The UN Global Compact: A New Perspective – the Dynamic Cyclical Spiral Evolutionary Model

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Abstract: Although the UN Global Compact (UNGC), as a CSR initiative, primarily targets businesses, it enables and facilitates disseminating standards and norms and communication between the international and local environment. However, the UNGC has faced considerable criticism. It has not lived up to expectations, does not respond to a global society’s complexity, and manifests itself as static. This paper presents a new understanding of the UNGC as a Model of a Dynamic Cyclical Spiral Evolutionary Process. Its essence lies in linking international and local environments revealing the synergistic effect of standards and norms creation and diffusion in an evolutionary process. The methodological framework is represented by localisation and subsidiarity theories, norms, and standards translation, vernacularisation, and contestation theories. This perspective extends the UNGC’s current understanding, revealing local actors’ significance, creating a pre-requisite for global governance systems.

Keywords: UNGC Model; CSR; Dynamic Cyclical Spiral Evolutionary Model; norm localisation-subsidiarity; norm vernacularisation-contestation.

JEL Classification codes: F59, L39, Q56

INTRODUCTION

The last two decades have been characterised by initiatives arising from the need to regulate commercial and civil relations (Rasche, 2009). Although the topic of Corporate Social Responsibility (CSR) is frequently researched, particularly in the economic disciplines, its considerable potential to impact international relations also comes to the fore. Key areas include human rights, labour, ethical management and ethical profit-making, transparency and anti-corruption (Ashrafi, Adams, Walker, & Magnan, 2014).

Such initiatives that address the areas as mentioned above include the Global Reporting Initiative, ISO standards, International Accountability Standards, and the United Nations Global Compact Model (UNGC), which is a landmark project in CSR initiatives (Sartor, Orzes, Di Mauro, Ebrahimpoor, & Nassimbeni, 2016). Common to these initiatives is a growing tendency for the need for a form of standard and norm (Dashwood, 2020), as many of them face criticism that they are mere recommendations without internal mechanisms of control and enforceability. The lack of such mechanisms reduces their value as an instrument of economic management, on the one hand, and a potential tool for the development of international relations, on the other (Berliner & Prakash, 2012).

This article focuses on the UNGC because it, firstly, represents the most developed, overarching form of CSR initiatives, secondly, is a specific case of the diffusion of norms and standards in an international setting, and thirdly, because it has been the subject of much criticism. The question then is, what form should the UNGC take to respond to today's complex...
relations, reflecting their dynamics towards the development of international relations, business, and towards global ethical governance?

1. LITERATURE REVIEW

The UNGC distinguishes four specific areas, i.e., human rights, labour, environment, and corruption, elaborated in the Ten Principles (van der Lugt, 2017). A significant potential of the UNGC is its ability to disseminate or support the diffusion of standards internationally and their localisation locally, even with the possibility that the state acts in the application only as a secondary actor (Risse & Sikkink, 1999), i.e., its function is to set a pro-competitive playing field. However, there are increasing situations in which it is impossible to apply international norms in a national setting in a completely unambiguous way and expect a relevant response from that setting (Hadden & Seybert, 2016). This problem raises the need for specific 'guidance' or, better, principles for addressing them. The UNGC Principles do not subsume legitimate national and international norms, and thus the role of the state and the international community is still important. However, the importance of the UNGC Principles becomes apparent precisely when the relevant norms fail in their essential functions, collapse, or do not even exist (Liu, 2020). An examination of the complexity and intricacy of relationships reveals in many cases latent tendencies to suppress democratic principles, the rule of law (Bugarić & Kuhelj, 2018), corrupt behaviour (Kubbe & Engelbert, 2018) or attempts to hide political power abuses behind a goodwill (Aikaterini, 2020).

A closer examination of the UNGC and its Principles reveals two fundamental areas in which its application shapes and influences local and global levels with actual or potential actors, such as companies, non-state and non-governmental agencies, civil society organisations, and others (Shoji, 2015). The first is the economic-ethical domain. It is at this level of UNGC application that the basis for the principles of CSR is formed and the actual implementation of the UNGC Principles is realised. They are intended to have a direct impact on the economic performance indicators of the firm and its success in competition (Mattera & Ruiz-Morales, 2021). Furthermore, the success of the application and implementation of this level can be monitored in mandatory annual reports (Communication on Progress - COP), which represent a form of economic and ethical reporting based on the ability and capacity of companies to not only apply the UNGC Principles, but also to direct their activities towards CSR (Bakanauskienė, Bendaravičienė, Juodelytė, & Vveinhardt, 2020).

The second area relates to the UNGC's considerable potential to disseminate standards and norms in the international environment (Abbott & Snidal, 2000). It can thus be thought as a specific case of a tool that shapes international political relations, but with significant overlap into the economic and ethical sphere (Shoji, 2015). In this area, the UNGC should take a form relevant to contemporary international-political and economic-ethical processes. This understanding of the UNGC is determinant for the future development of global political and economic relations and reveals distinct tendencies towards global governance (Haack & Scherer, 2014). Although the UNGC is primarily directed towards the business environment, and it is assumed that this environment will subsequently regulate its activities, it is the global sphere where the coordination of political and economic sectors, and their interests, is practically feasible. Aligning activities with the general assumptions of ethical, sustainable development is the task of the global framework, as local levels lack the necessary authority and oversight (Finnemore & Sikkink, 1998). On the other hand, the actual application process must occur at the local level due to a higher level of familiarity with the environment and more effective solutions to specific issues (Hellmüller, Palmiano, & Pring, 2017).

However, to achieve the desired effect, the economic-ethical and international-political levels cannot be separated. They should be seen as interrelated or mutually influencing (Deva, 2006).
This lack of or neglected interconnectedness has led to considerable criticism of the UNGC, which has failed to live up to expectations and has become another theoretical concept with a low level of commitment and enforceability (Andrews, 2021). In a critical perspective, the UNGC has a linear form, i.e., its application is satisfied by a simple implement-apply-report order (Voegtlin & Pless, 2014). Linearity causes rigidity, making the UNGC static. The static nature does not allow for forming a dynamic cycle in the direction of applying the UNGC Principles and thus lacks the development of national, international, and global spheres (Sethi & Schepers, 2014). The fundamental problem is the one-dimensionality of the UNGC, i.e., the aspect of time is only considered in the COPs, which only tell whether the stated UNGC Principle has been achieved or not. Time, as a dynamising variable must reflect the UNGC Principles as evolving in the context of society’s increasing demands for a higher level of socially responsible behaviour and expresses the evolution or its change (Thérien & Pouliot, 2006). The static, linear, non-growth form of the UNGC also does not consider the potential for growth in bindingness.

Although considerable research has already been conducted on the application of the UNGC and its Principles, the lack of a dynamic concept and its application, specifically in the international environment, or the impact of the UNGC Principles on the corporate one (primarily on economic indicators) and their backward projection, has led to a widespread rejection. But its significance as a suitable tool for the application of ethical management standards, and the consideration of its application in the field of global governance is undeniable (Schembera, 2018). Therefore, this paper proposes a new view of the UNGC as a dynamic model, more precisely a Dynamic Cyclical Spiral Evolutionary Model (DCSE), which represents an original deepening of the CSR theme and contribution to the global governance theme, addressing the issue of the diffusion of standards in the (inter-)national business and political environment, their localisation and application in the local environment, and its subsequent response (Park, 2006).

2. METHODOLOGY

A methodological approach used to formulate the DCSE, which also provides the structure of the paper, is as follows:

2. Subsidiarity as a local response to localised standards towards the sustainable development of economic and political environment.
3. Translation and validation as a modus operandi in finding an inherent local context and cyclical contextualisation as mode of generalising local everyday practices and experiences.
4. The Dynamic Cyclical Spiral Evolutionary Model as a dynamic response of business environment to commitment to the need of sustainable management and development of both local and global society.

3. RESULTS AND DISCUSSION

Pursuing sustainable development, economically, politically, and personally necessarily presupposes active public, scientific communities, and governments participation, both locally and globally. Therefore, all levels need to see society, and its parts, working together towards the world wealth transformation. The joint effort is directed towards the benefits of individuals, especially the poorest, and towards the future that ensures a dignified life for all society members. The UNGC Model aspires to become just a tool to achieve sustainable results.
Although the UNGC Model aims at the business environment, it is also a specific example of an initiative that helps disseminate norms and standards and thus influence both the local and the international environment.

3.1 The square pegs in round holes? The hard law – soft law problem.

The international scientific and economic community considers the UNGC a soft law standard. The problem with soft law is that it lacks the characteristics of rule precision, obligation and associated enforceability, and the possibility of delegation to a third party (Abbott & Snidal, 2000). Advocates of soft-law normativity point to its principles as an effective tool in situations where hard law norms cannot be developed, or their application is impossible (Backer, 2016). But if the UNGC Principles are examined more closely, it is found that they are underpinned by documents that the international community considers credible, accountable, internationally recognised, and, above all, binding, i.e., a form of hard law. Although the UNGC can claim this form, it does not do so because of the basic premise and, at the same time, the weakness highlighted by many critics of the Model, voluntariness (Sethi & Schepers, 2014).

The UNGC has a unique position in the binary hard law – soft law problem normative systems. A natural actor implementing norms and standards is a state. Although the state's position is undeniable, the UNCG Principles implementation and application processes bypass the state to a certain extent, leaving it only a primary, business environment setting function (see Ch. 3.4). Therefore, in standard creating and disseminating processes, businesses and other non-state actors assume an active role in challenging claims of voluntariness. By contesting the nature of the UNGC, the awareness of bindingness comes to the fore and understanding of the UNGC Principles changes from a mere recommendation to a standard with an enforceability system (COPs supported by and linked with GRI G4).

3.2 Norms and standards should be respected; Voices must be heard.

In dissemination, implementation and application of standards, the recipient is in a subordinate position, only having a few means of responding to a hegemonic relationship, receiving predefined behaviour. This process called localisation "represents, through discourse, framing, grafting, and cultural selection, the adoption of foreign ideas by local actors, resulting in the recipient developing considerable conformity to local practices and beliefs" (Acharya, 2011, p. 97). The UNGC localisation process represents the formal contractual commitment of an actor to the UNGC Principles and the other signatories and seeks to address the dual problem associated with localisation. First, it does not ignore the existence of valuable local norms, standards, or codes and uses hard law tools, especially coercion. The UNGC's soft law approach uses more cooperation than command. Second, a positive attitude towards local norms and standards allows the UNCG to recognise the local context. Those two features organically lead to a subsidiarity process that is defined as "the process through which local actors make rules intending to preserve their autonomy in the face of domination, neglect, violation or abuse by a stronger power" (Ibid.). Precisely, when applying the UNGC Principles, subsidiarity mirrors efforts of local actors to respond meaningfully to the demands given to them as appropriate, with the potential for future development and thus competitive advantage (Ibid., p. 98, 116).

3.3 Towards a comprehensive understanding – translation and validation cycle.

When implementing the UNGC Principles, the original meaning is to be transferred to a local environment. It is a complex translation process (Benjamin, 1977, pp. 58-59) of finding one’s
language, finding congruence between different contexts and normative efforts that are beneficial for both local and international environment. Translations are developed in translation chains presenting an interface linking different actors in different contexts (formal – public/government, habitual – public/business, cultural – public/academia). Here the UNGC Principles come into a conflict with local background knowledge (Taylor, 1997, p. 167) incorporating decomposed domestic normative pre-existing context (language, symbols, ideas) subsequently reconstructed into comprehensive, understandable categories. It is a way to "ensure that the new mutual understanding is accepted by all actors and communicated through an inclusive dialogue that takes the specific form of a multi-layered dialogue" (Laden & Owen, 2007, p. 19).

The search for meaning is a crucial step in finding understanding, nevertheless, conflicts that arise in translation chains make an actual adaptation challenging (risk of rejection, misunderstanding) and expensive (implementation costs). But conflicts, as inevitable, reveal two needed processes, i.e., contestation and validation. Wiener (2017, p. 716) argues that the essence of contestation and validation is to achieve relationships that involve different, actively performing levels of society and create normative grids ensuring verification. Grids are divided into separate localia that represent various combinations of cultural contexts, including language, symbols, ideas, contain normative orders, and constitute a normative reality in which a three-step-cycle of formal, social, and cultural validation is revealed.

Formal validation involves key actors of expert teams from both governmental and non-governmental organisations discussing the UNGC Principles and the conditions under which they will be valid and their capturing in international declarations or treaties (Shoji, 2015, pp. 29-46). Social validation emphasises the requirements that are created by interactions in the social environment. Cultural validation expresses individual expectations mediated by individually attained background knowledge. It is assumed that this knowledge, acquired through practice at the appropriate management levels, corresponds to reality, is best achievable and represents a critical stage for the UNGC implementation. In essence, it expresses the practical application of the principle of subsidiarity.

After the validation cycle has been completed, it is possible to compare each localia, identify common and different features, and form homogeneous entities. In the UNGC practice, these units are local networks, i.e., spaces for the transfer of information, experience, and knowledge where standards are designed, developed, their practicality discussed. Moreover, local networks are independent, self-governed, and self-managed entities with a direct influence on local environment, enabling significant synergistic effect in achieving desired economic results. In doing so, the UNGC Principles respond to the demands of a complex world and help in shaping the relating business (primary) and global (secondary) environments (Ali, 2021).

Although the cyclical process allows actors to take the position of an active recipient in line with localisation, subsidiarity, and validation processes, the cycle itself resembles a high degree of stativity. This stativity, anchored in normative orders, does not allow the development of the UNGC Principles understanding in terms of evolution but holds them only as obligations to be fulfilled.

3.4 From a cycle to an evolution: The UNGC Model as a Dynamic Cyclical Spiral Evolutionary Model.

The idea of the evolution of the UNGC Principles represents a new, specific view. Several vital elements can be observed. Firstly, the DCSE assumes a different involvement of the state in implementing and applying the UNGC Principles. The state is an important actor but is more of a mediator, whose primary role is to help specify conditions under which business activity

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can be freely conducted, and such can be bypassed to a certain extent. Moreover, it is increasingly evident that the UNGC principles arise from the need to regulate an environment that is often, to some extent, for the state inaccessible, whether because of its lack of political or economic power (Liu, 2020).

Effective regulation involves two seemingly incompatible conditions. In the context of implementing and applying the UNGC principles, specific and general do not represent opposites. Instead, they are organically linked areas where one (specific) sets the stage for the other (general) and vice-versa. Moving from the specific to the general is accomplished through generalisation, which allows specific principles or ethical standards (codes) to be grasped and transferred to a higher, international level, as with the UNGC Model.

Translating a specific practice to a general level presupposes a fundamental process that can be defined as reverse translation (secondary, i.e., in relation to direct translation in the original top-down direction). Its essence lies in searching for definitions that will be widely acceptable and applicable in different fields from an international perspective. Nevertheless, these definitions must remain sufficiently general to be formally, socially, and culturally validated by their retrospective application to the local (specific) environment (Berger, 2017, pp. 615-620). Therefore, the top-down and bottom-up (reverse) translation processes create specific UNGC translation chains (Voegtlin & Pless, 2014), in which ideas and thoughts are communicated within the local network to reach a consensus through various negotiations. In this process, businesses take impulses from their environment and translate them with the help of translation chains using specific (generalising) linguistic forms and symbols so that the international environment can contest them, accept them as valid, or reject them.

The purpose of reverse translation is to gain international legitimacy and recognition. After generalisation and the definition of general principles, the expert interface (translation chains) helps anchor these in legitimate structures and documents that express generally binding and enforceable commitments. Despite the problem of enforceability, this mode of binding is the most suitable because it allows the necessary flexibility for all involved parties. This stage of the UNGC resembles a great deal of dynamism, leading to an evolutionary process transforming the UNGC in DCSE Model. The idea of evolution is manifested predominantly in a local environment, i.e., in a specific business or organisation. Here, the mandatory COPs reveal the obligation to conform to the UNGC Principles because of a commitment to the UNGC, on the one hand, and evolution, on the other, as a long-term UNGC Principles practical rationalisation and operationalisation are expressed (Hellmüller, Palmiano, & Pring, 2017).

The cycle of an evolution process essence lies in four key areas (see Fig. 1). 1) The local environment adapts its activities to the agreed requirements of the internationally recognised standard set by the UNGC. Thus, the level of accountability is in the immediate environment in which it operates increased directly (Gilbert, Rasche, & Waddock, 2011). The economic, socio-cultural, and normative perspectives, including the basic knowledge, shape the understanding of transformational processes towards realising a sustainable ethical-economic and political environment.

2) The speed with which the UNGC Model has begun to be accepted by a broad audience of actors and the subsequent reflection of the scientific community shows an enormous potential for developing the topic of CSR. The fact that a 10th Principle, the fight against corruption, has been added to the existing nine Principles (UN General Assembly, 2003), based on the demands of the business community, and the proposal to introduce the 11th Principle to address money laundering, confirms the evolution and dynamism of the Model (Rose, 2020). However, the idea of the evolution goes beyond simply adding more possible principles to encompass and address as many issues as possible. The potential lies in how individual UNGC signatories broaden and deepen their understanding of the UNGC Principles and become more responsible. Increasing levels of understanding and deepening application of the UNGC

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Principles are reflected in the commitment to mandatory annual reporting (COP), shaping DCSE into a learning model (Haack & Scherer, 2014).

3) At the local level, the company faces two factors. First, the local environment consists of the government, the public, the scientific community (academia), and other enterprises, either in partnership or competition (local market environment). The government acts as a creator of the conditions for a free-market environment and as its regulator. Unless necessary, it is not expected to enter more actively into this environment. The public reacts to business activity, to the positive or negative impacts on the environment. Scientific communities create or develop concepts of entrepreneurship, helping, based on professional activity, to solve the problems faced by the enterprise in the interconnected areas of economics, ecology, human resources, and others, as they address the ethical dilemma, the leadership dilemma, the management dilemma, the local-global dilemma, and the dilemma of everyday practice (Fussler, Cramer, & Van der Vegt, 2017, p. 19). Second, the international environment operating in the local environment is represented by the UNGC Model initiative Principles. The local and the international levels act on the individual enterprise simultaneously, creating a specific environment in which evolutions can be observed.

The actual evolutionary process fundamentally starts at the local level. The company is confronted with the local environment and the requirements of socially sustainable business as expressed in the UNGC Principles. Based on reflection on the stimuli of both environments and a deeper consideration of the enterprise's position within and contribution to these environments, an idea is formulated that either develop the current understanding or bring a new perspective to a particular feature of the applied and implemented UNGC Principles. This cycle step imposes both economic and personnel costs on enterprises. Next, the formulated idea enters the specific environment of the translation chain. Here it is translated in the process of reverse translation, a process that allows for the generalisation of a specific idea, as described above. If the idea is accepted and its generalisation is successful, it can also be accepted at the transnational level. This process leads to the actual expansion of the UNGC Model in terms of understanding and an additional expansion of the number of Principles (see Principle 10). In essence, this is an application of the principle of subsidiarity.

In the second phase of the cycle, the process returns inversely to the local environment. Through the vernacularisation process, the requirements of the UNGC Principles are translated in the translation chain and, if accepted, implemented. This phase represents an adapted localisation process where the binary contradiction of hard-soft law is overcome, and the necessary correspondence between mandatory and voluntary is found. The cyclical process thus ceases to be one-dimensional. Nevertheless, since it can be essentially infinite, depending only on the costs that businesses are willing to incur and the quality of the scientific base dedicated to business in the context of responsible management and sustainable development, it takes on the form of a spiral, thus turning the static UNGC Model into a two-dimensional dynamic one.

4) The evolutionary process facilitates the signatories of the UNGC to participate in the normative process (Finnemore & Sikkink, 1998, pp. 887-890), which is recognised and anchored in various international and UN documents and treatises. The DCSE fully incorporated in business practice becomes a specific tool for, first, achieving a competitive advantage and so potential higher yields, second, creating and disseminating standards and norms at the lowest, subsidiary level, and finally, a tool fundamentally forming a pre-requisite for an advanced global governance system (Abbott & Snidal, 2000).
CONCLUSION

This paper has introduced a new view on the UNGC. For the UNGC to be relevant and responsive to today’s complex relationships, it must take the DCSE form, which ceases to be static and becomes a dynamic one. Through building concepts, i.e., localisation and subsidiarity, vernacularisation and contestation, a translation chain is opened in which a multi-layered dialogue is enabled amongst local businesses, academia and international (non-) governmental actors. Such a dialogue is necessary for local actors to cease being passive recipients but actively engage in negotiation processes.

The new presented DCSE Model differs in several crucial features. First, the study has raised an important question about the nature of a state in the UNGC Principles application and implementation processes. As the state is seen as only a mediator, his role lies in defining the UNGC Principles’ favourable environment that helps achieve sustainable business results. Second, the DCSE assumes effective regulation based on knowledge of the specific and the general and their interplay, which requires a considerable understanding of the nature of the UNGC Principles and their potential. Third, the DCSE leads to a higher level of responsibility due to the active participation of the lowest levels of the business environment. The primary action in understanding the necessity of such a Model and shaping the Model towards a sustainable business environment lies in interlinking economic, socio-cultural, and normative perspectives. Fourth, in active participation, a considerable learning dynamism is manifested. Due to the evolutionary idea the DCSE becomes a learning platform for local networks. Fifth, the evolutionary process enables deepening the UNGC Principles understanding. This idea is not expressed solely in adding new Principles but in understanding that the DCSE presents a comparative advantage leading to higher sustainable business results. Finally, the DCSE evolutionary process changes individual layers of a local and global society while creating a pre-requisite for a global governance system.

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Nevertheless, the validity of the assumptions about the DCSE will have to be proven by further study, especially into the mandatory reporting of the COPs and the local networks that influence the different levels of the UNGC Principles implementation.

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