Involvement of United Nations Organization in Promoting Corporate and Institutional Social Responsibility

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Abstract

Despite the opinions for and against corporate social responsibility, companies are increasingly involved in society, their efforts being supported by international organizations, central and local public authorities or institutions that have either initiated various different partnerships to develop social responsibility principles that can be adopted voluntarily or have various legislative initiatives.

Key words: social responsibility, sustainable development, companies, United Nations Organization

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Introduction

Corporate social involvement is not a new activity; some concerns in this regard can be detected to a large extent in the nineteenth century, when certain industrialists in the U.S. and Europe had initiated numerous charitable and philanthropic measures for their workers and their families (European Foundation for the Improvement of Living and Working Conditions, 2003, p. 16). These measures took on new forms and meanings in the twentieth century, following the adoption of legislation and creation of social protection systems. Moreover, some specialists believe that the prerequisites of the emergence of the CSR concept are grounded in the charitable actions of the German banker Jacob Fugger, who at the end of the fifteenth century had provided accommodation for poor families (the philanthropic nature of his actions were driven by the negative attitude of local community towards the banker’s activities).

In the nineteenth century, a new concept appeared - the paternalism, according to which the relations within a company must have as a model the relationships established within a family,

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so a business owner or manager must be involved in the employees’ lives, helping them to solve any problems they have, while employees are attached to the company for life. The poor efficiency of this economic model led to a new model - the welfare state, which has assumed greater involvement in the economy, along with the businesses’ focus on their economic role. Subsequently, the crisis of the welfare state reminded the public and the professionals of the companies which were criticized about their lack of concern with the external effects of their activities.

Corporate social involvement evolved in the twentieth century, as well, many U.S. companies facing a negative reaction from the public adopted measures similar to those of the German banker. Thus, Henry Ford initiated various paternalistic programs to support recreational and health needs of employees, considering that companies have a responsibility towards society, in parallel with the objective motivation of obtaining profit. Over time, the corporate attitude towards the society in which they operate has changed, and social responsibility does not involve simple donations or philanthropic activities, but also involvement in voluntary work that not only concerns the company's economic interest but also environmental protection, welfare of clients, consumers, employees and other stakeholders.

However, some economists have denied social involvement of corporations, saying that their only objective is to maximize shareholders’ profits, that only individuals have social responsibilities, while the companies are held responsible only by the shareholders and not by society in general (M. Friedman, 1970). For this reason, only shareholders as natural persons, not companies, should initiate charitable actions. Companies are seen as artificial persons, and therefore they will have artificial responsibilities. Moreover, Friedman cataloged the businessmen and managers who talk about social responsibility as some “innocent puppets of the intellectual forces which undermine the basis of modern free society and are teaching undisguised socialism” and CSR programs are actually promoted as a mask to justify certain expenses and actions.

In his article “The social responsibility of business is to increase profits,” Milton Friedman rejects the idea of corporate social responsibility (CSR), presenting several arguments: only human beings are responsible for their actions and therefore corporations cannot assume any responsibility, managers have a unique responsibility to make profit for shareholders, and social issues are the responsibility of public authorities who know best the interests of the society and are entitled to do so.

The use of corporation’s resources for charitable purposes is equivalent, in view of these specialists, with the socialism. Moreover, they believe, for the most part, the managers’ apparent non-profit actions are, in fact, a response of profit maximization considering the economic, social and political pressures to which they are subjected. This non-profit strategy was named social responsibility. Large private companies such as Wal-Mart, Coca-Cola or BP that are highly vulnerable in view of their activity to public criticism are required to promote various programs to align the global social responsibility tendencies, but in this way, they transform into crypto-enterprises that are the essence of socialism (H. Manne 2006). In fact, M. Friedman does not dispute the social responsibility programs promoted by companies, but he notes that they are determined by economic motives, purely selfish that actually have nothing to do with social responsibility. He believes that “moral value of an action is decisively dependent on the agent’s deepest intentions” and, in fact, it is very difficult to detect the original reason for these social responsibility actions: obtaining profit or respect for the interests of social groups.

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4 Craciun, D., Mora, V., Macoviciuc, V., Business Ethics, Paideia Publishing House, Bucharest, 2005
The Preoccupations of United Nations with Promoting Social Responsibility

Social responsibility is a concept that has attracted the attention of international organizations such as United Nations or the OECD, but also led to increased private initiatives by corporations or other organizations, due to its implications on the sustainable and human development5.

Global Compact and Principles for Corporate Social Responsibility

Global Compact (GC) is an initiative of former UN Secretary General Kofi Annan, who, in a speech at the 1999 World Economic Forum, launched the idea of a partnership between the institution he represents and companies worldwide to achieve sustainable development objectives that this organization has. The partnership became operational in 2000 being supported by six UN agencies: High Commissioner for Human Rights, The United Nations Environment Programme (UNEP), International Labor Organization, United Nations Development Programme, United Nations Industrial Development Organization and United Nations Office on Drugs and Crime.

The documents that formed the basis for the Global Compact principles were: the Universal Declaration of Human Rights; ILO Declaration on Fundamental Principles and Rights, Rio Declaration on Environment and Development and United Nations Convention against Corruption.

In practice, the Global Compact is a network between the various entities that have interests in social responsibility: companies, unions, government agencies, cities, civil society organizations, business associations, academic organizations etc.

Global Compact is a public-private initiative that offers companies a framework for developing, implementing and promoting sustainability principles and practices related to four major areas of concern: human rights, labor, environment and fighting corruption. Managing risks and opportunities of these four areas is considered a way to create long-term value, which is beneficial for both companies and society in general. The large number of participants, over 7700 companies and stakeholders from over 130 countries, demonstrates commitment to the principles of business supported by the Global Compact.

The adoption of these principles is voluntary, but companies that are members of the Global Compact network assume a commitment to implement and promote these principles and in this sense, they must introduce **specific measures**:

- GC principles become part of business strategy to daily operations and organizational culture;
- GC principles are integrated into decision-making for the highest leadership board;
- companies must contribute to the dissemination of development goals (including the Millennium Development Goals) through partnerships;
- companies are required to insert in the annual report a description of how it was done to implement these principles and how they support development objectives (communication progress);
- promotion of responsible practices GC and among partners, customers, consumers and society in general.

Universities and the UN Global Compact

Due to the importance of education for training future managers and specialists in areas such as social responsibility, business ethics or societal marketing, academic organizations are an essential component of the Global Compact platform. Furthermore, academia has brought some constructive criticism on the operations carried out by GC and through available resources and infrastructure this sector contributes to the knowledge and understanding of corporate citizenship and social responsibility, but also to the promotion of GC activities at local and global level.

As social responsibility is not the exclusive prerogative of the companies, since 2007 Global Compact has promoted the Principles for Responsible Management Education (PRME), which creates the framework to promote social responsibility by incorporating universal values of RS in research and teaching plans of universities.

Although the notions of corporate responsibility and sustainability are promoted in the academic field, they have become the priority in the education of economists, therefore, promoting PRME, universities and business schools will gradually improve curricula and research methodologies teaching and institutional strategies.

In late 2010, these principles are shared by more than 340 academic institutions that form the managers, of whom one third are located in Western Europe and North America. In addition, educational institutions specializing in this field have been set up. For example, Responsible Investment Academy is an Australian government-funded institution that works with the Secretariat of PRI (Principles for Responsible Investment) to support institutional investors who have signed the Principles for Responsible Investment to provide educational resources for training specialists in the field of responsible investment. This institution offers courses on the implementation of Principles for Responsible Investment, the integration of ESG (environmental, social and corporate governance) in securities analysis and portfolio construction, engagement of investors as shareholders, voting policies, sustainable development, climate change and the transition to low carbon economy, human rights, labor, water and energy security.

Cities and the UN Global Compact

Because cities can make a significant contribution to creating a sustainable society, which requires integrating economic, social, political and environmental aspects, the principles developed by GC for corporations can be translated for these administrative entities in terms of governance and urban management.

GC program for cities was launched in 2003 and it supposes the adoption of the 10 principles originally developed for companies. To accommodate the 10 principles for the towns, GC program aimed at close cooperation between companies, public authorities, universities and civil society so that cities overcome very complex problems they face; in this way, they have a positive contribution to the sustainable development of national economies. This program was designed on three levels of commitment so as to achieve a progressive involvement of cities in terms of commitment, recognition and used tools.

The program for cities is a component of the Global Compact initiative that focuses on urban and is based on Melbourne methodology. This methodology involves the inter-relationships between companies, public authorities and civil society. The first steps taken towards the creation of this program belong to the city of Melbourne, whose authorities sent a letter to the originator of the UN Global Compact - Kofi Annan, in 2001, expressing their support for the ten

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principles developed and promoted, and even asked to join this platform. Given the purpose of creating the UN Global Compact Platform, Melbourne city has been refused, but Kofi Annan has agreed to initiate a pilot project (Utility Debt Spiral Project) to demonstrate the usefulness of involving cities to promote social responsibility.

Successful implementation of this project led Kofi Annan to ask the checking and testing of the applicability of Melbourne model to five other cities in the world: Tshwane (South Africa), Porto Alegre (Brazil), Jinan (China), Jamshedpur (India) Bath (United Kingdom). The projects were conducted over three years and have different themes: improving poverty, rehabilitation of peripheral areas, water management, improved urban comfort, improve safety in urban traffic.

In April 2002, a meeting sponsored by the United Nations Environment Programme and International Council for Local Environmental Initiatives was organized, and many specialists in urban governance, planning, sustainable development and community involvement attended. The result was the development of Melbourne model. Melbourne Model involves collaboration between governments, companies and civil society to tackle seemingly intractable urban problems.

The mayor of this city launched Melbourne Principles in September 2002 at UN World Summit on Sustainable Development in Johannesburg. The importance of these principles is demonstrated by the interest of the participants in this event, which included the ten principles in Local Agenda 21, an international framework for sustainable development of specific local government (originally developed at the United Nations Conference on Environment and Development in 1992 - 'Rio Earth Summit').

Regardless of size or geographical location, any city can become a member of Global Compact, but its involvement may be different since there are three levels of commitment for signatory cities, reporting cities and innovative cities. Every town has some kind of tasks:

- Commitment. City commits to implement the ten Global Compact principles and to publicly promote these principles, including the private sector and civil society that are in its sphere of action.
- Leadership. The city recognizes its ability to set an example in spreading the principles of Global Compact. The city can ensure the involvement of its citizens and institutions subordinate to the formal or informal methods to implement the latest innovations for the benefit of the entire community.
- Communication. The city must demonstrate its commitment to the principles of Global Compact by publicizing its activities. Notice positive or less positive results achieved will lead to better knowledge of urban governance. The city is available for dialogue with other cities.
- Sustainability. The city has the capacity to carry out a major project in a sustainable manner for a period of at least three years contributing to social and environmental welfare of the city.
- Response. The city has the capacity to respond adequately to the problems associated with political change, economic, social and environmental situation and to learn from previous experiences.
- Diversity. The city is aware and respects the need to work in different sectors, taking account of economic, political, and cultural and religious differences, ethnic, ideological, gender or age.
- Adaptation. The city is opening and flexible to work in certain areas from different backgrounds and experiences of other cities use to overcome such complex and seemingly intractable urban issues.

Depending on their commitments, there are three types of cities:
Signatory city: the city adopts, promotes the principles of GC and encourages companies to join the UN Global Compact;

Reporting city: in addition to the commitments made by signatory city, the city is committed to report annually its efforts to implement the principles of GC in urban management and to promote these principles in local business environment;

Innovative city: local authorities take the specific commitments of signatory and reporting cities and carry out a multi annual project to solve a complex or seemingly irresolvable problem that is correlated with the ten principles of UN Global Compact. Projects initiated by cities may involve private companies, universities and civil society and aimed problems such as urban infrastructure, environment, climate change, culture, politics, globalization, human security, sustainability and local economic development.

In conclusion, the cities are responsible to entities that operating in their range of action and can have a significant contribution to the promotion of social responsibility and sustainable development. In general, the GC principles for cities are similar to those promoted by companies, the guidelines being: employment standards, human rights, the environment and fighting against corruption.

UN Global Compact and Institutional Investors

Social responsibility should guide not only the activity of large transnational corporations, but also the portfolio investors. Socially responsible investments made in the capital market have their origins in religious movements. Thus, the Methodist Church began to invest over one hundred years ago, in stock market, having as criteria for selection of securities not only economic indicators, but also ethical criteria, eliminating financial securities issued by companies in certain areas such as the production of alcohol, weapons, tobacco, pornography and gambling.

Over time, certain events have encouraged the development of socially responsible investment market. Thus, in the U.S.A. in 1971 was created an investment fund - Pax World Fund – in order to avoid investments associated with the Vietnam War and apartheid of South Africa and to accelerate the promotion of ethical investment in the 80s of last century.

In addition to the initiatives of portfolio investors in the developed countries, a catalyst in boosting socially responsible investment is United Nations.

At the beginning of this millennium, the United Nations Environment Programme Finance Initiative (UNEPFI) and UN Global Compact have the idea of involving the world's largest international investors to develop the Principles for Responsible Investment. The initiator of this approach was the secretary of the United Nations - Kofi Annan, while the launch of these principles took place in 2006.

In the year 2009, over 550 institutional investors were signatories of these principles and the value of assets managed by these investors is over USD 18 billion. Demonstrated success of these principles is not just the number of signatories, but also their importance. Thus, among the signatories include the Norwegian Government Pension Fund - Global, APG, Public Employees' Retirement System, the California State Teachers 'Retirement System, New York State Teachers' Retirement System, Government Employees Pension Fund of South Africa. Among the signatories of these principles are investment funds belong to universities from developed countries: Régime de Retraite de l'Université de Montréal (pension fund), University of Dayton's Davis Center for Portfolio Management Flyer Investments from USA and Universities Superannuation Scheme from United Kingdom (pension fund).

7 www.unep.org
The principles of responsible investment (PRI) based on the idea that environmental, social and governance issues can affect investment performance and consideration of these issues leads to the reduction of risks and achieving higher yields.

Analysis of these principles allows the shaping of responsible investment practices in four specific activities: investment screening, commitment as shareholders, proxy voting, economically targeted investment, mission or community investment).

**Investment screening** involves the use of positive or negative criteria for selection that determines acceptance or rejection of securities. Thus, the negative screening implies the exclusion of securities issued by companies from certain areas (gambling, tobacco, weapons or nuclear weapons) or countries (for example, Columbia and Brown University removes from the selection the securities belonging to companies that support the actions of Sudanese government from Darfur). The positive screening involves selection of those investments in certain sectors such as renewable energy or sustainable forest exploitation. Most times, this type of screening is based on an integrated 'triple bottom line' strategy according with investors select securities issued by companies that in their activities take account of certain aspects of the environment, society and corporate governance. The most popular selection method is “best in class” (best in class) that selects the securities investors who promote best practice in a particular field, taking into account the criteria of diversification portfolio and risk.

**Commitment as shareholders.** This commitment is an investment strategy through which institutional responsible investors trying to establish a dialogue with companies whose securities they hold in their portfolio that would result in improved companies’ performances in the long run.

**Proxy voting.** By participating and voting, the investors bring their concerns to the attention of managers on corporate social responsibility and they may sanction the manager if he does not take into account in his work the ESG issues. Most institutional investors such as investment funds, pension funds, insurance companies and banks have the necessary expertise and specialized departments to establish the voting policy for each company to which they are shareholders.

**Economically targeted investment, community investment and mission investment.** These investments are based not only on traditional financial objectives, but also non-financial targets that take into consideration certain aspects of the environment, society and corporate governance. The mission investments are made to align the financial investment of the institution with the mission of organization. This investment provides additional capitalization mechanisms for institutional investors and increase financial resources other than philanthropic activities, but has the disadvantage that they may have lower rates of return than traditional investments.

**Community investment** involves providing of capital for communities not served at the best standards of financial markets. For example, the universities may be involved in the funding of community projects since they are important sources of cultural, intellectual development. Thus, Ohio State University launched in 1995, a community investment initiative for urban development in the area surrounding the campus. These investments have been financed both from its own funds and from funds raised by issuing bonds. In this way, the university's reputation increase and may determine additional donations in future.

Recently, the experts consider that the objective of community investment expands to incorporate those activities that have led to a model called social finance. Social finance refers to investment in social enterprises that provide certain social environmental or economic

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outcomes. Social funding takes two forms: providing grants to support social enterprises and investments in organizations that have social and environmental consequences.

**Conclusions**

Given the analysis undertaken, it is noted that not only companies and public authorities have become aware of their social responsibility, but also other entities such as portfolio investors can direct their funds available depending not only on economic criteria, but also for reasons of environment, society and corporate governance. It emerged as a new capital market segment, namely the market for socially responsible investments.

A special role in promoting CSR is played by universities that through research programs and teaching activities conducted, they support the training of specialists in various fields such as economists, managers and sociologists who must have knowledge of corporate social responsibility and ability to implement information gathered.

At international level, we noted a variety of practices of social responsibility, which takes different forms depending on the type of organization that initiates these practices. Despite this diversity, we can distinguish two approaches:

- the voluntary approach, promoted by most companies, governments and international organizations;
- legislative or institutional approach promoted by civil society and certain states in this regard, pointing out the efforts made at EU level.

Therefore, more and more entities have a social behavior and use different methods, related to the characteristics of the activities, in order to engage in various activities RS, thus having a positive contribution to the sustainable development. We speak of the emergence of a broader concept - the social responsibility of corporations and institutions (RSCI) - which is a form of self-regulation integrated management process that seeks positive effects on their companies and institutions on the environment, consumers, employees, partners and society in general. A special role in promoting the principles of RSCI is assigned to the incumbent authorities, but also to the European and international institutions such as the UN and OECD.

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**References**


Implicarea Organizației Națiunilor Unite în promovarea responsabilității sociale a corporațiilor și instituțiilor

Rezumat

În ciuda opiniiilor pro și contra privind responsabilitatea socială a corporațiilor, companiile se implică tot mai mult în societate, demersurile lor fiind sprijinite și de organizațiile internaționale, de autoritățile publice centrale și locale sau de diverse instituții care au inițiat diverse parteneriate, fie au elaborat principii de responsabilitate socială care pot fi adoptate în mod voluntar, fie au avut diferite inițiative legislative.