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Best Business Practices for Corporate Social Responsibility: Management tools for implementing the OECD Guidelines for Multinational Enterprises

Conference organised by the European Commission

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Address by Baron Georges Jacobs, President of UNICE

Opening Session

Commissioner, Ladies and Gentlemen,

I very much welcome the chance to offer some opening remarks at this Conference. As President of UNICE, it is not possible for me to speak on behalf of individual companies – representatives of those present will speak for themselves during the sessions tomorrow. However I will offer some general points, which I hope will serve as background for what I am sure will be a valuable conference. I would like to tackle five main themes:

- ?? Importance of dialogue to build confidence
- ?? The OECD guidelines for multinational companies: a balanced compromise
- ?? The guidelines a tool for companies
- ?? Each party its role
- ?? A socially responsible approach benefits all

? ***Dialogue is key***

The spreading of understanding among the varied interests represented here – nowadays referred to as “stakeholders” – is an exercise that is bound to bring dividends. As we have seen in the wider pubic debate on globalisation, lack of understanding expresses itself too often as confrontation – Seattle, Davos, Quebec – rather than as dialogue. And it is dialogue which is required if the aspirations of all world citizens are to be taken into account as we move forward into the twenty-first century.

UNICE speaks for European businesses employing over 100 million people in the European area, and responsible for the creation of countless other jobs throughout the world through their trading and investing activities. The global presence of many of these companies involves them in every market of the world contributing jobs, technology, training and – not least – capital. This world-wide experience of European companies gives them global interests: they are corporate citizens not only of Belgium or France, but of each country in which they have a presence.

In today’s globalised world, all players – governments, business, civil society – all have a part to play in seeking to spread the benefits, both social and economic, currently enjoyed only by a minority of world population, to all.

? ***The OECD guidelines for multinational enterprises: a balance to be maintained***

The OECD Guidelines for Multinational Enterprises, still the only comprehensive set of principles for international business conduct collectively endorsed by governments, originally drawn up 25 years ago, have a special place in this scenario. At the outset, they were intended to provide a framework for good business conduct and, as part of the wider OECD Declaration on International Investment and Multinational Enterprises, to encourage a balance of responsibility between international business, labour and governments.

The aim was to improve the climate for foreign direct investment and promote the positive contribution that multinational enterprises can bring. For their part, OECD governments undertook not to discriminate against multinationals, to avoid imposing conflicting requirements on them, and to co-operate on official incentives and disincentives to international investors. This balance remains at the heart of the questions to be discussed at this conference.

Since 1976, the old distinction between transnational corporations and exporters has largely disappeared. Growth in flows of foreign investment outstrips growth in trade. Some thirty percent of all exports are estimated to be between affiliated companies. In the globalised economy companies find that accessing and building markets involves investment as well as exporting goods and services.

Back in 1976 there was a perceived need to encourage confidence in the activities of large international companies with what many feared was mobile capital and a potentially casual attitude to development and their labour forces. The arguments for and against globalisation rage, but today the role of commercial investment in development is more widely recognised by governments, and its contribution to sustainable development is better understood. At the same time more and more companies are "multinationals" by definition – even if this is a label they do not all recognise as applying to themselves.

This, of course, was the background to the decision by the OECD in 1998 to launch a revision of the guidelines – the need to:

- reflect these changing social, economic and political conditions, and to
- encourage a wider spread of companies to apply the principles enshrined in the guidelines.

Through their membership of the Business and Industry Advisory Committee to the OECD, members of UNICE were active in this revision process. For the first time representatives of non-government organisations as well as of business and trades unions participated in the consultations.

The guidelines: a tool for companies

The guidelines remain not legally binding, but there is no reason to doubt that they reflect the firm expectations of government on corporate social responsibility – the behaviour of companies wherever they operate. They do not set out to replace individual company or sectoral codes of conduct. Rather governments see them as a benchmark against which to evaluate company standards.

For companies, the wide coverage of the guidelines represents a blueprint for management practice in today's world where companies are subject to wider public scrutiny than ever before. And indeed, most companies do now accept that they should take a responsible role in the societies in which they operate. Nevertheless, as a recent leader in the Financial Times said, demands for greater social responsibility from business are getting louder, better organised, and more popular. They cannot be ignored.

Used positively the guidelines can be a helpful tool for companies positioning themselves in this new climate of opinion. But, as this conference will explore, they need to be adjusted to the particular circumstances of each company, bearing in mind that the guidelines are no longer the only show in town, and that companies have a basket of recommendations to choose from: the UN Global compact, the Global Sullivan Principles, sectoral codes like the chemical industry's responsible care initiative are examples.

There is also, of course, a host of other requirements in the fields of accountancy and corporate governance with which companies must comply, not to mention social, environmental and other legislation. Companies need to respond to these external demands and set up their own internal procedures, processes, codes or whatever to ensure implementation throughout their operations.

? ***Each partner its role***

Ironically, publicly taking a high "ethical" stance is however no defence against criticism or demands for more – and it may even attract them. Another sort of pressure was highlighted by Morris Tabaksblat, then chairman of Unilever when he pointed out in 1997 that "companies cannot allow themselves to be used as instruments for achieving the objectives of others, however laudable those objectives may seem to be".

Business will be a more effective instrument for social change if it continues to focus on its core activity: creating prosperity. Our companies will be distracted from this if demands are made of them which are truly in the realm of government or other sections of society.

Pressure on business to follow an openly political agenda may also contradict a key premise of existing international regulations requiring business to respect the domestic laws – and development priorities – of the countries in which they operate.

In addition, western companies seen to promote the policies of their home governments or home-based 'civil society' groups run the risk of being accused by developing countries of seeking to impose western values on them. Such a tendency would run counter to the preference of most multinational enterprises for their overseas subsidiaries to integrate as far as possible into the local corporate culture. In any case, piling expectations on companies to be a global force for democratic or regulatory reform overstates their economic clout in most countries, while underplaying the determination of even the weakest developing state to defend its sovereign prerogatives.

Business brings real benefits to people's lives but it should not be expected to solve all the world's problems. Pursuing a broader agenda to transform societies will require a balance of responsibilities between business, government and 'civil society' bodies, founded on a long-term partnership and a mutual recognition of each other's strengths and limitations.

What this amounts to for businesses is thinking globally but acting locally. We need to remember too that all governments seek investments in their economies – the doors are largely open to us, and recognition of this also needs to be taken into account.

? *A socially responsible approach: benefits for all*

A socially responsible approach to business cannot be screwed on to a company's operations: it needs to be built-in to the culture. There have always been good reasons for international investors to do this:

- an obligation to operate within the law wherever they are located is a minimum requirement for investors. This will be a minimum standard as recognised by the OECD guidelines.
- in the vast majority of cases, a high proportion of the workforce, and probably the management, will be local. Their welfare will naturally be of concern to the employer.
- the act of investing takes a company into a local environment; the well-being of that market and society will automatically be of interest.
- global brands and the need to maintain the reputation of the multinational will militate in favour of high and consistent standards of both product and production, as well as the promotion of similar standards in the local supply chain. There are limits to this, which need to be recognised but you cannot produce a world class product with sub-standard components.
- international investors often have a demonstration effect on local companies: there is no race to the bottom. But higher standards than those applied by local companies should not be imposed on multinationals. The continued improvement of legal standards must apply to all, and is in the domain of government. Internationally, higher standards must be achieved through agreement in the ILO and elsewhere – these need to be generally agreed, as no single government has the right to impose its own standards on others.

These points add up to a strong case for mutual self-interest between stakeholders in the exercise of corporate social responsibility – by no means least by multinational enterprises.

In conclusion, I wish you all success in your deliberations tomorrow, and leave you with a closing thought: it is the behaviour of a company that matters, not whether or not it has opted to abide by certain guidelines or to adopt its own code of conduct. The proof of the pudding is in the eating, not in the recipe!

Thank you for your attention