their support.

We extend our personal gratitude to Adrian Payne, a former adjunct professor in corporate responsibility at Hult's London campus and a senior associate at MHC International, who carefully reviewed our manuscript, and to Ivey professors Mike Valente and Oana Branzei, who helped in the case selection process. We thank the authors of the many cases and the organizations that cooperated in their preparation, the staff of Ivey Publishing, and Ivey itself for funding much of the case writing. We would also like to acknowledge the Hult MBA students (Alexandre Lemille, Aditya Nag, Wendy Tan, and Donna Tsui) who participated in the pilot studies involving the Compact's Communication on Progress reports, and all our students, whose multicultural backgrounds and perspectives constantly challenged us to seek a universal standard of acceptable business behavior. Indeed, they were the inspiration behind this book.

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—Joanne Lawrence (Boston, MA) and  
Paul Beamish (London, Ontario), February 28, 2012

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# About the Editors

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**Joanne T. Lawrence** is global professor of corporate responsibility and social innovation at Hult International Business School (Boston-Dubai-London-San Francisco-Shanghai). Prior to Hult, she was an adjunct professor of strategy and management at INSEAD (1993–2007), where she addressed the critical role of strategic communication, stakeholder relationships, and aligned organizational cultures in realizing strategy and was involved in Project RESPONSE, a pathfinding study of global corporate responsibility.

With extensive hands-on international corporate, consulting, and academic experience, she brings a pragmatic, informed approach to management education. A firm believer in the transformative potential of business to meet the global challenges of our time, her focus is developing ethical, trustworthy leaders and holistic, strategic thinkers who can effectively and innovatively leverage resources to achieve social, environmental, and business objectives.

She has worked across multiple industries with multinational companies and global organizations such as BP and the World Bank, as well as with smaller, socially focused enterprises such as Tom's of Maine and Economic Development Imports. As a vice president of corporate communications and investor relations, she received numerous awards and recognition in both the United States and the United Kingdom for her work. While vice president at UK-based healthcare company SmithKline Beecham (today part of GlaxoSmithKline), she coordinated Simply Better, a groundbreaking, global organizational change initiative that was the subject of *From Promise to Performance: The Journey of Transformation at SmithKline Beecham* (Harvard Business School Press, 1997) and an award-winning INSEAD case study. Contact: joanne.lawrence@faculty.hult.edu

**Paul W. Beamish** holds the Canada Research Chair in International Business at the Richard Ivey School of Business, Western University, London, Canada. He is the author or coauthor of over 50 books and 100 refereed articles and is the recipient of numerous best research awards. He served as Editor-in-Chief of *Journal of International Business Studies* from 1993 to 1997 and is a Fellow of the Royal Society of Canada, Academy of International Business, and Asia Pacific Foundation.

At Ivey, he has taught on a variety of school programs, including the Executive MBA offered at its campus in Hong Kong and the MSc program, with its major in international business. From 1999 to 2004, he served as Associate Dean Research. He worked for Procter & Gamble and Wilfrid Laurier University before joining Ivey's faculty in 1987. Beamish also has responsibility for Ivey Publishing, the distributor of Ivey's case collection.

Beamish has authored over 100 case studies, primarily in the international management area. These have appeared in case journals and in over 125 books. Over 2.5 million copies of his cases have been studied worldwide.

Ivey was the first Canadian business school to join the Global Compact. Professor Beamish's coauthored publications relating to the Global Compact include the monograph *Moving Upwards: The Involvement of Boards of Directors in the UN Global Compact*, the *Globe and Mail* article "When It Comes to Doing Good, We Can Do Better," and a book chapter, "The Future of the Transnational: An Evolving Global Role." Contact: pbeamish@ivey.uwo.ca

# About the Contributors

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**David Cooperrider** is the Fairmount Minerals professor of social entrepreneurship and is the chair of the Fowler Center for Sustainable Value at the Weatherhead School of Management, Case Western Reserve University. David is past president of the Academy of Management's Organization Development Division, and he has lectured at Harvard, Stanford, the Massachusetts Institute of Technology, and Cambridge, among other places. He advises senior executives in business and societal leadership roles, including five presidents and Nobel laureates such as Kofi Annan and His Holiness the Dalai Lama. David's founding theoretical work on Appreciative Inquiry has created a positive revolution in the field of change.

David has received distinguished awards: the Top 10 Visionaries by Training Magazine (2000), the ASTD Award for distinguished contribution in the organizational learning field (2004), the Porter Award for best writing in Organization Development (2004), and the Aspen Faculty Pioneer Award for impact in the sustainability field (2007). In 2010, he was honored as a Peter F. Drucker Distinguished Fellow.

David has published 15 books and authored over 50 articles including *Appreciative Inquiry: A Positive Revolution in Change* (with Diana Whitney); *The Organization Dimensions of Global Change* (with Jane Dutton); and the four-volume series *Advances in Appreciative Inquiry* (with Michel Avital). Contact: david.cooperrider@case.edu

**Daniel Malan** is a senior lecturer in ethics and governance at the University of Stellenbosch Business School (USB) and director of the Centre for Corporate Governance in Africa at the USB. His focus areas are corporate governance, business ethics, and corporate responsibility. Previously he was an associate director with KPMG Sustainability Services and the regional coordinator for Ethics and

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*Editors' Note:* In seeking to establish a universal, globally acceptable standard for responsible leadership, this book has deliberately drawn on the expertise of faculty from all over the world.