

Responsible Competitiveness: Reshaping Global Markets through Responsible Business Practices argues that responsible business practice is becoming an important driver of national and regional economic competitiveness.

Responsible Competitiveness's findings are based on a wealth of sector and issue-specific cases from Brazil, Cambodia, Chile, Europe and South Africa, two new innovative country-level indices, and findings emerging from a Global Policy Dialogue on Responsible Competitiveness conducted over two years in association with the UN Global Compact and partners from Africa, Asia, Europe and Latin America.

The Responsible Competitiveness Index is an innovative, country-level index that provides metrics and methodology for exploring the relationship between corporate responsibility and competitiveness, and includes the National Corporate Responsibility Index that measures the national state of corporate responsibility covering 80 countries across five continents.

Responsible Competitiveness predicts that governments worldwide, as well as businesses, will increasingly build responsibility issues into their strategies to develop and maintain their national competitiveness. It provides a robust policy framework for this purpose and proposals for both policy and research.

Responsible Competitiveness is the precondition for an acceptable, viable globalisation that aligns the extension of business opportunities and roles in development with reductions in poverty and inequality, and environmental security.

A summary of the key findings and the *Responsible Competitiveness Index 2005: Technical Paper* are available from www.accountability.org.uk and www.fdc.org.br

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Responsible Competitiveness

Reshaping Global Markets Through Responsible Business Practices

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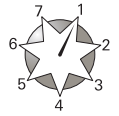
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ACRONYMS

AICC	African Institute of Corporate Citizenship
ASOEX	Association of Exporters (Chile)
CII	Confederation of Indian Industry
CSM	Centre for Social Markets
EABIS	European Academy of Business in Society
ETI	Ethical Trading Initiative
FDC	Fundação Dom Cabral
FIAS	Foreign Investment Advisory Services (World Bank)
GCI	Growth Competitiveness Index (WEF)
IADB	Inter-American Development Bank
ICT	Information and Communications Technology
MDGs	Millennium Development Goals
MFA	Multi-Fibre Arrangement
NCRI	National Corporate Responsibility Index
OECD	Organisation for Economic Co-operation and Development
RCI	Responsible Competitiveness Index
RCN	Responsible Competitiveness Network
SMEs	Small and Medium-Sized Enterprises
UNCTAD	United Nations Conference on Trade and Development
UNGC	United Nations Global Compact
UNIDO	United Nations Industrial Development Organisation
WEF	World Economic Forum
WIETA	Wine Industry Ethical Trade Association

Responsible Competitiveness means markets where businesses are systematically and comprehensively rewarded for more responsible practices, and penalised for the converse. Strategies for realising Responsible Competitiveness aim to enhance productivity by shaping business strategies and practices, and the context in which they operate, to take explicit account of their social, economic and environmental impacts.

The Responsible Competitiveness of nations, regions and communities is essential to achieve sustainable development in today's globalised world. It is the precondition for achieving an acceptable, viable globalisation that aligns market liberalisation and the extension of business opportunities with reductions in poverty and inequality, and environmental security.



1. Summary of Findings

Profiling Responsible Competitiveness

The Challenge

All nations, regions and communities share the three-part development goal of satisfying the needs of their citizens; playing their part in securing broader global public goods including civil and environmental security and basic human rights; and generating economic development.

Realising this goal requires markets and regulation that create a 'race to the top' of escalating productivity, human development and environmental responsibility. The potential exists for such a positive relationship, but a competition-driven 'race to the bottom' remains a very real possibility. The facts of pervasive poverty and inequality suggests that the 'trickle down' of undirected economic growth will not deliver sustainable development on its own. What is required is a more responsible form of competitiveness.

Corporate Responsibility Constrained

Business leaders increasingly recognise the need to act responsibly. This is exemplified by the growth in adoption of the UN Global Compact's 10 Principles, and the business community's engagement in addressing the UN Millennium Development Goals.

But individual businesses cannot go against the grain of the market. Being responsible sometimes does and sometimes does not pay. As with anything in business, success depends on a combination of good ideas, skills, luck and circumstance. While the growing significance of intangible assets has created opportunities for leveraging responsible business practices, the intensification of competition and the short-termism of investors constrain such practices.

Responsible Competitiveness means markets where businesses are systematically and comprehensively rewarded for more responsible practices, and penalised for the converse.

The challenge is to evolve a responsible basis on which competitiveness is achieved. This requires a crucial shift to a 'tipping point' in how markets reward business. As Oded Grajew, former Special Advisor to the President of Brazil, and Founder and President of Instituto Ethos, argued, "the responsible competitiveness of nations is essential to achieve sustainable development in today's globalised world".

Exploring Responsible Competitiveness

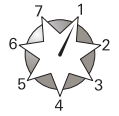
AccountAbility has joined with the United Nations Global Compact and a network of research institutes, business schools and civil society organisations to explore how responsible business practices can most effectively become an embedded feature of global markets.

Summarising three years work, we provide here an overview of the current practice and future potential of Responsible Competitiveness. This is grounded in concepts, cases and statistics, including the latest Responsible Competitiveness Index (RCI) covering over 80 countries, and concludes with proposals for advancing the practice of Responsible Competitiveness.

The Practice of Responsible Competitiveness

The Global Policy Dialogue and extensive applied research has illuminated the growing practice of Responsible Competitiveness, from all parts of the world and covering sectors as diverse as wine, textiles and information and communication technology. "It makes sense in economic terms", argued *Kathryn Gordon*, *OECD's* Chief Economist. "It is almost true by definition that appropriate business behaviour is good for competitiveness." *Deepak Sood* at the *Confederation of Indian Industries*, commented, "Greater corporate responsibility can play an important role in moulding tomorrow's global markets. Nations that fail to address corporate responsibility issues expose businesses to potential costs such as those associated with corruption and poor health and safety". *Sean de Cleene*, Executive Director of the *African Institute of Corporate Citizenship* reflected: "The future for countries like Malawi is in niche markets, and perhaps improved social and environmental performance can be value added – the market will pay a premium for something that meets people's values".

Against this however, have to be set concerns that Responsible Competi-



tiveness is not significant in global markets, or indeed can be part of the problem: it can be a *distraction* from the real need to maximise economic growth as a development driver; it is *too weak to count* in offsetting the 'race to the bottom' price competitiveness that promotes unsustainable business practices; it *confers competitive advantage on multinationals and developed economies* at the expense of developing countries and small and medium enterprises so vital to their economies; it is a *zero-sum game* that will be competed away if a first mover advantage appears significant.

The practice of Responsible Competitiveness is increasing, catalysed by diverse contexts and drivers:

- ❖ **Under pressure** - *Responsible Competitiveness practices often evolve in response to a perceived economic threat.* For example in response to the threat to livelihoods and economies posed by the end of the Multi-Fibre Arrangement, initiatives have been established in several countries to establish a new basis for competitiveness in apparel and textiles. For example, the Cambodian initiative seeks to strengthen competitive advantage by demonstrating compliance with international labour standards.
- ❖ **Owning standards** – *Responsible business standards have historically been seen as a constraint to developing country exports, but some countries are responding by establishing their own standards as a way of actively building competitive advantage.* The Chilean Association of Exporters for example, has established a Chilean social and environmental standard for horticultural exports. In the short term, the standard is cheaper to certify and more closely aligned to the particulars of the Chilean fruit sector than internationally administered schemes. In the longer term, they hope to use the standard as a means of differentiating themselves in the highly competitive fruit export market.
- ❖ **Building business infrastructure** - *Responsible Competitiveness practices can work by impacting on an economy's infrastructure and the way that its social characteristics contribute to competitive advantage.* For example the EU is

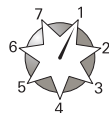
seeking to develop a distinctive European competitiveness that builds on its diversity, consensual political processes, tendency to internalise costs into markets, and collaborative approach to education, health and public infrastructure. It therefore uses ICT to provide a means through which new forms of partnership can be developed.

Framework for Responsible Competitiveness

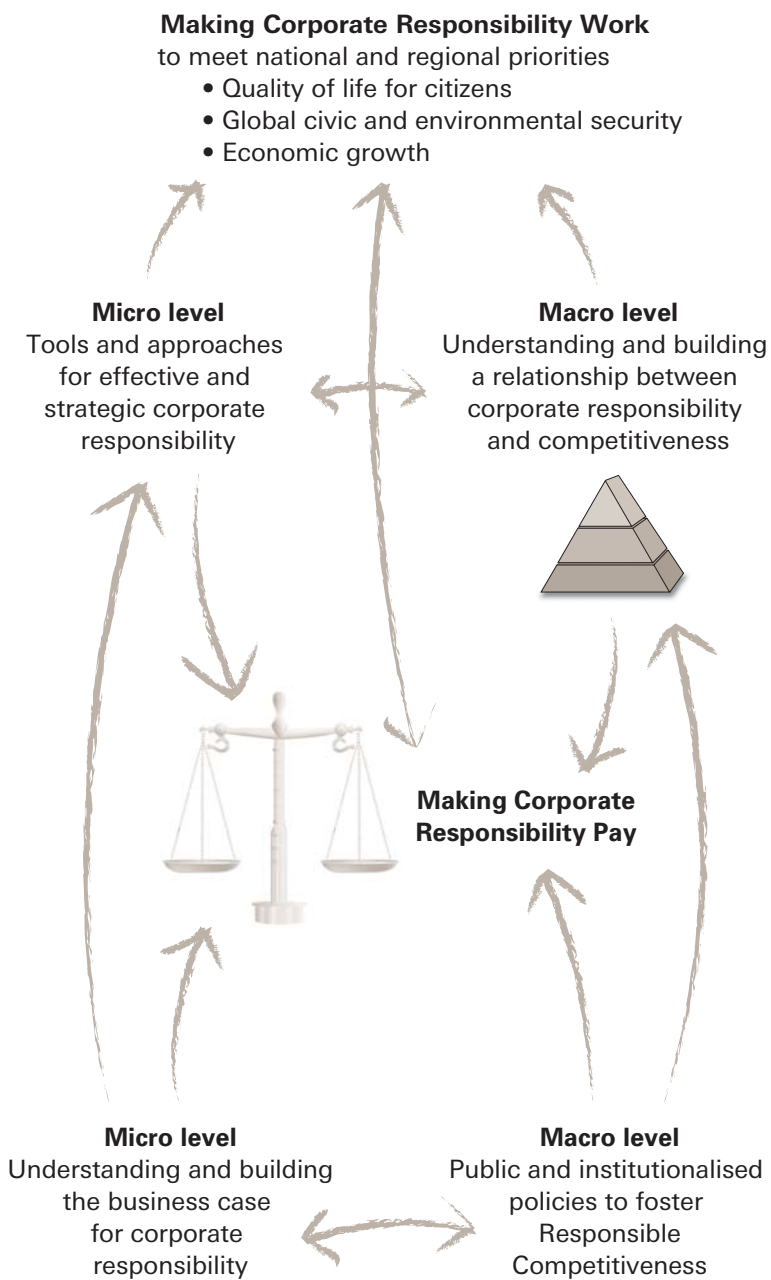
A Framework is needed to aid our understanding of what circumstances are required to bring about systemic changes across entire markets and economies. Key elements of such a Framework include:

- ❖ **Valuing Productivity** – emphasising the importance of societal expectations and demands in determining the productivity of an enterprise, a community or a nation, both because of the cultural, institutional and personal motivational factors that drive efficiency and effectiveness, and because of the crucial place of demand-side factors in valuing products and services.
- ❖ **Structural Productivity** – emphasising the relevance of competitiveness at community, national or regional, as well as the enterprise level, and the proposed three-tier approach to analysing this: (a) the enterprise level; (b) the level of corporate responsibility clusters, and; (c) the place of corporate responsibility in driving both company and system-level innovation and flexibility.
- ❖ **Civil Learning** – emphasising how the dynamic pathways of exemplary behaviour by individual businesses can influence changes in societal expectations, expand the role of business in delivering public goods and, ultimately, alter the role of business in society.

Responsible Competitiveness strategies enhance productivity by shaping business strategies and practices, and the context in which they operate, to take explicit account of their social, economic and environmental impacts



Responsible Competitiveness Framework Summary



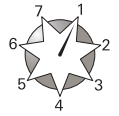
The Responsible Competitiveness Index

AccountAbility developed and released the world's first Responsible Competitiveness Index in 2003 in order to stimulate debate on the links between corporate responsibility and national competitiveness. Then, in 2005, AccountAbility, together with Fundação Dom Cabral, improved on the Responsible Competitiveness Index increasing both its robustness and country coverage. It provides two unique perspectives:

- ❖ *National Corporate Responsibility Index (NCRI)* - nations' state of corporate responsibility, allowing comparison between countries and regions, across variables and over time.
- ❖ *Responsible Competitiveness Index* - links the NCRI with nations' competitiveness, drawing on the World Economic Forum's Growth Competitiveness Index.

The NCRI suggests the following results:

- ☑ **Nordic** countries score well alongside **Canada, Austria** and **Belgium**.
- ☑ **South Africa** is the highest ranking emerging economy (excluding Eastern Europe), followed closely by **Korea, Chile, Malaysia, Costa Rica** and **Thailand**.
- ☑ East Europe seems to be pursuing a sustainable path. **Estonia** and **Slovenia** in particular are well-ranked.
- ☑ There were some good performers in **Africa** including South Africa and Mauritius, but other countries like Zimbabwe and Algeria are amongst the lowest scoring overall.
- ☑ In **Latin America** the positive examples are Chile and Costa Rica. Latin America scores poorly on the *internal dimension* of corporate responsibility.



There is a significant correlation between the competitiveness of a country and its corporate responsibility level. This might indicate that:

- ❖ *Competitiveness gains in a country may not be sustainable unless underpinned by responsible business practices.* That is, consistent growth in competitiveness depends on a greater responsibility of the society as a whole, business, government and civil society.
- ❖ *Corporate responsibility can fuel country competitiveness.* This possibility, the heart of the Responsible Competitiveness proposition, seems to get some support from the data.

It is important to highlight the fragility of the data, and associated statistical and theoretical problems. Such measures therefore need to be treated as indicative, rather than proof of possible causal relationships. But the RCI 2005 is certainly a significant step forward in both the measurement and understanding of Responsible Competitiveness. Taken together with the case study material, research and results of the dialogues, it shifts the debate towards one which needs to explore the circumstances under which Responsible Competitiveness can play a significant role in enhancing a country's competitiveness whilst promoting its sustainable development.

Advancing Responsible Competitiveness

Responsible Competitiveness offers concrete, practical ways for actively building what UN Secretary General Kofi Annan refers to as the 'human face of globalisation'. Centrally, it:

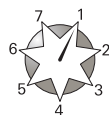
- ❖ Illustrates how strategies rooted in Responsible Competitiveness can play a significant role in enhancing a country's economic competitiveness in ways aligned to sustainable development.

*The **Responsible Competitiveness Index** offers support to the proposition that increasing competitiveness can be encouraged by corporate responsibility practices.*

- ❖ Offers both an analytic framework and the metrics to better understand the potential and practice of Responsible Competitiveness for nations, communities and businesses.

Advancing Responsible Competitiveness as an approach to globalisation is a real option and, in some instances, already a grounded practice. This practice varies considerably over time and between regions, sectors and market circumstances. Despite this variation, there appear to be several common elements that will be needed to underpin sound and scaled up Responsible Competitiveness strategies and practices.

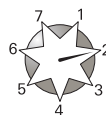
Responsible Competitiveness is the precondition for an acceptable, viable globalisation that aligns market liberalisation and the extension of business opportunities with reductions in poverty and inequality, and environmental security.



ADVANCING RESPONSIBLE COMPETITIVENESS

- ✓ **Strategy-aligned corporate responsibility** is a prerequisite for Responsible Competitiveness.
- ✓ **Collaborative approaches to raising the bar** are an essential ingredient of Responsible Competitiveness.
- ✓ **Sector-based strategies** have to date been the preferred basis of Responsible Competitiveness strategies and practices.
- ✓ **National and regional strategies** could gain momentum to build on multi-sector synergies in Responsible Competitiveness.
- ✓ **Investor responsiveness** is essential for widespread take-up of Responsible Competitiveness strategies and practices.
- ✓ **Trade, investment and competition rules** need to be sensitised to encourage Responsible Competitiveness.
- ✓ **Responsibility standards** need to be better aligned with competitiveness opportunities.

Responsible Competitiveness is not a 'cookie cutter' solution, but provides a crucial policy lens on how best to address complex circumstances and multiple policy aims.



2. The Imperative of Responsible Globalisation

“Reducing poverty builds healthy and dynamic workforces. It creates purchasing power, boosts productivity and eases social tensions. And at a time when businesses spend much of their time fighting the perception that they are responsible for many of the world’s ills, playing a stronger role in the fight against poverty would show that business can be part of the solution.”

Kofi Annan, UN Secretary General¹

2.1 THE 21ST CENTURY CHALLENGE

The UN Millennium Development Goals express what we need to do as a global community to align our actions with the vision and imperative of sustainable development. Failure to achieve these goals would be both morally unacceptable and unsustainable.

In addressing these goals, ***every community, nation and region faces a common, three-part challenge:***

- ❖ To *satisfy citizens’ livelihoods needs*, which requires enabling education, healthcare and public services such as water, and communications infrastructure.
- ❖ To *play their part in providing key national and increasingly global public goods*, including civil and environmental security and basic human rights.
- ❖ To *generate the enabling quantity and quality of economic wealth* needed to underpin successful sustainable development.

These three challenges are profoundly interconnected. Economies create material wealth, but also create social and environmental outcomes, both intended and unintended, some desired and others less so.²

Box 1: The Millennium Development Goals

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

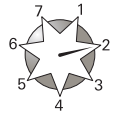
www.developmentgoals.org

Achieving the UN Millennium Development Goals requires:

- ❖ *Competitive markets that create a 'race to the top' of escalating productivity, human development and environmental responsibility, which in turn requires:*
- ❖ *Markets to reward companies that embrace responsible practices, such as the UN Global Compact Principles, in their daily business operations, and those that engage with public institutions and civil society in building effective social contracts.*

The potential exists for a positive relationship between, on the one hand, political and social rights and conditions, and on the other hand, productivity growth and rising living standards.³ Indeed, many highly respected economic and political commentators believe that they necessarily go hand in hand.⁴

But *today, responsible practices remain the exception not the norm.* Global competition places extraordinary pressures on the contract between business, government and citizens in all parts of the world. This is as true for economically developed societies as it is for developing and emerging economies. Viscount Etienne Davignon, reflecting on the challenge of global competition for Europe, makes this point starkly: "Competitiveness is becoming an ugly word, exactly as the term 'restructuring' did. A number of years ago restructuring was the sign of hope, it



now appears as a demonstration of decline. Competitiveness appears as the justification to shrink while being more and more profitable. How can this be explained to young people with high educational attainment and wants to join your company and you tell them ‘We don’t hire’? What do you get out of competitiveness? What is the carrot and where is the horse?”⁵ Relying on positive ‘trickle down’ from economic growth to address pervasive social and environmental problems will clearly not be adequate to achieve the Millennium Goals.⁶ An approach to economics is needed that more explicitly addresses these goals.

2.2 NORMALISING RESPONSIBLE BUSINESS

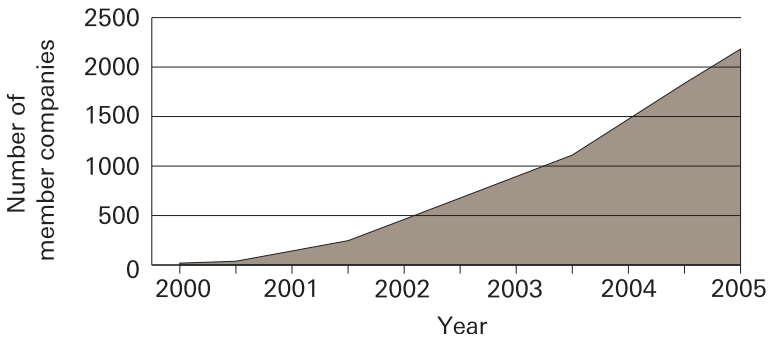
Business ‘as usual’ can and does deliver social and environmental, as well as economic gains. It is a simple fact that China’s recent economic growth has taken more people out of poverty, and faster, than at any other time in history. Workers in global supply chains are often the aristocracy of a country’s employed workforce, even where pay and conditions are poor and sometimes considered intolerable by international standards. Even the natural environment, in many ways today’s silent victim to economic growth, can benefit from enhanced technological options emerging from dynamic and open economies.

A competition-driven ‘race to the bottom’ remains a very real possibility. This can be readily observed where competition is intense, and where the world’s attention and pressures are absent. This threat is most obvious and the damage most apparent where labour and natural resources are significant cost elements. Competition can drive down labour costs, or encourage the destruction of the natural environment through a mixture of extraction and dumping. And the underlying threat of a race to the bottom is as real for wealthy Europeans and North Americans as for underdeveloped and emerging economies. This threat lies at the core of most of today’s public policy goals and dilemmas.

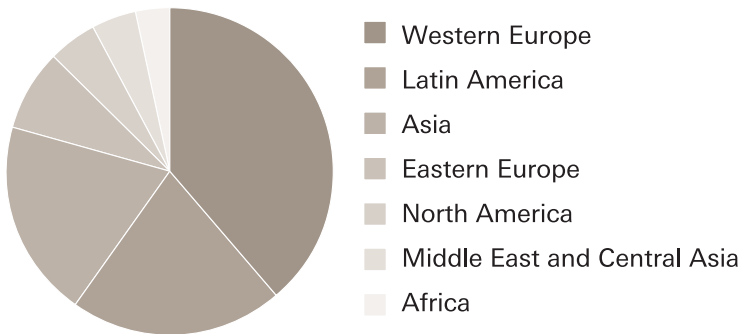
The visible and unsustainable downsides of economic success are driving growing numbers of business leaders to recognise the need to do business in a different, more responsible way. Businesses are increasingly acknowledging in visible and practical ways their broader roles in society.⁸ The growing number of businesses signed up to the UN Global Compact is one amongst many testimonies to this fact. The demonstrable

Box 2: Business Commits to a Broader Role⁷

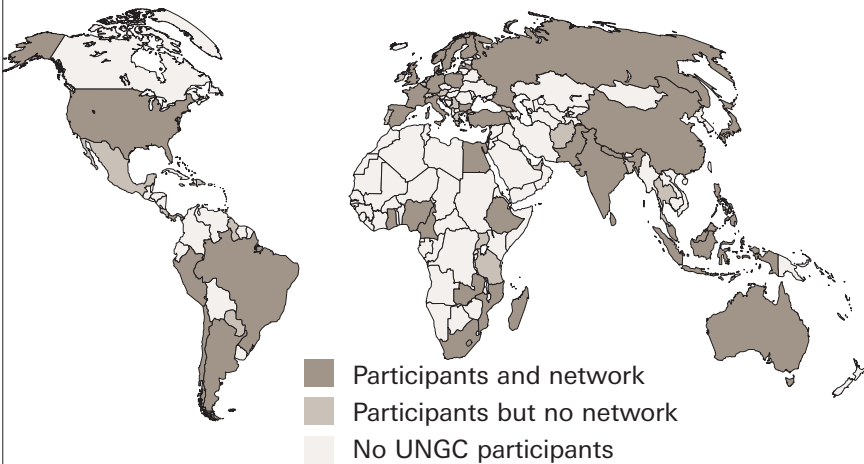
Growth in UN Global Compact business membership

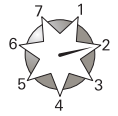


UN Global Compact participating companies by region, July 2005



Location of participating companies and UN Global Compact local networks





increase in businesses taking leadership roles in collaborative approaches to addressing the Millennium Goals is further evidence of a deeper structural shift in how business is done.⁹

The many fine examples of businesses innovating their practices and so delivering improved social, economic and environmental outcomes, often at no cost and increasingly with accrued competitive gains, point towards a revitalised social contract with business that draws on its insights and competencies in addressing public policy goals as a normal part of doing profitable business.¹⁰ In South Africa, the government is working with business to secure greater black economic empowerment in ways that enhance the country's international competitiveness. The Brazilian Government sees responsible business practices as a precondition to growing the country's international competitiveness whilst simultaneously addressing key anti-poverty goals. India, the world's largest democracy and home to a larger middle class than in the whole of Europe, even though it's growth rate is healthy, is still struggling to compete with China's dynamic economy. The concern being that corporate responsibility becomes a distraction, and hence a drag on comparable economic growth with China. For its part, China, the economic engine room of these opening years of the new millennium, is embarking on its own approach to global citizenship, suggesting a fundamental change from its more recent approach of warding off international concerns and criticisms of the fragile environmental and social foundations on which its existing success has been based.

The need for a responsible vision and practice of globalisation is widely acknowledged. However, the market's 'invisible hand' creates its own motion and direction, and the negative impacts of global competition, sometimes irreversible, are not easy to prevent. Individual businesses, however powerful as market players, find it difficult to go against the grain of the market. Consumers care, but often not enough to create success out of responsible behaviour. Investors are concerned with social and environmental risk, but there remain many whose focus on short-term returns prevents businesses taking the long view.¹¹

The challenge is to evolve a responsible basis for competitiveness. This requires a fundamental shift to a 'tipping point' in how markets reward business.¹² There is a need to transform and scale up leadership cases and make them the new business-as-usual.¹³

As Oded Grajew, former Special Advisor to the President of Brazil, and Founder and President of Instituto Ethos, argued:

“The responsible competitiveness of nations is essential to achieve sustainable development in today’s globalised world.”¹⁴

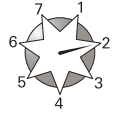
2.3 A GLOBAL DIALOGUE ON RESPONSIBLE COMPETITIVENESS

AccountAbility has explored how responsible business practices can most effectively become an embedded feature of the global markets that increasingly determine social and environmental outcomes, together with the United Nations Global Compact (UNGC) and a network of research institutes, business schools and networks and civil society organisations. Over an initial three-year period to the middle of 2004, the Responsible Competitiveness Network (RCN) developed a conceptual framework to facilitate dialogue and understanding, and to enable empirical research into the practice of, and potential for, ‘Responsible Competitiveness’. This international work programme focused on the links between exceptional, company-level developments in responsible practices and the broader, macro-dynamics of markets and public policies that establish the operating environment for the business community as a whole.

At the core of the Responsible Competitiveness agenda is a challenge summed up by Pascal Lamy, Director General of the World Trade Organisation and until recently the European Commission’s Commissioner for Trade:

“The societal benefits of corporate responsibility practices will remain limited unless they can be incorporated into broader strategies, and public policies certainly have a role to play in this respect. Until now the debate has largely focused on what individual companies can do to enhance sustainable development goals... [We need to explore]... the challenges, dilemmas, and tensions surrounding the corporate responsibility debate and notably the link between it and the competitive advantage of nations...”¹⁵

In November 2003, ***AccountAbility released a pilot Responsible Competitiveness Index that, for the first time, explored in quantitative terms the relationship between responsible business practices and the competi-***



Box 3: Responsible Competitiveness Network

Consortium Members

AccountAbility
African Institute of Corporate
Citizenship (AICC)
Business in the Community
(BiTC)
Centre for Social Markets (CSM)
Fundação Dom Cabral (FDC)
INCAE
ProHumana
The Copenhagen Centre (TCC)
Instituto Ethos
UniEthos

Key Partners

Confederation of Indian
Industry
European Academy of Business
In Society (EABIS)
European Commission (DG Social
Affairs, DG Trade)
Forum Empresa
FUNDEMAS
London Assembly
Rockefeller Brothers Fund
UK Government (Department of
Trade and Industry, Department
for International Development)
UN Global Compact

tiveness of nations, together with the Danish Government's think-tank, The Copenhagen Centre (TCC).¹⁶ The 'RCI 2003' was launched at the UN Global Compact (UNGC) Learning Forum, hosted by Fundação Dom Cabral in Belo Horizonte, Brazil.

In early 2005, AccountAbility led in mobilising and facilitating a Global Policy Dialogue on Responsible Competitiveness with the UNGC and the wider RCN. This marked a growing recognition of the huge potential of the link between the micro and the macro dynamics of responsible business practices; in particular the way in which public policy and collaborative initiatives could amplify the potential of company-level innovation and success and align it with national and regional competitiveness strategies. Over the subsequent 18 months, major Dialogues were held in Brazil, Chile, Belgium, India, and South Africa, as well as a series of smaller Dialogues in Singapore, the UK and the US. Over the same period, the research programme was extended, and included a significant reworking of the Responsible Competitiveness Index in collaboration with Fundação Dom Cabral.

Box 4: Responsible Competitiveness: Learning through Dialogue

InterAmerican Development Bank. *Conference on Corporate Social Responsibility: Corporate Social Responsibility as a Tool for Competitiveness*. Panama City, Panama. October, 2003. www.iadb.org

Asian Institute of Management. Kuala Lumpur, Malaysia. September, 2004. www.aim.edu.ph

UN Global Compact/Fundação Dom Cabral. Launch Responsible Competitiveness Index. *UN Global Compact Learning Forum*. Belo Horizonte, Brazil. November, 2003 www.fdc.org.br/learningforum

UK Government, Department of Trade & Industry, *Launch of the Responsible Competitiveness Consortium*. London. December, 2003

World Economic Forum. *Annual Event*. Davos, Switzerland. January, 2004

ProHumana. *International Corporate Social Responsibility Conference: Competitiveness and Social Responsibility: An Innovative Vision*. Santiago, Chile. June, 2004. www.plazanueva.org/seminarios

Instituto Ethos, FDC and UniEthos. *Ethos Annual Conference*. São Paulo, Brazil. June, 2004

African Institute of Corporate Citizenship. *Responsible Competitiveness*. Johannesburg, South Africa. September, 2004. www.aiccafrica.com

EU Presidency. *The European Conference on Corporate Social Responsibility: Competing for a Sustainable Future*. Maastricht, The Netherlands. October, 2004. www.csr2004.nl

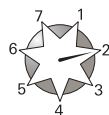
European Commission, DG Social Affairs. *Conference: Responsible Competitiveness: CSR driving European competitiveness in a global economy*. Brussels, Belgium, April 2005.

Centre for Social Markets (CSM). *Responsible Competitiveness*. New Delhi, India. May, 2005 www.csmworld.org

Confederation of Indian Industry (CII). *Responsible Competitiveness*. Pune, India. May, 2005. www.ciionline.org

Lima, Peru. Peru 2021 and Forum Empresa. May, 2005.

Belo Horizonte, Brazil. Inter-American Development Bank/FIEMG. May, 2005.



2.4 THIS REPORT

This report illuminates current practice and future potential of Responsible Competitiveness, and highlights policy options for realising such potential. It draws on the Global Policy Dialogue, as well as published and ongoing research. It provides a simple conceptual framework for Responsible Competitiveness, drawing on the existing understanding of corporate responsibility, competitiveness and other key building blocks of business, the economy and development. Concepts, cases and statistics are brought to bear throughout the report in exploring how best to turn vision into practice.

The report provides support to the view that if business interests are aligned with the public good, supported by appropriate business strategies, public policies, and civil society advocacy, ***exceptional, responsible business practices can indeed become the norm.*** Crucially, the report does not seek to prove that Responsible Competitiveness is somehow the ‘natural’ way of markets or societies. This would misrepresent the facts, potential and implications for policy.

Responsible Competitiveness reminds us that business, markets and the economy are human inventions, and must and can be moulded to our own ends.

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3. Corporate Responsibility

Corporate responsibility is the basis on which business renegotiates and realigns the boundaries of its accountability.

3.1 WHAT IS CORPORATE RESPONSIBILITY?

Much is said about the potential of ‘responsible business’ to change our world. It is curious, then, that our knowledge about the impact of businesses’ deliberate shifts towards responsible practices remains, at best, anecdotal. One reason for this is definitional. We cannot work out how to do ‘more’ of something, scale it up, or frame public policies around it, when the ‘it’ is poorly defined. To make a claim that corporate responsibility can contribute to economic development, and help reduce poverty, inequality and environmental insecurity, we need to know what we mean by responsible business practices.

Most definitions of ‘corporate responsibility’ refer to business *taking social and environmental issues into account*, suggesting a blend of values, purpose, function and outcomes. Some limit the domain of ‘responsible practices’ to those aspects that lie beyond the law. The European Commission, for example, defines ‘corporate social responsibility’ as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”.²⁰ The elements of this definition are that it is non-statutory, concerns society and the environment, and has a functional focus (suggested by the use of the phrases ‘integration... into business operations’ and ‘interaction with their stakeholders’). But, like others, it is in practice ambiguous. ‘Social and environmental’ boundaries exclude nothing, and the emphasis on ‘integration’ and ‘interaction’, whilst important, is not sufficiently robust to enable empirical analysis.

Corporate responsibility is the basis on which business renegotiates and realigns the boundaries of its accountability.

Box 5: Defining Corporate Responsibility

Business for Social Responsibility: Business decision-making linked to ethical values, compliance with legal requirements, and respect for people, communities, and the environment.

CSR Europe: A new business strategy in which companies conduct business responsibly by contributing to the economic health and sustainable development of the communities in which they operate, offer employees healthy, safe, and rewarding work conditions, offer good, safe products, and services ... are accountable to stakeholders ... and provide a fair return to shareholders whilst fulfilling the above principles.

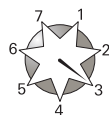
European Commission defines Corporate Social Responsibility as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”

Instituto Ethos defines the practice of CSR as being “driven by a company’s constant concern with the ethics in its relations with collaborators, clients and suppliers, with the community in which it’s inserted, with government and with the environment.”¹⁷

UN Global Compact expects signatories to, “embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, environmental sustainability and anti-corruption; and engage with partners in other projects that give concrete expression to the Global Compact principles, in addition to advancing the broader development goals of the UN.”¹⁸

World Business Council for Sustainable Development defines corporate social responsibility as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

The World Economic Forum affirms that “corporate citizenship is about the contribution a company makes to society through its core business activities, its social investment and philanthropy programmes, and its engagement in public policy.”¹⁹



In practice, ***‘corporate responsibility’ is a process by which businesses’ roles in societies are renegotiated and realigned.*** This process, first and foremost, operates at a societal level. Individual company experiences and expressions of responsibility need to be understood in the wider context of societal change. The issues corporate responsibility covers change over time. ‘Being responsible’ is not a fixed point of reference established by how one or more issues are ‘integrated’ into the business. Rather, it is more about the will, capacity and process by which companies learn about, and integrate changing societal expectations into their management of risks and opportunities, as well as the ways in which these business practices in turn impact on societal expectations.

Corporate responsibility is, then, an ongoing process. But clearly this is not enough, since we want to know whether a company is more or less responsible, for example, than it was, or than its peers are, or than we would wish. A business’s level of responsibility can most effectively be defined by what it considers itself accountable for, and to whom. That is, corporate responsibility is about changing *accountability boundaries*.²¹ We say textiles and apparel companies are more responsible because they have accepted some level of responsibility for workers in their global supply chains, or energy companies because they acknowledge the effects they have on the climate, or pharmaceutical companies because they have come to accept some responsibility for the health of people who cannot afford their drugs, or food and alcohol beverage companies because they are facing, beyond their legal obligation, some responsibility for the health of their customers. The more of its impact it takes into account, therefore, the more responsible a company is. Conversely, the fewer factors and impacts they take into account, the less responsibly they are seen to be behaving by many of their stakeholders and commentators.

Corporate responsibility is therefore understood as ‘the basis on which business renegotiates and realigns the boundaries of its accountability’.

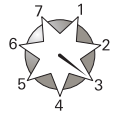
Box 6: Responsibility as a Pathway of Dynamic Learning

“No company is immune. No company operates in isolation. Many have long experience of working with developing countries. Many others, new to the expanding contacts and supply chains of globalisation, are confronting these issues for the first time. All now know that how they address them has a direct impact on their risks, their reputations, the morale of their employees and the very strength of the markets on which they depend. All of us can see, more clearly than ever before, how business interests have come to dovetail with the longstanding development objectives of the United Nations.”²²

Kofi Annan, Secretary General UN

Judging and ultimately guiding corporate performance requires an examination of whether a business is *doing what it can do* given its range of external options and internal competencies. Internally, this concerns the formal, explicit policies and processes, organisational cultures and values, and patterns of leadership. Externally, this is a question of the multitude of business drivers, from direct, short-term market pressures through to longer-term strategic challenges and opportunities.

A business’s contribution to sustainable development therefore needs to be understood in terms of its viable options and what it makes of them. Internal and external factors together create a spectrum of possibilities at any point in time that define a corporation’s practical scope for making decisions between viable choices. Whether and how a corporation acts within its degrees of freedom must be the test of responsibility, and indeed the basis on which management decisions are framed. These are the fundamentals of the civil corporation. A corporation that is said to be civil is understood here as one that takes full advantage of opportunities for learning and action in building social and environmental objectives into its core business by effectively developing its internal values and competencies. This formulation provides a sound basis for grounding our expectations of business, and how strategy can be conceived and developed, to address the aspirations and challenges underlying sustainable development.”²³



3.2 THE ECONOMICS OF RESPONSIBILITY

The question of whether ‘responsibility pays’ continues to be debated.²⁴

The ‘does it pay’ debate has several variants.²⁵ At one extreme is the view that being responsible always pays in the long run, since society ultimately rewards companies aligned to its interests. The opposite view is that it is impossible to be responsible because markets always externalise good behaviour.²⁶

Figure 1: The Economics of Responsibility: a balance sheet



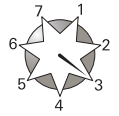
The real answer is that it all depends - being responsible sometimes does, and sometimes does not pay. With any good idea, product or process, it is the entrepreneurial and managerial skills, applied in a specific context, and mixed with some luck, good or bad, which determines the success or failure of the enterprise. Similarly, for responsible business practices as a market innovation, these factors determine their effect on the financial bottom line.

The more interesting question is under what circumstances does responsibility pay, or not. As we have already argued, corporate responsibility is fundamentally a structural, macro-level phenomenon, although we observe it most clearly at the micro-level. The structural factors that have proved most significant in driving the visible growth of responsible business practices include:

- ✓ The historic *increase in the importance of intangible assets* as a value driver. Some of these assets are affected by how business deals with social and environmental impacts, most visibly and negatively, brand damage.
- ✓ *Public value as a growing source of economic value*, with a growing proportion of public goods such as health, education and policing being delivered by businesses, often through partnerships with non-commercial organisations.
- ✓ The impact of the *growth and reach of individual businesses*. This has the effect of enormously increasing the potential for externalities to strike back, and hurt.
- ✓ The *changing communications environment*, which further increases the potential for amplifying - both positively and negatively - the performance of one part of a business on the others, whether through corporate communications or civil campaigning.

On the other hand are those structural factors constraining the growth of responsible business practices, which typically are thought to include:

- ✗ *Intensification of competition*, increasing risks in experimenting with blending social and environmental performance where this involves additional costs.
- ✗ *Short-termism of investors*, narrowing the potential for business to invest in long-term economic value creation opportunities associated with social and environmental gains.
- ✗ *Increasingly individualised behaviour*, among people as consumers, employees or voters, making it less likely that they will act collectively in a systematic, sustained way to reward business for social and environmental goods, or equally penalise them for their adverse effects on these things.



-
- ❑ *Weak public policy environment*, making it difficult to forge collective agreements in addressing broader impacts and public goods in the face of first mover disadvantages.

The balance between these structural drivers and constraints plays itself out in particular markets and businesses.

3.3 COMPETITIVE DYNAMICS OF RESPONSIBILITY

The economics of responsibility are subject to underlying market dynamics, like any other aspect of business performance. It is these dynamics that can amplify or undermine responsible behaviour. Such dynamics do not merely involve businesses, but can and do engage non-market actors, civil society organisations and national and international public bodies. Indeed, it is collaboration between these diverse players that in practice has driven some of the most important instances of scaling up responsible business practices, a point we will return to below.

Broadly, the competitive dynamics of responsibility can be cast as one of three scenarios.

- ❖ *First mover advantage.* In the first scenario, businesses have a distinct first mover advantage in introducing particular responsible business practices. The example of Toyota's hybrid-energy vehicle, the Prius, is a case in point. Generally in such cases (although not always), competitors will follow the leader in seeking to gain the advantage, which means that mainstreaming involves the erosion of the first mover advantage.
- ❖ *Lone mover.* In the second scenario, particular businesses find themselves viewed negatively, and move to mitigate the perceived problem under intense public pressure. Here, there is an advantage to making the move if it removes the (broadly, reputational) pressure (and associated costs). But this may not deliver a first mover advantage since competitors may not be experiencing the same pressures and so do not incur costs (whether reputationally by not changing, or in real terms by following the trend). Examples of this would include Nike in its handling of labour standards in global supply chains, and BP and

Shell in the cases of human rights. Unless the costs of such lone moves are negligible or the company has other distinct market advantages, such as a premium brand, this lone mover scenario will not be sustainable.

- ❖ *First mover disadvantage.* In the third scenario, there are significant first mover disadvantages to realising improved social and environmental outcomes, usually in terms of increased costs. In such situations, the changes generally do not happen if the market players are left to operate as individual competitors. Even where many or indeed even all market players may want it to happen and see advantages if they are all to make the change, they face the negative consequences of the so-called 'prisoners' dilemma'.²⁷

Whether any particular market dynamics support mainstreaming of responsible business practices depends on a host of factors, two of which are highlighted here.

- ❖ First, is *whether market dynamics impact on whether responsibility is directly and significantly rewarded or penalised.* For example, McDonald's had little or no incentive until recently to introduce more healthy menus, a shift from perceived first mover disadvantage to what appears from the improvement in their fortunes to be a first mover advantage.²⁸ Similarly, the common practice by many leading companies today of adopting human rights policies represents a significant shift from less than a decade ago, when the adoption of such policies by Rio, BP and Shell fitted the lone mover scenario, since adoption was made under intense campaigning pressure. For publicly listed companies, a key question here is whether investors 'validate' responsibility by real share valuation and trading.²⁹
- ❖ Second, is *whether companies, often working with public bodies and civil society organisations, can shift market conditions,* for example, away from lone mover and first mover disadvantage; Rio's leadership in the Global Mining Initiative³⁰, BP's initiation of the Extractive Industry Transparency Initiative³¹, ABN Amro's key role in supporting the Equator Principles³², and

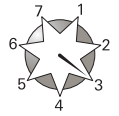


Table 1: Market Dynamics of Responsibility

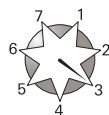
Scenario	Description	Outcome
<p>First mover advantage</p>	<p>Where businesses can gain a distinct advantage by being the first to introduce a particular responsible business practice, for example Toyota’s hybrid-energy vehicle, the Prius.</p>	<p><i>Competitors seek to erode the leader’s advantage increasing the likelihood that the practice mainstreams into the market.</i></p>
<p>Lone mover</p>	<p>Where one business finds itself under intense public pressure, which does not spill over onto its competitors. Examples include Nike in its handling of labour standards in global supply chains, and BP and Shell in the cases of human rights</p>	<p><i>Unless the costs of lone moves are negligible or the company has other market advantages, such as a premium brand, the development is likely to be competed out of the market or remain in a small niche.</i></p>
<p>First mover disadvantage</p>	<p>Where no company can make a viable business case for investing in the changes needed to achieve better social and environmental outcomes because the costs and benefits don’t add up at an individual company level.</p>	<p><i>The changes generally do not happen if the market players are left to operate as individual competitors.</i></p>

Sainsbury's pivotal role in establishing the Ethical Trading Initiative³³, all have in common one or more companies reshaping market conditions by creating rules that persuade their competitors to emulate their behaviour.

Market dynamics therefore create both opportunities for responsible business practices, and constraints to such practices. Where the market rewards responsible practices and penalises those slow to adjust, competitors are likely to emulate the first movers and a new 'floor' is established. Major pharmaceutical companies are now expected to offer key drugs at reduced prices, particularly to treat HIV/AIDS, to public health authorities of lower-income countries. It would be surprising today if a premium brand multinational operating in a sector involving the use of low-cost labour in global supply chains did not have, and enforce in some way, a code of conduct covering labour standards. Similarly it would be most unlikely that one of the world's major multinational mining and energy companies did not report extensively on their engagement with communities around their extraction sites, and did not embrace labour and human rights policies drawn from, or similar to, those embedded within key UN conventions and agreements. Even with the inevitable and many shortfalls, such as in code and policy enforcement, these and comparable examples represent significant advances in reshaping premium market segments and the behaviour of more visible multinationals.

But success in mainstreaming responsible business practices remains to date the exception:

- *The bulk of most retail markets comprise the harder-to-influence, lower-price, value-segments, although significant advances have been achieved in the premium brand textiles and apparel companies like H&M, Marks & Spencer, Nike and Gap Inc. The simple fact is that most companies remain 'below the radar' of effective public scrutiny and pressure.*
- *The gains from responsible practices appear to become weaker and involve higher-risk moves when one considers strategic business realignments, rather than relatively minor adjustments associated for example with labour and human rights compli-*



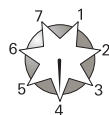
ance. Many pharmaceutical companies recognise that their futures may well depend on the vertical extension of their businesses into illness prevention, i.e. the management of health rather than its mitigation. This is particularly apparent where resources are too scarce to purchase expensive drugs and treatments requiring a sophisticated health infrastructure. Yet it has proved impossible to date for any major pharmaceutical company to develop a significant business line in prevention. Most major energy companies today signal their long-term strategies to move away from carbon-based assets and products. But the practice is fraught with difficulties given their underlying organisational competencies, short-term market pressures, the state of technological alternatives and the lack of supporting infrastructure for their widespread use. The logistics industry, led by companies like DHL, FedEx and UPS, are now major producers of carbon emissions as a result of the massive growth of their airborne carrying business. Yet they do not create or control the business models that demand the slimmest of inventories. Neither do they design or build the massive aircraft fleets that they use to move other people's business.³⁴

On balance, ***experience to date indicates that it has been possible to introduce effective policies and practices with positive social and environmental impacts***, but these impacts have been limited because:

- ❖ First, *changes in practices have in the main been made by unusual companies*, whether because of their exceptional leadership, or their historical reputation of being engaged in social and environmental change, and generally confined to visible, premium brand companies operating internationally.
- ❖ Second, *responsible practices have in general been associated with 'second order' changes in business processes, products and services*. There are few cases of businesses realigning their overall strategies, whether through a radical overhaul of their underlying business process or by moving to an entirely new core offering of products or services.

Consequently, corporate responsibility to date has meant, low-level, incremental change for an important but relatively small proportion of the business community. This is not a reason to become disillusioned or cynical about corporate responsibility.³⁵ It simply means that the focus until now has been on the low hanging fruit: gains although certainly still difficult to realise, are achievable by redistributing value within the existing business model, the same value chain and, fundamentally, the same markets and rules of the game. The question is not whether such endeavours were and continue to be useful: of that there is no doubt.

The question is how can business, working with others, get beyond the constraining first mover disadvantages and prisoners' dilemmas in shaping markets to support a broader, deeper responsible competitiveness?



4. The Practice of Responsible Competitiveness

4.1 WHAT IS RESPONSIBLE COMPETITIVENESS?

The challenge and vision of Responsible Competitiveness is to embed social and environmental goals and outcomes in the very heart of competitiveness. This is a different approach from today's prevalent practice of seeking to 'balance' the needs of competitiveness with other societal interests, as if these were distinct goals requiring different policy instruments. A Responsible Competitiveness strategy, in contrast, would aim to:

Enhance productivity by shaping business strategies and practices, and the context in which they operate, to take explicit account of their social, economic and environmental impacts.

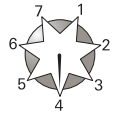
The Responsible Competitiveness proposition has received considerable support from diverse experts during the Global Policy Dialogue.

- ❖ "It makes sense in economic terms", *Kathryn Gordon, OECD's Chief Economist*, argued. "It is almost true by definition that appropriate business behaviour is good for competitiveness." She points to the specific case of bribery and corruption: "There is no question that eliminating corrupt business practices is good for competitiveness".³⁶
- ❖ *Nigel Twose*, from the *World Bank's Foreign Investment Advisory Services (FIAS)*, speaking at the Responsible Competitiveness Policy Dialogue co-hosted with the European Commission in Brussels in early 2005, described how the World Bank's private finance arm, the International Finance Corporation, is assisting Cambodia in its efforts to become more competitive through improved labour standards.
- ❖ *Deepak Sood* at the *Confederation of Indian Industry*, commented: "Addressing corporate responsibility can help

Responsible Competitiveness means markets where businesses are systematically and comprehensively rewarded for more responsible practices, and penalised for the converse.

companies build market share, control risks, attract staff, stimulate innovation, gain access to cash, reduce costs and improve competitiveness. Greater corporate responsibility can play an important role in moulding tomorrow's global markets. Nations that fail to address corporate responsibility issues expose businesses to potential costs such as those associated with corruption and poor health and safety".³⁷

- ❖ *Sean de Cleene*, executive director of the *African Institute of Corporate Citizenship (AICC)*, speaking at the Responsible Competitiveness Policy Dialogue co-hosted with AICC in Johannesburg in 2004, argued that countries are looking for differentiating factors, both to attract inward investment and to drive exports. He cited the case of Malawi, which is currently adopting a responsibility framework as part of its economic development strategy. "Malawi acknowledges that it's not really on anyone's radar so the only option is to be seen as a leader, scaling up corporate governance, linking it to social and environmental issues and working on corruption. And the same goes for market creation", Sean de Cleene continued. "The future for countries like Malawi is in niche markets, and perhaps improved social and environmental performance can be value added – the market will pay a premium for something that meets people's values".
- ❖ As *Lee Tashjian*, Head of Corporate Communications at *Fluor Corporation* in South Korea, commented in a recent interview, "[Corruption] robs local populations in under-developed countries of critically-needed resources, curbing economic growth. While governmental initiatives are vital to continue progress in the fight against corruption, the real bulwark in this fight must be the companies that operate in the global market".³⁸
- ❖ *Vicky Pryce*, until recently Chief Economist at the *UK Government's Department of Trade and Industry*, co-host to a Responsible Competitiveness Policy Dialogue in London in 2004, similarly argued in more general terms: "The way to think about it is that if companies are doing things responsibly they will create externalities which benefit the region or economy as a whole. You don't just aggregate up from individual companies".



4.2 DILEMMAS & CHALLENGES

But alongside such support, ***Responsible Competitiveness has been challenged as being irrelevant, essentially a distraction.*** One key concern is that, while there is potential for responsible business practices to enhance competitiveness, it is severely limited in the face of intense international competition. Sometimes the issue is how far to go in enforcing social and environmental constraints to competition. The European business community, for example, has increasingly resisted strengthened environmental controls and social protection for workers, arguing that such measures will reduce their competitiveness. Such situations encourage market dynamics to increase externalised social and environmental costs. Cut-price airline tickets, for example are fuelling a boom that will make countering global warming far more difficult, since air travel produces 19 times the greenhouse gas emissions of train travel; and 190 times that of the equivalent sea-borne passenger mile.³⁹ Similarly, China's stunning global market gains in textiles and apparel are partly rooted in cheap labour operating in under-regulated labour markets and the ability of business to externalise environmental costs with relative impunity.

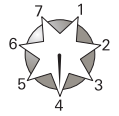
An even more serious concern amongst the development community is that ***Responsible Competitiveness may actually be part of the problem*** in constraining the development of emerging economies. Such concerns have at least three sources.

- ❖ First are concerns about added costs. As Anthony Miller from the United Nations Conference on Trade and Development (UNCTAD) highlights, "It is a concern among some policy makers that an increase in CR may lead to an increase in labour costs, which may in turn undermine national competitiveness" David Henderson, one critic of CSR uses the example of environmental legislation to illustrate such added costs: "Within national boundaries, the history of environmental legislation and energy policies provides many examples of new or stricter regulations for which the resulting costs have exceeded the benefits."⁴⁰
- ❖ Second are concerns that *developing country economies are not able to benefit* from Responsible Competitiveness because

Box 7: Responsible Competitiveness: Dilemmas & Challenges

- ❖ **Exists, but is a distraction** – Responsible Competitiveness distracts business and public policies from the real need to maximise economic growth as a development driver, leaving social and environmental considerations to later stages of development.
- ❖ **Exists, but is too weak to count** – Responsible Competitiveness potential is not sufficient to offset ‘race to the bottom’ price competitiveness that undermines social and environmental standards and promotes unsustainable and problematic business practices.
- ❖ **Part of the problem, not the solution** – Responsible Competitiveness confers significant competitive advantage on multinationals and developed economies, blocking exports of developing countries and so constraining economic development opportunities.
- ❖ **It’s a zero-sum game** – Responsible Competitiveness cannot work because enhanced competitiveness based on social and environmental aspects of performance is a zero-sum game that will be competed away if a first mover advantage appears significant.
- ❖ **Enabling environment counts more** – Responsible Competitiveness is driven more by the enabling environment, particularly public policies, making business strategies and practices an unhelpful way to try to understand the phenomenon.

they cannot as easily leverage benefits from the exploitation of intangible assets, such as brand premiums. As Sunita Narain, Director, Centre for Science and Environment in India, commented, “If you hold the value of corporate responsibility dear, then I think the primary producer has to be the one that gets more out in the value chain, and I think that we have to find



some way of doing it, nobody has found that way yet. And today, most countries are just undercutting each other in the primary commodity trade”.⁴¹ Antonio Vives, an expert on corporate responsibility at the Inter-American Development Bank (IADB), similarly highlights this concern. “The impacts on national competitiveness have yet to be really shown. Corporate social responsibility is less applicable for developing countries because we don’t have the drivers – there is generally a much less vibrant civil society, the media has not yet paid attention and governments don’t know about it”. He accepts that a country such as Costa Rica can win economic benefits by establishing a good reputation among buyers of its exports, but says that these are special cases. “Only 0.01% of all firms in the region sell to multinationals”.⁴²

- ❖ The third source of concern that Responsible Competitiveness may be part of the problem is that it *distracts business and policy makers from the core task of stimulating economic growth*. As one participant at the Responsible Competitiveness Policy Dialogue co-hosted with the Confederation of Indian Industry (CII) in Pune in May 2005 argued, “India is growing by only 6 percent per annum, as compared to China’s 9 per cent plus. For once, we must not be distracted by secondary issues and opportunities, even if they are real.” Whether this is a real or perceived problem, it is ironically something that is driving the competitiveness of the Indian economy.

All this highlights that ***Responsible Competitiveness is a strategy and a practice, not a prediction or guarantee***, paralleling the same truths at the company-level. Taking social and environmental issues into account in the design and practice of product and process might benefit or penalise a single business or a community or nation, depending on the context, and how it is done. To better understand how best to recognise or stimulate the when and the how, there is a need both to examine practical experience and to theorise to more general conclusions.

4.3 LEARNING FROM PRACTICE

We are at the early stages of understanding whether and how we can deliberately, through strategy and policy, influence how communities and economies are rewarded in global markets for their business communities' social and environmental performance. The practice of Responsible Competitiveness has so far been largely ad hoc and experimental, combining cautious steps in business practice and, even more cautiously, public policy, together with considerable debate and operational research. Practice has to date mainly involved a focus on specific sectors, such as the cases of textiles and apparel in Cambodia and El Salvador, information and communications technology (ICT) in Europe, wine in South Africa, stem cell research in the USA, fruit in Chile, and sugar in Brazil. In other instances, it has had a geographic focus, as in the case of Europe, including work at the sub-regional and city levels. On occasion, it has been approached through a particular issue, for example carbon emissions in Europe, and notably corruption and more broadly the topic of corporate and wider governance.

Yet even at this early stage it is possible to discern patterns in the conditions under which Responsible Competitiveness most readily blossoms.

4.4 UNDER PRESSURE

Responsible Competitiveness practices often evolve in response to a perceived economic threat, mirroring the experience and lessons from company-level responsible business tactics and practices. The clearest cases of this are the ongoing responses to the threat to livelihoods and economies posed by the end of the Multi-Fibre Arrangement (MFA).⁴⁵ The end of the MFA, which for some 30 years⁴⁶ has provided country-based quotas for textiles and apparel exports to Europe and the USA, will for many developing countries impact negatively on economic activity, employment, and foreign exchange earnings. Ironically, the higher than expected growth in Chinese exports has seen the EU and US scrambling to impose safeguard quotas and buyers sourcing from the likes of Bangladesh because the Chinese quotas have already been filled.⁴⁷

Responding to this threat, initiatives have been established in several countries in an effort to stem the outflow of the sector and its associated

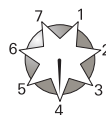


Table 2: Emerging Examples of Responsible Competitiveness

Country/Region	Sector	Challenge	RC Response
Cambodia	Textiles	Ending of the Multi-Fibre Arrangement on textile and garments and the US- Cambodia Trade Agreement securing annual quota of exports to US.	With the end of the MFA and the US-Cambodia Agreement the Ministry of Commerce requested FIAS to assist the Government and the industry to re-design the labour standards system away from US Government quota decisions into a market-led strategy.
El Salvador	Garments	Growth strategy during 1990s seen to be at the expense of environmental sustainability and social cohesion. This was coupled with stagnating apparel exports after 2000.	The World Bank's Foreign Investment Advisory Service is working with El Salvador's government to establish a national CSR framework, with the aim of marrying economic growth with sustainable development.
Brazil	Sugar	Need for alternative fuel source to gasoline and the potential social footprint caused by massive activities of sector.	The sugar-cane industry has benefited from government incentives of social programmes and these have continued even after state intervention in the sector has ended. Additionally, there has been the need to find less harmful fuels, creating a market for its products following drivers of improved costs and efficiency.
South Africa	Wine	Recognition that improving market access requires compliance with basic labour and environmental standards.	Establishment of the Wine Industry Ethical Trade Association (WIETA) in 2002, a multi-stakeholder initiative committed to promoting ethical trade in the wine industry through the improvement of labour standards.
Chile	Fruit	Recently signed trade agreements with the EU and US, either include expectations or specific provisions regarding labour standards and environmental performance.	The overall objective is to boost the competitiveness of small and medium-sized Chilean enterprises. The project's aim is to incorporate CSR into business strategies as a management system for small and medium-sized Chilean enterprises, thereby maximizing both private and social benefits.
Europe	ICT	How to better utilise ICT as a competitive advantage to meet the goals of the Lisbon Agenda.	The first goal of the Lisbon strategy is to 'create an information society for all'. However, the EU still lags behind the US in this area. ⁴⁴ The EU is looking to utilise ICT to enable inclusion in work, broader social inclusion, productive collaboration, and sustainable markets.

Box 8: Cambodia's Responsible Competitiveness Strategy: Labour Standards as a Competitive Advantage in the Garment Industry and Beyond⁴⁸

Context

Cambodia's garment industry began in 1994, and grew from a mere US\$20million, to US\$1.6 billion in just ten years. Although Cambodia's production is only 1% of global exports, it represents 80% of exports and 12.4% of GDP. The end of the MFA (see above) offered the prospect of a serious reduction in exports. The country however, has a reputation of being sweatshop-free in garments, which is borne out in a bilateral trade agreement signed in 1999 with the US, where in exchange for a secured annual quota of exports to US, the country would demonstrate improvements in labour standards.

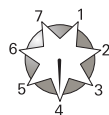
The RC Challenge/Opportunity

With the end of the MFA, the US-Cambodia Agreement became redundant, and the Ministry of Commerce requested FIAS assistance to help the Government and the industry to redesign the labour standards system away from US Government quota decisions into a market-led strategy.

The RC Response

The first step was to test the assumption that there is an export market niche based on labour standards, combined with the normal criteria of price, quality and speed to market. A survey of Cambodia's key US and European buyers confirmed the existence of this market niche. Not only did buyers rank compliance as a top priority, but also a large majority stated that auditing of labour standards would remain crucial. This labour standards advantage was the only area in which buyers surveyed believed Cambodia outperforms its regional competitors.

The next step involved all stakeholders redesigning the existing monitoring and reporting systems in line with best practice and re-targeting activities to meet the informational needs of international buyers. This suggested that best practice involved seven characteristics. It should: 1) be sector-wide (aspire to 100% of firms); 2) be transparent; 3) have a shared governance structure; 4) involve



Box 8: Cambodia’s Responsible Competitiveness Strategy: Labour Standards as a Competitive Advantage in the Garment Industry and Beyond⁴⁸ (Continued)

international buyers; 5) reduce inefficiencies; 6) measure productivity impacts; and 7) achieve market-based incentives. The first phase of the Cambodia Garment Sector Project met the first two characteristics, and possibly the third but not the remaining four.

The next phase is thus designed to include all seven characteristics, build on Cambodia’s first move advantage with labour standards, and redirect activities towards meeting the market needs of overseas buyers and their stakeholders. This will mean that activities will be integrated into the way the industry functions and will be overseen by a tripartite governing body, made up of the Garment Manufacturers Association of Cambodia, the Ministries of Labour and Commerce, and trade unions.

Expectations

The scheme, rebranded by the ILO as Better Factories Cambodia, aims to have one unified labour standards monitoring and reporting system that: a) meets the labour standards information needs of all suppliers and buyers; b) triggers market responses – positive and negative – and industry self-regulation; c) dramatically reduces the current duplicate monitoring and inspections in the garment industry; d) allows the Ministry of Labour and Vocational Training to refocus its own inspections in the export garment industry on enforcement, compliance, and complaints-based work.

Finally, an analysis of the applicability of such a system in the other main sectors in Cambodia (tourism, agribusiness, forestry, and oil and gas) found that similar processes could be established in those industries. In essence, setting national standards, putting in place credible monitoring and certification structures and institutions; facilitating access to finance; recognising international certification schemes as equivalent to public sector inspection; monitoring; working under shared governance systems; etc. are among the common tools that can support the Government’s vision of a country committed to labour and environmental standards, building on the existing structure and experience gained from the garment sector.

Box 8: Cambodia's Responsible Competitiveness Strategy: Labour Standards as a Competitive Advantage in the Garment Industry and Beyond⁴⁸ (Continued)

Recent data from Cambodia are positive. The quantity and value of exports to the US have increased in 2005 over the same period in 2004, production is increasing even more in value than in quantity, employment levels are steady, factories are expanding in size, and wage levels are steady.

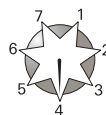
[Source: FIAS (2005) Cambodia: Corporate Social Responsibility in the Apparel Sector and Potential Implications for other Industry Sectors. FIAS, Washington DC and ILO – Better Factories Cambodia newsletter, July 2005]

benefits. The most advanced is the Cambodian initiative, which has sought to strengthen Cambodia's competitive advantage in textiles and apparel in the face of China's cost advantages by establishing a demonstrable ability to meet agreed labour standards (see box below).

The Cambodian initiative therefore breaks new ground in brokering an agreement between international buyers and Cambodian-based producers of textiles and apparel products that secures purchase orders for a fixed period of time in return for labour conditions guaranteed to meet internationally agreed standards.

The Cambodian initiative, although still in its early stages, has encouraged other countries threatened by this shift in trade regime, to follow suit. One such initiative in El Salvador is led by the country-based business coalition La Fundación Empresarial para la Acción Social (Fundemas), and involves many of the same international players as the Cambodian example, plus the US-based organisation, Business for Social Responsibility (BSR). Like Cambodia, the initiative is seeking to establish terms under which parts of

"There's growing evidence that shows that the right type of development could come from economies that accept CSR... It is essential that the 'El Salvador Brand' means the same as a responsibly competitive economy for it to attract first-rate investment"
Aron Cramer, BSR



Box 9: Responsible Competitiveness as a Development Strategy in El Salvador⁴⁹

Context

Based on a deliberate private sector growth strategy, the Government of El Salvador has promoted exports and foreign investment, most importantly to and from the US. While the strategy was successful during the 1990s, many believe that growth took place at the expense of environmental sustainability and social cohesion. Also, economic growth and exports, previously propelled by the apparel industry, began to stagnate after 2000. Similarly, the agro-processing sector has struggled with increased competition, falling market prices, and large lay-offs.

RC Challenge/Opportunity

Several trends reinforce the notion that attention to labour and environmental issues is of great importance. Market forces are giving greater priority to production that incorporates good labour and environmental practices. In some cases, especially in the agriculture sector, new markets based on these supply chain factors are being created and are gradually expanding. Trade agreements, bilateral, regional and otherwise, are steadily including more requirements on labour and environment. In this context, there are opportunities for El Salvador to enhance its competitiveness through efforts to strengthen labour and environmental performance and reporting.

RC Response

FIAS and others are working with the Government of El Salvador, a country with only 6 million inhabitants and a GNP of US\$ 13,6 billion, in order to establish a national CSR framework that enhances Salvadoran competitiveness and contributes to national sustainable development.

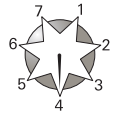
Box 9: Responsible Competitiveness as a Development Strategy in El Salvador⁴⁹ (Continued)

Expectations

The basis for the project is that through increasingly accountable social and environmental practices, Salvadoran products would reach international market standards, becoming more lucrative while enhancing its own development.

- ▲ operationalised standards on labour and environmental issues, drawing on national laws and international principles;
- ▲ capacity building amongst producers to ensure awareness of and ability to implement these principles;
- ▲ information resources to enable the spread of good practice;
- ▲ dialogue with key actors, e.g., workers, communities, workers' representatives, and NGOs, to promote collaboration in pursuit of these goals;
- ▲ transparent and efficient mechanisms to assess and verify good practice in a manner that enhances use of public resources and the creation of market opportunities.

the country's textiles and apparel sector might develop a branded, niche export market based in part on its ability to deliver labour standard-guaranteed products. But beyond this, the threat posed to El Salvador by the end of the MFA has opened the country's business and political leadership to an exploration of what other investment and export opportunities might be realised through a conscious Responsible Competitiveness approach. That is - again with clear correspondences to the stages through which individual companies go through in their understanding of the role of corporate responsibility - El Salvador is seeking to leverage new possibilities across other sectors from the specific threat to the future of its textiles and apparel sector.



Box 10: The Sugar and Ethanol Industry in Brazil⁵⁰

Introduction

Throughout the world the sugar industry is notorious for its high degree of protectionism. In Brazil, the path was similar until the late 1990s when, within a government-restructuring plan, the sector was completely deregulated. But it is historical government intervention that ensured the sector took into consideration social issues. The government, using its position of power in the sector, instituted a mandatory scheme whereby profits made in the production of sugar and ethanol were invested in projects that sought to improve the quality of life of workers. These projects were, in a way, rooting themselves in the agricultural companies and industrial units to such an extent that, even after the end of state intervention, the sector continued investing in social programmes.

Sustainability is at the very essence of the sugar and ethanol sector. The process involves taking a renewable product, sugar cane, and obtaining sugar, electricity and ethanol, a fuel. Brazil is the leading producer of sugar (28 million tons in 2004) and the leading exporter (17 million tons in 2004). It is also the leading producer of ethanol (16.5 million cubic meters in the current crop) and the leading consumer and exporter of this alternative fuel.

The need of a product that is an alternative to gasoline has been continually associated with the instability of petroleum prices. The cost of ethanol fuel, significantly lower than petrol has been an attractive fuel for producers, consumers and government alike, enjoying an important internal market whilst having a potentially significant international market. Most importantly, the sugar-cane industry is a case that has worked through collective action; government and business, pushed forward by the pressure of civil society to find less harmful fuels (aligned with improved costs and efficiency), created a market for its products.

Jobs in the sugar-cane industry

In a country of 170 million inhabitants, the sugar-cane industry is a significant job provider in Brazil offering around one million direct jobs

Box 10: The Sugar and Ethanol Industry in Brazil⁵⁰ (Continued)

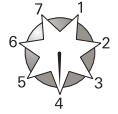
and four million indirect within its supply chain. With recent migration into already overcrowded capitals, the development of small towns and rural areas, maintaining the population in these areas is an increasingly important issue. The sugar industry with its vast workforce, the great majority of which residing mainly in rural areas, contribute to the control in migration flows by attracting workers and their families back from major centres like São Paulo and Rio de Janeiro. Therefore, the development of this industry also has a potential impact on the development of other regions and cities, as one's success is not independent of the other's.

The competitive insertion of the sector in the international market creates conditions to expand socially responsible practices. The sugar and ethanol production units develop various actions around education, health and accommodation, that result in the improvement in the quality of life of the communities associated with these units. In addition an average monthly salary is higher than all other agricultural sectors in Brazil (according to 2003 data). Compared to the Brazilian average in formal jobs, the sugar cane sector represents a total of 68.5% formal jobs. In the State of São Paulo this figure reaches 98%.

The success and potential of ethanol

One of the many products of sugarcane, ethanol has been used for a long time in Brazil, Denmark and in the US as a fuel and is considered to be one of the most environmentally-friendly and sustainable fuels. However, the role of government to create and further the market for ethanol has been much more significant than societal expectations and preferences for a cleaner, more sustainable fuel. As a result car manufacturers and consumers have found a market for ethanol.

The reasons behind the growing market for ethanol have generally been government initiatives. In the 1970s concerned about the increasing oil prices and seeking to gain a greater independence from the oil producers, the Brazilian government passed a bill that required gasoline to be filled with a minimum 25% ethanol. This bill, still in



Box 10: The Sugar and Ethanol Industry in Brazil⁵⁰ (Continued)

place, decreases the environmental impact, as well as price, of gasoline.

More recently, the production and sale of ethanol has increased due to, again, the steady rise in oil prices. Car manufacturers, seeing the opportunity to explore a very significant potential market of ethanol, have furthered the concept of flex fuel or bifuel cars, those that run on both gasoline and ethanol. The Brazilian production of these cars represent almost 66% of total light vehicles and this market is reinforced by the fact that all petrol stations in the country sell ethanol. The economic success of the sector is clear, with Brazil's exports of sugar bringing in US\$ 2 billion to the country. The use of ethanol fuel saved the country, between 1976 and 2004, with US\$ 60.7 billion in petroleum imports. There is great potential for ethanol to fulfill its potential and heralded as the alternative fuel for the future.

The case of the sugar industry in Brazil demonstrates the way in which a sector has successfully controlled its social and environmental footprints, firstly through government incentives and then by private firms responding to the imperative to become more competitive, by using sugar to develop an alternative source of fuel. In a world of escalating fuel prices, this strategy not only improved the economic competitiveness of the industry but has also improved working conditions and employment opportunities.

4.5 OWNING STANDARDS

Responsible Competitiveness practices have to date, in almost all cases examined, been associated with the evolution of standards in the marketplace. Standards have historically been seen as a constraint to developing country exports. Whether a constraint or not, there is no doubt

“How socially responsible we are as an industry will determine what position are we in relation to our competitors”
Ronald Brown, CEO, ASOEX

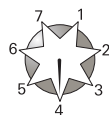
that standards are filtering their way into global supply chains. For example, a recent report produced for UNIDO concludes that, “for a greater number of SMEs seeking to enter international supply chains, social and environmental conditions are a challenge, which increasingly must be met in order to gain market access. However, whilst compliance is a competitive issue in so far as suppliers can lose contracts through non-compliance, meeting social and environmental standards alone is not enough to win and retain customers.”⁵¹

Some countries are, nevertheless, responding to this perceived constraint by establishing their own standards as a way of actively building a competitive advantage in face of social and environmental standards, rather than continuing to see the matter as one of compliance for market access.

The Chilean Association of Exporters (ASOEX), working with the Chilean corporate responsibility, research not-for-profit consultancy, Vincular, and with support from the Inter-American Development Bank (IADB), is developing a project to adopt CSR in SMEs from the fruit-exporting sector. The initiative has established a Chilean standard, ChileGAP, governing key social and environmental aspects of the production process of principal Chilean exports, notably fruit, and delivers both short and potential longer-term advantages. In the short term, it can be more readily aligned to the particulars of the Chilean fruit sector as compared to the generalised, international standards historically preferred, and largely controlled by, international buyers in Europe and North America. Furthermore, certification through ChileGAP has proved cheaper to Chilean exporters than alternative international certification processes. In the longer term, ASOEX wishes to use ChileGAP as a means of differentiating themselves in the highly competitive fruit export market.

The South African wine industry provides a second case in point. The industry has historically been highly dependent on the UK market, and

In the future, the governance, management and ultimately integration of social and environmental standards affecting global supply chains will be key to the success of any Responsible Competitiveness strategy.



Box 11: SMEs in the Fruit Industry in Chile⁵²

Context

The central valley of Chile is where most of the country's fruit is produced. The region's favourable location and temperate climate are natural advantages but the government has had a big hand in making it competitive. Government regulations that incentivise the activity has made Chile one of the main exporters of fruit in the world.

RC Challenge/Opportunity

In Chile, SMEs of the fresh fruit sector are driven towards corporate responsibility due to societal and international market expectations and are conscious that to remain competitive and integrate themselves into the supply chains they should adopt higher standards of corporate responsibility. Given Chile's importance as an exporter of fresh fruit, with 48.5% of exports from the Southern Hemisphere, high standards of CR are essential to the industry's further development and competitiveness. The pressure coming from external markets, government, consumers and civil society is largely believed to have forced companies into increasing their standards, and has been accepted by the sector due to fear of putting its reputation at risk.

RC Response

The government of Chile has invested heavily in researching a) the main potential international markets, b) their specific demands, and c) sanitary standards to access these markets. As a result of this investment from the government a number of programmes and organisations have been established specifically for this industry. Good Agricultural Practices (known as ChileGAP) and Buenas Prácticas Agrícolas (BPA) are two of the programmes that are working on finding ways of enhancing CR in the industry in order to increase its competitiveness.

Representing the Chilean exporters of fresh fruits, the Association of Exporters (ASOEX) counts 91 exporters amongst its members. The general objective of the association is to foster and facilitate the export of these goods. The association participated in the creation of the ChileGAP certification and now continues working with the producers

Box 11: SMEs in the Fruit Industry in Chile *(Continued)*

so that they can succeed in being certified. There are more than 4000 fruit producers participating in programmes of good agricultural practices in Chile, about 1500 are working with ASOEX technical assistance.

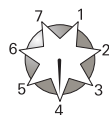
Before the establishment of ChileGAP, the agricultural producers of Chile had to comply with the standards of the European market and of a number of supermarket chains in the United States, which made the exportation process more complex. The problem for the Chilean producers was that they did not know if their products would go to the United States or Europe, or, if they went to the United States, which of the various buyers would receive them. To facilitate the export process, ASOEX started its programme of Good Agricultural Practices, which today is known as ChileGAP. The European and North American markets certify that the ChileGAP's standards reach their own level of standards.

ChileGAP focuses on three specific aspects: environmental issues, hygiene and phytosanitary issues, and the safety of employees. The programme results in increased productivity and the guarantee that consumers will receive high-quality goods. The employees of ASOEX ensure that participating companies understand ChileGAP's standards and visit the producers to help them with the implementation of improvements in production. They also show how to minimise the use of pesticides and improve the quality of life of employees.

In order to be certified by ChileGAP, a producer has to prove that it meets criteria under the three aspects of the GAP. Many independent international verification companies accept the ChileGAP standard. There are some costs related to the implementation of sustainable practices for the company, which include the staff employed to supervise the process and the continuation of the ChileGAP process.

Expectations

Although there are no short-term economic benefits from this process, ASOEX hopes that participation in ChileGAP will increase the exports of Chilean goods to primary markets. Given the international acceptance of ChileGAP, the agricultural producers have a greater guarantee that they will sell their products to more profitable markets.



faced a significant threat as the issue of labour standards became a major concern for their customers, UK retailers, faced as they were in the second half of the 1990s with the impact of sustained, effective consumer-focused campaigning by powerful, UK-based development and human rights organisations.⁵³ The UK retail community (mainly food, and textiles and apparel) responded by agreeing to become part of the newly-created Ethical Trading Initiative (ETI).⁵⁴ This multi-stakeholder alliance of businesses, trade union and civil society organisations, supported by the UK Government, established a code of conduct governing labour conditions in members' global supply chains, and a programme of country-level collaborative initiatives to ensure the sensitive, sustainable application of the code.

The South African Wine Industry Ethical Trade Association (WIETA) emerged from this process. At its core was a recognition of the need for the wine industry to move away from its more reactive, and often defensive posture to changing market conditions, to a more proactive approach that not only ensured compliance but established international standards for workers on farms and production facilities as a competitive characteristic of the South African products in international markets. For labour activists, WIETA has demonstrated that market pressure can open the way for workers conditions to be improved. For the wine industry, facing intense competition from Chile, Australia, and more recently India, social compliance has shifted from being part of the problem, essentially an issue of market access to being, potentially, part of the solution. Faced with higher costs and lower labour productivity than many of its competi-

“Increasingly, access to developed country markets requires compliance with basic labour and environmental standards. These requirements are placed in a handful of formal trade agreements, and more frequently, through the contractual requirements of multinational buyers. These developments have, for example, motivated the Cambodian and Philippine governments to encourage domestic textile and garment suppliers to improve workplace social and environmental standards. They are also principal drivers of similar initiatives in the South African wine industry...”

Nicky Taylor, CEO, WIETA

Box 12: Valuing the South African Wine Industry – The case of the Wine Industry Ethical Trade Association (WIETA)⁵⁵

Context

Long embedded in South Africa's economy, the wine industry, with its first production in 1659 (Cape Wine Academy; 2002) has steadily grown in production and reputation from a producer solely for the domestic market to becoming a well-known player competing in the global market. Today, 33% of South Africa's 200 million litres of wine are exported and the number of producers involved is over 4,000 (SAWIS; 2003) employing directly and indirectly around 350,000 people (WOSA; 2003).

RC Challenge/Opportunity

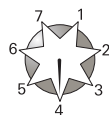
Until recently, however, wine production was characterised by appalling labour conditions, with labour legislation only being introduced in 1994. However, this has improved since the inception of the Wine Industry Ethical Trade Association (WIETA).

RC Response

Arising from the Ethical Trading Initiative (ETI) project in 2002, WIETA is a multi-stakeholder association committed to promoting the ethical trade of the South African wine industry through the improvement of labour conditions.

Bringing together wine producers, NGOs, individuals, retailers, government bodies and trade unions, WIETA aims to improve labour conditions by:

- ◆ Formulating and adopting a code of good practice governing employment standards for those involved in the growing of grapes for wine making purposes and the production and bottling of wine;
- ◆ Promoting the adoption of and adherence to the code of good practice amongst all wine producers and growers;



Box 12: Valuing the South African Wine Industry – The case of the Wine Industry Ethical Trade Association (WIETA) (Continued)

- ◆ Educating producers and workers on the provisions of the code;
- ◆ Appointing independent social auditors to ensure that members of the association observe and implement the code of good practice;
- ◆ Determining ways of encouraging implementation of and compliance with the code and determining measures to be taken in the case of non-compliance of the code.

The WIETA code, based on the ETI base code and South African legislation, contains a set of principles governing the ethical treatment of employees to which each wine-producing member is required to implement and allow WIETA to monitor. Compliance monitoring is done by WIETA-trained and selected independent social auditors on principles that cover health and safety, discrimination, training and housing provision.

Retail members of WIETA, and importers of South African wine include UK-based Tesco and Co-op. As members they are expected to follow the compliance process of the supplier, ensuring that member producers are ethical companies.

Expectations

There is no WIETA label as yet for the products and it is believed that the true competitive advantage will be generated from compliance to the WIETA code. In building human capital WIETA hopes that employees will gain a better understanding of the wine production and will consequently improve productivity.

Box 13: European Competitiveness: How ICT could support the Lisbon Agenda

Context

The Lisbon Declaration best sums up Europe's overarching vision of itself. It sets out the region's objective of combining quantitative economic growth with qualitative aims of social cohesion and sustainable development.

Challenge

Europe's emerging socio-economic transition is marked by an ageing and in some parts, a declining population, and the ongoing enlargement of the EU. This is coupled with economic growth that has lagged behind that of other regions, notably the US. So much so that on current trends, Europe will not merely fall further behind the US's income levels, but will face increasing challenges as it meets the Chinese and Indian economies on the 'way up' the skill and technology competitiveness ladder.

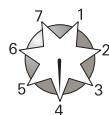
RC Response

ICT is not the only driver of competitiveness, certainly; but it is important, both in itself and as an exemplar of whether and how Europe applies a generally available technology to its own needs, in its own way. Just as structured social partnerships between business, labour and the state historically provided a source of both stability and economic growth, ICT must therefore provide new means through which diverse, evolving forms of partnership of many different players can be established today and in the future.

Expectations

What then might be some of the characteristics of a peculiarly European application of ICT in pursuit of competitive advantage? We have identified four, inter-related areas.

- ◆ **Enabling inclusion in work.** ICT has a critical, three-fold role to play, in improving the quality of information for, and about



Box 13: European Competitiveness: How ICT could support the Lisbon Agenda *(Continued)*

older people in the labour market; in supporting reskilling of older people for tomorrow's employment opportunities; and informing, and retooling businesses in ways that enable them to use the skills of older people in productive ways.

- ◆ **Enabling broader social inclusion.** ICT has a critical, three-fold role to play in increasing broader social cohesion: by improving access to public services and involvement in Europe's political process; by increasing knowledge of, and engagement between Europe's diverse communities; and by increasing citizen's interest and ability to engage in productive work. For some excluded constituencies, such as unemployed youths, the challenge is to align their e-engagement to productive opportunities, whereas for other groups, such as older people, basic e-literacy is lacking.
- ◆ **Enabling productive collaboration.** ICT has a critical role to play in enabling the cross-regional collaboration that is so crucial to improved competitiveness; such as in providing effective, intelligent collaborative platforms combined with language and European-wide search services, which has the effect of increasing 'factor mobility' and the potential for productive synergies across Europe's diversity, in labour markets, but also in the key knowledge industries that drive innovation and longer term competitiveness.
- ◆ **Enabling sustainable markets.** ICT has a critical role to play in enabling Europe to promote more sustainable markets by providing tools for managers and business stakeholders that enable them to better understand and respond to social and environmental aspects of business performance, by supporting the effective implementation of non-statutory market regulations, both in Europe and elsewhere. This then reduces costs and facilitates closer knowledge of stakeholder concerns and insights, thereby accelerating sustainability-aligned innovation.

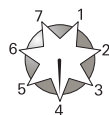
tors, the South African wine industry now sees its relative success in driving higher social and environmental standards as part its competitive proposition.

4.6 BUSINESS INFRASTRUCTURE

Responsible Competitiveness practices can impact on an economy's infrastructure or the ways it applies underlying social characteristics to competitive advantage, rather than a particular export sector. Europe's use of information and communications technologies (ICTs) is a case in point.⁵⁶

The World Economic Forum/INSEAD annual report on ICT and competitiveness identifies diverse factors underpinning the relationship, including government procurement, in-business skills, and take-up by the domestic sector.⁵⁷ On such bases, Europe does not compare favourably with the USA. The US has maintained its position as the hub of ICT-related technological innovation, although whether this can continue in the face of Indian and Chinese competition is an open question. The US also has higher rates of application than Europe, in business, government and the domestic sector. The European Commission itself has stated that, in recent years, ICT has contributed 40% of total productivity growth in the EU, whereas in the USA it is 60%. And the US has also achieved higher productivity gains from a given value of application; studies confirm that the US achieves productivity gains per unit of ICT investment greater across most sectors than in Europe.⁵⁸

Competitiveness is grounded, as Michael Porter argues, by what is local rather than what can be acquired or sold. A nation or region's geography, language, culture and diversity are impossible or difficult to trade, and so can be significant sources of competitive advantage or disadvantage. Similarly, an economy's infrastructure, such as transport and communications, can offer a crucial competitive advantage in globalised markets where effective inventory management and speed to market can make or break a company's financial success. Europe's approach to competitiveness has therefore to be grounded in its distinctiveness. This includes in particular its diversity, consensual political processes, tendency to internalise costs into markets more than other cultures and regions, its demographics, and its collaborative approach to education, health and public infrastructure.



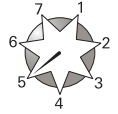
ICT therefore offers Europe a means for expressing its historic vision of 'inclusivity' in a forward-looking manner. Just as Europe used means for building dialogue and consensus appropriate to both society and business in the nineteenth and twentieth centuries, ICT must provide the means for a modern expression of European pluralism, both within the region and in its dealings outside of the region.

4.7 BEYOND EXEMPLARY PRACTICE

Responsible Competitiveness is a practical possibility, as the preceding cases illustrate. Furthermore, these examples begin to highlight some of the factors that appear to make Responsible Competitiveness approaches more attractive. What is not clear, however, even in these cases, is what impact these emerging strategies are likely to have in practice. It remains to be seen whether ChileGAP or WIETA will enable the Chilean fruit industry and the South African wine industry respectively to secure a sustainable, distinct brand-based niche in international markets. Equally, only time will tell whether Cambodia's efforts will enable them to address the competitive pressures of China, or whether El Salvador can marshal Responsible Competitiveness strategies as part of an effective shift from reliance on exports of textiles and apparel. Europe should and could make use of ICT to advance the synergies between its diversity and cultural norms and its international competitiveness, but that does not mean it will be able to do so to significant effect.

The challenge is to evolve a responsible basis on which competitiveness is achieved. This requires a more fundamental shift to reach a 'tipping point', in how markets reward business. Our cases do demonstrate the possibility, but alone do not take us far enough in understanding either the likelihood of Responsible Competitiveness strategies being possible in any particular context, or their ultimate potential impact on economy and society.

Still missing is a clear framework to support systematic analysis of the practice and potential of Responsible Competitiveness. Without this, it is difficult if not impossible to understand the real potential of Responsible Competitiveness. More importantly, it will remain difficult to identify the possible public policy options that could leverage and realise opportunities. It is to this we now turn.



5. A Framework for Responsible Competitiveness

5.1 A FRAMEWORK FOR RESPONSIBLE COMPETITIVENESS

A Framework for Responsible Competitiveness can aid our understanding of what circumstances are required to bring about broader systemic changes across entire markets and economies, eventually shifting the terms of the underlying contract between business and society. Moreover, an effective Framework needs to support:

- ❖ *A strengthened theoretical grounding* of Responsible Competitiveness, making effective links between the existing bodies of literature on competitiveness and corporate responsibility.
- ❖ *An improved basis for empirical research.*
- ❖ *A platform to enable effective public policies* and collaborative policy formation and practice to take place.

The last three years of work by AccountAbility and its partners, alongside the Global Policy Dialogue, as well as building on the extraordinary wealth of work in the historically separated spheres of corporate responsibility and international competitiveness, has enabled us to map out some elements of such a Framework.

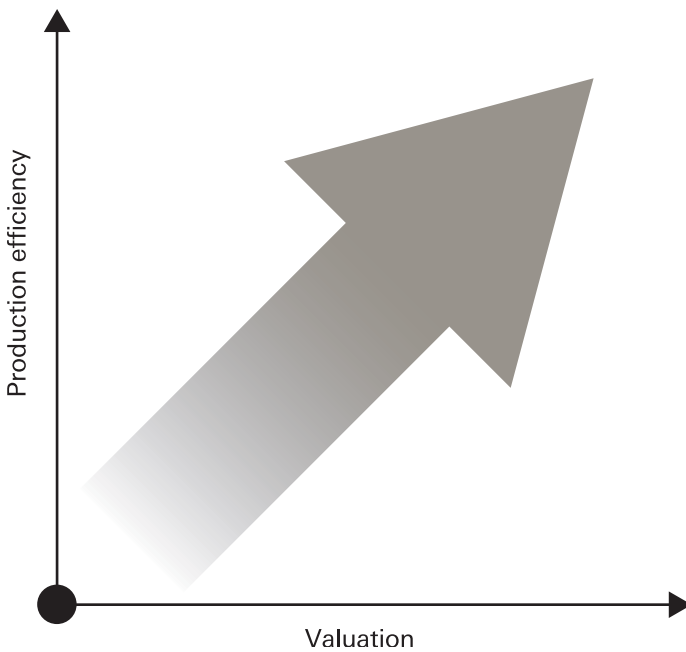
VALUING PRODUCTIVITY

Economic competitiveness is increasingly a product of the human, not nature's, hand. This has always been true in principle, but today is increasingly true in practice, as economic value is increasingly rooted in intangible assets like intellectual capital, brands, people's commitment and creativity, and relationships.⁶⁹

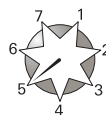
A community's material wealth is dependent on its productivity. Historically, classical economists associated this purely with land, hardly surprising in the period before the industrial revolution of many now-mature economies. Much of late nineteenth century economics focused on the role of labour in wealth creation. Twentieth century economics extended our understanding of productivity to embrace many factors of production, notably capital. As the last millennium came to a close, increasing emphasis was being placed on technology as the key source of

productivity growth and competitiveness. Competitiveness, we learned, was to do with comparative advantage, or what each community does better than others. Most recently, the conceptual landscape has shifted once again, and the importance of local conditions has been stressed, the remaining sources of difference, and through this the crucial roles played by institutional robustness, flexibility and innovation.⁶⁰

Figure 2: Pathways to productivity



“True competitiveness is measured by productivity”, points out Cornelius and Porter, and: “productivity depends both on the value of a nation’s products and services, measured by the prices they can command in open markets, and the efficiency with which they can be produced”.⁶¹ On this basis, first is the efficiency by which a given product or service can be created and made available. Most work on productivity focuses on this element, itself a function in particular of human capital and its application through technology, business service assets such as communications infrastructure, financial capital, as well as organisational and entrepreneurial competencies.



Box 14: What is Productivity?

OECD considers the following as important factors for a country's growth: labour utilisation; investment and effective use of ICT; firm entry, exit and dynamics; and innovation.⁶²

World Bank: "Competitiveness should be equated with productivity: It depends on: Continual upgrading of human, capital, and natural resources; induced technological change and innovation; changing organisational structure & behaviour of firms, industry, government; creating/strengthening inter & intra-industry & international linkages."⁶³

Institute for Strategy and Competitiveness, Harvard University: "Productivity defines competitiveness for a nation - a nation's productivity is the sum of the productivity of all its companies".⁶⁴

The second element of productivity is about the valuation of the products and services, and the associated product and service innovations intended to meet changing societal expectations. If tradition has it that cows shall not be eaten, then the price of beef remains low. The efficiency of production might well be exceptional, but productivity, a measure of what inputs it takes to produce a certain amount of value added measured in terms of market price, will remain low. Similarly, if a country's beef-export reputation is suddenly blighted by 'mad cow disease', the value per kilo of what might in the main be perfectly good beef collapses, as it did for British beef over the period 2000-2003. With some costs fixed, and independent of the efficiency of production, productivity in this situation simply imploded.

It is a similar story when it comes to the conditions under which things are made. It may well be that Indian wine is as good to the drinker's palate as that produced in South Africa, and can be obtained at lower cost. But labour standards in South African wine-producing farms have improved dramatically under pressure from retailers in their principal market, the UK, who in turn were responding to an agreement forged in the Ethical Trading Initiative (ETI) to guarantee that labour standards were adhered to from their suppliers (of wine, in this case) anywhere in the world.⁶⁵ This is a comparative advantage that can, certainly, be eroded. But until that

happens, South Africa will retain a distinct comparative advantage based on their capacity to produce products distinguished, at least, by their production processes.

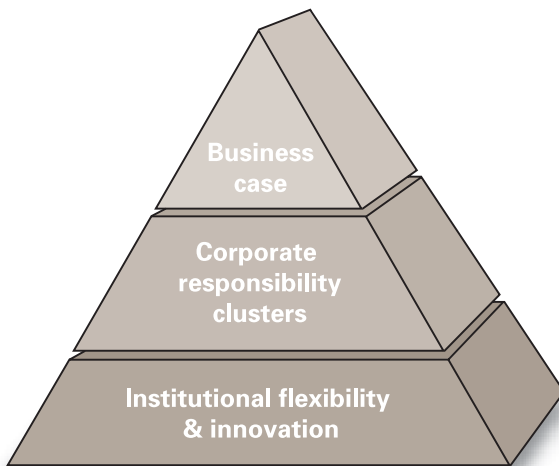
So 'productivity' is far from a purely technical measure of the efficiency of production or the cost of production given input availability and costs. It is profoundly influenced by how society values things, by processes and outcomes.

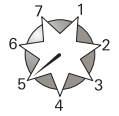
In short, and without wishing to oversimplify, productivity is what we, collectively, decide it should be.

5.2 LOCALISED AND STRUCTURAL VALUE DRIVERS

Competitiveness is in part a matter for companies, not nations. This viewpoint, elegantly argued, for example, by Adair Turner, Vice-Chair of Merrill Lynch Europe and previously Director General of the Confederation of British Industries, is but the tip of the iceberg of an extensive debate about the nature, source and agencies of competitiveness.⁶⁶ Here is not the place to repeat or seek to conclude this debate. Yet its importance for the arguments set out in this report makes it necessary to produce a response of sorts. Businesses do compete of course, but so do nations and regions through differences for example in their cultures and institutional arrangements.

Figure 3: Responsible Competitiveness – Three Tiered Framework





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- *Bjorn Stigson*, Chief Executive of the World Business Council for Sustainable Development, illustrates this point, when arguing that: “the US is superior to Europe at utilising labour, labour productivity is much better, and capital productivity is much better, but the US is way behind on resource productivity, when it comes to utilising physical resources”.⁶⁷
 - *Lawrence Summers*, Harvard President, similarly stresses the fact of competition between nations and regions, “it will not be enough for us to just leave no child behind. We also have to make sure that many more young Americans can get as far ahead as their potential will take them. How we meet this challenge is what will define our nation’s political economy for the next several decades.”⁶⁸

The ***potential of Responsible Competitiveness is grounded in several tiers or ways in which competition between nations and communities takes place.***

- ❖ *Direct, specific business benefits*, discussed in an earlier section on ‘the economics of responsibility’ and returned to in the following sub-section on innovation and flexibility.
- ❖ *Corporate responsibility clusters.*
- ❖ *Innovation and flexibility.*

Responsibility Clusters

Michael Porter’s original vision of the development of clusters and their impact on competitiveness was:

“An improving business environment gives rise to the formation of clusters. Clusters are geographically proximate groups of interconnected companies, suppliers, service providers, and associated institutions in a particular field, linked by commonalities and complementarities. Clusters such as software in India or high-performance cars

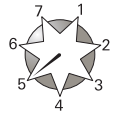
in Germany are often concentrated in a particular region within a larger nation, and sometimes in a single town.”⁶⁹

Juan Claro, Head of Chile’s leading business association, SOFOFA, reflecting on the link between corporate responsibility and a nation’s competitiveness at the Global Policy Dialogue in Chile hosted by ProHumana, commented, “When leading exporting companies of a sector subscribe to good environmental practice and labour safety, they give their sector a double leap. In one way, they meet the tough standards of the sophisticated North American market, and they incentivise a cluster or chain of good practices that enhance the competitiveness of SMEs in their sector”.⁷⁰

Drawing on the extensive work on industrial clusters, AccountAbility and The Copenhagen Centre first identified in a pamphlet in 2003 the potential for, what was termed **‘corporate responsibility clusters’ for linking and scaling up company-level corporate responsibility practices and outcomes, to create a broader impact on competitiveness and sustainable development**. Corporate responsibility clusters come in different shapes, sizes and types with different types of organisation leading their development and go beyond the more traditional definition of clusters as defined by geographic proximity. Common, however, are their underlying effect on business performance by expanding their ability to learn from diverse, rich sources; grow competencies to translate these learnings into improved business performance; gain support from a growing network of service providers that enables companies to more effectively manage their relationships and reputation; and benefit from an approach to public policy that moulds markets in ways that reward responsible practices.

On corporate responsibility in particular, the work identified four drivers of such clusters that could and did in specific circumstances **“create competitive advantage within one or several sectors arising through interactions between the business community, labour organisations and wider civil society, and the public sector, focused on the enhancement of corporate responsibility”**.⁷¹

- ❑ *Civil society-initiated*, characterised by antagonistic relationships between its participants forming at least the initial basis for the development of competitive advantage.



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- ❑ *Business-initiated*, involving remoulding competitive conditions from the inside-out, by innovating more sustainable products, services or business processes.
 - ❑ *Partnership-initiated*, involving formal, multi-sectoral partnerships supporting competitive advantage.
 - ❑ *Statutory-driven*, involving public policies focused on corporate responsibility standards and practices that support competitive advantage.



Zadek, S., Sabapathy, J., Døssing, H. and Swift, T. (2002) *Corporate Responsibility Clustering: Leveraging Corporate Responsibility for National Competitive Advantage*, AccountAbility/The Copenhagen Centre, London.

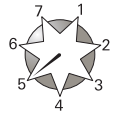
Responsibility clusters build on and go beyond Porter’s seminal work on industrial clusters. The main point is that clusters form around corporate responsibility practices and outcomes made up of businesses, but also crucially NGOs, labour organisations and a range of different public bodies. The nature of the relationships between these actors changes over time, as the previous section has already indicated. A confrontational

relationship in one period may form the basis for intimacy through partnership at a later stage. A facilitative approach to public policy in one period may later take on statutory overtones. Indeed, the four cluster types identified are neither static nor distinct phenomena. Clusters rarely take one form for prolonged periods of time. Rather, they combine several or all of these forms at different stages in their development, a key point to which we will return in the next section.

What is important is not so much the ‘tone’ of the relationship underpinning the cluster as its productivity. Confrontation between Nestlé and other companies supplying baby milk powder and the International Baby Milk Campaign over a twenty-year period, according to some, did little to change the rules of the game. The company remained unresponsive for a long period of time, and then failed to capitalise on its (positive) response through competitive tactics. The campaigners, whilst developing sophisticated non-market networks, failed to drive their view of responsible practices into the market in ways that created significant competitive opportunities.

On the other hand, hard campaigning in relation to drug pricing and labour standards has created conditions under which individual companies could gain competitive advantage, and indeed where corporate responsibility clusters might over time emerge. For example, NGOs and labour organisations working on codes and labour standards from the mid-1990s onwards have subsequently found themselves deeply engaged in partnership learning, competencies development and regulatory discussions across different sectors, and often in different countries. As a function of this, they have been integral to the process of building new market norms originating in their early encounters with specific companies. Furthermore, these clusters include governments and public agencies that can facilitate new social contracts and ‘export’ these societal models in ways that increase the competitiveness of businesses most able to operate in such environments. The case of Cambodia illustrates a further pathway for this extension of norms.

Responsibility clustering need not be geographically focused as in the classical interpretation of industrial clusters. Corporate responsibility clustering along value chains is perhaps the easiest version of these to understand. Global value chains mean that clusters may in effect extend



along international supply chains. The case of Cambodia illustrates this point. Whilst appearing in the first instance in the markets for products produced in Cambodia, partnership and potentially statutory clustering are emerging in Cambodia itself, and now in Bangladesh and elsewhere through initiatives like the MFA Forum.⁷² Similarly, South African wine-producers have sought to communicate and capitalise on their improved labour practices through communication with consumers beyond the ETI-affected markets.

UNIDO's work in this area reinforces the need to move away from thinking responsible business practice applies only to multinationals. It is also particularly illustrative of the value of SME clusters in development processes and the opportunity this brings for enhanced competitiveness. Recent work by AccountAbility, in collaboration with UNIDO, shows that whilst clusters are coming under greater pressure as a result of globalisation and the introduction of social and environmental standards in supply chain relationships, there are examples of 'unusual' alliances forming to meet these demands. Clusters therefore have an opportunity to use more responsible business practice, both as a first mover advantage, and in the long-term as a tool for innovation, learning and collaboration. There are a number of emerging examples, both from incipient and newly-formed 'responsible clusters' that demonstrate these opportunities. But it will take the involvement of a wide group of local and global stakeholders to utilise the full potential of clusters.⁷³

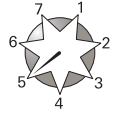
Innovation and Flexibility

Responsible Competitiveness can arise through the impact of corporate responsibility on business innovation and flexibility. This argument has emerged in two forms, the micro-business and the macro-institutional. The former, micro-level argument is essentially a sub-set of the broader 'business case' view of corporate responsibility. Rather than viewing business benefits in static terms, such as reputational and brand gains, or even recruitment and motivational benefits, the innovation argument suggests that corporate responsibility enables businesses to become better, for example, at developing new products, processes and distribution channels. There are a growing number of surveys and studies suggesting the importance of the innovation effect of corporate responsibility on business performance (see box below).⁷⁴

Box 15: Community-Enabled Innovation

One survey of business leaders found that 76% of them believe that “responsible business practice can promote innovation and creativity within the organisation”. Specifically, 79% agreed that “responsible business practice offers us an opportunity to learn from outside the organisation” while a further 83% agreed that it also “allows us to learn more about our marketplace”.⁷⁵

- ❖ **Dow Chemical’s** Corporate Advisory Council and 30 local Community Advisory Panels have helped the company reduce pollution levels, one example being the sustainable management of fresh water.
- ❖ **Travellers Property Casualty** involvement in the National Insurance Task Force (NITF) has enabled it to provide relevant products and services to low-income communities. The NITF’s mission is “to develop partnerships between the insurance industry and community-based organisations to better market the products and services of both, for the benefit of the customers and communities they serve.”
- ❖ **Suez** in partnership with peer companies, has set up the Observatoire Social International (OSI), which brings together business, NGOs, academics and union representatives in order to address such issues as access to clean water in developing countries, which is essential to sustainable livelihoods as well as business success.
- ❖ **IBM’s** internal innovation is to encourage partnerships between its Corporate Community Relations unit (CCR) and other units of the company (especially its Research Labs). These partnerships help CCR to leverage maximum impact by applying corporate ‘know-how’ to social and educational problems.
- ❖ By using its Community Affairs Team as a crucial point of contact for communicating stakeholder concerns internally, **Verizon Communications** has created a mechanism for



Box 15: Community-Enabled Innovation *(Continued)*

incorporating improvements to new products and services for elderly, non-English speaking, low-income and disabled customers.

Community-enabled Innovation is therefore innovation resulting specifically from the interaction of companies with civil society groups, generating insights that result in product, process and/or strategic innovations.

The macro-institutional innovation effects are potentially, however, the most important for Responsible Competitiveness. At its heart is the argument that suggests credible, responsible business practices:

- ❖ Strengthen the legitimacy of the business community.
- ❖ Enhance trust between it and other key institutional players, such as labour organisations and public bodies.
- ❖ Reduce labour-related conflicts and burdensome statutory regulations.
- ❖ Increase the flexibility of business to respond to changing market circumstances.

In effect, this argument reverses into the well-known and widely accepted view that ***where business is more trusted, it is given more latitude to do what it takes to remain competitive.***

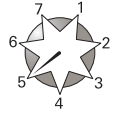
The cases of Brazil and South Africa illustrate the potential of this macro-level impact of corporate responsibility on innovation and flexibility. In both cases, public policies were explicit in making the connection between the need to secure trust between business and other parts of society through a visible upscaling of responsible practices, and businesses' mandate to invest and produce profitably with the support of the state and labour unions.

Box 16: Responsible Competitiveness by Advancing Trust-based Innovation and Flexibility

In the run-up to the Brazilian presidential elections of 2002, the candidate Luiz Inácio Lula da Silva, heading a Workers Party historically confrontational towards the business community, made much of partnering the business community for development. Lula's establishment of a high-level Commission involving many key business and civil society leaders to advise him on economic policy signaled his commitment to an approach that drew business, labour and civil society into the decision-making process of government. Core to the approach was the use of a corporate responsibility discourse to evoke a sense of both the need and the legitimacy of the wider engagement of business in the development of Brazilian society.

Lula's administration has sought to secure political and economic support for his combining of a conservative macro-economic stabilisation programme (e.g. vis-à-vis monetary and fiscal policy), an aggressive approach to international political economy (e.g. trade negotiations), and a costly social programme (e.g. the Zero Hunger programme). The Workers Party's traditional constituencies had supported social programmes and rejected conservative economic stabilisation programmes, whilst the business community had rejected an aggressive international position on trade, advocated macro-economic stabilisation programmes, and avoided where possible expensive social programmes. Lula's administration saw an opportunity to take forward Brazil into an era of macro-economic stability and market liberalisation, and in return business would support social programmes, both through non-statutory participation in the resourcing and delivery of these, and by their willingness to continue to do business in a country wedded to a programme of social development.

Similarly in South Africa, when the ANC-led Government came to power in 1994, it placed the importance of responsible business practices at the heart of South Africa's renaissance. The political and economic imperative of collective action provided a powerful image, set in the context of Nelson Mandela's call for a 'rainbow nation'. The South African government visibly embraced the principles of the inter-



Box 16: Responsible Competitiveness by Advancing Trust-based Innovation and Flexibility (Continued)

national market, private ownership of productive capital and profit-making. In return, business in the newly proclaimed social compact was encouraged to deliver focus on the agenda of black empowerment through more and better jobs in business, and through greater black ownership of the country's productive assets. Collaboration was in this context largely about the willingness of the ANC to look for 'voluntary' progress in the black empowerment agenda, in return for the avoidance of heavy-handed regulation or, in the extreme, direct government intervention in the ownership of productive assets

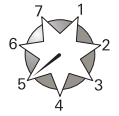
5.3 RESPONSIBLE PRACTICES DRIVE SOCIETAL LEARNING⁷⁶

Responsible Competitiveness allows us to go beyond the purpose or actions of individual businesses to understand better how 'corporate responsibility' can lead to changes in the underlying social contract that defines the very nature of business. To understand this better requires a framework that describes the dynamic pathways along which individual companies move, driven by the logic of today's competitive markets to embrace a growing range of social, economic and environmental impacts.

An effective framework needs to help us understand the place of corporate responsibility in the dynamic interplay between organisational and wider societal learning. Business learning is driven by contextual imperatives: notably, the competitive dynamics of the market, which includes the pressures placed upon business by non-market actors such as governments and civil society organisations. These pressures are in turn driven by changing expectations based on what society thinks is possible and desirable, or what we call here 'societal learning'.⁷⁷ The responses of individual organisations to changing societal expectations drive their specific successes and failures. But beyond this, these responses can impact on how business as a whole functions within the system, which in turn evolves as a result. These dynamic interplays can redefine the de facto role of business in society.

Table 3: Corporate Responsibility and Organisational Learning

Stage	What Organisations do	Why they do it
Defensive	Deny practices, outcomes, or responsibilities	To defend against attacks to their reputation that in the short term could affect sales, recruitment, productivity, and brand value
Compliance	Adopt a policy-based compliance approach as a cost of doing business	To mitigate the erosion of economic value in the medium term because of ongoing reputation and litigation risks
Managerial	Embed the societal issue into their core management processes	To mitigate the erosion of economic value in the medium term and to achieve longer-term gains by integrating responsible business practices into their daily operations
Strategic	Integrate the societal issue into their core business strategies	To enhance economic value in the long term and to gain first-mover advantage by aligning strategy and process innovations to the societal issue
Civil	Promote broad industry participation in corporate responsibility	To enhance long-term economic value by overcoming any first-mover disadvantages and to realise gains through collective action



For a single business, we can conceive of five corporate responsibility learning stages. Corporate responsibility often starts its life with a state of denial by a company as to its accountability ('this is not something we are actually responsible for, even if our actions influence outcomes') for a specific set of social or environmental outcomes. The chemicals giant, Dow, made its view clear following its acquisition of Union Carbide that it was not responsible for events at Bhopal, and that legally binding settlements effectively closed their book on the topic. Similarly, pharmaceutical companies and drug availability to poor people, food companies and health outcomes associated with over-eating, tobacco companies and the right to smoke, and textiles companies and labour standards in global supply chains, are all cases where, challenged in public, companies initially retorted, 'these may well be real problems, but they're not ours'.

But companies change their attitudes as they see it as in their interests to engage with the issue, or else are driven by overarching values that are at least not inconsistent with their underlying financial imperatives. Typically, businesses move through a period of compliance, then see the need and gain from integrating issues into core management processes. Over time, they find themselves facing deeper strategic challenges, caricatured by oil companies seeing their future in energy, car companies in mobility and pharmaceutical companies in delivering health rather than drugs. At the highest stages, particularly the fifth - 'civil learning'⁷⁸ – companies find themselves actively engaged in lobbying for public policies that are supportive of their increasingly 'responsible' practices.

Box 17: Intensive and Extensive Accountability

Public interest organisations, including governments, have 'extensive' accountability in having to make decisions and take actions framed by accountability to many stakeholders with often diverse and conflicting interests.

On the other hand, businesses, whether privately owned, or publicly quoted, are more often understood as having a narrower 'intensive' accountability, to their owners whose interests have historically been taken to be predominantly financial.⁷⁹

The key point is that at no time does the individual business move outside of its own 'logic' and basis of accountability. At each step, the business sees the sense within its logic of accountability to its owners (shareholders) in extending the boundaries of what it takes into account.⁸⁰ But over time, the macro effect is that the business community (say, in a particular market or sector) incorporates norms of behaviour that in practice imply a greatly extended basis of accountability. In this situation, market dynamics are not driving business away from an 'intensive' accountability to shareholders to an 'extensive' accountability to diverse stakeholders. Rather, what is happening is that intensive and extensive forms of accountability are becoming more similar, and ultimately equivalent.

Just as businesses learn and change their approach to dealing with issues, so does society as a whole.⁸¹ Global views on corruption, for example, have changed dramatically over the last decade, setting the scene for equally dramatic (if more slowly-changing) practices on the ground. Similarly for other issues, ranging from child labour to animal rights. Whilst often localised in their early stages in countries or regions, these shifting societal expectations increasingly extend rapidly to an international level. One simple depiction of this process of societal learning is set out below.

Mapping the interaction of the learning of individual organisations (e.g. businesses) and society more broadly give us some insights into how Responsible Competitiveness can emerge from the existing logic of markets and societies, and in so doing, change the social contract between business and society. The visual below suggests this relationship between these two learning systems. In this simple version, businesses will adjust their practices according to the stage of development of societal learning. If a business fails to make the adjustment, it gradually falls into the lower triangular 'red' zone where its fortunes are damaged, for example by consumers, employees or investors withdrawing their contributions.

Clearly the two learning systems are in practice far more complex than the visual suggests - inter-twined and non-linear. A more complex analysis and model would reveal the interdependency between the two axes. For example, the decision by a group of leading financial institutions to

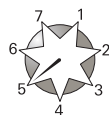


Table 4: Corporate Responsibility & Societal Learning

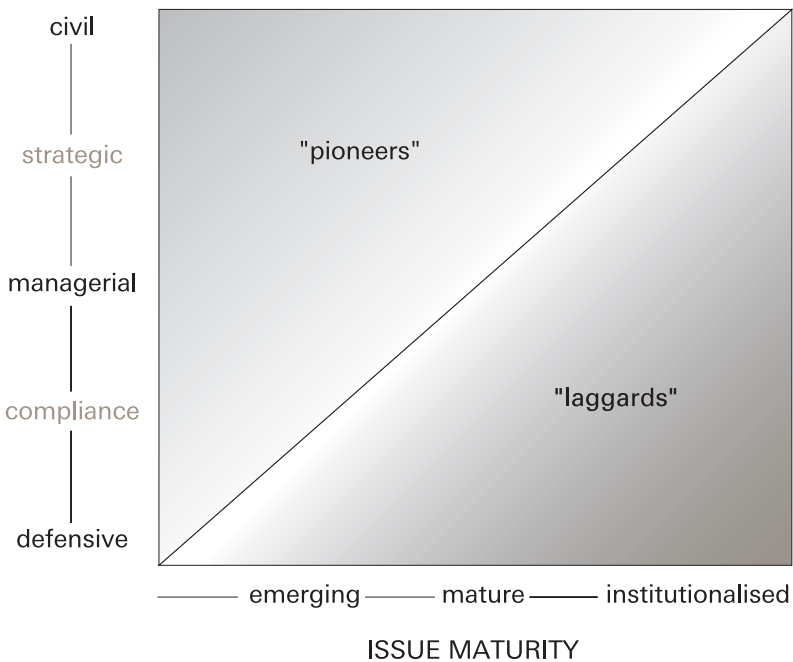
Stage	Characteristics
Latent	<ul style="list-style-type: none"> <input type="checkbox"/> Activist communities and NGOs are aware of the issue. <input type="checkbox"/> There is weak scientific or other hard evidence. <input type="checkbox"/> The issue is largely ignored or dismissed by the business community.
Emerging	<ul style="list-style-type: none"> <input type="checkbox"/> There is political and media awareness around the issue. <input type="checkbox"/> There is an emerging body of research, but data are still weak. <input type="checkbox"/> Leading businesses experiment with approaches to dealing with the issue.
Consolidating	<ul style="list-style-type: none"> <input type="checkbox"/> There is an emerging body of business practices around the issue. <input type="checkbox"/> Sector-wide and issue-based voluntary initiatives are established. <input type="checkbox"/> There is litigation and an increasing view of the need for legislation. <input type="checkbox"/> Voluntary standards are developed, and collective action occurs.
Institutionalised	<ul style="list-style-type: none"> <input type="checkbox"/> Legislation or business norms are established. <input type="checkbox"/> The embedded practices become a normal part of a business excellence model.

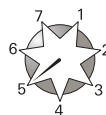
develop and embrace the Equator Principles itself shifts societal expectations towards all companies in that sector (and indeed elsewhere) embracing such principles. That is, leadership in corporate responsibility clearly drives societal expectations, not just the other way around. Similarly, the model gains from an appreciation of market tactics and

strategies between competitors. If one or more companies choose to race up the vertical axis, they can increase the risk for their competitors of not following suit, effectively moving the line that separates the upper and lower triangles.

Reinforcing an earlier point, ***the Framework does not prove or even suggest that 'things will necessarily improve'***. Just because one company takes corporate responsibility to a higher level does not mean that others will necessarily follow suit, or that financial gains will be forthcoming. It is relatively easy to imagine circumstances in which society simply does not increase its expectations of business with regard to a particular issue, or else circumstances where the line dividing top from bottom remains low across all stages of societal learning. Possible constraints to advancing Responsible Competitiveness have been sketched out in a previous section ('economics of accountability').

Figure 4: Civil Learning



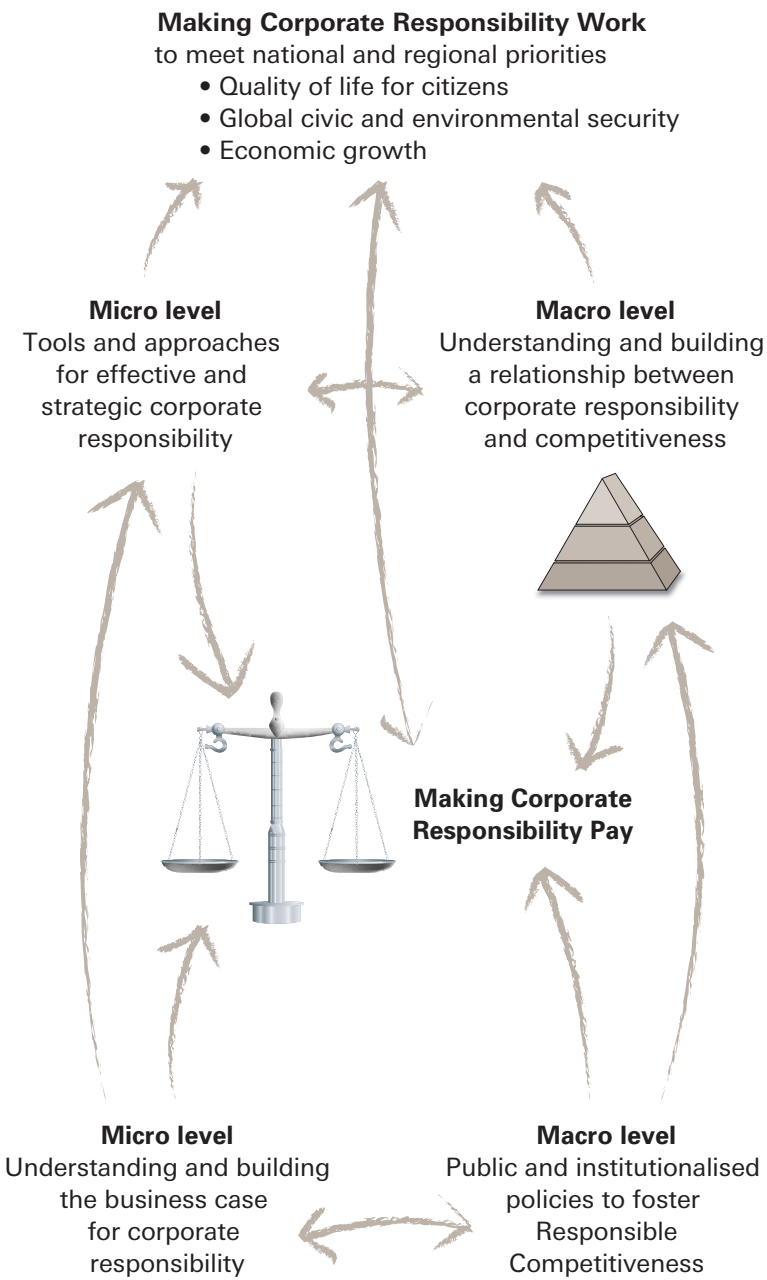


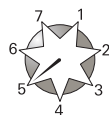
5.4 SUMMARISING THE FRAMEWORK

This chapter has set out the rudiments of ***a framework for grounding our understanding of Responsible Competitiveness that enables us to take a more consistent analytical approach to its empirical handling, and policy development and application.*** The Framework has several elements; each builds on familiar and well-documented analytical building blocks:

- ❖ *Valuing Productivity* – emphasising the importance of societal expectations and demands in determining the productivity of an enterprise, a community or a nation, both because of the cultural, institutional and personal motivational factors that drive factor efficiency and effectiveness, and because of the crucial place of demand-side factors in valuing products and services.
- ❖ *Structural Productivity* – emphasising the relevance of productivity and so also competitiveness at community, national or regional, as well as the enterprise, level, and the proposed three-tier approach to analysing this: (a) the enterprise level; (b) the level of corporate responsibility clusters; and (c) the place of corporate responsibility in driving both company and system-level innovation and flexibility.
- ❖ *Civil Learning* – emphasising how the dynamic pathways of exemplary behaviour by individual businesses can influence changes in societal expectations, can expand the role of business in delivering public goods and, ultimately, alter the role of business in society.

Figure 5: Responsible Competitiveness Framework Summary

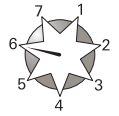




The Framework is summarised above in a diagram which highlights the linkages between the key areas of analysis of Responsible Competitiveness, and the key points of leverage which governments, multi-sector partnerships, and leading businesses are attempting to use to realise the potential for synergy between responsible business practice and competitiveness.

Establishing an appropriate Framework is an evolving process. Certainly there are aspects under-valued or indeed mistreated, or even ignored altogether. Certainly there is much to do in making such a Framework more robust and elegant. But the proposed elements, we think, focus on some important issues, and hopefully offer a useful starting point in creating effective language and method.

Responsible Competitiveness allows us to go beyond the purpose or actions of individual businesses to understand better how 'corporate responsibility' can lead to changes in the underlying social contract that defines the very nature of business.



6. Measuring Potential

6.1 MEASUREMENT NEEDS & CHALLENGES

Exploring if and how Responsible Competitiveness can count requires some measure of how much it does or can count. For example, that credible, good labour standards could enhance competitiveness can be demonstrated through ad hoc illustrations, as we have in the cases of Cambodia, South Africa and Chile. But more than good examples are needed to argue that these causal relationships, and the impact of policy can be predicted and managed. Furthermore, the proposition that Responsible Competitiveness can be a significant element of a community's competitiveness strategies needs some quantitative substantiation.

Box 18: Challenges in Measuring Responsible Competitiveness

- ❖ **Business-level Empirics.** There are literally hundreds of studies seeking to test, demonstrate or refute the argument that responsible business practices are good for business, increasingly focused on strategic business benefits and the all-important impacts on market valuation and share prices.⁸² Despite a growing volume of available data, most variables are poorly specified, and therefore non-comparable ('apples and pears'), the analysis ignores contextual factors in particular competitive dynamics, and it is unclear what is the relevant timeframe of the relationship being explored. Most of all, causality is questionable where there are observed correlations between responsible business practices and business success.
- ❖ **Macro-Competitiveness Effects.** All of the above hold equally if not more so, plus: (a) the 'competitive unit' is ambiguous (e.g. enterprise, sector, economy, etc); (b) possibility of perverse effects, such as enhanced responsibility at the enterprise level leading to negative competitiveness effects at the macro level (e.g. responsible outsourcing enabling companies to drive more jobs offshore); (c) distinguishing 'responsibility' associated with specific business policies and decisions, and those based on statutory compliance or societal norms.⁸³

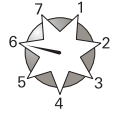
There are serious challenges in measuring the practice and potential of Responsible Competitiveness, just as there are challenges in measuring any specific aspects of competitiveness. At the micro-, business level, these challenges are well documented. At the macro-level, there have been far fewer attempts to measure the impact of responsible business practices on national or regional competitiveness. Those that exist often focus on specific aspects of responsibility, such as corruption.⁸⁴ The World Economic Forum has made an interesting excursion into this field in its recent publication on gender and competitiveness.

Box 19: Women’s Empowerment: Measuring the Global Gender Gap⁸⁵

The World Economic Forum has developed a benchmarking system to measure the size of the gender gap in various countries according to the level of advancement of the female population. It includes 58 countries (30 OECD countries & 28 other emerging markets) and measures the extent to which women have achieved full equality with men in five areas: economic participation; economic opportunity; political empowerment; educational attainment; health and well-being.

The top ten countries were (1st to 10th): Sweden, Norway, Iceland, Denmark, Finland, New Zealand, Canada, UK, Germany, and Australia.

In these and other instances, such as the level of education of the workforce, the responsibility driver of competitiveness being measured is broader than ‘what businesses choose to do’, and closer to a measure of a specific quality of the enabling environment, which of course impacts on business and which is in part created by business, for example through its lobbying.⁸⁶ In this sense, both the IMD and WEF imply aspects of corporate responsibility in their measures of country-level competitiveness in that business strategies, and in particular lobbying clearly affect, for example, levels of workforce education, labour market flexibility and the extent of often costly regulation.⁸⁷ The work of Dan Esty and others in mapping broad measures of the ‘national state of sustainability’ against competitiveness is probably the best-known and most advanced in



making some of these aspects explicitly drivers of competitiveness; although again this work is essentially a statistical correlation, and avoids making explicit claims about causality⁸⁸.

Box 20: 2005 Environmental Sustainability Index: Benchmarking National Environmental Stewardship

The Environmental Sustainability Index (ESI) benchmarks the ability of nations to protect the environment over the next several decades. It does so by integrating 76 data sets – tracking natural resource endowments, past and present pollution levels, environmental management efforts, and the capacity of a society to improve its environmental performance – into 21 indicators of environmental sustainability. These indicators permit comparison across a range of issues that fall into the following five broad categories: 1. Environmental Systems, 2. Reducing Environmental Stresses, 3. Reducing Human Vulnerability to Environmental Stresses, 4. Societal and Institutional Capacity to Respond to Environmental Challenges, and 5. Global Stewardship.

The top ten countries in this year's index were (1st to 10th): Finland, Norway, Uruguay, Sweden, Iceland, Canada, Switzerland, Guyana, Argentina, and Austria.

6.2 TOWARDS A RESPONSIBLE COMPETITIVENESS INDEX

AccountAbility piloted an index in 2003 that augmented traditional measures of national competitiveness with a specific 'corporate responsibility' variable, with collaborative support from The Copenhagen Centre.⁸⁹ The added variable, the 'National Corporate Responsibility Index', itself a composition of several other variables and associated data sets, was used to augment and re-estimate WEF's Growth Competitiveness Index.⁹⁰

The resulting Responsible Competitiveness Index (RCI) was the first ever attempt to measure the impact of the national state of corporate responsibility on national competitiveness. We concluded at the time, based on

a data set covering 51 countries, that several countries, notably the USA, appeared to have a significant 'responsibility deficit' in their competitiveness strategies, suggesting that this group has an underlying competitive disadvantage not apparent in traditional measures of national competitiveness. Other countries, most notably China, Japan and Korea, were also found to have a responsibility deficit, well in excess of five per cent, suggesting that this could endanger their economic growth (if one accepts the apparent link between income and responsibility).

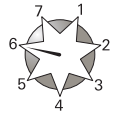
Box 21: Responsible Competitiveness Index 2003 – Key Results

- ❖ National measures of corporate responsibility can be established, despite data problems, allowing for a country-based ranking of underlying corporate responsibility practice and its potential.
- ❖ Measures of corporate responsibility are closely correlated to both economic growth and conventional measures of national competitiveness than to other measures of economic and human development.
- ❖ Incorporating measures of corporate responsibility into existing measures of national competitiveness can improve the latter's explanatory power.

We made clear that the specific results of the Responsible Competitiveness Index needed to be treated with caution, given the variable quality of data used and the early stage reached in the RCI's exact structure and content. Our aim at that stage was not to prove or disprove that corporate responsibility did count, or that one country was less responsible than another.

Rather, ***the aims in developing the original Responsible Competitiveness Index were to:***

- ❖ *Demonstrate that the impact of corporate responsibility on national competitiveness could be measured.*



-
- ❖ Provide an *indication of the relationship and potential impact of corporate responsibility on national competitiveness*, given the state of knowledge and available data.
 - ❖ *Stimulate academic research, policy debate and practice* on the links between corporate responsibility and national competitiveness.

The RCI 2003 achieved these aims, and more. Notably, it drove forward several initiatives aiming, through measurement, to improve our understanding of these potentially crucial relationships.

AccountAbility piloted a measurement tool to examine the potential links between corporate responsibility practices and pro-poor growth strategies in developing countries, with support from the UK Government's Department for International Development (DFID). It concluded that this would take the form of a micro-competitiveness index, which would aim to capture the:

- Ability of firms in industries most significant to the poor to operate responsibly and efficiently to provide goods, services and employment to the poor.
- Business environment in poor regions.
- Ability of the poor to access economic opportunities.⁹¹

AccountAbility collaborated with several UK-based regional development agencies and initiatives, to better understand how to build Responsible Competitiveness measures at the regional level:

- ❖ With *Sustainability Northwest*, developing a monitoring framework for regional Responsible Competitiveness.⁹²
- ❖ With *Business in the Community* and the regional development body, Yorkshire Forward, then expanded the framework into a regional Responsible Competitiveness Index (see box below).⁹³

- ❖ With the *East Midlands Development Agency* in understanding how regional policies could shape East Midlands' Responsible Competitiveness.⁹⁴

These explorations in policy-relevant measurement, together with the broader ongoing international dialogue on Responsible Competitiveness, provided important scope for experimentation and debate about how best to develop measurement in this emerging field. But by far the most important step was taken when AccountAbility formed a partnership with the Brazilian business school, Fundação Dom Cabral (FDC) to create a new and improved country-level Responsible Competitiveness Index for 2005.⁹⁵

6.3 BUILDING AN IMPROVED RESPONSIBLE COMPETITIVENESS INDEX

The Responsible Competitiveness Index 2005 has basically retained the same structure and approach as the RCI 2003. That is:

- ❖ Firstly, the extent of corporate responsibility in nations is calculated, making the *National Corporate Responsibility Index* (NCRI).
- ❖ The NCRI is then incorporated into the *Growth Competitiveness Index*, compiled by the World Economic Forum (WEF).

However, although the basic form of the RCI has been maintained, significant changes have been made in the statistical methodology and in the NCRI components and variables to make the Index more consistent. These changes, and the underlying econometrics, are detailed in a separate working paper.⁹⁶ Below we have summarised these changes and the results that stem from them.

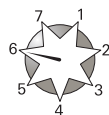


Table 5: Regional Responsible Competitiveness Index

Regional Corporate Responsibility Index - Factors	Indicators
Business practice	<ul style="list-style-type: none"> ✓ Companies with mission statement specifying responsibility (%)* ✓ Companies with a programme and specific activities* to support other businesses (%) ✓ Recorded fraud and forgery cases 2001/02 Home Office (excluding credit card offences), per 1000 people ✓ Calls to Consumers Direct referred to Trading Standards (per month, 2004) per 1000 people ✓ Health and safety convictions by both HSE and LA, per 1000 businesses
Workforce development	<ul style="list-style-type: none"> ✓ Employees receiving job related training in the last 4 weeks (%) (Spring 2004) ✓ Investors in People recognitions per 1000 business sites, April 2004 ✓ Companies with a workforce programme and specific activities* (%) ✓ Cost of workplace accidents and work-related ill-health to employers (£m/1000 people) ✓ Rate of reportable injury per 100 000 workers (2002/03)
Community engagement	<ul style="list-style-type: none"> ✓ Companies with a community programme and specific activities* (%). ✓ People undertaking formal volunteering in past year % (2003) ✓ Trust in institutions (% with a lot of a fair amount) (2003) ✓ Civic participation rate (% of households) ✓ 'People in this neighbourhood pull together to improve it' (% agreeing definitely) (2003)
Environmental management	<ul style="list-style-type: none"> ✓ Businesses with ISO 14001 certification (per 1000 businesses)(2004) ✓ Environment Agency prosecutions for all pollution incidents (2002) ✓ Companies with an environmental programme and specific activities* (%) ✓ Greenhouse gas emissions from industry and commerce per unit of GVA (2001) ✓ Environmental actions by consumers through buying (average % making 8 purchases) (2001)

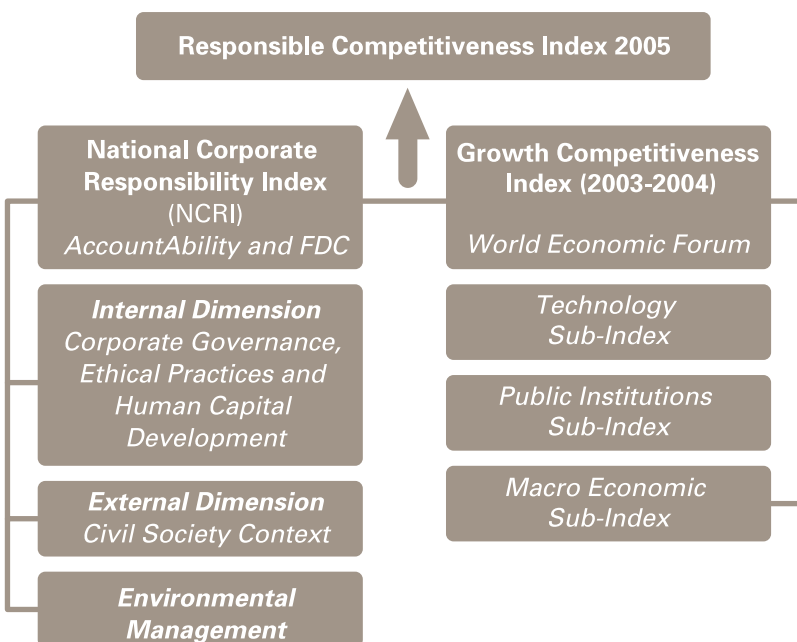
Building the Index

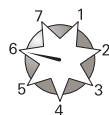
The development of the NCRI 2005 was built on the basis of extensive discussions with experts on corporate responsibility, sustainable development and theoretical analysis. Basic statistical criteria were applied, in particular:

- ❖ *Regularity.* The data has to be available at regular periods of time.
- ❖ *Coverage.* The data has to be available for all the countries within the final index.
- ❖ *Robustness.* The methodology has to be clear and concise.

These criteria forced the removal of a number of variables present in the original NCRI and others that represented desired aspects of corporate responsibility. However, the remaining variables possess a greater degree of confidence and allow for a historic sequence to be created.

Figure 6: The National Corporate Responsibility Index 2005





A number of changes were also made to the index after the literature review and the search for relevant data. For example, the 2003 factors *Corporate Governance*, *Ethical Business Practices*, and *Contributions to Public Finance*, and *Progressive Policy Formulation*, were seen as being too similar and for that reason they were incorporated into one factor: the Internal dimension.

Unfortunately, not enough relevant data was found to form a strong enough *Building Human Capital* criterion that could, by itself, rightfully represent the dimensions intended. This problem could result in misguided interpretations of the effect of human capital in corporate responsibility. In order to solve this problem and thus maintain a coherent view of corporate responsibility, which obviously includes human capital, the representative variables were included as Internal Dimension variables. This resulted in the three factors, and their respective variables:

1. Internal dimension: Corporate Governance, Ethical Practices and Human Capital Development

- Strength of auditing and accounting standards
- Efficacy of corporate boards

- Corruption Perception Index

- Gap in the implementation of the basic worker rights⁹⁷

- Quality of human resources approach: training and employee development

- Gender equality: private sector employment of women

2. External dimension: Civil society context

- Customer orientation

- Civic freedom

- NGOs/1,000,000 people (NGO density per 1,000,000 people group)

3. Environmental management

- ❑ Stringency of environmental regulations
- ❑ Signing and ratification of environmental treaties - Cartagena Protocol on Biosafety/ Framework Convention on Climate Change/ Convention on Biological Diversity/ Kyoto Protocol to the Framework Convention on Climate Change (US)
- ❑ Fossil fuels footprint (WWF) - Total energy footprint (global ha/person)
- ❑ Number of certified ISO 14001 - companies per US\$ billion

The changes in factors and variables used in the National Corporate Responsibility Index from 2003 to 2005 are highlighted below:

Using the criteria and variables set out above, the NCRI 2005 was estimated using factor analysis, yielding the following results:

$$\text{NCRI} = 0.35F_1 + 0.33F_2 + 0.27F_3$$

Where: F_1 = Internal dimension

F_2 = External dimension

F_3 = Environmental management

The regression model above showed a coefficient of determination $R^2 = 0.80$, suggesting that the regression explains 80% of the difference between the countries with reference to the institutionalisation, practices, emphasis, etc, of corporate responsibility.⁹⁸

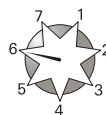


Table 6: National Corporate Responsibility Index variables: 2003 and 2005

NCRI 2003	NCRI 2005
<p>1. Corporate governance</p> <ul style="list-style-type: none"> ✓ Transparency and disclosure rating ✓ Strength of auditing e accounting standards ✓ Are boards independent? 	<p>1. Internal dimension:</p> <p>Corporate Governance, Ethical Practices and Human Capital Development</p> <ul style="list-style-type: none"> ✓ Strength of auditing and accounting standards ✓ Efficacy of corporate boards ✓ Corruption Perception Index ✓ Gap in the implementation of the basic worker rights ✓ Quality of human resources approach: training and employee development ✓ Gender equality: private sector employment of women
<p>2. Ethical business practices</p> <ul style="list-style-type: none"> ✓ Bribe payers' Index ✓ Anti dumping measures against country/bn US\$ exports ✓ Business costs of corruption ✓ Strength of corporate ethics 	
<p>3. Progressive policy formulation</p> <ul style="list-style-type: none"> ✓ Are environmental gains adversarial? ✓ Are regulatory standards demanding? ✓ Ratification of Kyoto Protocol ✓ Sign up to UN Global Compact 	
<p>4. Building human capital</p> <ul style="list-style-type: none"> ✓ Fatal accidents/100,000 workers ✓ Extent of staff training ✓ Employee protection legislation ✓ Employment Laws Index 	
<p>5. Engagement with civil society</p> <ul style="list-style-type: none"> ✓ Degree of civic freedom ✓ Total of consumer groups per 10m people ✓ Public trust in business ✓ Sophistication of consumers ✓ Customer orientation of companies 	<p>2. External dimension:</p> <p>Civil society context</p> <ul style="list-style-type: none"> ✓ Customer orientation ✓ Civic freedom ✓ NGOs/1,000,000 people (NGO density per 1,000,000 people group)
<p>6. Contributions to public finance</p> <ul style="list-style-type: none"> ✓ Corporate tax levels ✓ Prevalence of irregular payments in tax collection ✓ Public spending on education as % of total public spending and GNP 	<p>3. Environmental management</p> <ul style="list-style-type: none"> ✓ Stringency of environmental regulations ✓ Signing and Ratification of environmental treaties - Cartagena Protocol on Biosafety/ Framework Convention on Climate Change/ Convention on Biological Diversity/ Kyoto Protocol to the Framework Convention on Climate Change (US) ✓ Fossil fuels footprint (WWF) <ul style="list-style-type: none"> - Total energy footprint (global ha/person) ✓ Number of certified ISO 14001 <ul style="list-style-type: none"> - companies per US\$ billion
<p>7. Environmental management</p> <ul style="list-style-type: none"> ✓ Compliance with environmental regulations ✓ Prevalence of environmental management systems ✓ Emissions of carbon dioxide per unit of GDP ✓ Total of Dow Jones Sustainability Index rated companies as % of total listed companies 	

The Results

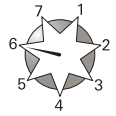
The NCRI 2005 results are set out below for each of the 83 countries covered.

The significant upgrade in the NCRI 2005 over its predecessor, the NCRI 2003, makes comparisons unhelpful. Focusing solely on the new results, then, we see that:

- ✓ The *Nordic* countries have scored very well. While Norway (12th) is an exception, all other Scandinavian countries rank in the top 5 (Sweden 1st, Finland 2nd and Denmark 4th).
- ✓ The actual scores of *Norway*, as well as *Canada, Austria and Belgium*, are more or less the same as those of the higher-ranking Nordic countries.
- ✓ *South Africa* is the highest-ranking emerging economy (excluding Eastern Europe), followed quickly by Korea, Chile, Malaysia, Costa Rica and Thailand.
- ✓ *China* is only 66th in the NCRI, whereas *India*, in other respects seen as trailing its nearby Asian competitor, ranks a far higher 43rd.
- ✓ East Europe seems to be following a sustainable growth path. *Estonia* (10th) and *Slovenia* (19th) are well ranked in the NCRI.

Disaggregating the NCRI's three factors allows us better to understand business practices, and so begin to identify policy gaps.

- ❖ Finland scored highest with a score of 2.1 out of a maximum of 3.0 for the *internal dimension* (corporate governance-ethical practices and human capital development). Denmark, the United Kingdom and United States were the other top scorers, all scoring much higher in this factor than in the other two. Pakistan came out worst with a score of -1.8, with Bangladesh and Paraguay also scoring particularly poorly. Eastern European countries scored surprisingly low in this factor compared to their scores on the other two factors.



-
- ❖ The worst factor scores were related to *external dimension* (civil society context). The highest scoring country, Switzerland, scoring 1.46, and the worst Algeria, with –1.76. The low scores in this factor are evidence that civil society in most parts of the world does not yet have a great influence on business.
 - ❖ Sweden stands out in first place of the ranking on *environmental management*, obtaining a score of 2.7, a full 0.9 above the second-placed score. This points towards a great efficiency in the application of environmental programmes and a remarkable example of interaction between the regulatory environment and business practice. Aside from Sweden, another significant performer is Hungary (1.7), being 5th in environmental management, significantly higher than its overall 24th place in NCRI. Once again, in last place is Pakistan with – 1.8.

Further interesting perspectives arise through regional comparison:

- ❖ *Western Europe* was the best performer in the NCRI, with seven countries amongst the ten most responsible. However, the southern part of Western Europe - Spain, Portugal, Greece and Italy - all have positions in the middle of the table and show problems in all three factors.
- ❖ *Eastern Europe*. The region can be roughly divided into two regions. The first comprises countries that have joined, or will soon join, the EU. Estonia and Slovenia are worthy of mention in this index. The other group, composed of Russia, Ukraine, Romania and the Balkan countries, still has serious problems and it seems that it has not yet aligned business practice with corporate responsibility.
- ❖ *Africa* is a very heterogenous region. While South Africa is well-placed at 22nd overall and Mauritius is also well-placed, other countries like Zimbabwe and Algeria are amongst the lowest scoring overall. The NCRI suggests a particular lack of care towards *environmental* issues in the continent, with 9 out of 13 African countries obtaining their worst scores on this factor.

Table 7: National Corporate Responsibility Index 2005

	National Corporate Responsibility Index - NCRI - 2005	Internal dimension:	External dimension: Civil society context	Environmental management
1 Sweden	73.5	1.85	1.30	2.68
2 Finland	72.2	2.12	1.35	1.82
3 Switzerland	70.7	1.51	1.46	1.80
4 Denmark	70.7	1.91	1.43	1.39
5 United Kingdom	69.0	1.96	0.99	1.34
6 Netherlands	68.3	1.53	1.16	1.33
7 New Zealand	68.2	1.98	1.28	0.62
8 Australia	68.1	1.78	1.16	0.97
9 Germany	68.0	1.51	1.01	1.45
10 Estonia	67.8	0.85	1.14	1.92
11 United States	67.5	1.80	1.16	0.72
12 Norway	67.3	1.42	1.17	1.04
13 Canada	67.1	1.63	1.09	0.88
14 Austria	66.7	1.17	1.14	1.17
15 Belgium	66.7	1.39	1.23	0.80
16 Ireland	66.6	1.20	1.14	1.09
17 France	65.3	0.97	1.00	1.06
18 Japan	65.2	0.69	1.06	1.27
19 Slovenia	64.6	0.19	1.21	1.40
20 Israel	62.0	0.91	0.61	0.47
21 Spain	61.9	0.13	0.70	1.20
22 South Africa	61.4	1.08	0.29	0.49
23 Lithuania	60.5	0.06	0.70	0.73
24 Hungary	60.3	-0.07	0.05	1.71
25 Slovak Republic	59.8	0.22	0.27	0.89
26 Czech Republic	59.5	-0.47	0.46	1.32
27 Portugal	59.1	0.26	0.43	0.37
28 Korea	58.6	-0.06	0.70	0.17
29 Chile	58.3	0.48	0.42	-0.14
30 Malaysia	58.1	0.91	-0.50	0.56
31 Costa Rica	57.5	0.13	0.38	0.02
32 Thailand	57.5	0.34	0.21	0.01
33 Greece	57.4	-0.27	0.47	0.28
34 Latvia	57.2	0.08	0.55	-0.29
35 Italy	56.9	-0.60	0.53	0.41
36 Mauritius	56.7	-0.13	0.57	-0.27
37 Brazil	56.4	0.08	0.01	0.16
38 United Arab Emirates	55.6	0.18	-0.72	0.79
39 Poland	54.7	-0.67	0.14	0.19
40 Bulgaria	54.6	-0.49	0.34	-0.30
41 Namibia	54.5	0.41	-0.25	-0.53

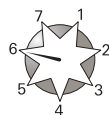


Table 7: National Corporate Responsibility Index 2005 (continued)

	National Corporate Responsibility Index - NCRI - 2005	Internal dimension:	External dimension: Civil society context	Environmental management
42 Philippines	54.1	0.18	-0.14	-0.56
43 India	54.0	-0.17	-0.06	-0.32
44 Jamaica	53.9	0.24	-0.15	-0.70
45 Botswana	53.7	0.12	-0.18	-0.58
46 Trinidad & Tobago	53.7	0.08	-0.32	-0.37
47 Panama	53.6	-0.27	0.09	-0.55
48 Egypt	53.6	0.08	-0.35	-0.36
49 Jordan	53.5	0.14	-0.86	0.26
50 Romania	53.2	-0.55	-0.14	-0.09
51 Uruguay	53.1	-0.81	0.25	-0.36
52 Sri Lanka	52.5	0.06	-0.37	-0.72
53 Mexico	52.4	-0.67	-0.10	-0.31
54 Croatia	52.3	-0.66	-0.19	-0.21
55 Tunisia	52.2	0.22	-1.08	-0.02
56 Colombia	52.0	-0.45	-0.44	-0.24
57 Kenya	51.2	-0.22	-0.16	-1.15
58 Argentina	50.9	-0.78	-0.25	-0.50
59 Ukraine	50.4	-0.75	-0.46	-0.44
60 Morocco	50.3	-0.04	-0.78	-0.83
61 Peru	50.2	-0.67	-0.24	-0.90
62 Indonesia	49.8	-0.64	-0.60	-0.58
63 Dominican Republic	49.5	-0.93	-0.11	-1.07
64 Turkey	49.1	-0.70	-0.24	-1.28
65 Uganda	48.9	-0.67	-0.84	-0.56
66 China	48.8	-0.35	-1.31	-0.28
67 Nigeria	48.8	-0.56	-0.50	-1.19
68 Zambia	48.6	-0.36	-0.65	-1.27
69 Macedonia, fyr	48.3	-0.43	-0.52	-1.47
70 Russian Federation	48.3	-0.66	-0.83	-0.80
71 Malawi	47.4	-0.68	-0.87	-1.07
72 Honduras	46.4	-1.23	-0.88	-0.77
73 Venezuela	46.4	-0.99	-1.01	-0.89
74 Paraguay	45.9	-1.54	-0.59	-1.03
75 Ecuador	45.5	-1.22	-1.05	-0.89
76 Zimbabwe	45.0	-0.20	-1.70	-1.29
77 Bangladesh	44.9	-1.65	-0.79	-0.98
78 Guatemala	44.9	-1.42	-0.81	-1.24
79 Vietnam	44.8	-0.70	-1.70	-0.85
80 Bolivia	44.2	-1.80	-1.04	-0.73
81 Bosnia & Hercegovina	43.4	-1.22	-1.08	-1.62
82 Algeria	41.0	-1.36	-1.76	-1.39
83 Pakistan	39.2	-1.80	-1.69	-1.67

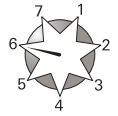
- ❖ *The Americas* are also incredibly heterogenous. While Canada and US are amongst the top scorers, Guatemala and Bolivia have very low scores. In Latin America the positive examples are Chile and Costa Rica. Latin America scores poorly on the *internal dimension* of corporate responsibility.
- ❖ *Asia* performs equally heterogenously with Japanese and Korean business ranking amongst the top third of most responsible in the world while Bangladeshi, Vietnamese and Pakistani business scores are amongst the lowest, facing challenges with all three dimensions.
- ❖ *Oceania* is well placed with New Zealand and Australia both ranked highly (7th and 8th respectively), with marked positive internal and *civil society dimension*, although relatively low scores in environmental management.

A Cautionary Note

The NCRI 2005 is statistically far more robust and covers more countries than its predecessor, the NCRI 2003. It provides a unique window into a nation's state of corporate responsibility, allowing comparison between countries and regions, across variables and over time.

But despite these strengths, ***we would caution users of the NCRI's remaining weaknesses.***

- ❖ First, on *data and statistics*. The data used, although all drawn from authoritative sources, are certainly of varied quality. Equally important are the variables we have not included in the analysis because the data are unavailable. The statistical methods deployed are certainly robust, but cannot improve on weak data.
- ❖ Second, on the *underlying theory*. We have posited in the Framework multiple, complex dynamics that drive corporate responsibility and so also Responsible Competitiveness. The NCRI therefore takes as its starting point that it is seeking to capture the overall 'ecology of responsibility', not merely what businesses do or do not do. But this means that causality



remains very unclear. We cannot say whether businesses in Sweden are responsible because government forces them to be, because they embrace and encourage a societal model that drives up responsibility, or for some other reasons not explained in the model.

- ❖ Third, the implications of data and theoretical (explanatory) shortfalls are likely to be *unevenly distributed* between countries and regions. In particular, the lower scores for developing as compared to developed countries are almost certainly attributable as much to economic structures as to shortfalls that developing countries could overcome for a given stage of economic development.

That said, ***we consider the NCRI to be fundamentally valid and to provide in its current (2005) form a robust tool to use on its own, and as a basis on which to move forward in estimating the Responsible Competitiveness Index 2005.***

6.4 THE RESPONSIBLE COMPETITIVENESS INDEX 2005

Building the Index

The *World Economic Forum* defines competitiveness as the ability of a country to reach a sustained medium or long-term growth. To achieve that, countries must constantly enhance their productivity and so competitiveness in international markets. To evaluate the competitiveness of countries, WEF used for many years two indices the *Growth Competitiveness Index* – that evaluates the macroeconomic aspects of competitiveness – and the *Business Competitiveness Index* – that evaluates the microeconomic factors. In 2004 the institution also included the *Global Competitiveness Index*, which aims to aggregate into one index macro- and microeconomic factors.⁹⁹

The RCI 2003 made use of WEF's *Growth Competitiveness Index*, as the intention was to evaluate the impact of corporate responsibility in the national competitiveness environment. We have maintained this approach for the RCI 2005. Although the *Global Competitiveness Index* is more thorough, its inclusion was rejected, as it would have demanded more

research on the importance of corporate responsibility for each stage of a country's development, as is done with competitiveness. Moreover, the continued use of the *Growth Competitiveness Index* allows for the possibility of creation of a time-series.¹⁰⁰

As has been mentioned, ***the 2005 version of the RCI is made up of the same basic structure as the original 2003 version***: technology sub-index, public institutions sub-index, macroeconomic sub-index and the National Corporate Responsibility Index. However, it must be noted that the NCRI 2005 has undergone significant transformations, as discussed in section 2.

The RCI 2005 was produced using a multiple linear regression methodology. This yielded:

$$\text{Responsible Competitiveness Index} = 0.35X_1 + 0.32X_2 + 0.19X_3 + 0.15X_4$$

Where: X1 = National Corporate Responsibility Index

X2 = Macro Environment index sub-index

X3 = Public Institutions sub-index

X4 = Technology sub-index

The regression proved to be fairly robust, with $R_2 = 0.997$.¹⁰¹

The Results

The RCI 2005 results are set out on the following pages for each of the 83 countries covered.

The results highlight the efficiency of the Nordic 'Development Model' with Finland, Denmark, Sweden and Norway at the top of the index. These results suggest, in short, that these countries are on current trends maintaining a sustainable economic growth based on business practices that achieve economic development without significant damage to the environment, taking stakeholders into account and working together with civil society to achieve these objectives.

In ***comparing the results of the RCI with WEF's GCI (see Figure 7), although the addition of the NCRI variable has some significance, it is quite small***. We do not see enormous variations, which is understandable

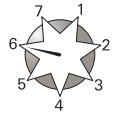
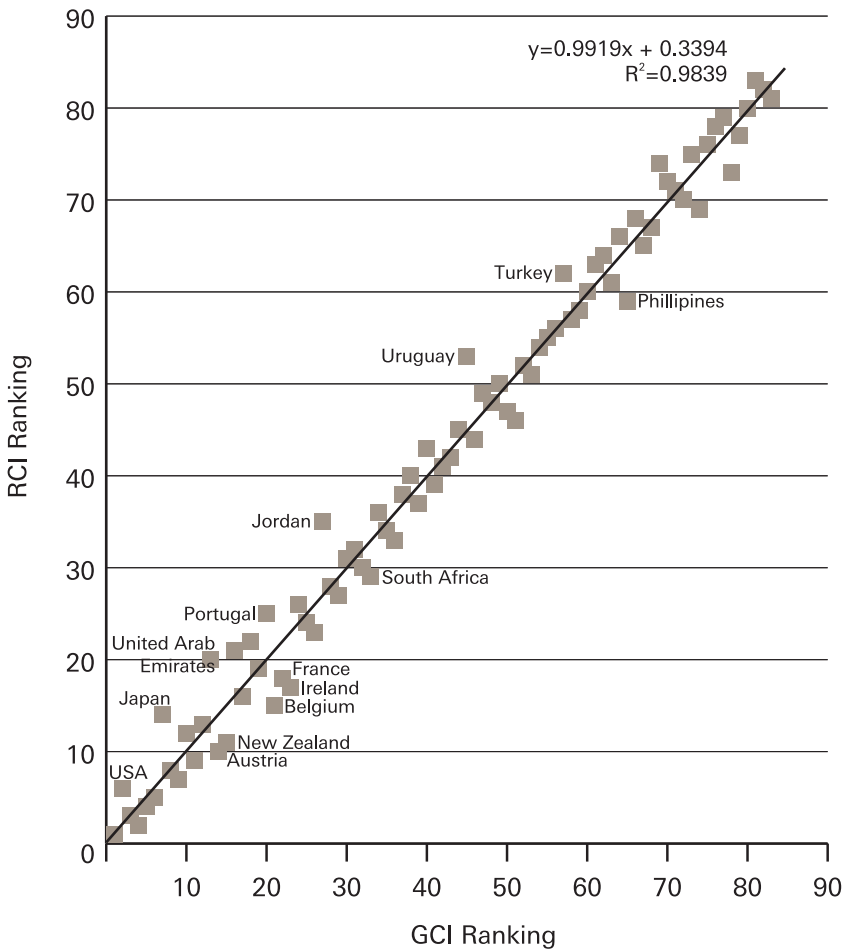


Figure 7: Comparing RCI and GCI Rankings



as there are many variables that affect the outcome. As the box below shows, however, there are a number of interesting country and regional variations. The analysis done this way seems to suggest that, in general, Europe goes up the competitiveness ladder once corporate responsibility is taken into account, the most significant European leaps coming from Belgium and Ireland, while Austria, France and Poland also benefit significantly. On the other hand, Japan, Jordan, United Arab Emirates and Uruguay see the most significant 'falls' in their relative competitiveness levels.

Table 8: Responsible Competitiveness Index 2005

Country	Responsible Competitiveness Index - RCI - 2005
1 Finland	79.2
2 Denmark	77.2
3 Sweden	76.9
4 Norway	75.8
5 Switzerland	75.6
6 United States	74.4
7 United Kingdom	73.7
8 Netherlands	73.3
9 Australia	72.8
10 Austria	72.1
11 New Zealand	72.1
12 Germany	72.1
13 Canada	71.7
14 Japan	71.1
15 Belgium	70.1
16 Estonia	69.9
17 Ireland	69.8
18 France	68.8
19 Spain	67.9
20 United Arab Emirates	67.2
21 Israel	66.3
22 Chile	66.0
23 Slovenia	65.6
24 Malaysia	65.5
25 Portugal	65.3
26 Korea	63.9
27 Lithuania	63.3
28 Thailand	63.0
29 South Africa	62.6
30 Czech Republic	62.2
31 Greece	62.2
32 Hungary	61.9
33 Slovak Republic	60.9
34 Latvia	60.6
35 Jordan	60.5
36 Tunisia	60.0
37 Italy	59.9
38 Botswana	58.5
39 Mauritius	58.1
40 China	57.9
41 Costa Rica	57.5

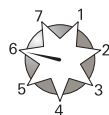


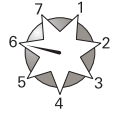
Table 8: Responsible Competitiveness Index 2005 (continued)

Country	Responsible Competitiveness Index - RCI - 2005
42 Trinidad & Tobago	57.1
43 Mexico	56.7
44 India	56.7
45 Namibia	56.5
46 Poland	56.1
47 Bulgaria	55.6
48 Brazil	55.5
49 Morocco	55.4
50 Panama	55.3
51 Egypt	54.7
52 Croatia	54.5
53 Uruguay	54.2
54 Romania	53.5
55 Colombia	53.4
56 Jamaica	52.9
57 Peru	52.2
58 Indonesia	52.1
59 Philippines	51.7
60 Russian Federation	51.4
61 Sri Lanka	51.4
62 Turkey	51.1
63 Algeria	49.7
64 Dominican Republic	49.5
65 Kenya	49.5
66 Argentina	49.3
67 Uganda	48.8
68 Vietnam	48.6
69 Ukraine	48.4
70 Macedonia, fyr	48.1
71 Zambia	47.5
72 Guatemala	47.0
73 Nigeria	46.5
74 Bosnia and Hercegovina	46.1
75 Venezuela	45.9
76 Malawi	45.8
77 Honduras	45.4
78 Ecuador	45.3
79 Pakistan	44.1
80 Bolivia	43.8
81 Bangladesh	43.5
82 Paraguay	43.4
83 Zimbabwe	41.8

Figure 8: Comparing RCI and NCRI rankings



Another way of using the results is to map the difference between countries' NCRI and RCI ranking (see Figure 8), postulating that ***the bigger the positive gap (NCRI higher than RCI rating), the less existing responsible business practices are contributing to the country's competitiveness.*** The Philippines, Costa Rica, Jamaica, Brazil and Ukraine have the highest positive gaps. This could of course mean several different things. On the one hand, it could mean that responsible business practices are not being properly exploited in achieving higher levels of competitiveness. On the other hand, it could mean that responsible business practices



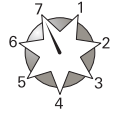
are for some reason constraining competitiveness. At the other end of the spectrum, China scores the greatest negative gap. Again, this could mean that high levels of competitiveness are being achieved despite poor levels of responsible business practice. On the other hand, it could mean that poor business practices have not yet resulted in constrained competitiveness, and will do so if action is not taken.

Once again, it is important to highlight the fragility of the data, and even more so the analysis. As for the NCRI, the applications and implications of the RCI must be caveated by remaining statistical and theoretical problems, set out more fully in the detailed technical paper.¹⁰² As a result, such measures need to be treated as indicative, rather than proof, of possible causal relationships.

There is, however, ***a significant correlation between the competitiveness of a country and its corporate responsibility level.*** This might indicate that:

- ❖ Competitiveness gains in a country may not be sustainable unless underpinned by responsible business practices. That is, consistent growth in competitiveness depends on greater responsibility of the society as a whole, business, government and civil society.
- ❖ Corporate responsibility can fuel country competitiveness. This possibility, the heartland of the Responsible Competitiveness proposition, seems to get some support from the data.

The RCI 2005 represents a significant step forward in both the measurement and understanding of Responsible Competitiveness. Taken together with the case study material, research and the results of the dialogues, it shifts the debate from the margins towards the centre; it shows there is now a need to explore the circumstances under which Responsible Competitiveness can play a significant role in enhancing a country's competitiveness whilst promoting its sustainable development.



7. Practice to Policy

7.1 THE BOTTOM LINE

The credibility and thus viability of the economic forces of globalisation will be undermined unless the synergies between corporate responsibility and competitiveness agendas are realised. Failure will:

- *Discredit corporate responsibility* for delivering too little, too late, and undermining the impacts of current business and collaborative leadership and innovation.
- *Discredit the central place of the market in delivering public good through private gain*, recreating confrontation between business and other parts of society based on understandable perceptions of a zero-sum game between profits and sustainable development.

This report goes beyond voicing concerns about globalisation and offers practical ways to make a difference in actively creating what UN Secretary General Kofi Annan refers to as the ‘human face of globalisation’, or what we have referred to here as Responsible Competitiveness. Centrally, it:

- ❖ *Illustrates how strategies rooted in Responsible Competitiveness can play a significant role in enhancing a country’s economic competitiveness in ways aligned to sustainable development.*
- ❖ *Offers both an analytic framework and the metrics to better understand the potential and practice of Responsible Competitiveness for nations, communities and businesses.*

The Responsible Competitiveness Index offers support to the proposition that increasing competitiveness can be encouraged by corporate responsibility practices.

7.2 ADVANCING RESPONSIBLE COMPETITIVENESS

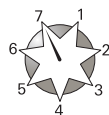
Advancing Responsible Competitiveness as an approach to globalisation is a real option and, in some instances, already a grounded practice.

This practice varies considerably, over time and between regions, sectors and market circumstances.

Despite this variation, there appear to be ***several policy elements needed to underpin sound and scaled-up Responsible Competitiveness strategies and practices.***

- ❖ ***Strategy-aligned corporate responsibility is a prerequisite for Responsible Competitiveness.*** As long as corporate responsibility remains a side activity for the business community, it will not deliver sustained competitive advantage at the micro-, let alone the sector or macro-level. Strategy-alignment is rarely easy to achieve. But as the Framework for Responsible Competitiveness set out in Chapter 5 illuminates, a company's long-term commercial interests can be aligned with specific responsible practices, initially through operational embeddedness, and often ultimately through collaborative initiatives (overcoming first mover disadvantages, prisoner's dilemmas, etc) with public bodies and civil society organisations.
- ❖ ***Collaborative approaches to raising the bar are an essential ingredient of Responsible Competitiveness.*** In every case considered, leadership companies, often working closely with public bodies and civil society organisations, initiated collaborative actions to leverage Responsible Competitiveness characteristics into the market. This involved forging commonly-agreed standards to offset first mover disadvantages and free riding, and the adoption of such standards as a basis for compet-

Responsible Competitiveness is the precondition of an acceptable, viable globalisation that aligns market liberalisation and the extension of business opportunities with reductions in poverty and inequality, and environmental security.



itive advantage, by communicating about the new market conditions in ways that influenced consumers, business customers and public bodies. Such collective approaches or compacts can also be found at a national or regional level (see below).

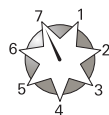
- ❖ ***Sector-based strategies*** have to date been the preferred basis for *Responsible Competitiveness strategies and practices*. Although ‘responsibility issues’, such as labour standards, clearly have multi-sector relevance, their application in pursuit of competitive advantage has in general been on a sector basis, such as textiles and apparel in Cambodia, and wine in South Africa. There is a need to take a step forward in developing suitable tools for sector-based analysis, policy development and for the measurement of impact potential and practice.
- ❖ ***National and regional strategies*** could gain momentum to build on multi-sector synergies in *Responsible Competitiveness*. There are clearly some multi-sector, geographically-concentrated aspects of *Responsible Competitiveness*, such as corporate governance or, as the cases of Brazil and South Africa illustrate, higher level compacts between business, the state, and civil society. Initial European and UK-based work suggests that regional development could be enhanced by embedding *Responsible Competitiveness* as a core element of public sector or collaborative strategies. Once again, the early attempts to create better metrics for this purpose should be built on.
- ❖ ***Investor responsiveness*** is essential for widespread take up of *Responsible Competitiveness strategies and practices*. Cross-border project investment is increasingly sensitised to social and environmental issues, for example through the Equator Principles. But country-risk profiling by financial institutions, credit agencies and even public development bodies largely ignores measures of the ‘state of corporate responsibility’; the important

Responsible Competitiveness is not a ‘cookie cutter’ solution, but provides a crucial policy lens on how best to address complex circumstances and multiple policy aims.

exceptions are measures of corruption and in some instances broad measures of corporate governance. Increased use of measures of corporate responsibility at national and sector levels in mainstream assessments of credit and investment risk would greatly enhance the place of Responsible Competitiveness in inward investment and so competitiveness strategies.

- ❖ ***Trade, investment and competition rules need to be sensitised to encourage Responsible Competitiveness.*** Public policy and debate about trade and investment and corporate responsibility have historically focused on compliance, which has raised concerns over de facto non-tariff barriers to trade. Competition policy has to date been almost entirely ignored in the more contemporary approach to corporate responsibility. Responsible Competitiveness opens the possibility of corporate responsibility being factored into market rules in ways that encourage and enhance competitiveness and simultaneously the internalisation of social and environmental externalities.
- ❖ ***Responsibility standards need to be better aligned to competitiveness opportunities.*** Standards for responsible business practice have proliferated in the last decade, with diverse methods, measures, brands and standards bodies vying for airtime and take-up. Smart standards need to move beyond 'balancing' the needs of the market with social and environmental imperatives, to being more active catalysts of Responsible Competitiveness strategies and practices. The control of international standards is a key aspect of this, as the case of ChileGap illustrates. But equally important is that standards move towards a phase of integration and consolidation in ways that enable Responsible Competitiveness strategies and practices to gain leverage in international and national markets.

Taking forward these seven action points would advance Responsible Competitiveness and so contribute to underpinning the next phase of globalisation with acceptable business practices.



In this way, Responsible Competitiveness could become a key element in enabling nations, regions and communities to achieve the three-part goal set out above: satisfying the needs of their citizens, playing their part in securing human rights and security on a wider scale, and generating the economic growth which allows them to achieve the first two goals.

Box 22: Advancing Responsible Competitiveness

- [I] **Strategy-aligned corporate responsibility** is a pre-requisite for Responsible Competitiveness.*
- [II] **Collaborative approaches to raising the bar** are an essential ingredient of Responsible Competitiveness.*
- [III] **Sector-based strategies** have to date been the preferred basis of Responsible Competitiveness strategies and practices.*
- [IV] **National and regional strategies** could gain momentum to build on multi-sector synergies in Responsible Competitiveness.*
- [V] **Investor responsiveness** is essential for widespread take-up of Responsible Competitiveness strategies and practices.*
- [VI] **Trade, investment and competition rules** need to be sensitised to encourage Responsible Competitiveness.*
- [VII] **Responsibility standards** need to be better aligned to competitiveness opportunities.*

Endnotes

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- 96 FDC and AccountAbility (2005) *Responsible Competitiveness Index 2005: Technical Paper* available for download at www.fdc.org.br and www.accountability.org.uk
- 97 The variable Gap in the implementation of the basic worker rights' is divided into four categories: (a) freedom of association and the effective recognition of the right to collective bargaining; (b) the elimination of all forms of forced or compulsory labour; (c) the effective abolition of child labour, and (d) the elimination of discrimination in employment and occupation, (BOHNING, 2003). The total gap of the basic worker rights', computed by the Work in Freedom of the International Labour Office - ILO, is composed by the adherence gap and implementation gap. Each one of these variables was tested in the model, but only the implementation has significantly contributed to the Internal dimension factor. In other words, regarding the basic worker right's gaps the main source of differentiation among the countries was the implementation. This could be explained if one believes that it is easier to countries adhere to a treaty or convention rather than its implementation.
- 98 A probability of significance $p^* = 0.000$ and $F = 56.47$ in test F of variance analysis, confirming the efficiency of the model. See separate working paper for details.
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- 101 And $F = 10421.94$ and probability of significance $p^* = 0.000$ on test F of variance analysis.
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Annex B: About the Organisations

AccountAbility

AccountAbility's mission is to promote accountability for sustainable development. Established in 1995 and now enjoying its 10th anniversary year, AccountAbility is a leading international non-profit institute that brings together members and partners from business, civil society and the public sector from more than 30 countries across the world. AccountAbility's work includes:

The development of innovative and effective accountability tools and standards concerning corporate governance, stakeholder engagement, and reporting and assurance, notably the AA1000 Series.

Undertaking cutting-edge strategic research that explores best practice for practitioners and policy-makers in organisational accountability, such as 'Partnership Accountability' and 'Responsible Competitiveness'.

Working to build accountability competencies across the professions through training and mentoring, but also joint ventures on thematic issues such as 'Keystone' for the non-profit sector and 'Great Place to Work' in the area of human resources.

Securing an enabling environment in markets and public policies, such as through the work on 'Mainstreaming Responsible Investment' and 'Responsible Lobbying'.

AccountAbility has embraced an innovative, multi-stakeholder governance model, enabling the direct participation of its members.

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Fundação Dom Cabral

Fundação Dom Cabral seeks to contribute towards the development of society by educating and developing executives, businesspeople and companies. From its very start, FDC has followed the premise of how important it is to work with the client and not only for the client, in a constant search to renew knowledge. By setting up teams that will work critically and strategically in assisting companies' sustainable development, FDC acts to influence and guide the process of developing educational solutions that meld theoretical and practical knowledge.

In its continuous efforts to generate and disseminate knowledge by means of management methodologies and concepts applied to organisations, FDC invests significantly in the development of research in areas of strategic interest to the business world. Thus, it maintains alliances with some of the best business schools in the world and partners them in programmes, while also establishing cooperation agreements with renowned domestic and foreign institutions to promote the exchange of experience and perform joint research.

True to its values, FDC practices the concepts of corporate responsibility in its management and in the programmes, research and studies it develops, seeking to share this knowledge with companies and their executives and thus contribute to turn them into agents for the sustainable development of society.

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