

# Toward a Model to Compare and Analyze Accountability Standards – The Case of the UN Global Compact

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## ABSTRACT

Although accountability standards (e.g., the Global Reporting Initiative and SA 8000) have made their way onto the agendas of managers and researchers, a model to compare and analyze these tools in a systematic way is a conspicuous omission. This article aims to develop such a model. First, we briefly introduce the nature of accountability standards and explore commonalities and differences between them. Second, we present a model to compare and analyze these initiatives. This model allows interested parties to discuss accountability standards based on an analysis of the content of their underlying norms, the implementation processes they suggest, and their context of application. Third, we apply the model to the United Nations Global Compact. We show how this initiative differs from other standards and also discuss its strengths and weaknesses according to the outlined model. Copyright © 2009 John Wiley & Sons, Ltd and ERP Environment.

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## Introduction

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FIRMS HAVE INCREASINGLY STARTED TO ACCOUNT FOR THEIR STAKEHOLDERS' INTERESTS BY REFERRING TO SO-CALLED accountability standards which represent voluntary predefined rules and procedures for organizational behavior with regard to social and/or environmental issues (ISEA, 2004; Rasche and Esser, 2006). Well-known examples of such standards are: SA 8000, the FLA Workplace Code, the Global Reporting Initiative (GRI), and the UN Global Compact, to name but a few. Although these standards differ in detail (e.g., the GRI is a *reporting* framework whereas SA 8000 is a *certification* standard), they help corporations to address the demands placed on them by stakeholders. Despite differences among these standards, they all work toward the common aim of holding firms accountable for their doings, judgments, and omissions. Thus, it seems appropriate to treat these standards as a joint category (McIntosh *et al.*, 2003; Paine *et al.*, 2005), at least for the sake of developing a framework for their analysis, which then, of course, has to be contextualized.

Even though scholars have started to describe the basic characteristics of these standards (Leipziger 2001, 2003; Göbbels and Jonker, 2003; McIntosh *et al.*, 2003), we conspicuously miss a model that both enables those groups

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who are interested in standards to *compare* their characteristics (e.g., managers, non-governmental organization (NGO) representatives, and researchers) and that gives these groups a yardstick for *analyzing* the strengths and weaknesses of a standard. Although scholars and practitioners express hope that these initiatives can help to foster corporate accountability (Nielsen, 2004; Kell, 2005), the lack of a model for their analysis makes it difficult to thoroughly discuss, contrast, and improve them in a systematic way. Leipziger (2003), for instance, notes:

*Information overload is nowhere more apparent than in the field of corporate responsibility. There are millions of pages and web pages written on codes and standards, but most of it is 'spin' put out by organizations punting to sell their code or standard. [...] My clients ask, 'What is the difference between Social Accountability 8000 and AccountAbility 1000? Which should I use?'*

We do not claim to have ready-made answers to these questions but given that managers must decide for or against a standard (often under considerable time and resource constraints) and thus need reliable and systematic information, we offer a model that provides a way to analyze and compare the available standards. Given the rapid proliferation of these initiatives (Leipziger, 2003), as well as the dissatisfaction of managers and scholars with the current state of their discussion (Göbbels and Jonker, 2003; Williams, 2004), the development of such a model is both necessary and timely.

Based on these insights, the research goal of this contribution is twofold. First, we intend to develop a model that can be used to compare and analyze different accountability standards. On the one hand, we believe that such a model has, above all, practical qualities by being able to resolve some of the confusion that corporate social responsibility (CSR) managers currently face when it comes to decisions regarding standard implementation. On the other hand, the model seeks to guide future research in this area as it is extended and becomes more robust and empirically substantiated. Second, we want to apply the developed model to the UN Global Compact. We wish to use the model to (1) compare the Compact with other standards and thus show what the Global Compact is (and most of all what it is *not*) and (2) to analyze the initiative to uncover its strengths and potential for future development. We chose the Global Compact as a test case, as it is one of the most widespread standards with currently around 5100 business and non-business participants (data as of April 2009).

The remainder of this article is structured as follows. In the first section, we start by discussing the concept of organizational accountability and thus pave the way to 'make sense of' accountability standards. In the second section, we introduce a model to compare and analyze accountability standards. The model considers three dimensions; i.e., the *content* of standards, the *processes* that are necessary for their implementation, and the *context* of their application. We discuss each of these dimensions in detail and show why they are critical when it comes to comparing and analyzing standards. In the third section, we discuss the UN Global Compact as a case in point. We compare this initiative to other standards and also discuss its advantages and drawbacks. The fourth section offers implications of our discussion and shows how future conceptual and empirical research can use the findings of this article.

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## Organizational Accountability and Accountability Standards

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### Organizational Accountability and Civil Regulation

Following Rasche and Esser (2006, p.252), 'organizational accountability refers to the readiness or preparedness of an organization to give an explanation and a justification to relevant stakeholders for its judgments, intentions, acts, and omissions' (see also Grant and Keohane, 2005, p.29) 'To be accountable' means to be subject to governance structures that can examine performance against predefined standards of behavior and eventually discipline the organization if it fails to meet expectations. Accountability, thus, is directly linked to an organization's ability to provide transparency of its operations (Blagescu and Lloyd, 2006). The rise of the concept of accountability is closely linked to corporations being increasingly perceived as political actors.

The emergence of multinational corporations (MNCs), in particular, suggests that market structures and corporate strategies 'govern' many aspects of life (Levy and Newell, 2006, p.147). There are various political arenas in

which MNCs are engaged – sometimes to the good and sometimes to the bad. For instance, corporations can be active in combating corruption (Ryan, 2000), fostering sustainable peace (Dunfee and Fort, 2003), and protecting human rights (Kinley and Tadaki, 2004). However, and to the same extent, corporations are also political because they can be corrupt (Aguilera and Abhijeet, 2008), disrespect human rights (Taylor, 2004), and be involved in armed conflict (Orts, 2002). The point is that corporations increasingly engage with civil society and state actors in political disputes over their behavior and performance in these arenas (Korten, 1995). If corporations are involved in social activities and have taken up many of the functions previously undertaken by governments, they need to be answerable for the demands placed on them, which is to say; they need to ‘account for’ their doings and omissions (Burris, 2001).

Whereas this tells us what accountability is and why it is needed, there is still the question of how it can be achieved. In line with previous research (Goodell, 1999; Göbbels and Jonker, 2003; Leipziger, 2003), we argue that the adoption of accountability standards can support organizational accountability. Standards may allow constituencies to demand answers from firms regarding their behavior and also allow them to judge whether an organization has fulfilled its responsibilities in light of the rules they propose. Standards *may* foster corporate accountability, as the extent of accountability promoted through a standard depends on (1) its underlying requirements (e.g., auditing and reporting); (2) its own accountability mechanisms; and (3) its implementation by adopters. When applied successfully, accountability standards reflect civil business regulation (Vogel, 2006). Such a form of regulation is not rooted in public authority, but instead employs private, non-state or market-based regulatory frameworks to govern MNCs and global supply networks (Zadek, 2001).

### The Rise of Accountability Standards

According to Brunsson and Jacobsson (2000), ‘standards constitute rules about what those who adopt them should do’. We do not claim that standards *are* norms, but that norms – i.e., established and approved ways of doing things – can inform the rules specified by standards. The term ‘accountability standard’ stands for predefined rules and procedures for organizational behavior with regard to social and/or environmental issues that are often not required by law (Smith, 2002, p.21). While codes of conduct are firm-specific and developed by firms themselves, standards are defined by third parties and often set up in a multistakeholder way. Standards aim at holding corporations accountable for their actions and omissions and thus try to create transparency (McIntosh *et al.*, 2003). In order to avoid over-simplifying these standards, we differentiate existing initiatives according to the *mechanisms* they use to hold firms accountable (i.e., policy, accounting, auditing, and reporting) and the *focus* of their rules (i.e., social, environmental, and economic). Figure 1 contrasts mechanisms and foci of exemplary standards that are used for discussion throughout this article. These initiatives were chosen as they belong to the most widely

Mechanism	Focus			
	Policy	Accounting	Auditing	Reporting
Social Issues	Global Compact	SA 8000		GRI
		FLA Workplace Code		
		ETI Code of Labour Practice		
Environmental Issues	OECD Guidelines for MNEs	EMAS		
		ISO 14001		
Economic Issues		Sarbanes-Oxley Act		

Figure 1. An Overview of Accountability Standards

used ones according to Leipziger (2003) and McIntosh *et al.*'s (2003) overviews of the field of accountability standards (for similar results see ISEA, 2004).

Standards can be distinguished according to the *focus* of their underlying rules. Using Elkington's (2002) idea of managing along the 'triple-bottom-line', we can differentiate standards that focus either on social, environmental or economic performance, or a combination of these dimensions. Standards can also be distinguished according to the *mechanisms* they support. These mechanisms represent the 'accounting-auditing-reporting' framework of corporate accountability, as laid out by the *Institute of Social and Ethical Accountability* (ISEA, 1999), which is supplemented by yet another mechanism called 'policy'. Standards representing policy tools (e.g., the OECD Guidelines for MNEs or the UN Global Compact) promote broadly defined principles that are used as a starting point for dialogue and learning (Kell and Levin, 2003; Kell, 2005). By contrast, accounting and auditing standards such as SA 8000 or the FLA Workplace Code are more narrowly defined and rely on the measurement (i.e., 'accounting') of predefined information. The validity of this information is often sought through independent verification ('auditing'). Last but not least, some standards, such as the GRI, provide a framework to disclose social, environmental, and/or economic information to affected stakeholders (GRI, 2002, 2006).

Comparing accountability standards based on this taxonomy provides a 'rough' assessment and enables decision-makers to gain an overview of available alternatives. The presented taxonomy shows characteristics of the standards and allows differences and commonalities among existing initiatives to be explored. The taxonomy also shows where there is overlap (e.g., Sarbanes-Oxley and GRI) and compatibility (e.g., SA 8000 and GRI). In addition, it illustrates which standards are in competition (e.g., SA 8000 and the FLA Workplace Code), and which ones are not (e.g., Global Compact and GRI).

Although the presented taxonomy allows for a general overview, it does not provide sufficient information. Managers have to *justify* their commitment to a particular standard and need to base their justification on more than a standard's focus and underlying mechanism. One may ask, for instance, what makes it worthwhile to join the Global Compact and how (*other* than through its focus and underlying mechanisms) does the Compact differ from competing standards? Managers even need to justify their decision for or against a standard when no competing initiatives are 'on the market' because organizational stakeholders want to know whether committing to 'this' standard makes sense. Bearing in mind that some standards have faced a lot of criticism (Nolan, 2005; Deva, 2006), a well-explained decision is advisable to avoid negative 'spill-over' effects. In other words, we need a more sophisticated model for comparing and analyzing standards, not only to support the choice among competing alternatives but also to ensure that a commitment to a certain initiative makes sense at all.

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## A Model to Compare and Analyze Accountability Standards: Content, Process, and Context

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Starting with a general reflection on the philosophy of science, there are two basic approaches for the scientific development of the model we are looking for (Saunders and Thompson, 1980). The first is to classify existing studies in one or other dimension, thus yielding some frequency validity for a set of dimensions. The second is to propose, *a priori*, a model that can then be used, once it is applied and refined, to guide empirical research (Freeman and Lorange, 1985). As empirical studies that analyze accountability standards are still quite rare, we opt for the second alternative.

Considering this, we can start from the insight that standards in general can be discussed with regard to the *content* of their rules, the *processes* that are necessary to implement these rules, and the geographic and industry *context* within which these rules can be applied. While content relates to the 'what' of accountability standards and process emphasizes the 'how' of their implementation, context relates to the question of 'wherein' (i.e., in which context is the standard relevant). Consider the example of SA 8000: eight core issues (e.g., health and safety) represent the content of the rules underlying this standard. In addition, SA 8000 also requires that adopters ensure a variety of processes are set up (e.g., regarding employee training and stakeholder consultation) in order to ascertain that the content of the standard is implemented appropriately. In terms of the context of application, SA 8000 represents a globally valid initiative that has no particular industry focus (in contrast to the FLA which focuses on the apparel industry).

	Content	Process	Context
Guiding Question	What content-related rules does the standard propose?	What implementation processes does the standard propose?	In which context can the standard be applied?
Exemplary Issues to Compare and Analyze Standards	<p><i>Specificity of Norms</i></p> <p>Are the rules proposed by the standard specific enough to foster implementation?</p>	<p><i>Implementability</i></p> <p>Are the required implementation processes specifically laid out?</p>	<p><i>Geographic Scope</i></p> <p>In which countries/regions is the standard primarily used?</p>
	<p><i>Legitimacy of Norms</i></p> <p>Was the standard developed in a multi-stakeholder way?</p>	<p><i>Accountability</i></p> <p>Does the standard require the creation of accountability processes?</p>	<p><i>Industry Focus</i></p> <p>In which industry (or industries) can the standard be used?</p>

**Figure 2.** A Model to Compare and Analyze Accountability Standards

The tripartite framework of content-process-context needs to be understood as a supplement, not a substitute, to the dimensions that were discussed in the preceding section (i.e., focus of a standard and supported mechanisms) as it raises issues which allow for a more comprehensive analysis. We now turn to a detailed discussion of standard content, the processes underlying standards, and their context of application in order to give an explanation as to *why* it makes sense to analyze accountability standards based on these three dimensions. By doing so, we identify exemplary issues which can be discussed within each dimension (Figure 2). It is important to recognize at this point that we claim neither that content-process-context are the only dimensions for analyzing and comparing accountability standards, nor that the discussed issues within each dimension reflect a comprehensive list.

### Analyzing Standards' Content – Legitimacy and Specificity of Rules

The content of standards should be included in the discussion for at least two reasons. First, standards' rules not only differ in terms of the addressed issue areas (i.e., social, environmental, economic), but also in terms of their *specificity*. The Global Compact, for instance, defines rather abstract rules, whereas SA 8000 reflects more narrowly specified ones. For managers, the specificity of standard content is important as there is a trade-off between specificity and implementation. According to Leipziger (2003, p.46), standards that are very specific are easy to implement but often not flexible enough to account for the particular circumstances of a corporation (e.g., with regard to the economic situation). Second, standards' rules need to be perceived as *legitimate* by the stakeholders of the adopting firm. Gilbert and Rasche (2007), for instance, argue that the legitimacy of rules is an important issue that distinguishes standards from each other. In the following, we discuss the specificity and legitimacy of standards' rules in more depth to form the foundations upon which standard content can be compared.

#### The Specificity of Standards' Rules

To have specific rules means that a standard needs to be clear and concise when it comes to defining what is expected from adopters. Leipziger (2003, p.46) notes in this context:

*Clarity is one of the key variables, as the people tasked with implementing [the standard] in a factory itself may not have a formal education. Clarity is essential for successful implementation [...], as people will often see what they want to see in it.*

SA 8000, for instance, provides very clear definitions of key terms that are used within the rules of the standard. A 'child', for example, is 'any person less than 15 years of age, unless local minimum age stipulates a higher age for work or mandatory schooling, in which the higher age would apply' (SAI, 2001, p.4) Specific definitions of key terms and requirements by the standard reduce the 'interpretative flexibility' and thus enhance its trustworthiness in the eyes of stakeholder groups who increasingly claim that compliance with standards is often based on 'lip service' but not honest bottom-line actions (Bruno and Karliner, 2000).

A high specificity of rules not only increases the trustworthiness of a standard, but also allows for verification. Independent verification and monitoring by third-party institutions ('auditing bodies') requires concise definitions so that certifiers can decide whether and to what extent a firm actually complies with the standard. DeRuisseau's (2002, p.229) first-hand experiences of social auditing show that the more clearly a standard is defined, the less likely certification bodies start competing for clients through 'softening' the requirements of a standard. Exceptions to the standard based on 'extenuating business circumstances' (which can cover almost anything) become less likely if auditing bodies can refer to clear and concise definitions. This is not to say that meaningful local modifications should be completely out of reach, but that the specificity of rules fosters third-party standard verification. According to Tulder and Kolk (2001), this is still more the exception than the rule with regard to most initiatives.

### The Legitimacy of Standards' Rules

There are growing concerns that the political role of corporations leads to a decrease of firms' perceived legitimacy (Zürn, 2004; Palazzo and Scherer, 2006). Hence, the legitimacy of the rules defined by a standard seem particularly important, not only for ethical reasons, but also to ensure that the legitimacy of standard adopters is not questioned but instead strengthened. But how do we judge whether standards' rules are legitimate? To address this question, we have to recognize that the legitimacy of a standard's rules is influenced by the legitimacy of the organization promoting the standard (Kostova and Zaheer, 1999). Thus, we have to ask how the standard setting organization *itself* gained organizational legitimacy.

Suchman (1995) proposes three forms of organizational legitimacy: pragmatic, cognitive, and moral. While pragmatic legitimacy is based on a strategic approach in which the organization seeking legitimacy tries to persuade key stakeholders, cognitive legitimacy emerges out of the institutionalized expectations of the societal context an organization operates in. According to Suchman (1995), pragmatic legitimacy is too weak due to its ephemeral impact. In addition, Palazzo and Scherer (2006) suggest that whenever we consider that organizations striving for *global* legitimacy can no longer draw on a single set of (nationally) institutionalized expectations, cognitive legitimacy is eroding due to the heterogeneity of norms and values in the international environment. This is particularly relevant for standard setting organizations attempting to define *globally* valid rules.

We suggest considering *moral legitimacy* as the appropriate benchmark to judge the legitimacy of standards' rules. Moral legitimacy is based on mutual communication between those parties that are affected by the rules of a standard or have the ability to affect these. Owing to its communicative nature, moral legitimacy is able to absorb the heterogeneity of values and traditions that standard setters require when defining globally valid rules (Scherer *et al.*, 2006). In the end, this argumentation comes down to the need for multi-stakeholder dialogues in order to develop, maintain, and advance legitimate rules for a standard.

Although most standards are based on multi-stakeholder dialogues (e.g., Global Compact and GRI), there is disagreement among scholars about whether these processes are inclusive enough. For instance, whereas Rohitratana (2002, p.60) argues that the development of SA 8000 was a very inclusive process not dominated by any specific party, Gilbert and Rasche (2007, p.202) show that the norm development process did not include all key stakeholders, and that the Advisory Board of the standard is dominated by representatives from a small number of (Western) countries. Similarly, Fung (2003, p.64) expresses much concern that accountability standards will, in practice, turn out to be standards that wealthy nations impose on poor ones. It is not the goal of this article to

make any particular claims for or against the legitimacy of a certain standard, but to highlight that the legitimacy of rules – judged on the basis of moral legitimacy and the belonging communicative action – is an important point when comparing and analyzing standard content.

### Analyzing Standards' Processes – Implementability and Accountability

An inclusion of standards' processes into our discussion is necessary for at least two reasons. First, standards' rules can only unfold their potential if the implementation processes (e.g., employee training) that are required by a standard are *implementable*. Adopters are increasingly accused of only paying lip service to standard content (Nolan, 2005; Deva, 2006). This is often because they do not want to seriously implement a standard but can also be because they fail to realize that implementation is a management task deserving attention and resources. Second, many processes that standards ask for (e.g., stakeholder consultation or reporting mechanisms) have a direct effect on the *accountability* that is created by the standard.

#### The Implementability of Standards' Processes

Implementability refers to the requirement that the processes which are proposed by a standard have to be written 'with implementation in mind'. Implementability refers to the fact that the processes are (1) easy to understand by adopters; (2) specifically laid out; and (3) fit with the resources that firms are able to allocate. Whereas few standards struggle with defining processes that are easy to understand, their specificity is often subject to critique. Gilbert and Rasche (2007), for instance, argue that SA 8000 remains rather hazy in specifying how implementing firms should 'investigate, address, and respond to the concerns of employees and other interested parties' (SAI, 2001: 8) while implementing the standard. Given that most firms are not experts in stakeholder management (Belal, 2002) – especially in developing countries where a good number of implementers of SA 8000 are situated (SAI, 2007) – missing specificity with regard to stakeholder engagement processes can lead to operational problems as it remains unclear *who* to include in the first place and *how* to 'talk' to these parties.

Some standards also struggle with offering implementable processes because they have an ideal (mostly large multinational) corporation in mind, while small and medium-sized enterprises are not much considered. Leipziger (2003, p.157) notes, for example, that 'all [...] standards are biased in favor of companies that have established management systems and that are certified to other management standards, such as ISO 14001.' What seems to get neglected is that large corporations often just *demand* implementation from business partners (e.g., suppliers), but do not need to implement the standard themselves since they do not own production facilities. The FLA Workplace Code, for example, is currently promoted by 21 well-known MNCs, whereas small suppliers carry out the actual implementation of the standard. The implementability of the proposed management processes has to take the limited resources of small and medium-sized firms into account. One practical way of doing this is to integrate 'cost-sharing programs' between MNCs and small business partners as a requirement into auditing standards (Hirschland and Kantor, 2006).

#### The Accountability Promoted by Standards' Processes

Standards can also be compared and analyzed based on the extent of the accountability that they allow an organization to create. Thus, the question is: does the standard require the implementation of processes that permit stakeholders to hold an organization accountable for its judgments, acts, and omissions? Following Blagescu and Lloyd (2006), we distinguish between four processes that standards can potentially demand from adopters. (1) *Complaint processes* that allow reporting issues of non-compliance to a firm. (2) *Evaluation processes* through which an organization monitors and reviews its performance against standard rules. (3) *Transparency-enhancing processes* which allow an organization to address the basic information needs of its stakeholders in a timely manner. (4) *Participation processes* supporting the involvement of stakeholders in the decisions and activities that concern them.

The question is whether and to what extent standards support the implementation of these processes in an organization. There is evidence that most standards support at least a selection of these four procedures. SA 8000, for instance, allows interested parties to communicate complaints on issues of non-compliance; however, it does not include reporting procedures to foster transparency and evaluation by third parties. The GRI strongly supports the creation of transparency and also allows stakeholders to evaluate organizations based on independent indicators; however, it does not offer a complaints mechanism. As the perceived legitimacy of organizations rests on their ability to manage accountability in a proactive way, the importance of these four processes cannot be underestimated. The key idea underlying these accountability processes is to enable and support a certain degree of organizational responsiveness to maintain transparency and encourage mutual learning. As Leipziger (2003, p.47) writes:

*Complaints may constitute important feedback for the system [i.e., a firm] and can signal a need to address issues differently.*

### Analyzing Standards' Context of Application – Geographic Scope and Industry Focus

Inclusion of the context within which standards can be applied to our analysis is vital for at least two reasons. First, the *geographic scope* of standards differs fundamentally. Although many standards reflect globally valid initiatives, their use is often restricted to a specific region and/or country. Second, some standards are increasingly used within one particular *industry* (even though its underlying rules would also allow for a broader use). In the following, we discuss the geographic scope of standards and their industry focus in more depth to offer a ground upon which standards' context of application can be analyzed.

#### The Geographic Scope of Standards

Although most accountability standards claim to be globally valid initiatives, their application is often restricted to particular regions and/or countries. There are different reasons for this. First, a limited geographic scope can occur due to the content of the rules that standards define. SA 8000, for instance, puts an exclusive focus on workplace conditions and is thus particularly, yet not exclusively, used in countries where this is a well-acknowledged problem (e.g., India, China, Pakistan; see SAI, 2007). Second, limited geographic scope can also be the outcome of the context of development and intended reach of a standard. The Eco-Management and Audit Scheme (EMAS), for example, was developed by the European Parliament and the Council of the European Union and is thus exclusively used within the European Union (particularly, Germany, Spain, and Italy; see EMAS, 2008). Similarly, the FLA Workplace Code was developed based on an initiative by former US President Clinton and the US Apparel Industry in 1996 and is consequently primarily used by US-based companies (e.g., Nike, Liz Claiborne). Third, there are also path-dependency effects. Often, the early adopters of a standard determine geographic scope. SA 8000, for instance, was from its inception heavily used in Italy because child labor and wages are known problems there (Leipziger, 2001, p.117). Supported by legislation stating that SA 8000 certification satisfies Italian government requirements to combat child labor, the initiative is still heavily used in Italy.

Looking at the geographic scope of standards is worthwhile for managers as it allows learning about whether a standard is relevant to their particular business environment and acknowledged by stakeholders (e.g., customers). However, the definition of what counts as the 'relevant' business environment becomes difficult when considering the role of global supply networks. Especially when referring to auditable standards, there usually is a difference between the geographic location of participating companies (e.g., retailers) and the location of certified production facilities. For instance, whereas US companies primarily use the FLA standard, most supplier factories are located in East and Southeast Asia (FLA, 2007, p.10). Hence, when judging the scope of a standard we need to distinguish between the geographic origin of participating companies and their supplier factories.

#### The Industry Focus of Standards

The context of application of a standard is also determined by its industry focus. Different industries face different kind of constraints, problems, and pressures from stakeholders. In general, we can distinguish between industry



specific and multi-industry standards. Industry-specific standards are focused on certain sectors (e.g., the Clean Clothes Campaign [CCC] focuses on the garment industry) and usually do not include participants from other sectors. Here, the advantage is that standard content is easier to specify and often adjusted to the needs and constraints of one industry. In accordance with the discussion of geographic scope (where some standards are positioned as global, although used in a quite restricted geographic context), some multi-industry standards – although in principle open to participants from all industries – are used primarily within certain sectors. SA 8000, for instance, is designed as a multi-industry standard (Leipziger, 2001, p.19); however, it primarily attracts participants from the apparel and textile industry because of its focus on workplace conditions.

As different industries face different problems and stakeholder demands, standards that are focused in terms of their content are often not attractive to sectors where their predefined rules only play a minor role. EMAS, for instance, although being a multi-industry initiative, is primarily used by companies from the chemical and machine construction sector. This is because the environmental focus of the standard reflects the stakeholder demands placed upon corporations from these industries (EMAS, 2008). To sum up, the industry focus of a standard is important since challenges and pressures faced by corporations are often sector-specific. Managers who acknowledge this and chose a standard along industry lines may thus be able to profit from (1) the experience that the standard has built up with regard to ‘their’ sector; and (2) the multi-stakeholder dialogue around the initiative which, then, particularly addresses problems within ‘their’ industry.

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## Analyzing the UN Global Compact

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The Global Compact reflects a Global Public Policy Network (Held and Koenig-Archibugi, 2005) bringing together UN agencies, corporations, NGOs, and labor representatives from all over the world. The set up of the initiative in 2000 reflects a fundamental shift in the attitude of the United Nations toward the private sector; a shift that emphasizes cooperation more than confrontation (Bair, 2004). The Compact offers a platform for businesses to advance ten principles in the areas of human rights, labor, the environment, and anti-corruption (Williams, 2004; Kell, 2005). The core task is to mainstream these principles in global business activities. Unlike other standards, the Global Compact does *not* enforce or even measure the behavior of participating corporations. Consequently, the initiative reflects a ‘policy tool’ (Figure 1) bringing together a variety of actors to discuss, learn about, and advance its underlying principles (Ruggie, 2001, 2002; Kell and Levin, 2003; Kell, 2005). Corporations have to report annually on their progress regarding implementation of the ten principles, the goal being that these reports create accountability by allowing stakeholders to judge the performance of an organization participating in the Compact.

### The Global Compact – Analyzing Content, Process, and Context

#### Analysis of the Global Compact’s Content

The Global Compact has defined ten universal principles (i.e., rules) in the areas of human rights, labor standards, the environment, and anti-corruption. Corporations are asked to act on these principles in their own corporate domains moving toward ‘good practices’ (Ruggie, 2002, p.31). Concerning the *legitimacy* of the Compact’s rules, the initiative profits from a normative fundament that has been justified in a communicative manner (moral legitimacy) involving a variety of actors. The ten principles are taken from commitments made by state and non-state actors at the UN: the *Universal Declaration of Human Rights*, the *Rio Declaration on Environment and Development*, the *International Labor Organization’s Fundamental Principles*, and the *UN Convention against Corruption*. Hence, the Global Compact is based on a sound normative fundament that reflects (or should reflect) the opinions of the UN’s 192 member states and thus is very inclusive in terms of committed countries. Although the legitimacy of the UN is continually questioned, due to the enormous size of the organization and the resulting lack of transparency (Thérien and Pouliot, 2006), the Compact’s principles have been justified in a communicative manner.

The communicative nature of rule legitimization is further enhanced by the Compact’s governance structure which allows all participants to comment on any of the ten principles during various occasions (e.g., at the

triennial *Global Compact Leader Summit*). For instance, after lengthy discussion and consultation, the tenth principle (i.e., anti-corruption) was added in June 2004 (Williams, 2004, p.755). Thus, the Global Compact follows a rather inclusive, as well as communicative, approach and also profits from the perceived high legitimacy of the conventions/declarations issued by the UN. Brinkmann-Braun and Pies (2007, p.6) encapsulate this by arguing that among the key assets of the initiative are its credibility and perceived legitimacy.

The discussion of the *specificity* of the Compact's principles uncovers an interesting point. Even a quick look at the ten principles shows their non-specific character. The eighth principle, for instance, demands adopters to 'undertake initiatives to promote greater environmental responsibility' (Global Compact, 2007, p.6) It is thus less surprising that the standard is often criticized for being too vague. Deva (2006, p.129) notes that 'the language of these principles is so general that insincere corporations can easily circumvent or comply with them without doing anything' (see also Bigge, 2004, p.11; Nolan, 2005, p.460). This critique, however, needs to be put into perspective as the Compact is a policy not an auditing standard. As Kell (2005, p.73) notes, the Global Compact is not designed as an enforcement tool for global rules, but reflects a learning network that fosters their implementation and dissemination. The ten principles are *not* auditable compliance criteria, but represent a 'yardstick' for the exchange of ideas, learning, and discussion among participants. Although the specificity of rules is an important issue when analyzing verification-based standards (e.g., SA 8000, the FLA, and the CCC), the nature and mission of the Global Compact is a different one. Thus, the unspecific nature of the principles should not be understood as a weakness of the initiative, but rather reflect a necessity to fulfill the task of the Compact (i.e., the exchange and development of ideas between actors).

### Analysis of the Global Compact's Processes

Regarding implementation processes, the Compact has developed a 'performance model' (Fussler *et al.*, 2004) covering issues such as developing the necessary resources for implementation, establishing policies and strategies, empowering the right people, and setting up and changing organizational processes which support the ten principles.

With regard to the *implementability* of the outlined processes, the Global Compact is fairly clear and describes its processes and how they are intended to function. Drawing on the experience of a variety of other standards (e.g., SA 8000's management processes and the ISO 14001 management system), the Compact asks participants to set up clear performance targets for exemplary processes (e.g., waste management). Although it is acknowledged that there is no one-size-fits-all approach, small and medium-sized firms often do not have the expertise and resources to redesign their production and management processes. As a consequence, many small firms become 'non-reporters' (i.e., firms that have signed up but do not actively participate and report on progress). According to the Compact's Annual Review, 31% of all participants are currently either inactive or non-communicating (data as of August 2007; Global Compact, 2007), many of these being small and medium-sized corporations. This highlights the need to work out differentiated implementation requirements according to firm size.

The second issue in the process dimension, the extent of *accountability* that is demanded by a standard, allows us to discuss two issues. First, the Global Compact encourages all interested parties to report credible allegations of systematic or egregious abuse of its ten principles through a complaint mechanism. If complaints are to be found credible, the Global Compact Office in New York provides guidance in taking actions to remedy the situation. It is expected that participants set up internal management processes to deal with complaints. If the participant does not respond to the complaint within three months, the company is labeled 'non-communicating' and eventually delisted. Second, the Compact supports accountability by demanding an annual *Communication on Progress* (COP) report from all participants. These publicly available reports are intended to provide stakeholders with accessible and timely information regarding the actions of a participant toward the ten principles. Although there are still no definite guidelines regarding the required report content, the COP policy helps to ensure transparency and allows for an evaluation of a firm's actions by stakeholders. If a company fails to submit a report within a year it is labeled 'non-communicating', while after a second year of non-reporting the firm is labeled 'inactive' and completely delisted after yet another year of non-communication. This policy has already led to 401 participants being labeled 'non-communicating', whereas 510 are currently 'inactive' and 394 have been permanently delisted (data as of February 2008).

### Analysis of the Global Compact's Context of Application

In terms of *geographic scope*, the Compact is an initiative with global reach and has so far attracted participants from over 115 countries. There are two issues that deserve special attention in this context. First, the Compact has a strong foothold in developing and emerging countries; over half of the business and non-business participants are from developing or emerging economies (Global Compact, 2007, p.9). For the Compact, this balance between developing and developed countries is very important as it increases the possibility to really address *global* governance issues which are beyond the sphere of influence of single nation states (e.g., climate change or labor standards in global supply networks). Second, although some areas of the world have not yet attracted many participants (e.g., the Middle East), it is especially surprising that North American companies represent only a small percentage of the Compact's business participants (i.e., around 200; Global Compact, 2007). This under-representation is particularly striking when one considers the dominance of North American companies in the Fortune Global 500 index of the world's largest corporations. One major factor is that North America (and especially the USA) is a more litigious society than Europe or Latin America. Companies are wary of lawsuits that are filed by adversaries accusing US participants of not complying with the principles (Williams, 2004, p.758; Hemphill, 2005, p.312). The reluctance of US businesses to join the Compact also rests on the ongoing fear of public criticism. Thus, firms fear that once they join they will be accused of 'bluwashing' their operations, regardless of how well they implement the principles. In a time of increased transparency and media attention such assertions can be very harmful to a corporation's public image (Bair, 2004, p.16).

Concerning the *industry focus* of the initiative, the Compact does not reflect a sector-specific standard, but is open for participants from different industries. On the one hand, this is a strength, as it allows inter-industry exchange of knowledge through the engagement mechanisms and certainly also reflects one of the reasons why the ten principles cannot be more specific. On the other hand, 'being open to everybody' is also risky as theoretically (at least in principle) corporations from ethically questionable sectors (e.g., the tobacco or defense industry) could also join. Currently, this does not seem to be a problem as only three out of the 5100 participants are in some way associated with the tobacco industry, with no participants being related to the defense sector. However, since the protection of the initiative's integrity is a central concern (Global Compact, 2007, p.51) and also since other parts of the UN system actively oppose firms in ethically questionable sectors (e.g., WHO and the tobacco industry), the Compact could strengthen its perceived integrity by restricting participation from certain sectors.

### Implications of the Discussion – Clarifications and Challenges

Our discussion of the Global Compact reveals some important clarifications and recommendations. First, we think that it is necessary to be more careful when it comes to criticizing the Compact for not offering a binding code of conduct with explicit performance criteria that can be monitored. Our analysis shows that the Compact does not aim to be a tool to sanction its participants but instead represents a learning network intended to help corporations understand how the ten principles can be included in their business activities. Even if the Compact changed its nature toward being an auditing tool, it would face a variety of problems as such a modification requires the approval of the UN General Assembly which is unlikely to support such a transformation (Ruggie, 2002, p.32). In addition, the UN has neither the logistical nor the financial means to ensure auditing of entire supply chains, let alone small and medium-sized enterprises. We should take the Compact for what it is (i.e., a policy standard promoting learning and dialogue) and not criticize it for what it is *not* (i.e., an auditing standard). This, however, does not imply that the initiative promotes no accountability as it does offer an independent mechanism for filing complaints and also requires the submission of an annual report outlining how a company works towards its ten principles. These reports are publicly accessible and are intended to enhance transparency of the operations of participants.

Second, our discussion of the multi-industry focus of the initiative revealed the challenge of upholding the integrity of the initiative itself. Although the Compact has made a lot of progress in this context by demanding an annual COP report from all participants, there still is the question of standardizing these reports. So far, there are no official guidelines regarding what information must be included in a COP report, except for the *recommendation* to use the GRI guidelines. Developing an accessible benchmarking system for these reports would not only provide

incentives for participants to submit improved reports as well as a 'walking stick' to do so, but would also increase the comparability of report content and thus foster learning and dialogue among participants. In addition, organizations' accountability would be strengthened if the Compact demanded active engagement of internal and external stakeholders in the production of the report.

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## Conclusions

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This article aimed to outline the first tenets of a general model to compare and analyze accountability standards. We believe that the model contributes to and extends the current discussion of accountability standards in two main ways: by (1) introducing a common terminology (i.e., content, process, context issues) that enables mutual understanding among practitioners and scholars about the nature of standards; (2) by uncovering unanswered questions with regard to all three dimensions of analysis (e.g., How specific do rules need to be?); and (3) by challenging unquestioned answers with regard to all three dimensions (e.g., The common assumption that rules are almost by definition legitimized obscures that many standards were developed in the Western world and thus are not necessarily interculturally accepted (Fung, 2003, p.64)).

The model brings about a variety of implications for theory and practice of which we discuss two. First, the distinction between a standard's content and its underlying processes reveals that, although some standards have similar rules (Paine *et al.*, 2005), the challenge for the future is to make these rules more effective by developing well-designed implementation processes. Recent standards, such as the much-awaited ISO 26000 series that will be launched in 2010, seem to have recognized this and put more emphasis on providing implementable procedures (Frost, 2005; Sandberg, 2006). Second, especially the discussion of standards' implementation processes shows that most initiatives are designed with large multinational corporations with significant resources in mind. Recent studies, however, point to the idiosyncratic nature of CSR practices in small and medium-sized enterprises (Murillo and Lozano, 2006). The further proliferation of standards will very much depend on whether standard setters are able to consider the specific needs of these corporations.

Although our model and its exemplary application to the Global Compact reveals important insights, further research is needed in order to extend the presented *exemplary* issues. Opportunities for further conceptual and empirical research hence open up. In particular, future research needs to empirically test the relevance of the three presented dimensions and the issues discussed within these dimensions. A mix of qualitative (i.e., single case-based) and quantitative (i.e., survey-based) methods seems most promising to tackle this question. Well-designed surveys that address a variety of stakeholder groups can uncover, for instance, the perceived importance of issues such as norm legitimacy, whereas evidence from single case studies can supplement these insights by showing how and whether the norm development process that underlies a standard is legitimate (for first empirical insights see Tamm-Hallström, 2000, 2006). Furthermore, the existing literature on accountability standards (Leipziger, 2001, 2003; McIntosh *et al.*, 2003) is still too descriptive, impeding meaningful critical discussion. The application of the outlined model to other standards (e.g., GRI or the FLA Workplace Code) could give rise to a more critical stream of literature and thus actively addresses this lack of critique.

After all, we believe that a profound evaluation of accountability standards appears both necessary and timely. Given the enthusiasm of advocates of such standards (Goodell, 1999; Leipziger, 2001, 2003) and the increased skepticism of civil society groups who often view firms' engagement as a 'free PR ride' (Thérien and Pouliot, 2006, p.68), researchers should seize the moment to contribute in a meaningful and practical way to these promising initiatives.

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