



## Table of Contents

Table of Figures .....	3
Summary.....	4
Acknowledgements .....	5
List of Acronyms.....	6
Chapter One: Introduction .....	7
1.1 New Approaches to Old Problems.....	7
1.2 Problem Statement.....	8
1.3 Research Aims and Research Question.....	10
1.3.1 Viability.....	11
1.4 Research Structure.....	12
1.5 Theoretical and Societal Relevance .....	12
Chapter Two: Background.....	15
2.1 Voluntary Initiatives .....	15
2.2 UNGC Background.....	17
2.2.1 Ten Principles of the United Nations Global Compact.....	18
2.2.2 Local networks.....	19
2.2.3 Previous attempts at UN-MNC dialogues .....	19
2.2.4 UNGC Governance .....	19
2.2.5 Participants .....	21
2.3 External observations of the Compact .....	22
2.4 Corporate Global Governance.....	23
Chapter Three: Theoretical Framework.....	26
3.1 Theory Selection.....	26
3.2 Hypotheses .....	27
3.2.1 Social Constructivism .....	27
3.2.2 Club theory .....	28
3.2.3 Functionalist Theory .....	29
3.2.4 Historical Approach .....	30
3.3 Variables .....	31
Chapter Four: Research Design.....	33
4.1 Exploring options.....	33
4.2 Research Design Selection .....	35
4.3 Data Analysis Methods .....	35
4.4 Method Selection.....	36
Chapter Five: Selection and Analysis.....	38
5. 1 Document selection.....	38

5.2 Data analysis method .....	41
5.3 Word catalogue.....	42
Chapter Six: Discussion of Findings .....	44
6.1 Word Count Results.....	44
6.2 Digging deeper .....	47
6.2.1 Hypothesis 1 .....	47
6.2.2 Hypothesis 2 .....	50
6.2.3 Hypothesis 3 .....	52
6.2.4 Hypothesis 4 .....	54
6.3 Analysis Results .....	56
Chapter Seven: Conclusions .....	58
7.1 Conclusion.....	58
7.1.1 Applicability to other voluntary initiatives .....	59
7.2 Research Constraints.....	60
7.3 Recommendations for further research .....	61
Bibliography .....	63
Appendix .....	70
Table 1 .....	70

## Table of Figures

Figure 1 Viability of UNGC .....	11
Figure 2 Ten Principles Adapted from UN Global Compact website .....	18
Figure 3 UNGC Governance structure retrieved from unglobalcompact.org .....	20
Figure 4 Foundation for UNGC spending retrieved from Foundation website.....	20
Figure 5 Corporate Global Governance.....	24
Figure 6 Instruments of Corporate Global Governance.....	25
Figure 7 Theory-derived hypotheses .....	31
Figure 8 Dependent & Independent Variables .....	32
Figure 9 Fortune Global 500 Companies participant in UNGC.....	40
Figure 10 Methodology .....	42
Figure 11 Participant Documents .....	44
Figure 12 UNGC Documents.....	45
Figure 13 Final Word Count .....	46
Figure 14 Results of Empirical Data Analysis .....	56

## Summary

Voluntary initiatives constitute an intriguing approach to corporate global governance, with their use being increasingly employed at national and transnational level in an attempt to address governance deficits and market failures. This thesis focuses on one such voluntary initiative, the United Nations Global Compact, developed by the UN under the leadership of Kofi Annan. The Global Compact's objective is to encourage businesses and other non-state actors to align their corporate governance strategies with the goals of the UN and to operate in a socially responsible and sustainable manner. It encourages entities, particularly those from the private sector, to commit to the so-called Ten Principles built around the areas of Human Rights, Labour, Environment and Anti-Corruption. It has been described as the world's largest network for Corporate Social Responsibility and represents a significant development in UN-private enterprise relations. The thesis aims to discover how the UNGC can be understood as a viable tool of corporate global governance.

Through the use of four theories: social constructivism, club theory, functionalism and historical approach, this research paper looks at ways in which the viability of this intriguing initiative can be explained and understood. By better understanding this non-conventional tool of corporate global governance, it may be possible to analyse the potential use and development of similar projects.

## Acknowledgements

First and foremost, I would like to extend my sincere thanks to Dr. KH Stapelbroek for his invaluable support and advice throughout this thesis process, as well as to other members of the thesis circle, Alejandra Valdés, Katie Senneville and Xiao Cheng. Secondly, I would like to express my deep gratitude to Dr. Michal Onderco for his comments and feedback on my thesis, which I truly appreciate and believe have greatly contributed to the quality of this research project. I would also like to thank the extended IMP class and faculty members, who have contributed to the many wonderful learning experiences this year has offered. Finally, I would like to thank my family and friends at home, and in particular my parents Ann and Liam- without their endless love and support, none of this would be possible.

## List of Acronyms

**COP:** Communication on Progress

**CSR:** Corporate Social Responsibility

**ESG:** Environmental, Social and Corporate Governance

**LOC:** Letter of Commitment

**MDG:** Millennium Development Goal

**MNC:** Multinational Corporation

**NGO:** Non-governmental organisation

**SDG:** Sustainable Development Goal

**TNC:** Transnational Corporation

**UN:** United Nations

**UNGC:** United Nations Global Compact

## Chapter One: Introduction

Voluntary initiatives<sup>1</sup> are one of the most recent developments in the arena of corporate global governance. They exist in many forms across diverse issue areas and involve numerous stakeholders. Voluntary initiatives are a novel way to address market failures and global governance deficits which can be perpetrated by and affect numerous actors across public and private sectors (Hale & Held, 2011). However, this phenomenon has received relatively little research, with no definite theoretical understanding of how such initiatives and programmes can become and remain a viable tool of corporate global governance. This research paper aims to address this gap in the literature and attempts to present the reader with a theoretical explanation of how such initiatives may be explained. The research is presented in the form of a qualitative case study of the United Nations Global Compact (UNGC), a UN programme launched in 1999 with the aim of spreading the message of responsible and sustainable business and to encourage private enterprises to align their corporate social responsibility (CSR) practices with the wider goals of the UN through the implementation of the so-called “Ten Principles”.

The research is underpinned by theoretical frameworks which in previous scholarly work have been used to explain the general advances in contemporary transnational governance. In the case of this thesis, those theories are applied to the UNGC, an intriguing and non-conventional approach to addressing governance gaps perpetrated by corporations and private enterprises. By employing these theories it is hoped that it will be possible to discover how the UNGC can be explained as a viable tool of corporate global governance.

### 1.1 New Approaches to Old Problems

Globalisation is an unavoidable phenomenon of modern life and has consequences for countries and communities throughout the world. It is a phenomenon that has increased interconnectedness and reliance between individuals, states and private enterprises across regions- deepening the complexities of the global economy and creating bigger risks as actors become increasingly affected by the actions of one another. Globalisation has contributed to an increase in the power, financial and otherwise, of Multinational Corporations (MNCs). This increase has, likewise, been shadowed by a call for such MNCs to be more strictly regulated, and held accountable for their actions. At a domestic level, businesses and their operations are regulated by a number of mechanisms employed by national governments. Such mechanisms and tools include national standards of authority (e.g. national bodies of food and safety standards), revenue commissioners, courts of arbitration and legal frameworks in areas such as competition law, labour standards, customer rights law etc. However, due to the increasingly globalised nature of business, these domestic efforts can become futile when dealing with

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<sup>1</sup> “Initiative” can also be used interchangeably with programme, regulation, agreement etc. without an impact on the meaning.



MNCs who operate in dozens of national territories with revenues spilling into the billions (Detomasi, 2007).

The increase in global operations of MNCs has created a corporate governance gap, whereby domestic authorities cannot sufficiently deal with issues of regulation and monitoring and no single international governance body exists to fill this void. As a consequence, recent years have seen a rise in the number of transnational approaches to regulating and monitoring the business practices of MNCs. These transnational approaches come in various forms, including trans-governmental networks, bodies of arbitration, multi-stakeholder initiatives and financial mechanisms. (Hale & Held, 2011).

Voluntary initiatives constitute another category of these new global responses in corporate global governance. Voluntary initiatives are intriguing in how they operate, given that they are not legally binding, are non-coercive and generally have weak enforcement mechanisms (Ibid.). Given these characteristics, it begs the question as to how this type of initiative can be considered and understood as a viable tool of corporate global governance. This unconventional approach- that of discussing and assessing the viability of the UNGC as a tool of corporate governance, will be further discussed and defined in Subsection 1.3.

## 1.2 Problem Statement

The increasingly globalised nature of commerce, trade and business means that national governments are no longer in a position to monitor and control the activities of powerful corporations at state level. There is a lack of strict regulation and enforcement of global business rules which is creating a “governance gap” or “democratic deficit” within the world order which some actors, particularly corporations, have the opportunity to exploit (Voegtlin & Pless, 2014). States, IOs and other key players in global governance have to diversify the traditional means of remedying these governance gaps by branching out into novel approaches. Examples of these novel approaches can be grouped into various categories such as trans-governmental networks like the Financial Stability Board, International Accounting Standards Board or the International Competition Network. Arbitration Bodies are also one such approach, an example of which include is the World Bank Inspection Panel. Multi-stakeholder Initiatives and Finance Mechanisms are also considered as institutional innovations in contemporary global governance (Hale & Held, 2011). This thesis focuses on one such contemporary approach- that of the voluntary initiative.

The enforcement of sustainable and responsible behaviour of MNCs has become an increasingly difficult task as markets diversify, companies grow and more complex supply chains make it harder to achieve transparency (Drauth, 2010). Many large international corporations have been accused of negligible labour practices and harmful environmental damage. Many cite the first public instance of this behaviour as being the American telecommunications company International Telephone & Telegraph (ITT) which was involved in the attempted overthrow of the democratically elected president

Salvador Allende and the support of the military dictator Augusto Pinochet. This scandal took place in the 1970s, a time which also saw the first attempts at regulation of corporate activity both at national and multilateral level. Examples of those attempts include the Foreign Corrupt Practices Act passed by US Congress in 1977 and the UN's attempt to establish a code of conduct for the activity of transnational corporations (TNCs). Recent years have also seen public shaming of international corporations engaged in negligible business practices. Sports apparel retailer Nike has been accused of serious human rights violations at its sweatshop operations in south-east Asia, company policy at British Petroleum (BP) apparently lead to severe repression of labour rights in Colombia at the hands of the military and Royal Dutch Shell is a company very commonly cited for its controversial actions in its international operations, particularly in Nigeria and around the Niger Delta (Claude & Weston, 2006).

The international community has reacted strongly to companies who take advantage of these governance gaps and partake in undesirable behaviour, examples of which have been listed above. Non-governmental organisations (NGOs), environmental groups, national governments and individuals then attempt to remedy and prevent these problems through various forms of regulation and governance techniques, including that of the voluntary initiative which, as discussed below, is becoming an increasingly common form of addressing this corporate governance gap.

Corporate Social Responsibility is a concept which in the last decade has progressed as solely a company policy to one which is becoming an increasingly popular feature on the agendas of national governments and international organisations (IOs). Through CSR policies at national and international level, a common thread is developing- that of engaging with private companies in an attempt to create collaborative solutions of how to deal with corporate governance gaps, gaps which are often created or accentuated by negligible business practices of the companies themselves. Public policy at national level has become a driver in promoting businesses to act in a socially responsible and sustainable way. However, there exists a common perception that new challenges created by corporate practices on a global scale, must be approached through multi-sector cooperation (Albareda, et al., 2007).

The UNGC is one such multi-sector approach. The UNGC provides an example of a voluntary programme which attempts to reconcile interests of the UN, particularly in relation to the Millennium Development Goals (MDGs) and more recently the Sustainable Development Goals (SDGs) with those of private enterprises across all areas of industry and commerce. While the UNGC attempts to align business practices with broader aims of the UN, it is entirely up to the individual business whether they join. It has been described as a "learning forum" which aims to open up dialogues between the UN and private enterprise and to incorporate universal principles and values into appropriate corporate behaviour on a global scale (Ruggie, 2001).

The UNGC has already been subject to much academic interest since its inauguration. It has featured in studies and analyses in the areas of management, ethics, accounting and business yet few studies

have attempted to understand, in a scientific manner, how the UNGC can be understood as a tool of corporate global governance. Through the use of a relevant theoretical framework, it will also be possible to understand the components of the Compact which explain its current and future viability. By better understanding this intriguing and non-conventional tool of corporate global governance, it may also be possible to apply findings to better design and implement similar governance tools in the future.

### 1.3 Research Aims and Research Question

This research paper aims to uncover how a voluntary initiative such as the UNGC can be understood as a viable tool of corporate global governance. The research is an exercise in the attempt to understand the conditions necessary for the UNGC to survive and thrive in an environment of competing interests. The research will take the form of a qualitative, explanatory case study and will use content and document analysis as methods to draw conclusions based on empirical analysis.

The UNGC is the principal subject of the research as it is a strong example of a multi-sector, multi-actor, globalised initiative. Through analysing this entity, it is hoped that conclusions can be drawn as to how viability can be achieved and maintained in other voluntary initiatives. MNCs, NGOs, and other entities such as towns and cities can take part in the Global Compact, but this paper especially aims to focus on the public-private relationship catalysed by the UNGC and so focuses in particular on MNCs as key participants of the Compact. Important to mention at this point, is that the thesis does not view the UNGC as either a “good” or a “bad” tool of corporate global governance. Rather, it is based on the premise that the UNGC *is* a tool of corporate global governance. By understanding how this viability is achieved and maintained, it is easier to understand how this type of initiative works in general. Further chapters consider views from supporters, critics and undecided observers of the UNGC and how it can be perceived as a viable tool of corporate global governance.

The selection of the research question is based on King, Keohane and Verba’s (1996) two criteria of what constitutes a good research question in social sciences. In essence, their understanding of a good research question is one which is both societally and academically relevant. A good research question should make an important contribution to the “real world” as well as addressing a literature gap present in identifiable scholarly literature (King, et al., 1996, p. 15). The following research question has been formulated with these two criteria in mind:

***Research Question:*** *How can a voluntary, transnational initiative such as the UNGC be understood as a viable tool of corporate global governance?*

By determining how the UNGC can be understood as a viable tool of corporate global governance, it may also allow for other voluntary initiatives to also assess their viability based on the research design and mechanisms used in this thesis. Understanding how the voluntary aspect of the Compact can be explained will help policy-writers of future initiatives understand the conditions under which they best

operate, thus increasing chances of viability. This element provides the societal contribution whereby the “real world” will benefit from information deduced from the research and may use this information in order to improve future voluntary mechanisms which in turn aim at addressing a particular market failure or governance deficit within the transnational world order.

The research question also aims at addressing a current literature gap in scholarly work around this theme, namely that no academics have attempted to explain how the UNGC can be understood as a viable tool of global governance in a scientifically sound manner, with many focusing rather on if it can be deemed efficient (Arevalo & Fallon, 2008).

The research question will be tested using hypotheses derived from the four theories outlined in Chapter Three. Data will be collected from relevant sources, namely from the UN, the UNGC and participating companies. Documents will then be examined in detail in an attempt gauge whether the theory-derived hypotheses have any explanatory power in helping to understand the UNGC as a viable tool of corporate global governance. Document and content analysis will be the primary methods of data analysis and will be used in conjunction with the outlined theories.

### 1.3.1 Viability

Viability is a term which has thus far featured prominently in this thesis without great explanation. This section aims to clarify what is meant by studying the UNGC as a *viable* tool of corporate global governance. Viability is taken to mean capable of working, functioning and developing adequately, capable of existence and as having a reasonable chance of success (Merriam Webster, 2016). A vital aspect of viability for any business, organisation, civil action group, school or enterprise is that it must maintain a steady level of the conventional market forces of supply and demand. Based on this, the UNGC can, therefore, be deemed as a viable entity. It is in existence, is active and continues to have more companies enlisting in the initiative than de-listing, year on year (UN Global Compact, 2016a). The UN continues to see value in its “supply” of the UNGC. The fact

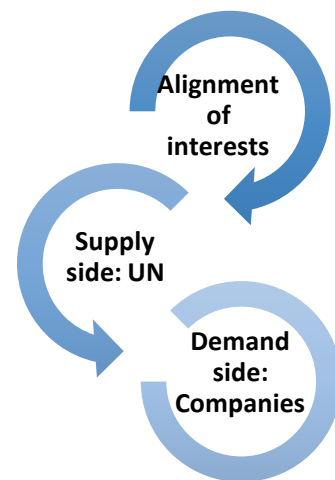


Figure 1 Viability of UNGC

that the UNGC is still in operation almost twenty years after its establishment suggests that the UN have a vested interest in keeping the initiative afloat. It must view the UNGC as a worthwhile investment and as having a role to fill in the greater UN ecosystem. “Demand”, on the other hand, comes from the companies which participate in the UNGC. Private enterprises must continue to see a value in maintaining their participant status in order for the UNGC to remain a viable tool of corporate global governance, and the fact that more companies join each year than are de-listed, confirms that demand is present. Furthermore, viability in

this sense can also be described as a reconciliation of the interests of the two parties of the UNGC, i.e. the UN and participant companies. As previously discussed, the UNGC is seen by many as a pivotal step in the relationship between the UN and private enterprise, an initiative which “fundamentally redefined the relationship between the private sector and UN system” (Rasche, 2013, p. 33). The UNGC somehow reconciles the interests of both of those parties, by understanding how it achieves this, it will be clearer to understand it as a viable tool of corporate global governance.

Based on these observations, the concept of the UNGC as a viable tool of corporate global governance consists of three elements, as depicted in Figure 1- a continued interest in supplying “product” from the side of the UN, continued demand of said product from the side of participating companies, as well as a reconciliation of interests of both parties involved.

## 1.4 Research Structure

The previous chapter has introduced many of the fundamental components vital to this thesis. Chapter Two will address these fundamental components in more detail where readers will be provided with a more in-depth understanding of essential facets of the paper such as voluntary initiatives in a global context, the UNGC and corporate global governance. Chapter Three will elaborate on the four theories used as tools to understand and explain the research question, and detail how the hypotheses were derived from those four theories. Chapter Four goes into further detail on the research design, starting with the reasons behind the choice of an explanatory case study as well as explaining the operationalization of the design. Chapter Five will look at the documents selected for data analysis. It will include an elaboration on the manner in which and reasons why these particular documents were chosen and others not. It will also discuss the word coding method and descriptive methods chosen for content and document analysis. Chapter Six will present a discussion of the findings made, structured per hypothesis. Hypotheses will be tested for their explanatory power depending on information derived from the data analysis. Finally, Chapter Seven will provide an interpretation of the results, what those results mean for answering the research question as well as the potential of applicability of those results to other initiatives. It will also detail the research constraints encountered when carrying out the thesis and recommend further areas of research on this topic.

Although without its own chapter, the literature review for this thesis is integrated into different chapters and sub-chapters, particularly the following chapter which discusses the background of the topics and goes into detail on essential factors addressed in the research.

## 1.5 Theoretical and Societal Relevance

As of yet, there has been no consensus amongst scholars as to a theoretical framework that best explains voluntary initiatives as a viable tool of corporate global governance. The subject of this thesis falls into the realm of corporate global governance yet the literature on this subject is often confined to business, business ethics and management categories of scholarship. It is important to address the topic of

alternative methods of corporate global governance, i.e. voluntary initiatives in this instance, within the wider context of corporate global governance and global governance in general.

From a theoretical standpoint, this thesis attempts to fill this gap by utilising theories which in other works have been used to explain general developments in contemporary transnational governance and re-applies them to the context of the UNGC. The translation of these theories into understanding voluntary, multi-stakeholder initiatives, such as the UNGC, helps to widen the perspective given on the topic and allows for a fuller and more in-depth understanding of this phenomenon (Hofferberth, et al., 2011).

The UNGC is a prime example of a multi-stakeholder, transnational, voluntary initiative and has been approached in many research papers across various academic fields but none attempt to explain it as a viable tool of corporate global governance. By understanding the viability of this voluntary initiative, it will help observers and academics to understand the UNGC in more detail within the realm of corporate global governance. It will also help to better understand voluntary initiatives in general and how they can be developed as viable tools of corporate global governance. A clear and strong theoretically underpinning is essential to structure this thesis. The theories will also be used to develop hypotheses which, based on the empirical evidence will be deemed to have explanatory power or not for understanding the UNGC as a viable tool of corporate global governance. Depending on the outcome of this research, it may also be possible to apply a similar theoretical structure to other forms of voluntary initiative.

The theoretical approach taken to explain the UNGC as a viable tool of corporate global governance comes from Hand and Held's (2011) classification of ways to understand recent developments in contemporary transnational governance. Theories have been defined in a variety of ways by countless researchers but this thesis relies on the simplistic and straightforward definition of theories as "general statements that describe and explain the causes or effects of classes of phenomena" (Van Evera, 1997, p. 8). The use of a theory in academic research is not to describe how things happen but rather to explain the *why* factor of how certain phenomena occur and can be explained (Bhattacharjee, 2012) and this is a sentiment also kept at the heart of the research carried out as part of this thesis.

This study is especially societally relevant because the UNGC can be seen as a manifestation of the increasing dialogue and positive relations between the UN and business interests, a relationship which in the past was characterised by "deep-seated mistrust and antagonism" (Fritsch, 2006, p. 3). By using theory to understand the UNGC as a development in this realm, it may also be possible to understand the reasons how these competing interests are beginning to reconcile and work in cooperation to rectify or attempt to rectify global issues. The UNGC also represents an unconventional approach to tackling corporate governance gaps, but as detailed in subsection 1.3.1 it somehow achieves viability. A better understanding of this fascinating entity will allow for societal consideration of other, similarly

structured initiatives to develop in response to global governance gaps. As globalisation grows, governance gaps are also expected to increase, and so having a sound understanding of the various tools that are used to tackle those issues is essential for society.

## Chapter Two: Background

Before delving further into research and analysis, it is important to have a clear understanding of the fundamental elements encompassed in the research question. In order to simplify the process, the research question is broken down into three strands- voluntary initiatives, the UNGC and corporate global governance (viability has already been detailed in subsection 1.3.1). Each of these components is discussed below and contextualised in a global setting so that their relevance can be better understood.

### 2.1 Voluntary Initiatives

A new kind of interaction is emerging between the private sector and their counterparts at national government and transnational level. There is a growing consensus that this relationship, which in the past was at odds, must now cooperate and form partnerships and collaborative projects which are beneficial to both those actors and wider society. Voluntary initiatives have emerged as a tool to help form and develop these relationships and are widely acknowledged to be one of the foremost developments in global commerce regulation over the past two decades. Evidence shows that a cooperative approach, such as voluntary initiatives like the UNGC, can prove more efficient for both parties involved in terms of time and money saved instead of using the resources to operate strict enforcement of mandatory regulations (OECD, 2001). In the last decade, the use of voluntary initiatives as tools of global governance has grown exponentially. By 2007, there were over 300 voluntary programmes negotiated between private actors and national governments in Europe, and those were related to the environment and environmental protection alone (Potoski & Prakash, 2009).

Voluntary initiatives have developed from a need to address the market and governance failures that have occurred as a result of globalisation and the increasingly penetrable nature of transnational borders. This has led to growing interdependence and less clarity in the knowledge of who and what govern those entities which can no longer be contained within national boundaries. In order to deal with this, a new tool in tackling this uncertainty has begun to develop at both national and transnational levels. Many of these tools share five common attributes- they are voluntary, horizontally organised, participatory, multi-actor and global (Kaul & Conceicao, 2006). Similarly, the UNGC fulfils all of these criteria. Some scholars argue that the results produced by voluntary initiatives are less tangible than those produced by their regulatory counterparts. This dichotomy of opinion has also framed much of the studies which have been conducted around the UNGC, arguments which will be later outlined when looking at the foundation and scholarly interest of the UNGC under the heading of UNGC Background. But whether the UNGC and voluntary initiatives work or have tangible results is not the focus of this thesis. Rather, it is an attempt to understand how the UNGC and other such initiatives can be understood as viable tools of corporate global governance.



Gibson (1999) describes a voluntary initiative as those not driven by regulatory requirements (Gibson, 1999). Governments and other governance bodies, such as IOs, do not have to coerce or force participants to take part. Instead, the target parties can decide whether it is worth the time and effort for them to take part in the given initiative. This characteristic is one of the primary reasons as to why voluntary initiatives are becoming popular in the realm of multilateral organisations and cooperation. Fundamentally, a voluntary initiative when compared to a mandatory form of regulation is less cost-intensive and companies are not coerced or legally bound into fulfilling the obligations outlined by the initiative (Ibid.). Voluntary initiatives can also be understood as “rule structures that seek to persuade firms to incur non-trivial costs of producing positive externalities beyond what the law requires of them” (Potoski & Prakash, 2009, p. IX).

The use of voluntary initiatives as a tool of corporate global governance is growing in many sectors of the global economy. Under a voluntary initiative, the actor in question, usually a private company, agrees to abide by certain social or environmental standards beyond those on which it is legally obliged to fulfil. Some such voluntary initiatives are adopted by the company itself without pressure or influence from outside actors. Such initiatives may include CSR policies which the company adopts as part of its strategy policy. Other initiatives aiming to influence the behaviour private enterprises come from outside actors such as national governments or, increasingly, multi-lateral institutions such as the UN (Hale & Held, 2011).

Georg Kell, Executive Director of the UNGC since its foundation in 2000 until August 2015, published a paper five years after Compact was launched in which he shared some of his reflections on the initiative during its formative years. The paper addresses two fundamental issues- the first considers the institutional context of the UNGC while the second examines the voluntary nature of the initiative and how it interacts with regulatory approaches. He recalls the preparatory meetings before the official establishment of the Compact when the voluntary nature of the initiative was seen as the most contentious. Kell argues that when talking about a regulatory or voluntary approach, the question is not about which one is superior but rather which approach produces the greater impact and under which conditions such an impact is most likely to be achieved. According to Kell, the voluntary approach is the best for the exact nature of the Compact. The Compact does not take a “monitoring and measuring” approach which many critics expect it to be (Kell, 2005, p. 72) but instead is based on the concept of learning networks and participatory dialogues. Kell admits that the high cost of gathering information and compiling data on monitoring within the UNGC has meant that there has been little attempt to systematically monitor the Compact’s activities. However, he also notes that there has been some anecdotal evidence suggesting that the voluntary initiative is producing systematic changes (Ibid.).

The UNGC is not the only voluntary initiative the UN and UN agencies engage in. Over the past decade, there has been a steady increase in the number of voluntary partnerships the UN has formed. In 2003, the UN published a report which detailed the cooperation between the UN and relevant partners, a

significant cohort of which come from the private sector. This report highlights the numerous multi-stakeholder partnerships it has developed over the course of its recent history. In it are mentioned voluntary programmes and initiatives which involve multi-stakeholder partners from a variety of backgrounds such as the World Summit on Sustainable Development, the UN Information and Communication Technology Task Force and the UN Fund for International Partnership. The report also highlights the common factors which lead to the success of a voluntary, multi-stakeholder initiative such as having a variety of partners from different stakeholder groups with a shared vision, good communication strategies, strong and clear links with local and national decision-making processes, suitable mechanisms to ensure transparency etc. The document also recognises some pitfalls in the increased use of voluntary programmes and initiatives by recognising commentator concerns that the UN could risk becoming a scapegoat for governments that fail to implement certain regulations. However, the report also argues that in many cases partnerships can, in fact, play a role in facilitating intergovernmental decision-making (United Nations, 2003).

It is clear that voluntary, multi-stakeholder partnerships are becoming an increasingly popular method employed to address governance gaps, particularly in the UN which has enormously increased its use of voluntary initiatives in recent years. If this trend continues, it is important to understand the way in which they work and the methods used to balance the interests of all parties involved.

## 2.2 UNGC Background

The UNGC is the world's largest corporate sustainability initiative and can be described in a manner of ways. Some scholars refer to it as a "Global Public Policy Network" (Gilbert & Behnam, 2012), while others call it a "multi-stakeholder dialogue proposal" (Albareda, et al., 2007) or a "social responsibility club" (Potoski & Prakash, 2009). Others more cynically describe the initiative as another addition to the "long list of activities...to make transnational corporations better corporate citizens" (Meyer & Stefanova, 2001, p. 502). The Compact describes itself as a "voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN goals" (UN Global Compact, 2015a).

The UNGC stemmed from a proposal made at the 1999 World Economic Forum in Davos, Switzerland by the then-UN leader, Secretary General Kofi Annan. In the speech, Annan challenged business leaders to collaborate with the UN in its attempt to shape and sustain the new global economy and to create a system whereby globalisation could become a positive force for the world community, rather than continuing in its creation of global governance deficits (King, 2001). It has been characterised as an experiment in international development (Arevalo & Fallon, 2008, p. 456) and as an attempt by the UN to give a "human face" to the phenomenon of globalisation (Williams, 2004, p. 755). At a more intricate level, it is described as neither a binding set of regulations nor a code of conduct but rather a "basis for

a dialogue forum in which mutual learning among companies is to be promoted with examples of best practice” (Cetindamar & Husoy, 2007, p. 167).

The UNGC’s mission statement describes its belief in creating a sustainable and inclusive global economy which can deliver lasting benefits to people, communities and markets. The UNGC attempts to realise this mission statement by encouraging businesses to align their strategies with the Ten Principles of the UNGC, which fall under categories of human rights, labour, environment and anti-corruption (see Figure 2). Furthermore, the Compact encourages companies and other signatories of the Compact to take strategic action to advance broader societal goals such as the UN SDGs.

The UNGC website describes the initiative as a network-based organisation. The governance structure of the Compact spreads responsibility amongst numerous entities so that participants and stakeholders have a say in decision-making processes and overall operation and development of the initiative.

### 2.2.1 Ten Principles of the United Nations Global Compact

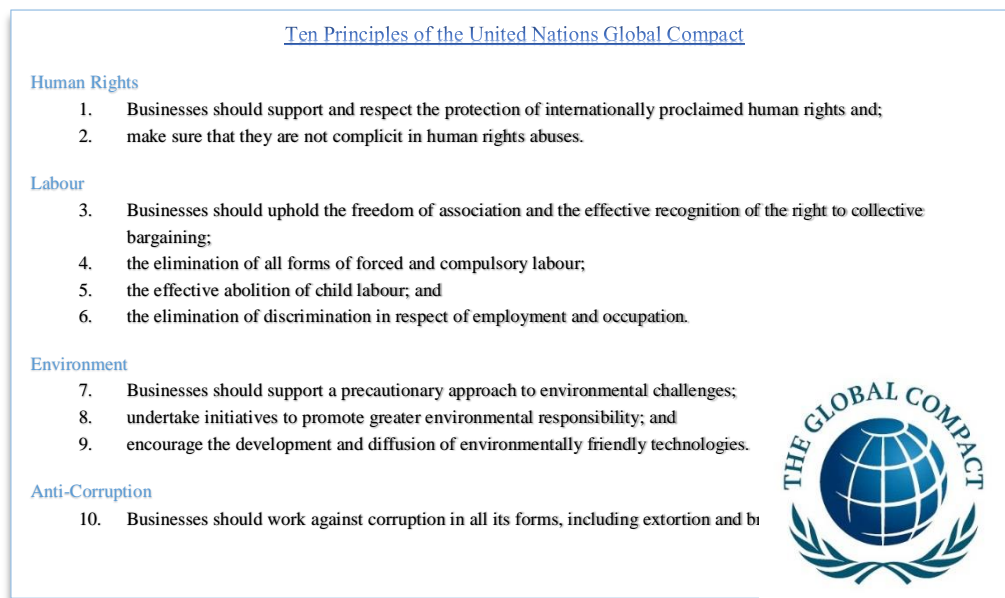


Figure 2 Ten Principles Adapted from UN Global Compact website

The Ten Principles of the UNGC serve as the foundation under which the Compact is built. They are derived from the Universal Declaration of Human Rights, the International Labour Organisation’s Declaration on Fundamental Principles at Work, the Rio Declaration on Environment and Development and the UN Convention Against Corruption (UN Global Compact, 2016a) The Ten Principles serve as the primary manner in which the UNGC attempts to collaborate with private enterprises in order to bridge governance gaps. The principles are based on the idea that a “web of joint universal values” offers a “moral compass” to companies (Rasche, 2013, p. 44). The principles have been criticised for being too vague and allowing companies accused of negligible practices to “bluewash” their CSR policy but others have lauded the UN for attempting to integrate joint values into the global economy (Rasche & Gilbert, 2011, p. 105).

### 2.2.2 Local networks

Another important and intriguing dimension of the UNGC is the Local Networks aspect whereby Compact signatories have the opportunity to come together and discuss issues around CSR at a local or regional level. This allows regional participants to share experiences of CSR best practice within the local context. Local networks facilitate learning opportunities and allow regional actors from various industrial groups to share expertise with the aim of creating local responses to global issues (UN Global Compact, 2016). This element is strongly tied to conceptualisations of the UNGC as a “learning forum”, creating the possibility of reaching “consensus-based definitions of what constitute good practices [of CSR]” (Ruggie, 2001). This aspect adds to the unconventional characteristics of the UNGC whereby it attempts to facilitate signatories at a local level to develop the best frameworks to deal with regional corporate governance gaps, while at the same time those regional attempts contribute to wider, more global responses to governance gaps.

Some observers, though, have been critical of this local network mechanism within the UNGC saying that it creates no more substantial outcomes than networking opportunities for CEOs and business leaders operating in the same territory (Martens, 2004). Other sources, particularly those from NGOs, criticise this function as an example of a tool by which the UNGC can be exposed to “corporate capture”. Such sources say that the UNGC provides access to the UN for corporations who could then engage in lobbying and attempts to influence UN policy (Friends of the Earth International, 2012).

### 2.2.3 Previous attempts at UN-MNC dialogues

The UNGC is not the UN’s first attempt to regulate, or at least monitor, global business actors. Indeed, in response to the increasing power and dubious practices of transnational corporations (TNCs) in the late 1960s and 1970s, the UN, under the mandate of the Economic and Social Council (ECOSOC) developed a preliminary code of conduct in an attempt to provide a regulatory framework for the operations of TNCs. The biggest obstacle to the implementation and viability of the code of conduct was down to political reasons, namely that the USA were against the binding nature of the code while other states, particular those from developing nations, insisted on a legally enforceable code of conduct (Rasche, 2013). The code disappeared from the agenda of the UN in 1994 but its existence does highlight the tumultuous relationship between the UN and business community and the difficulty in developing a framework suitable to all interests.

The UNGC can be seen as an attempt to remedy these past failures and to create an initiative which would appeal to all actors involved so that viability could be achieved and maintained.

### 2.2.4 UNGC Governance

The governance system of the UNGC is the result of a yearlong research project, conducted in 2004/2005 by then Executive Director Georg Kell and then Advisor to the Secretary General Professor John Ruggie. The current form of the Compact is an amalgamation of various outcomes from the

research project and encompasses a management network consisting of Global Compact participants and stakeholders on a global and local level (UN Global Compact, 2016).

The Board of the UNGC is chaired by the UN General Secretary and meets every six to nine months. Responsibilities of the Board include setting criteria for entry and exit to the UNGC, policy-making on integrity measures and implementation of such measures. Board members are drawn largely from the business community and are split into four constituency groups- business, civil society, labour and the UN. Board members act in a voluntary capacity.

The governance system is largely based on the three guiding principles of decentralisation, multi-stakeholder governance and the voluntary aspect. These three elements are critical when considering the overall viability of the Compact. This decentralised

form of governance allows for flexibility in how the initiative operates, allowing for alterations in governance mechanisms depending on the current socioeconomic and political environment. Multi-stakeholder governance is also an important characteristic of the governance model as it is seen as a way in which to legitimise the involvement of non-state actors in the regulatory process. Finally, the voluntary aspect of the initiative can also be seen as an attractive asset in that it not only empowers participants or potential participants in giving them total autonomy on whether or not they join, but it also gives participants a genuine role in decision-making practices (Rasche, 2013).

The UNGC is financed through a non-profit entity- the Foundation for the Global Compact. The Foundation provides financial, operational and programmatic support to the UNGC. It operates under the omnipresent principle of the UNGC- “that public-private collaboration is essential to find lasting solutions to pressing global problems” (Foundation for the Global Compact, 2016). The Foundation is supported through donations, be they corporate or individual, although contributors are expected to be participants or other stakeholders in the Compact. The Compact receives very little financing from the UN budget however in order to maintain integrity, the salaries of UNGC staff are not funded through the foundation (Deva, 2006). The graphics to the right show the percentage of funding which comes from public vs private sector as well as that which is spent on the direct services supplied by the UNGC and that spent on administrative and fundraising functions.

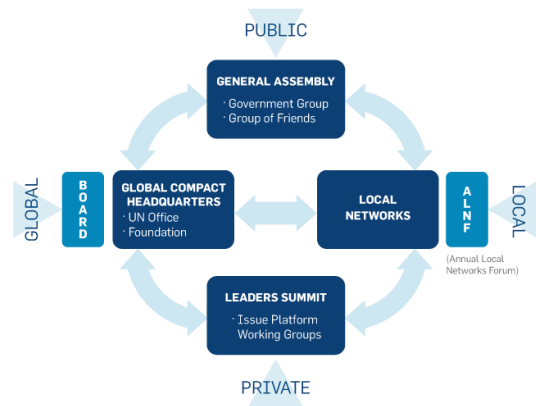


Figure 3 UNGC Governance structure retrieved from [unglobalcompact.org](http://unglobalcompact.org)

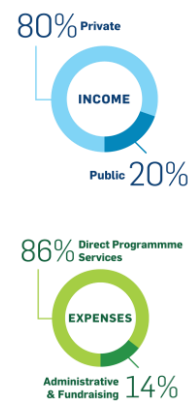


Figure 4 Foundation for UNGC spending retrieved from Foundation website

### 2.2.5 Participants

The UNGC accepts a wide variety of organisations as participants and potential participants to their initiative. Their website lists businesses, civil society associations, business organisations, business associations, labour organisations, academic institutions and cities as suitable candidates for participation (UN Global Compact, 2016). Taking the UNGC as an attempt by the UN to remedy global governance deficits caused (at least partially) by MNCs and other forms of transnational trade, this thesis focuses primarily on the participation of business in the Compact, particularly on large MNCs featured in the Fortune Global 500.

There are some exceptions to the type of company which can join the Compact. Companies involved in the sale, manufacture or distribution of Weapons of Mass Destruction (WMDs) e.g. cluster bombs and antipersonnel landmines are prohibited from joining the Compact. Companies with less than ten direct employees are also exempt from official participation lists. Tobacco companies are also discouraged from joining the Compact and funding from such companies is not accepted. Different rules also exist for subsidiary companies- some subsidiaries are included if the parent company is a signatory of the Compact, other times they must sign up separately to the parent company (Ibid.).

For businesses, joining the Compact is a relatively simple process. First, the Company must review the online application rules which include information on how to formulate the Letter of Commitment (LOC) and Communication on Progress (COP). It also details administrative requirements such as ensuring that the letter is on headed paper and addressed to the Secretary General of the UN etc. The applicant must then prepare their own LOC which should be signed by their CEO. This letter should contain the Company's commitment to the UNGC and its Ten Principles (outlined above), a promise to take action in support of UN goals and the assurance that the Company will submit an annual COP (UN Global Compact, 2016).

The UNGC currently counts approximately 8,000 companies and 4,000 non-business participants in the initiative (UN Global Compact, 2015a). They span sectors and industries from automobiles to real estate and come from diverse geographical areas, however, European signatories are the most prevalent, making up almost 45% of total participation (Arevalo & Aravind, 2010). The UNGC website offers a detailed database of the participating bodies which offers information on the type of company participating, the initiative it is involved in, its country of origin, the sector in which it operates, and its status of participation. This database proved essential in locating the most relevant documents and sources needed to conduct empirical analysis for this research paper.

Companies are obliged to submit a COP on an annual basis, with a grace period given to newly joined signatories. The COPs are intended to publicly demonstrate a participating company's commitment to the Ten Principles of the UNGC, including a detailed outline of the specific measures a company is taking to progress these principles. Failure to submit a COP on time initially leads to a change in

participant status from “communicating” to “non-communicating”, and if the company does not submit their COP their status will eventually be demoted to “non-participating” whereby companies are effectively expelled from the UNGC with a list expelled participants appearing publicly on the UNGC website (UN Global Compact, 2013). This idea of publicly listing non-communicating and de-listed members can be seen as an example of the “name and shame” mechanism employed by many voluntary initiatives who do have legal capacities to employ harsher repercussions (Hale & Held, 2011, p. 211).

Another curiosity of the UNGC, is that company signatories are referred to as “participants” rather than “members” (UN Global Compact, 2016a)The UNGC is a voluntary initiative and so cannot be understood in the traditional frame of a formal membership organisation. Therefore it is unjust to impose on it, the average expectations of corporate governance tools.

### 2.3 External observations of the Compact

After gaining a clearer overview of what the UNGC is, and how it operates, it is important now to turn attention to what external actors say about the Compact. Numerous documents from a variety of sources were consulted, including newspaper articles, reports from NGOs and other academic literature on the subject. The inspection of these external observations has demonstrated a broad spectrum of opinions about the UNGC. As detailed in the discussion on viability, demand for the UNGC in the form of company signatories is vital to its functioning and existence. The external sources consulted largely focus on the reasons as to why a company decides to participate in the Compact, thus constituting an important element in overall understandings and insights into viability.

An overwhelmingly common theme noticed when consulting the external observations was that many view the UNGC as an opportunity for corporations to “wrap themselves in the blue flag of the UN”. Many accuse the UNGC as a convenient way in which companies can “bluewash” their image while continuing with negligible business practices in terms of environmental impact, questionable labour standards etc. (Cariboni, 2014; Confino, 2012; Karliner & Bruno, 2000). Linked to this, companies may see participation in the UNGC as a way in which to improve or protect company brand image, by associating itself with the UN (Martens, 2004). In terms of the reasons behind company participation, some researchers on the topic cite economic factors as the main motivations for companies to join the Compact (Arevalo, et al., 2013).

Other reports from outside observers say that CEOs party to the UNGC describe how Environmental, Social and Corporate Governance (ESG) practices are an essential way for businesses to help with bridging the gaps in global governance. A report from a top management consulting firm says that “the CEOs of most leading firms recognise that they are part of a vast social contract” (Oppenheim, et al., 2007, p. 5). This would suggest that companies join the UNGC and other CSR initiatives because they recognise the role of their business in bridging governance gaps and contributing to society as a whole and recognise some sort of private-sector moral obligation to help fight gaps in global governance.



Some of the external sources consulted posit the UNGC as a fundamental development in the relationship between the UN and business interests, calling it the “dawn of a new relationship between the United Nations and big business” (Karliner & Bruno, 2000). Many outsiders look at the establishment of the UNGC in the context of a wider societal movement that was occurring at the time citing the Seattle demonstrations against capitalism and the ill-effects of globalisation (Sanjay, 2013).

Based on the above internal and external observations it is clear to see the many non-conventional and curious characteristics of the UNGC. It is now possible to understand what the UNGC is, but also what it is not. The UNGC is a guide-dog and not a watchdog (UN Global Compact, 2016b). It is purely voluntary and has no binding mechanisms or tools of coercion. It is intended to be taken as a complementary tool to other forms of corporate global governance, rather than a stand-alone programme. It has received both positive and negative feedback from outside observers and it seems that there is little coherent understanding about what the UNGC really *is*. Based on that, Chapter Three’s theoretical framework will prove fundamental in continuing with the research on this unusual and intriguing entity and how it can be understood as a viable tool of corporate global governance.

## 2.4 Corporate Global Governance

Corporate global governance is another term which is a key feature in the research question but as of yet has not received much individual attention. It is important to explain what is meant by this term before proceeding with the research.

Corporate governance in its most basic form can be taken to mean:

“...the system of rules, practices and processes by which a company is directed and controlled. Corporate governance essentially involves balancing the interests of the many [stakeholders](#) in a company - these include its shareholders, management, customers, suppliers, financiers, government and the community” (Investopedia, 2016)

Corporate Governance is a common feature of Anglo-American capitalist economies, whereby shareholders will choose to invest their money in securities from companies they deem as cleverly and honestly managed. Good governance practices are used as a transparent way to ensure shareholders and potential investors that a company is a solid investment. Of course, systems of corporate governance are imperfect and bad management of multi-billion dollar companies not only have disastrous effects on shareholders and employees, but also on wider society (Mork & Steier, 2005).

The infamous Enron case, which took place at the dawn of the new millennium epitomises the grave societal impact that the collapse of such company can have. It also marks a time when corporate governance moved from the realm of the boardroom to a broader stage at national and international



level. The dramatic bust of the Company had huge effects not only on employees and shareholders but also on greater society. Thousands of ordinary American's lost their retirement savings due to inadvertently having shares in the company through mutual funds. The bust of Enron, the USA's leading electricity supply company, also led to huge electricity blackouts across the state of California, again impacting average citizens who had no direct affiliation with the Company (Sridharan, et al., 2002).

As briefly mentioned in previous chapters, the dawn of the new millennium also saw worldwide protests against the ills of globalisation and capitalisation. Large MNCs such as Nike, Shell and BP were investigated for corrupt practices, causing environmental damage and infringing on the human rights of workers and local communities in which they were operating. Furthermore, the worldwide financial crisis of 2008 also spurred the implementation of measures to prevent financial corporations from engaging in the kind of risk-taking behaviour that contributed to the economic crash. The most well-known manifestation of that came in the form of the Dodd-Frank Act which aimed at curbing excessive risk-taking and making Wall Street more accountable to its actions, however the act can only be applied within the US. A combination of these factors led to a situation whereby corporate governance needed to move from a company-only, or at most national-level issue, to one which would become a feature of agendas at international organisations and transnational bodies. It is this level of corporate governance—corporate global governance that plays a key part in understanding the research question outlined in Chapter One.

Although corporate governance is not typically differentiated between national and transnational levels, for this thesis the corporate governance measures taken at global level are what is at question here. This thesis, therefore, defines corporate governance as *the system of rules, practices and processes by which MNCs are monitored and regulated at a global level.*

The governance of MNCs aims to limit the negative impacts their business has on society. This is closely tied with the concept of CSR and John Elkington's "Triple Bottom Line" (TBL) which determined that companies should look beyond managing their traditional "bottom line" of profit and loss but should also pay equal attention to their "people account" meaning they should act in a socially responsible way and as well as to their "planet account" and consider environmental implications their business activity has on society (The Economist, 2009).

Voluntary initiatives are one of the most recent instruments developed as a tool of corporate global governance but they add to an ever-increasing constellation of instruments used to

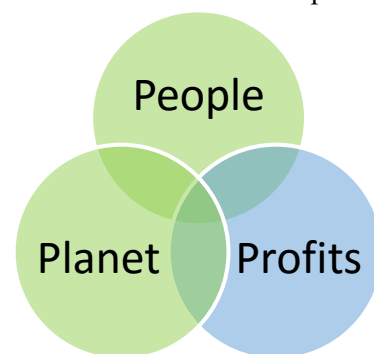


Figure 5 Corporate Global Governance

encourage MNCs to conduct their business in a socially responsible way. It would be near impossible to identify all of the other instruments employed but they can be broadly categorised into privately developed initiatives, officially agreed or recognised guidance and international conventions or declarations.

Instrument and Role	Examples
Privately developed principles	<ul style="list-style-type: none"> <li>➤ ISO standards (e.g. 14000 series)</li> <li>➤ GRI Sustainability Reporting Guidelines</li> <li>➤ Responsible Care Guidelines</li> <li>➤ ICMM Sustainable Development Goals</li> <li>➤ Electronic Industry Code of Conduct</li> </ul>
Officially-agreed or recognised guidance	<ul style="list-style-type: none"> <li>➤ ILO MNE Declaration</li> <li>➤ OECD MNE Guidelines</li> <li>➤ <i>UN Global Compact Principles</i></li> <li>➤ International Finance Corporate Performance Standards</li> <li>➤ Extractive Industries Transparency Initiative (EITI) Principles</li> </ul>
International Conventions and Declarations	<ul style="list-style-type: none"> <li>➤ Universal Declarations of Human Rights</li> <li>➤ UN Framework Convention on Climate Change</li> <li>➤ ILO Conventions</li> <li>➤ ILO Declaration on Fundamental Principles and Rights at Work</li> <li>➤ UN Millennium Development Goals</li> <li>➤ World Summit of Sustainable Development Plan of Implementation</li> <li>➤ OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions</li> </ul>

Figure 6 Instruments of Corporate Global Governance

Now that many of fundamental concepts of the research topic have been defined, it is possible to proceed with detailing how the empirical research will be carried out. The theoretical framework used to prop up the core of this research is detailed in the following chapter.

## Chapter Three: Theoretical Framework

Theories form a fundamental component of sound academic research. Their usage is essential in helping researchers to understand and explain why things happen rather than simply describing a sequence of events or predicting unknown and untestable outcomes (Bhattacharjee, 2012). This thesis uses theories in order to structure the research and to develop hypotheses that can be used in understanding how the UNGC can be understood as a viable tool of corporate global governance. Choosing theories of relevance and those which were expected to have a high level of explanatory power was fundamental in order to gain maximum advantage of their use throughout the research.

### 3.1 Theory Selection

As was outlined in previous chapters, the UNGC is a non-conventional governance tool. Unlike other tools of corporate global governance, such as codes of conduct and regulatory frameworks it is not legally binding and is non-coercive, the UNGC lacks the “command and control” type authority that other bodies of corporate monitoring and regulation can employ (Leonard & Gonzalez-Perez, 2015). Bearing this in mind, selecting suitable theories to underpin research on the UNGC was not as clear cut as for more conventional corporate global governance policy tools such as international conventions and treaties. It was vital to take the non-conventional aspects of the Compact into account so that theories most suitable for explaining the UNGC as a viable tool of corporate global governance could be selected.

Traditional international relations and global governance theories are heavily based on state-centric assumptions whereby the state is perceived to use its legitimate use of violence to gain power in an anarchic world. However, new approaches to global governance are meaning that such theories must be re-evaluated in their ability to explain these new approaches (Turner, 1998). In the case of the UNGC, there is no state involvement in the development or organisation of the programme. Furthermore, the UN holds no coercive power over MNCs who join- it is entirely voluntary, not legally binding, and has no strong tools of enforcement or punishment. Based on these characteristics, it can also be determined that the UNGC fails to fulfil the criteria of what constitutes an international regime. Krasner (1982) defines a regime as the “principles, norms, rules and decision-making procedures around which actor expectations converge in a given issue-area” (Krasner, 1982). International regimes must fulfil certain criteria in order to identify as such. By having an institutional framework, a specific set of rules and norms and by holding a more general set of shared expectations regarding acceptable behaviour. In order to reach that point, certain processes need to take place which include setting standards, monitoring compliance with those standards, creating binding legal obligations and then employing the appropriate tools to enforce those legal obligations (Meyer & Stefanova, 2001). The UNGC fulfils the former of those processes in that it has a framework in place to set standards, in the form of the Ten

Principles, and it monitors compliance with those standards through requiring companies to issue the annual COPs on what steps they are taking to enforce those principles. Due to the lack of legally binding obligations, however, the UNGC falls short of what can be described as an international regime. Based on this, it was necessary to look outside of the realm of traditional IR theory to find a suitable theoretical framework under which to explain the UNGC.

The theories used in this research are inspired by Hale and Held's (2011) identification of four classes of theories most commonly used to explain contemporary developments in governance. According to them, those classifications fall under the frameworks of functionalism, competition between interest, ideational theory and historical approach (Hale & Held, 2011). This thesis focuses on one such contemporary development in governance- that of the voluntary initiative, through conducting a case study on the UNGC. Therefore, it was deemed appropriate to attempt to explain the UNGC as a viable tool of corporate global governance under the microscope of these theories.

The following theories were selected to understand the UNGC as a tool of corporate global governance; social constructivism, club theory, functionalism and historical approach. Each of these theories will help to explain certain important components of the UNGC and provide a frame so that insights of the UNGC can be more clearly structured and analysed.

## 3.2 Hypotheses

Hypothesis testing is more commonly seen in quantitative research whereas qualitative research is more concerned with deriving hypotheses from information gained through analysis of the data (Yin, 2003). The use of hypotheses in this research design is not in the conventional sense of attempting to ascertain whether the proposition made in the hypothesis is valid and impactful on the dependent variable. Instead, this thesis moves beyond that function and uses the hypotheses as a manner of discovering how the UNGC can be perceived as a viable tool of corporate global governance. In that sense, a proven hypothesis will add some colour to understanding UNGC as a viable tool of corporate global governance whereas a disproven hypothesis does not have any explanatory power in that regard.

The below hypotheses have been developed based on constructs developed from the theories detailed in the sub-sections. The hypotheses are based on the theoretical constructs most relevant to the objective of the research question, i.e. in order to understand the UNGC as a viable tool of corporate global governance.

### 3.2.1 Social Constructivism

One of the key assertions of social constructivist theory is that ideational beliefs are widely shared and cannot be reduced to the single ideas of individuals (Finnemore & Sikkink, 2001). People act towards objects, and each other based on the meanings that those objects or other actors have on them. These interactions depend hugely on intersubjective understandings, for example; "If society "forgets" what a university is, the powers and practices of professor and student cease to exist..." (Wendt, 1992, p. 397).

What actors do and how they interact with each other depends on important societal agreements. This holds true for concepts such as government, marriage and money- they are “facts” that only exist because society as a whole believes them to exist, they “are only facts by human agreement” (Searle, 1995, p. 1).

Under social-constructivist scholarship, an institution can be described as a “relatively stable set or ‘structure’ of identities and interests...” (Wendt, 1992, p. 399). Therefore, institution participants must share some degree of identity, norms and interests which allow for collaboration within the given entity. Under this theory, those interests are largely formed by identities of the actors, meaning the two concepts are deeply connected and cannot exist individually (Ibid.). Based on this key premise- actors which form part of the same institution share key understandings of certain social “facts”, the following hypothesis can be derived in relation to the UNGC in order to determine how it can be understood as a viable tool of corporate global governance.

**Hypothesis 1:** *The UNGC is viable because stakeholders identify with the “universal norms and values” and other normative principles upon which it is based.*

In this case, the notion of “universal norms and values” is linked with the constructivist idea of having collective meanings and understanding of a phenomenon that does not actually “exist”. This hypothesis focuses on the constructivist premise that actors in a particular institution (in this case the UNGC), share collective meanings, “institutional facts”, for otherwise abstract, normative conceptions of reality, things such as human rights, integrity, culture, principles (Searle, 1995).

Chapter Five elaborates on the words linked with this social constructivist-derived hypothesis and how their identification in relevant documents can help in testing this hypothesis for its explanatory power.

### 3.2.2 Club theory

Prior to Buchanan’s (1965) seminal work on club goods, goods and services were classified as purely private or purely public (Buchanan, 1965). Club goods can be differentiated from private, public and common goods as they are excludable in that only members can reap the benefits of membership, but they are non-rivalrous so it is possible for numerous members to use the good at any one time without experiencing a decrease or inequality in the good’s utility. Club goods are supplied through collective resources whereby members or other stakeholders make a contribution in order to ensure the continuance of said good (Molle, 2014). In other words; “A club is a voluntary group deriving mutual benefits from sharing one or more of the following: production costs, the members’ characteristics, or a good characterised by excludable benefits” (Sandler & Tschirhart, 1997, p. 335). An important premise of club theory is that only members can reap the benefit of membership, but they are non-rivalrous so it is possible for numerous members to use the good at any one time without a change in the good’s utility (Buchanan, 1965; Molle, 2014).

Voluntary initiatives, however, differ slightly from Buchanan's tradition conception of a club in that their central purpose is not to create benefits for club members in exchange for a membership fee (for example, the classic club good of a golf course) but rather to entice members into creating positive social externalities beyond those which are required by law. In return, voluntary initiatives allow members to reap certain benefits. The types of benefits created by voluntary programmes include social externalities, private benefits and branding benefits (Potoski & Prakash, 2009, p. 21). This thesis is focused mainly on the private benefits and branding benefits of the club rather than on the positive externalities it creates. The hypothesis derived from club theory assumes that UNGC participants are drawn to the initiative because of the benefits they can gain by being a part of the "club". Those benefits, i.e. the club good associated with the UNGC is that of being associated with the UN, therefore, transmitting a positive public image by authorisation to use the brand of the UNGC (Potoski & Prakash, 2009, pp. 190-191).

Based on this key premise, it is possible to define the following hypothesis in order to assist with answering the research question.

**Hypothesis 2:** *The UNGC is viable because participants are drawn to being part of the "club", and the benefits that go along with membership such as association with the UN.*

As with Hypothesis 1, Chapter 5 details a word catalogue with words associated with this theory and hypothesis which will help in it being proven or disproven.

### 3.2.3 Functionalist Theory

In the past, intergovernmental processes were still largely state-centric, conducted by diplomatic representatives and international bureaucratic mechanisms. Nowadays, inter and trans-governmental processes and negotiations are increasingly reliant on the input of other stakeholders. Functionalists view such changes in institutional structure and operations as evolutionary logic, that due to the conditions created by globalisation, the involvement of non-governmental actors in important policy processes is a natural development of this evolutionary logic (Hale & Held, 2011, p. 19). The specific premise of functionalism relevant for this research project however, is related to the importance of knowledge, expertise and access information in the decision-making processes at multi-lateral level (Willets, Peter, 2006). Functionalists see these elements; knowledge, expertise and information as essential in maximising advantage in achieving tasks and preferences common to all actors; "advantage is maximised by pooling efforts, by joining in common creative tasks, by stressing what unites men, groups and nations" (Haas, 1964).

It is this particular element of functionalism which is relevant to the hypothesis derived from this theory in relation to the Global Compact:

**Hypothesis 3:** *The UNGC is viable because participants are drawn to the "learning network", access to information and expertise aspect of the Compact.*

As discussed in Chapter 2, the UNGC can be described as a “learning network” (Ruggie, 2001), whereby participants can join local networks and benefit from learning and networking experiences with other private business actors in their region. Furthermore, it can also be argued that the UNGC is a viable tool of corporate global governance because it allows parties to come together for a cause that commonly unites them, in this case, social sustainability/ responsibility. The UNGC in this sense can be used as a tool where “advantage is maximised by pooling efforts”. It is for these reasons that functionalist theory is deemed a suitable tool under which the UNGC can be further examined.

### 3.2.4 Historical Approach

Although not strictly a theory, the historical approach is another useful microscope under which to examine the data used in uncovering the answer to the central research question of this thesis. The fundamental premise of this approach is that, in studying the development of a particular phenomenon, the researcher attempts to connect the given phenomenon with historical shifts and changes in society and the economy. So when examining developments in governance, it is necessary to look at the historical context of such developments as well as concurrent changes in society and the economy related to that governance change (Hale & Held, 2011). Likewise, Moynihan (2014) advocates for the use of the historical approach in analysing how public governance structures have developed. According to this approach, governance structures must be understood in the context of broader external factors—factors that administrators respond to in an attempt to maintain legitimacy. Moynihan (2014) uses a particularly strong argument for the use of this theory by exemplifying the 2008 global financial crisis. The author reflects on one of the causes of the crisis— the fact that so many new financial instruments were going largely unregulated. Then, by using the aforementioned elements of the historical approach, the development of new financial governance tools (e.g. credit default swaps) can be better understood and contextualised given the social and historical context in which they emerged (Moynihan, 2014). This example is a stark example of the strength of this approach in understanding recent developments in global governance and therefore was considered a highly useful theory on which the following hypothesis could be based:

**Hypothesis 4:** *The UNGC is viable because it is a natural progression in UN-private sector cooperation and dialogue, given the global social context in which it was found.*

In relation to the case study of the UNGC, hypothesis 4 posits the UNGC as a natural development in the progression of UN-private sector cooperation. An important facet of understanding this is to analyse the context in which the UN was founded and the potential societal arena which led to its establishment in 1999. Although this was briefly outlined in the previous chapter on the background of the UNGC, it will also be discussed in further detail in Chapter 6. Hypothesis-derived word cataloguing will also be conducted in an attempt to prove or disprove this theory.



The below graph offers a succinct explanation of which components of each theory the hypotheses are derived from.

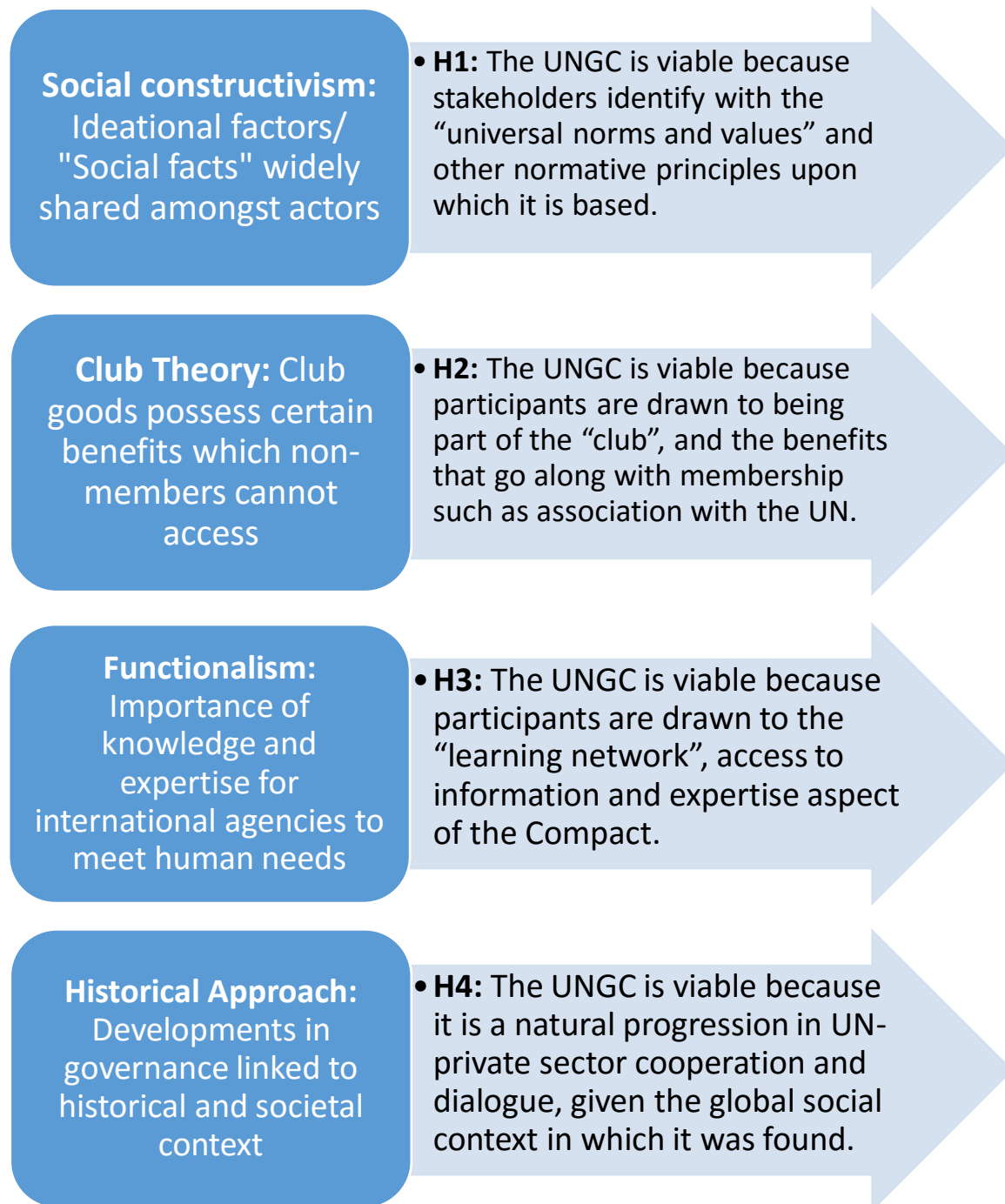


Figure 7 Theory-derived hypotheses

### 3.3 Variables

The UNGC is the dependent variable (DV) in all of the aforementioned hypotheses. Conventionally, the status of the DV can be influenced by endogenous factors, i.e. independent variables (IV) which influence the characteristics of the DV. In the case of all of the aforementioned hypotheses, the DV is that the UNGC is viable. However, the use of variables for testing these hypotheses is unconventional



in that the hypothesis are used not to explain *if* the UNGC is a viable tool of corporate global governance but rather to explain *how* the UNGC can be explained and understood as a viable tool of corporate global governance. The UNGC is deemed to be viable because it exists and has potential to continue existing given that the UN sees a continued need to “supply” the UNGC and companies continue to participate in the UNGC, i.e. “demand” it. Therefore, the purpose of the use of variables in this research design is to explain how the UNGC is capable of existing and which theoretically derived hypotheses offer possible explanations.

The DVs and IVs of each hypothesis are shown below.

	<b>Independent Variable</b>	<b>Dependent Variable</b>
<b>Hypothesis 1</b>	UNGC as a viable tool of corporate global governance	All stakeholders identify with “universal norms and values” and other normative principles upon which it is based.
<b>Hypothesis 2</b>	UNGC as a viable tool of corporate global governance	Participants are drawn to be part of the club and want to reap benefits that go along with club membership
<b>Hypothesis 3</b>	UNGC as a viable tool of corporate global governance	Participants are drawn to learning network, access to information and expertise aspect of the Compact
<b>Hypothesis 4</b>	UNGC as a viable tool of corporate global governance	Natural progression in UN-private sector cooperation

Figure 8 Dependent & Independent Variables

## Chapter Four: Research Design

This chapter aims at uncovering the importance of a research design in sound academic investigation and explaining the logic behind why the methods in this thesis were chosen. It will begin by describing the different types of research design, their advantages and disadvantages while later elaborating on the reasons behind why this particular design was chosen for the topic at hand. It will also detail possible methods of enquiry used in the data analysis and why these methods are the most appropriate given the research aims of this thesis.

### 4.1 Exploring options

Bhattacharjee (2012) describes a research design as a “comprehensive plan for data collection in an empirical research design” (Bhattacharjee, 2012, p. 35). According to him, in order to qualify as a sound research design, a project must encompass at least three processes; the data collection process, instrumental development process and sampling process (Ibid.)

Good research must be scientific research and King, Keohane & Verba (1996) describe the four characteristics of good scientific research as being research where inferences are made on empirical information, where research procedures are public so that other researchers and observers can learn from methods used and repeat, test and continue experiments, where conclusions are uncertain and researchers acknowledge the limit of their design and data and lastly where the true “science” behind scientific research is found in the method (King, et al., 1996). This thesis attempts to adhere to these characteristics and to produce a research design which acknowledges and replicates these points throughout the work.

Research in social sciences can be split into two strands; qualitative and quantitative, however, these two strands should not necessarily be seen as competing although there always exists a debate around which approach is “best”. This research paper takes the view of scholars who say that both approaches are fundamentally underpinned by the same logic of inference and that the differences are primarily stylistic. Both methods can produce “good scientific research” as long as they display the aforementioned characteristics. Quantitative research is largely numerically and “big data” based which sees the researcher use statistical methods in order to drive research and interpretation. This type of research is also known as a large-N design. Qualitative research is more difficult to succinctly define as it covers a broader basis but the general commonality of all qualitative research is that it does not rely on numerical measurement (Ibid. p. 3). Qualitative research usually focuses on a small-N research where one or a small number of cases are studied in in-depth detail. Case study research is a particularly common form of qualitative research and this is the form of research used in this thesis.

A case study can be defined as an in-depth investigation of a problem in one or more real-life settings over an extended period of time. Data is collected from a variety of sources including interviews, observations, documents etc. (Bhattacharjee, 2012). Case studies allow the researcher to delve deep into

the topic at hand and do not limit the researcher as to what type of data sources they can use therefore providing a wealth of rich data types which can allow for better cross-referencing of information. This method is often prescribed for studying complex organisational processes which involve numerous stakeholders and so it is the best-suited method of research for the core research question of this thesis (Ibid.) Bhattacharjee (2012) identifies the major flaw of the research design as its potential to be “heavily contextualised and nuanced” (Ibid. p.40), however other researchers disagree with this point of view and instead see case studies as a legitimate manner in which to draw generalisations about other cases outside of that which is being studied as long as it holds a certain similarity. This school of thought argues that as long as external cases show characteristic similarities to the one being studied at an in-depth detail, certain generalisations can be made (Rohlfing, 2012).

The case study designed in this thesis attempts to address the issue of heavy contextualisation and nuance by choosing the UNGC as a solid example of a voluntary initiative which has certain characteristics also possessed by other similar multi-stakeholder, transnational, voluntary initiatives.

Case studies can take the form of single case studies or multiple case studies and can be exploratory, descriptive, or explanatory (causal). Exploratory research relies on fieldwork and the collection of data to be conducted before the final definition of study questions and hypotheses is made. The aim with this type of research is often to discover which theory is best used to describe and explain a certain phenomenon after the relevant information is gathered and processed. Explanatory case studies can be split into two sub-categories- factor theories or explanatory theories. The former identifies independent variables which correlate with dependent variables. Analysis of these interactions can be carried out using factor analysis, regression analysis and analysis of variance as illustrative statistical techniques (Yin, 2003, p. 14). Lastly, descriptive case studies are usually carried out by researchers whose main aim is description. Despite this focus on description, some theory is still needed and generally used to form hypotheses of a case effect relationship (Ibid.)

Before embarking further on the research paper it is important to consider which type of case study is most suitable to the topic at hand. In this thesis, it is vital to get a deep understanding of what forces drive each actor to collaborate on this transnational, voluntary initiative. It is essential to gauge an in-depth understanding of the supply-demand forces (as discussed under sub-chapter 1.3.1) in order to draw conclusions on its viability as a tool of corporate global governance. The end goal of the research is to determine how the UNGC can be best understood as a viable tool of corporate global governance with the possibility of extending those findings to other initiatives. Theory testing is usually more commonly used within a multiple case study design (Bhattacharjee, 2012) but in this case, the theories are used in a slightly non-conventional manner in which they are tested for their explanatory power, therefore directly contributing to answering the research question.

A final important aspect to note about the single case study design is that it is still possible to integrate some quantitative analysis into the methodology when looking at a research design. Rohlfsing (2012) uses the example of a qualitative case study research design examining the effects of political communication on electoral success in US presidential elections. In this research question, the number of cases is kept small- at two; one being the unsuccessful candidate and the other the successful candidate. However, it is possible that there is still a large number of within-case observations which can be processed using quantitative analysis such as the example of statistical tools processing hundreds of press statements from both parties (Ibid.). This idea will be addressed in the following section 4.2 whereby it will be used to back-up a similar method which is to be used for this thesis.

## 4.2 Research Design Selection

After taking a look at the various options available to help build a suitable research design, it was decided that a qualitative, single case study design was the most apt form to use. Qualitative research was chosen over quantitative research because the concept of voluntary initiatives in transnational governance is a relatively new phenomenon and merits a deeper and more detailed analysis than would allow a quantitative study. After deciding on a qualitative approach it was necessary to define which type of design this research should take and this consideration led to the decision of using a case study. A case study was seen as particularly apt to tackle the research question at hand because it allows for the use of various methods to collect data (Bhattacharjee, 2012). This includes the possibility for the researcher to use elements of qualitative data collection even if the research design is wholly quantitative, as previously discussed (Rohlfsing, 2012). This is taken advantage of in order to add further scientific validity to the research and comes in the form of a word catalogue which is further detail in Chapter 5. This is also important because of the unique nature of the UNGC and the relative novelty of voluntary mechanisms as an area of study within the social sciences.

## 4.3 Data Analysis Methods

Data analysis is a fundamental part of any research design and is key in describing, discussing, evaluating and explaining the content and characteristics of the data collected (Matthews & Ross, 2010). Data analysis should ultimately lead to a conclusion, and is the primary aid in answering the research question. It must be systematic and comprehensive, i.e. each document or piece of data being analysed must be treated in exactly the same way and all data collected and analysed must be included and considered in the conclusion (Ibid.).

Qualitative data analysis focuses on meaning rather than number-heavy, quantifiable data. Data is usually collected in the form of a small-N study rather than a large-N, i.e. on a smaller number of cases than used in quantitative data. It highly values the importance of context and seeks to understand this context rather than drawing generalisations. Qualitative data does not aim to measure specific variables but rather looks at developing deep descriptions of the phenomenon being researched (Schutt, 2015).

As was touched upon in the previous chapter, variables are actually used in this research design but with the aim of gauging explanatory power rather than measuring their impact on the dependent variable. Data collection for qualitative research designs can be broadly broken into primary and secondary methods. Primary methods include observation, such as observation of artefacts or recorded events. Participant observation is also a popular primary method of data collection as well as in-depth interviewing and content analysis. Secondary methods include those such as interviewing focus groups, analysing biographical information, historical analysis, use of questionnaires and surveys etc. (Marshall, 2006).

The aforementioned characteristics of qualitative data collection were carefully considered when deciding what type of method would be used for data collection and analysis suitable for this case. The following subsection details the chosen method.

#### 4.4 Method Selection

After careful considering of these various methods of data analysis available to the qualitative research, it was decided that content analysis was the most suitable method of data collection for this research paper. This is because an important part of this research is gauging the interests of actors involved and understanding their motivations for participating in the UNGC. Although other methods were considered, particularly that of using questionnaires to gauge company interests and motivation to participate, content analysis was decided upon because of the wealth of resources available on the UNGC website and the usefulness of such primary sources in uncovering stakeholder interest. Official documents were easily obtained from the UNGC website, from the UN itself, from Compact leaders, founding and promotional speeches as well as from participating companies in the form of their COPs and LOCs. It is hoped that a careful methodological approach in the analysis of such documents, under the microscope of the theoretical framework as outlined in Chapter Three, will allow for conclusions to be made as to which theories best explain the viability of the UNGC.

Qualitative content analysis, unlike quantitative content analysis goes beyond conducting simple computer-generated word counts and classifications of the documents in question. Instead, it looks at hidden meanings, nuances, themes and patterns within a text (Schutt, 2015). As previously mentioned, the method used in this thesis will use a combination of quantitative-type word coding and counting as well as a method more geared towards analysing nuances and implicit meanings.

Content analysis first necessitates the investigator to select texts relevant to their research question. The investigators then “unitise” the chosen texts by dividing them into smaller pieces, suitable for analysis. Lastly, the investigator must devise a schema or code that will be used to more accurately classify and analyse text samples (Bhattacharjee, 2012; Bowen & Bowen, 2008). These steps are followed below with as much precision as possible, with special attention given to the last step- that of devising a suitable schema so that texts can be analysed as scientifically and objectively as possible.

This research paper will also use another form of qualitative data analysis as a supplement to pure content analysis. Document analysis differs slightly from content analysis, and can be described as “a systematic procedure for reviewing or evaluating documents...” (Bowen, 2009, p. 27). Document analysis as a research method is a very common method of qualitative research and very apt for use in case study frameworks, and therefore also applicable to this case study. It combines important elements from content analysis and thematic analysis, which is a way in which patterns of themes in documents can be categorised for analysis (Ibid.).

Some of the major advantages of this method include the ease of accessibility of documents, particularly those from public organisations. Again, with the case of the UNGC, relevant documents can be seamlessly tracked down after some initial desk research is carried out. As well as ease of access, document analysis as a principle method of research is also less time and cost intensive when compared with other methods. Furthermore, documents such as official reports, newspaper articles, speeches etc. are generally very reliable in terms of specificity of certain dates, facts and other information pertinent to the research (Ibid.). Each of these advantages was considered in the context of this research before the final decision to use this method was made.

For this research, data will be collected with one key objective in mind- to assist in answering the research question of how the UNGC can be understood as a viable tool of corporate global governance. As detailed in Chapter One, the three elements of viability in relation to the UNGC are that of UN-side interest in keeping the UNGC operative, i.e. “supply side”, company interest in continuing UNGC participation, i.e. “demand-side”, and a combination of how both entities reconcile their interests by coming together in a voluntary capacity. Therefore, most relevant documents would have to come from official UNGC documentation as well as from participating company documentation with details of why those companies participate in the UNGC. Chapter Five will further explain the types of documents most useful in answering the research question as well as elaborating on the word coding used to analyse text-heavy documents selected.

## Chapter Five: Selection and Analysis

Chapter Three outlined the specific theories that will be used in the interpretation of the data in order to gain a fuller understanding of the UNGC as a viable tool of corporate global governance. Chapter Four described the Research Design that would be employed to better structure this interpretation and analysis of data, yet thus far, where that data will come from or the details of how exactly it will be analysed have not been fully discussed. The following chapter outlines where the most suitable documents will come from and the methods used for their analysis. It also explains the word catalogue which was developed as an important tool used in data analysis and interpretation.

### 5. 1 Document selection

Document selection is a hugely important part of data analysis. It is imperative to choose documents which relate to the research question and provide the type of information that it is necessary to conduct concrete measurements of the hypotheses.

The data corpus used for this research paper was selected while keeping in mind the research question;

**RQ:** *How can the UNGC be explained as a viable tool of corporate global governance?*

As detailed in Chapter One, the concept of a *viable tool* is a core aspect of the research question and also remained at the heart of the process of document selection. In order to answer this question and to address the notion of a *viable tool*, it is fundamental to gain insights from both the supply and demand sides of the UNGC, i.e. from the UN and the UNGC itself, as well as from participant companies. The UNGC website proved to be an invaluable source of official documentation both from the Compact itself, the wider UN and participant companies. Transparency is an important underpinning of all CSR activity and the UNGC shows clear commitment to this with the wealth of resources available through its online library (OECD, 2008).

UNGC documents were chosen with the research question and hypotheses in mind. For example, the founding speech given by Kofi Annan provides important insights into many issues related to the hypotheses. For example, -hypothesis 1, which is built on the premise that there are certain principles that bind both parties in the Compact together, is addressed in the following statement which speaks of the UN's desire to "initiate a global compact of shared values and principles". Hypothesis 2 affirms that companies are drawn to the UNGC because of the benefits it offers and this is also addressed in the speech- "helps to expand opportunities for business", "to facilitate a dialogue between you [business] and other social groups" (Annan, 1999). Information relevant to Hypothesis 4, which sees the UNGC as a natural progression in UN-private enterprise, is also present in the founding speech by Annan- "...our relationship has taken great strides. We have shown through cooperative ventures...that the goals of the United Nations and those of business can, be mutually supportive" (Ibid.).

Other speeches, such as that given at the European Conference on CSR and Ruggie's speech on the Compact and Challenges of Global Governance also provide important insights into answering the research question and addressing the hypotheses. Kell, in a speech at the European Conference on CSR highlights the "operational concepts based on learning, dialogue and partnerships" which are a fundamental component and attraction of CSR programmes including the UNGC (Kell, 2004). This statement ties in with hypothesis 3 which cites the functional observation that knowledge and expertise are essential in decision-making. Therefore, by having access to these areas of learning, dialogue and partnerships within the UNGC, companies may have the potential to access or influence decision-making processes. Again, it is hoped that scrutiny of the information provided in these documents will help in gauging the explanatory power of the hypotheses posed. The UNGC mission statement is also another fundamental text which will be analysed in order to fully understand the drive of the UN in implementing the UNGC. This in turn will provide information useful to test all four hypotheses for their explanatory power. Documents related to the Local Network aspect of the UNGC were also consulted as they relate directly with the presumption made in Hypothesis 3- that companies are drawn to the UNGC because of the "learning network" and access to expertise and information aspect of the UNGC. The Local Networks initiative is largely cited as being the most common way in which companies gain this access to information and expertise and so analysing UNGC-side documents in this regard was fundamental to gain information so that this hypothesis could be proven or disproven.

From the outset, it is clear to see that many of the UNGC texts share common characteristics with many talking about deeply normative ideas such as "universal values" (Kell, 2008; Annan, 1999), "internationally agreed upon principles (OECD, 2008) and "shared humanity" (Kingo, 2016). These insights allow for the opportunity to gauge which hypotheses will be likely to be proven and therefore, help in answering how the UNGC can be understood as a viable tool of corporate global governance.

Some sources from the UNGC side that were considered but in the end not selected include expert interviews, sector and issue specific documentation and documents directly related to a particular SDG. Expert interviews with prominent figures in the UNGC were carefully considered as a potential source of data but in the end dismissed due to time constraints. It was also determined that the effort to secure expert interviews with UNGC staff would more than likely not elicit any more information than already available on the website. Much of the documentation of the UNGC website is specifically targeted to a particular area of industry of its company participants. Documents geared toward sectors such as Oil & Gas, Healthcare, Chemicals, Retail, Telecoms, Financial Services etc. all exist, but given that this research focuses on company participation from across diverse areas of industry it was decided that such targeted documents would not provide the information needed for this research. Furthermore, documents on the UNGC online library are also classified per SDG. This classification would not provide any more useful documentation than the aforementioned documents already selected and so this type of document was also dismissed.



Based on the aforementioned, the relevant documents for this thesis were selected with the research question and hypothesis firmly in mind. They largely come in the form of official speeches, press releases, reports, executive updates, official guidelines and UNGC online documents.

The choices made for data on company participation are more difficult to justify, given the sheer number of business participants (approximately 8,000), as well as the broad scope of industries and company sizes represented in the membership database. Bearing in mind these facts, it was important to select a sample of companies which were seen as important contributors to the viability of the UNGC. For this reason, documents from the largest revenue-producing UNGC participants were gathered and analysed.

On the UNGC website, participants are classified only by Type, Initiative, Country, Sector and Status therefore sieving that database with a “largest participants” or “biggest earning company participant” filter was not possible. Another method of selection therefore had to be chosen. It was decided that a manual cross-referencing process would take place by comparing Fortune Global 500 companies and UNGC participants. The 2015 list of the Fortune Global 500 was cross-referenced with the UNGC participant webpage. It was identified that 202, so 40.4 percent out of the Fortune Global 500 companies are UNGC participants, as demonstrated by Figure 9.

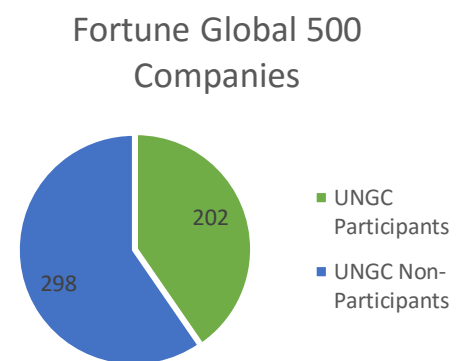


Figure 9 Fortune Global 500 Companies participant in UNGC

Fortune Global 500 companies were chosen because of their overall influence in the business world, their deeply profit-seeking nature and their multinational business strategies. It was concluded that the participation of these companies provides a certain level of legitimacy to the UNGC, and help improve the image of the Compact, based on the high profile of these Fortune Global 500 companies.

Once this initial identification was made, it was then necessary to choose which documents related to those companies should be analysed. It was important that company documents directly related to their participation in the UNGC should be used, rather than general company policy on CSR. The UNGC database of participants provided a rich source of company documents, mainly in the form of LOCs and COPs (detailed in Chapter Two). It was expected that LOCs would determine each company’s reasons for joining the UNGC which would provide valuable information necessary to prove or disprove all four hypotheses. This expectation was fulfilled, with many companies detailing their reasons of joining in those documents. For the same reasons, a selection of COPs was also analysed. The COP is required to detail a company’s continued commitment to the UNGC as well as outlining the measures it is taking in order to fulfil the Ten Principles of the Compact and to advance the SDGs.

As with the selection of documents from the supply side of the UNGC, expert interviews were also considered as a potential data collection method from the demand side. After some consideration it was

determined that expert interviews would not be appropriate. This was for many reasons- firstly because getting in touch with CEOs or CSR departments of Fortune Global 500 companies would probably prove difficult and time consuming and possibly come to no avail. It is likely that interviews would not have provided any extra information as to the reasons the companies join the UNGC than as detailed through their LOCs and COPs. Compliance is another issue when dealing with MNCs and by conducting interviews with executives and managers it may have proved to bear little fruit given restrictions on both sides of discussing company information that could be deemed sensitive.

In terms of the timeline chosen for document selection, this was not given much consideration as it is not deemed to be a contributory factor to answering the research question and hypotheses. The study took place on the premise that the UNGC has been a viable tool of corporate global governance from its foundation up until the present day. Therefore, the years during which the speeches took place or documents were published, do not have any effect, positive or negative on the data results. In fact, using documents from different periods of time throughout the history of the UNGC adds to the “triangulation” of sources whereby documents from different time periods, sources and perspectives are studied in order to ensure a rich and well-developed account of what is being studied (Cohen & Crabtree, 2006)

One obstacle that was not envisaged was that many of the companies’ LOCs available on the UNGC were encrypted and so it was not possible to conduct computer-operated word searches on those documents. Documents available only in languages other than English could also not be considered for analysis. Furthermore, some companies COPs were presented in the form of their Sustainability Report of Annual Financial Report meaning that there was a lot of excess content and it was unclear which areas related directly to the UNGC. Therefore, documents which related directly to UNGC participation had to be found. Furthermore, some of the COPs selected were highly detailed with over 80 pages detailing their commitment to the UNGC, as was the case with Nestlé. Others were much more succinct and so produced far less word counts. In an ideal world, all documents would be the same size but here that was not the case.

After suitable documents are identified, it was imperative to select a method of analysis that is suitable for the types of documents chosen and for the overall research aims of the thesis. The following subsection outlines the qualitative content and document analysis methods chosen for this thesis.

## 5.2 Data analysis method

Labuschagne (2003) is a strong supporter of qualitative research designs in the field of medicine. Her conclusion is that qualitative research can make a very useful and tangible contribution to research, even in a field where it is seen as the “airy-fairy” or weak alternative to quantitative research. In order to make qualitative research fundamental rather than frivolous, the researcher must demonstrate precise, well-formulated methodological skill and great sensitivity. The researcher must be able to rigorously

and systematically analyse chosen data while also using common sense to uncover sentiment behind words and phrases within the given context (Labuschagne, 2003). This sub-chapter keeps Labuschagne's observations at its heart while attempting to create a well-formulated, scientifically sound method in the analysis of the data collected.

The methods of data analysis used in this thesis are content and document analysis. This type of analysis usually develops codes and schemas during the initial analysis of the texts (Hsieh & Shannon, 2005). However, in this case, the chosen texts were first analysed using Bowen's (2009) three-step process. The text in question was firstly skimmed over, in order to gauge general content, sentiment and motivation for writing. Then the text was more thoroughly read in order to gain a deep understanding of its meaning and underlying sentiment. After this initial process was completed, language and words in the text in question were then interpreted and classified into one, more or none of the relevant theoretical explanations (Bowen, 2009). In the past, content analysis was primarily centred on word-counts i.e. counting the prevalence of certain words in a particular body of work which could then lead to quantitative calculations. However, increasingly, and especially pertinent to this research project is determining implicit meanings and sentiments behind words and phrases in the given texts (Matthews & Ross, 2010). The method used for document analysis here uses both of these approaches by first creating a word catalogue related to the hypotheses but also interpreting the implicit meaning behind texts and detailing these meanings descriptively.

A visual summary of the aforementioned methodology can be found below in Figure 8:

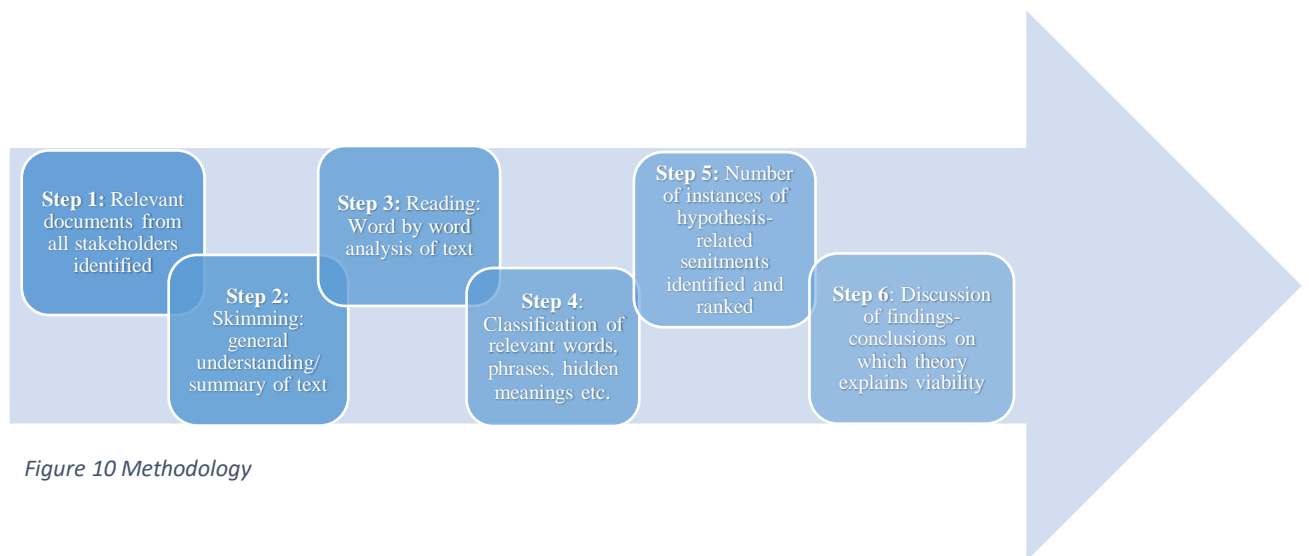


Figure 10 Methodology

### 5.3 Word catalogue

The preceding subchapter detailed the method used in document analysis. It is now necessary to develop a word catalogue for the analysis. An initial skimming of the text allowed for words and set phrases relevant to answering the research question to be identified. The hypotheses outlined in Chapter Two were then revisited in order to catalogue those words into hypothesis-defined categories. Once the

words and set phrases were identified it was then possible to conduct word counts of all documents and to create a graphic depiction of those words and hypotheses per hypothesis.

This hypothesis-driven word catalogue is detailed below:

<b>Hypothesis 1</b>	<b>Hypothesis 2</b>	<b>Hypothesis 3</b>	<b>Hypothesis 4</b>
<ul style="list-style-type: none"> <li>• norms</li> <li>• values</li> <li>• principles</li> <li>• shared</li> <li>• integrity</li> <li>• culture</li> <li>• equality</li> </ul>	<ul style="list-style-type: none"> <li>• benefits</li> <li>• capitalise</li> <li>• performance</li> <li>• associated</li> <li>• public statement [of commitment]</li> </ul>	<ul style="list-style-type: none"> <li>• learning forum</li> <li>• learning</li> <li>• network</li> <li>• dialogue</li> <li>• partnerships</li> <li>• projects</li> </ul>	<ul style="list-style-type: none"> <li>• history</li> <li>• unprecedented</li> <li>• development [of UN-business relationship]</li> <li>• new [endeavours]</li> <li>• changes</li> </ul>

Identification of these words in the texts did ensure that the context of the words was also taken into account. Words were only chosen if they were directly related to the context of UNGC participation. This was especially important to consider in some of the highly detailed COPs that were provided as they often discussed the background and operations of the company as well as some in-house CSR initiatives not directly related to the UNGC.

As well as the use of this word catalogue, documents were also analysed for implicit meanings and nuances within the texts. This was done by gauging the overall context of the document and looking at individual texts within the wider corpus of other documents. Naturally, this process could not be conducted without some degree of subjectivity on behalf of the researcher but it also added valuable insights to the research.

The following chapter digs deeper into the analysis of the documents and presents the results of the word coding of the documents.

## Chapter Six: Discussion of Findings

The previous chapter discussed the type of documents used in the analysis and what type of information they were expected to provide. It also detailed the methods of analysis that would be used in interpreting those documents, including the outline of the word catalogue used to detect the presence of hypothesis-derived words in those documents. This chapter begins by highlighting the results of that word-coding exercise. Firstly, the word count of participant documents is shown preceded by the word count for UNGC documents. Later, both sources of information are pooled together, as shown in Figure 13. Based on this information, this chapter is then divided into four sections, labelled per hypothesis. Each hypothesis will be analysed for its explanatory power based on the information gained through the word count as well as through more in-depth analysis of each document. Explanatory power refers to the usefulness of a particular hypothesis in explaining the UNGC as a viable tool of corporate global governance. Hypotheses that are deemed to have explanatory power help to add light on how the UNGC is such a viable tool whereas hypotheses proved to have no explanatory power are disregarded as a way to help answer the research question.

### 6.1 Word Count Results

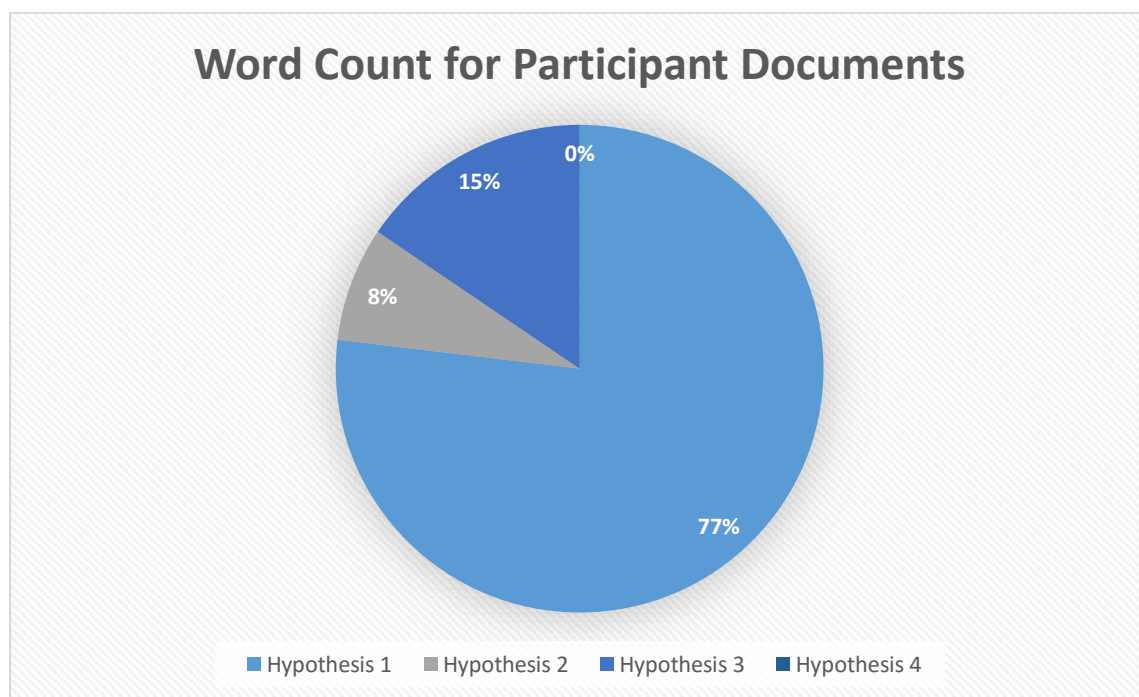


Figure 11 Participant Documents

Word counts using the words derived from the theories, as detailed in the word catalogue in the previous chapter, were conducted on twenty documents from UNGC participants. The documents came from a selection of Fortune Global 500-listed MNCs across a wide spectrum of industry and geography. The documents analysed contained a selection of LOCs and COPs, selected in the hope that they would provide insights into what drives companies to join the UNGC. Understanding that drive is a

fundamental part of gauging the “demand side” aspect of the concept of viability which was detailed in Chapter One.

In total, 580 instances of hypothesis-related words were identified in the documents. These words were identified and selected only if they were strictly in relation to the concept of the UNGC. For example, if there was a presence of the word “culture” but it was not related directly to participation in the UNGC it was disregarded. This was a common occurrence in many documents for example German food and drug company Metro discussed in detail how it was working to improve Aquaculture and Permaculture in its supply chain. Naturally, the instances of “culture” in this case were not counted as relevant to the word count as they were not in direct relation to Metro’s commitment to and participation in the UNGC.

As is clear from the pie chart in Figure 11, words associated with hypothesis 1, i.e. social constructivist-derived language were most present in the documents. Hypothesis 3 which holds the functionalist premise of learning, expertise and access to information at its core, produced the second highest amount of word counts although this equated to only 15 percent of all words identified in comparison with Hypothesis 1’s 77 percent. Hypothesis 2 which is based on the club theory observation that members join a club because of benefits afforded to them through membership was identified in very few of the documents with only 8 percent of the 580 words identified associated with this hypothesis. Hypothesis 4 related language which posits that the UNGC is a natural development of UN-private sector relations provided no results.

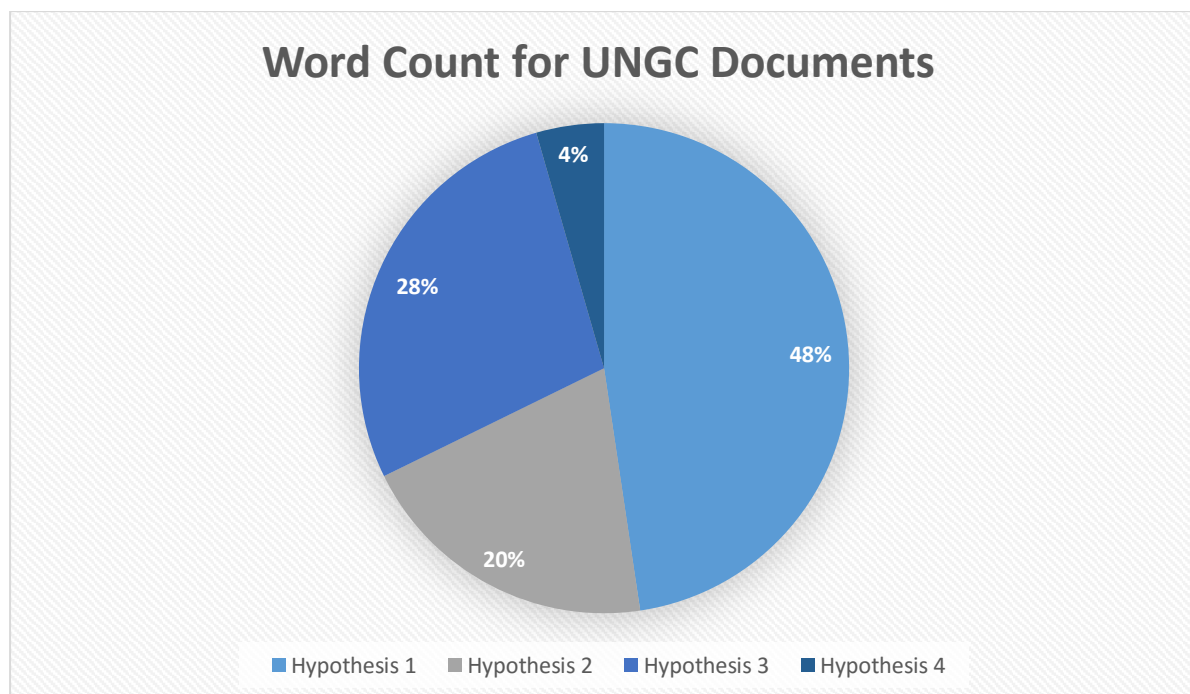


Figure 12 UNGC Documents

Word counts were also conducted on UNGC documents in order to gain a fuller insight into the UNGC as a viable tool of corporate global governance and to help in proving or disproving the hypotheses

posed. Twenty documents were analysed from the UNGC in an attempt to uncover the reasons as to why the UN sees fit to continue in its support and supply of the Compact. Analysis of a wide range of document types helped in determining how the UNGC can be seen as a viable tool of corporate global governance. Documents came in many different forms, examples of which include speeches from those directly and indirectly connected with the UNGC, executive summaries and updates, UNGC mission statement and strategy, articles written by key actors in the UNGC, important webpages of the Compact, and more.

In total, 403 instances of hypothesis-related words were identified. As with word counts of the participant documents, words and language were taken in context and only selected if they were in direct relation to the hypotheses and UNGC in general. Also similar to the participant documents, the majority of words identified came from hypothesis 1, with 48 percent of the 403 instances related to the social constructivist derived hypothesis. Functionalism derived words and language, related to hypothesis 3, were the second most commonly identified word count at 28 percent. Club theory was more prevalent in UNGC sources than company sources with 20 percent of all words identified related to the club theory-derived hypothesis 3. Unlike the company documents, there was a presence of hypothesis 4 derived words identified in UNGC documents meaning that historical context was mentioned in a selection of those documents.

Further of analysis of these results, along with more insights into the overall contexts and implicit information identified in the texts is detailed under Subchapter 6.2.

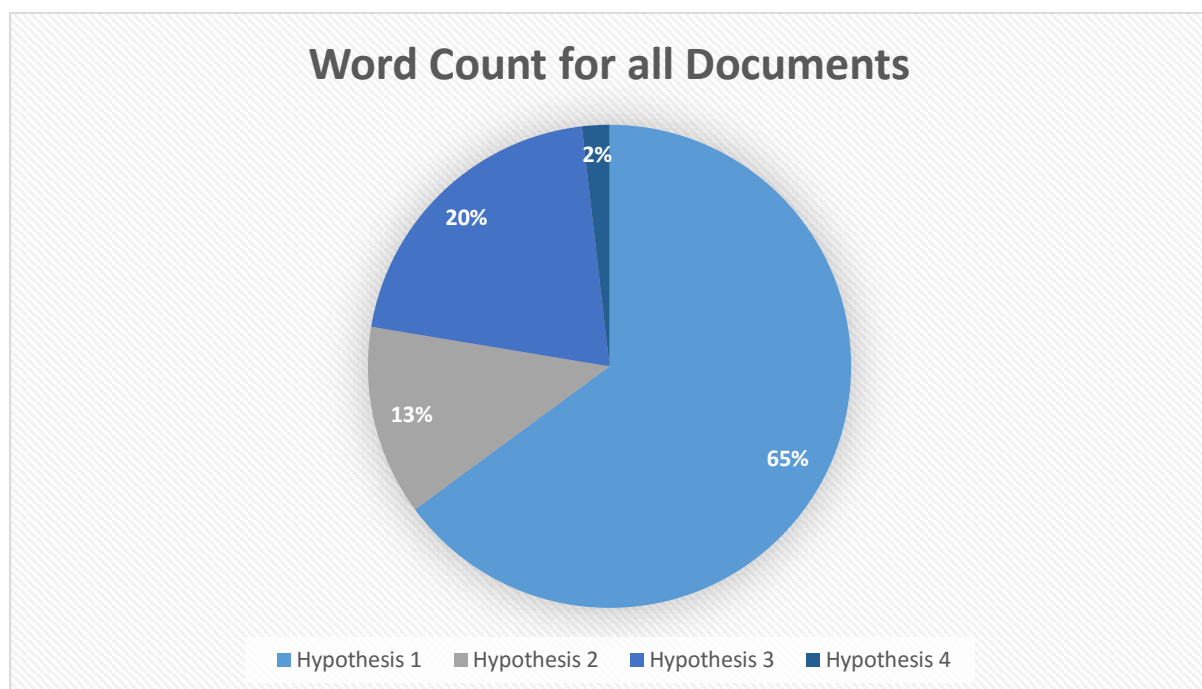


Figure 13 Final Word Count

Documents from both the supply and demand sides, i.e. from the UNGC/ and from participating companies, were analysed in this research in order to gain a better understanding of the viability of the UNGC a tool of corporate global governance. The above pie-chart shows the combination of those results with hypothesis 1 derived word count totalling 65 percent of all the words identified in both sets of data. The hypothesis 3 derived word count comes in at 20 percent while hypothesis 2 comes in at 13 percent and only 2 percent of all words identified are related to hypothesis 4.

These documents were selected with the research question in mind and analysed in the hope of gaining answers to the research question of how the UNGC can be understood as a viable tool of corporate global governance.

The following subsection digs deeper into the aforementioned results and also discusses the more nuanced and implicit information discovered when analysing the documents.

## 6.2 Digging deeper

This section takes a closer look at the discoveries made during the word cataloguing process and also details some further important information uncovered when reading and analysing the chosen documents. The section is presented per hypothesis and at the end of each section it will be determined if the hypothesis has explanatory power in explaining the UNGC as a viable tool of corporate global governance.

### 6.2.1 Hypothesis 1

*“The UNGC is viable because stakeholders identify with the “universal norms and values” and other normative principles upon which it is based.”*

The hypothesis is driven by social constructivist theory which teaches that collective meaning can be given to non-tangible objects that do not exist in a “brute” sense (Searle, 1995, p. 2) Furthermore, this theory argues that institutions can be defined as a “relatively stable set or ‘structure’ of identities and interests...” (Wendt, 1992, p. 399) whereby actors involved share some degree of identity, usually manifested through norms and interests (Ibid.). In this case, the hypothesis is based on the idea that interests of both parties are reconciled by their mutual recognition of the meaning behind certain social facts which constitute an important element of the Compact. Based on the assumption of this hypothesis, both the UN and company participants in the Compact share the same understanding of what abstract concepts such as principles, values, human rights, and environmental sustainability mean. The hypothesis was applied to the empirical data to see if it could be proven to have explanatory power.

In this instance, the UNGC as a viable tool of corporate global governance is the dependent variable. As discussed in Chapter Three, the UNGC is seen as a viable because it exists and has the potential to continue existing given the continuance of the supply (UN) and demand (participating companies) of the Compact. The independent variable is that stakeholders identify with the “universal norms and



values” and other normative principles upon which the Compact is based. This connects to an important aspect of viability as defined in Chapter One, namely that the alignment or reconciliation of interests of both parties involved in the Compact, i.e. the UN and the participant companies. According to this hypothesis, both parties are united in their belief of the meaning of “universal norms and values” and the other normative principles that are seen in the UNGC.

Based on the aforementioned, it was necessary to analyse the selected documents in order to search for indicators that would help in proving or disproving this hypothesis. The analysis was conducted by using the information gained through the elaboration of the word catalogue detailed in the previous chapter, as well as a more in-depth look at the documents in order to gauge contextual information and implicit meanings present in the text.

Based on the word count from both participant and UNGC documents, there was an overwhelmingly large instance of words derived from this hypothesis. In total, 1,083 words related to the various hypotheses were identified. Out of these 1,083 words, 638 were related to hypothesis one, meaning that 65 percent of the words identified were related to this social constructivism-derived hypothesis. When analysing the documents in further detail it became clear that indeed there was a strong presence of this sentiment. All of the participant documents analysed showed a strong corroboration with this hypothesis with the majority of the LOCs and COPs outright stating their company’s commitment to the UNGC being based on the values and principles espoused by the Compact. The documents also demonstrate adherence to certain social facts that are also shared with the UNGC and are an important element of the Compact, concepts such as CSR, human rights, and social and environmental progress. For example, French insurance company AXA state in their COP that they place “Corporate Responsibility at the heart of its business” while going on to detail the Company’s participation in social and environmental progress (AXA Group, 2016). The COP from German retailing giant Metro also states its commitment to upholding the principles of the UNGC and details how the Company is improving its performance in the areas of human rights, working standards, environmental protection and the elimination of corruption (Metro Group, 2015). Other company sources espouse similar commitments, BNP Paribas ensures the continuous promotion of principles in all of its business areas as well as a “conscious effort to include the CSR perspective in all aspects of business...” (BNP Paribas, 2010). Daimler also details how it is committed to implementing the Ten Principles in its Corporate Action Plan (Daimler, 2015) and E.ON states its “commitment to...respect human rights, uphold labour and environmental protection standards, and to fight corruption” (E.ON, 2015). All participant company documents analysed contain similar information and so from the “demand side” of the UNGC it can be said that participant companies do identify with the “universal norms and values” and other normative principles upon which the UNGC is based.

UNGC documents also show an overwhelming tendency towards social constructivist language and rhetoric. In the founding speech given at the World Economic Forum in Davos, Kofi Annan calls on businesses to “embrace, support and enact a set of core values in the areas of human rights, labour standards, and environmental practices”. He describes these as “universal values...since they are values people all over the world will recognise as their own” (Annan, 1999). Those universal values are exactly the type of “institutional facts” which are dependent on a collective understanding of their meaning in order for them to exist (Searle, 1995, p. 2). Current Executive Director of the Compact, Lise Kingo echoes this type of sentiment in a document published almost 20 years after Annan spoke those words when she writes about the need to “strengthen returns on investment in our shared humanity” (Kingo, 2016). On the 10<sup>th</sup> anniversary of the Compact, then-Executive Director Georg Kell likewise spoke about the importance of “projecting universally legitimized principles” and how “global integration has triggered convergence around values and principles” (Kell, 2008). Such statements fit clearly into the social constructivist teaching of the value of shared meanings. Even in an interview with the self-professed “critical supporter” of the UNGC, Mary Robinson, is notion of shared principles as one which binds the UN and participatory companies of the UNGC noted. She argues that the current framework of the Ten Principles is weak and needs to be updated and strengthened (UN Global Compact, 2015c), but this fact alone demonstrates that those principles are a reconciliatory factor which bind, or at least align in some way the interests of stakeholders in the Compact.

Based on all of this empirical evidence gathered, it can be concluded that Hypothesis 1 has strong explanatory power and therefore contributes to better understanding how the UNGC can be understood as a viable tool of corporate global governance. The evidence shows that an important factor in the UNGC’s viability as a tool of corporate global governance is that the stakeholders involved; i.e. the UN and company participants both hold the same understanding of what constitutes normative concepts such as human rights, universally-accepted principles, shared values etc. They share certain values (the Ten Principles being the most notable) and both agree that pursuing these principles is essential for the sustainability of society. Furthermore, these shared understandings help both parties to align their interests. Both UN/UNGC and participant companies, outwardly express their desire to beneficially impact wider society which suggests that an institutional reconciliation of those interests is achieved through the Compact- positively impacting its viability as a tool of corporate global governance.

This hypothesis has huge explanatory power given its strong presence in all of the documents analysed. It can be concretely concluded that the “universal norms and values” and other normative principles upon which the UNGC is based contribute greatly to the UNGC being a viable tool of corporate global governance.

## 6.2.2 Hypothesis 2

*“The UNGC is viable because participants are drawn to being part of the “club”, and the benefits that go along with membership such as association with the UN”*

Hypothesis 2 is drawn from club theory, which develops the traditional framework of public vs private goods and creates a new classification of the “club good”- that which is excludable and non-rivalrous (Buchanan, 1965). The voluntary initiative can also be classified as a club good, given that it provides certain benefits that are only available to parties who are participatory to that initiative. External actors cannot access the club benefits provided by the voluntary initiative. Potoski and Prakash (2009) identify three benefits produced by voluntary initiatives, mainly social externalities, private benefits and branding benefits (Potoski & Prakash, 2009). In the case of this hypothesis, focus is given primarily to the latter two of these benefits- private benefits and branding benefits. Based on background information and external observations of the UNGC, such benefits in this case may include being part of a “club” related to the UN and the boost to brand perception that may come as a result of that relation.

As with hypothesis 1, the UNGC as a viable tool corporate global governance is also the DV here but similarly, the IV does not have a direct impact on the UNGC’s viability. Rather, is it used in an attempt to explain and understand how the Compact can be seen as a viable tool of corporate global governance. The IV in this case is the idea that firms are drawn to being part of the “club” of the UNGC and are enticed to join because of the club benefits afforded to them.

In order to test if this hypothesis has any explanatory power for the research question, it was important to scrutinise the documents for signs that might indicate that those club benefits were a reason that the company participants decided to join the UNGC. The word count produced some results that indicated that club benefits were a reason for company for participation, as well as a way in which the UNGC enticed companies to join, but in comparison with hypothesis 1, those instances were far less. Out of the 1,083 indications of hypothesis-derived words, only 125 instances of words related to hypothesis 2 identified. This means that only 13 percent of all words identified through the word cataloguing system were related to club theory sentiment as can be seen in Figure 13. In order to examine the explanatory power of this hypothesis in more detail it was important to see if there was any evidence in the selected documents of companies joining the UNGC for club benefits or if the UNGC itself marketed itself in a way that framed participation as beneficial to companies.

Deeper analysis of participant did not provide much information to suggest that companies join the UNGC because of branding opportunities and associational benefits affording to them. However, it can be argued that the LOCs and COPs analysed, acting as public statements of company commitment to the UNGC do show a certain degree of companies enjoying the brand affiliation aspect of the Compact. All documents analysed provide a statement from the company CEO saying in one way or another that they are “pleased” to support the Ten Principles of the UNGC. The CEO of ING Bank states that his

company is “fully committed” to the Compact (ING Bank, 2016) and the LOC from China Railway Construction Company details its intention to “make a clear statement of...commitment to our stakeholders and the general public” (China Railway Construction Corporation, 2010). These declarations of commitment do implicitly demonstrate that companies feel that association with the UNGC and therefore with the UN most definitely will not cause any negative effect to their brand and could even improve brand perception.

Examination of UNGC documents revealed strong indications of club theory and of the UNGC marketing itself to signatory and potential-signatory companies through certain benefits it could provide. For example, in the first speech given by Annan at the World Economic Forum in Davos, the then-Secretary General says that the UN is ready “to facilitate a dialogue between you [private enterprises] and other social groups” and “to help make the case for and maintain an environment which favours trade and open markets” (Annan, 1999). This statement suggests that by joining the UNGC, companies can benefit from a UN that promotes favourable trade conditions and provides a platform for communication between business and other societal actors. This can most definitely be interpreted as a manner of enticing companies to join and an example of the benefits that participants would enjoy. Another document with clear and definite instances of club theory-derived rhetoric was the UNGC guide for companies on how to implement the SDGs into their business strategies. The document outlines the ways in which companies can benefit from using the SDGs to guide their policies. Those benefits include, amongst others “identifying future business opportunities”, “enhancing the value of corporate sustainability” and “strengthening stakeholder relations and keeping the pace with policy developments” (UN Global Compact, 2015b). In this document, SDGs are framed in a way that their use in business can be beneficial to the business itself as well as wider society. Given that the Ten Principles of the UNGC are based in part on the SDGs this would also suggest that there are business benefits to gain through participation in the Compact. Furthermore, the UNGC even has a webpage committed solely to detailing the benefits afforded to businesses who join the Compact. The webpage, entitled “A win-win for business and society” says that there is a strong connection between a business’ bottom line and their environmental, social and governance practices, i.e. their CSR policy (UN Global Compact, 2016c). Again, this is a clear promotion of the benefits companies can enjoy should they participate in the UNGC.

Based on the above empirical evidence, it can be ascertained that Hypothesis 2 does have some degree of explanatory power, although not as much as Hypothesis 1 offered. It seems that the UNGC promote numerous benefits for companies of being in the Compact and upholding CSR policies in their businesses as an enticing way in which to get companies to join the UNGC. The COPs and LOCs which are public declarations of a company’s participation show that participants are happy to broadcast their participation. This can be interpreted as a company seeing benefit in being directly associated with the UNGC and more indirectly, with the UN. Many of documents also explain how they are “pleased” to

participate which would also back up this assertion. However, there is no evidence to show that club benefits and association with the UN are the sole or primary reason that a company joins.

Based on this analysis, it can be determined that Hypothesis 2 does offer some insights into how the UNGC can be seen as a viable tool of corporate global governance. It does allow for a better understanding of the elements used to entice companies to join on behalf of the supply or UNGC side, but it has less power in explaining the motivations as to why companies participate in the UNGC. Despite this, the evidence does demonstrate that hypothesis 2 does hold explanatory power useful for understanding the UNGC as a viable tool of corporate global governance.

### 6.2.3 Hypothesis 3

*“The UNGC is viable because participants are drawn to the “learning network”, access to information and expertise aspects of the Compact.”*

Hypothesis 3 is drawn from functionalist theory, particularly the elements of that theory that focus on the importance of knowledge, expertise and information as essential advantages in achieving common tasks and fulfilling common preferences. Under this theory, actors can maximise advantage through learning experiences, knowledge and access to information and expertise. The UNGC has been described as a “learning network” (Ruggie, 2001), whereby actors involved gain valuable access to information which can help them to learn and develop best practices when it comes to conducting their business sustainably and creating suitable CSR policy. The local network aspect of the Compact is also referenced as a particularly useful way in which participants can gain access to information and expertise of other Compact participants at a local level. This hypothesis stipulates that this so-called “learning network” and the access to information and expertise elements of the Compact draw participants in and contribute therefore to encouraging the demand side of the Compact to continue with that demand, thus contributing to the continued viability of the UNGC.

As with the previous hypotheses, the UNGC as a viable tool of corporate global governance is the DV in this case whereas participant attraction to the “learning network”, access to information and expertise aspect of the Compact constitutes the IV. As with the other hypotheses, the IV does not have an effect, per se, on the status of the DV. The premise of the research is that the UNGC is already a viable tool of corporate global governance. Instead, testing this hypothesis will uncover whether it has any tangible explanatory power in explaining how the UNGC can be understood as a viable tool of corporate global governance.

To test if this hypothesis has any explanatory power therefore, it was essential to analyse documents for references to ideas of learning networks, local networks, access to information, expertise, projects, partnership and any other concept relevant to the observations made within the hypothesis and theory.

Analysis of the word count results shows that out of the 1,083 hypothesis-derived words identified in all the documents, 20 percent or 202 words were classified under hypothesis 3. This means that functionalist-derived language was the second most commonly identified in the count. Further analysis of the documents also resulted in the identification of many instances of statements and mentions of sentiment related to the aspect of functionalist theory used for the elaboration of this hypothesis. From the participant side, many companies note the ways in which they are learning about CSR and sustainability practices from other Compact members and are taking advantage of the local network aspect of the UNGC. For example, in Daimler's COP the Company notes how it participated in webinars organised by the UNGC and how it takes "an active part in the Deutsche Global Compact Netzwerk (DGCN)", the local network which facilitates learning and dialogue between other regional members of the Compact. The Company also notes that it encourages its subsidiaries to also take part in local networks in their region (Daimler, 2015). This would suggest that the companies sees a valuable learning opportunity in this aspect of the Compact and may be attracted to the Compact for this reason. Shell's COP details the fact that it enjoys the "opportunity to share knowledge and insights and learn from each other's experience" (Royal Dutch Shell , 2015, p. 47) and how it also benefits from the opportunities of "learning...based on engagement and dialogue" (Ibid. p.19). Based on this evidence it is clear that the prospect of gaining and benefitting from learning opportunities and expertise is an important one for the demand side of the Compact. Clearly, companies are attracted to the local network element and view the various learning and dialogue platforms as an advantage of Compact participation.

The learning network aspect of the UNGC is also a highlight strongly promoted from the side of the UNGC. The Compact cites benefits of joining such as "unprecedented networking access with UN Compact Participants", "Best practice guidance", "tools, resources and trainings", "Local network support" and "knowledge and experience of the United Nations" (UN Global Compact, 2016c). These elements are strongly linked with functional elements and implicitly and explicitly touch upon all of those elements described in the hypothesis- the learning network, access to information and expertise. In his speech at the European Conference on CSR, Kell talks about the benefits to business of the "Operational concepts based on learning, dialogue and partnerships..." (Kell, 2004). The joint OECD-UNGC report on guidelines for MNCs also highlights functional aspects of the Compact which can be enjoyed by participants- "local networks...learning, dialogue and projects" (OECD, 2008, p. 2). Even UNGC documents indirectly related to the Compact note the important role of local networks (Kingo, 2016). The functionalist sentiment of collaborating towards common tasks and preferences (Haas, 1964) can also be noted in the Annan's founding speech which frames the pitfalls of globalisation, citing "economic volatility" and "victims of market failures" as issues that also have negative effects for businesses, encouraging businesses to become part of the solution to this issue. Annan thus frames the tackling of these problems as a common task and preference of both the UN and the corporate world, and calls on business leaders to ally themselves with the endeavours of the UN (Annan, 1999).

The aforementioned evidence demonstrates the ability of functionalist theory and the functionalism-derived hypothesis posed here as having strong explanatory power. The word count identified that 20 percent of words identified were related to the word catalogue classification for hypothesis 3, which was the second highest instance of words related to a hypothesis. Further inspection of the documents also revealed quite a high tendency from both demand (business) and supply (UN) side of the UNGC to note the functional elements of Compact. Based on evidence from the COPs and LOCs, it can be said that businesses are firmly attracted to the learning, knowledge and collaborative opportunities available to them under participation of the UNGC. Furthermore, the UN uses functional rhetoric to pose those elements as enticing to potential participants. As evidenced by Kofi Annan's founding speech, it also frames market failures caused by globalisation as something that needs to be tackled collaboratively, as a common interest of both the UN and business.

Fundamentally, it can be said that hypothesis 3 does provide explanatory power and helps to theoretically frame the information used to explain how the UNGC can be understood as a viable tool of corporate global governance.

#### 6.2.4 Hypothesis 4

*“The UNGC is viable because it is a natural progression in UN-private sector cooperation and dialogue, given the global social context in which it was founded”*

This hypothesis is based on the historical approach which uses the historical and societal context of the time, to better understand the development of an institution. This theory was deemed suitable as the UNGC was founded at a poignant time in contemporary history, a time which saw mass demonstrations across the world focused on the negative societal impact of MNC business practices and the harmful consequences of globalisation in general. Based on Moynihan's conception of the historical approach, analysing the UNGC under a framework that understands this societal context will allow for a fuller understanding of the Compact as a viable tool of corporate global governance. As detailed in Chapter Two, the relationship between the UN and the private sector has been taut, but many cite the UNGC as an important development in this relationship and a stepping stone towards further collaboration (Fritsch, 2006). With this in mind, the above hypothesis was developed, to see if the global social context present at the time of the UNGC establishment can be understood as a contributing factor to its viability.

Once again, the DV for this case is the viability of the UNGC as a tool of corporate global governance, and the IV is the natural progression of UN-private sector relations given the social context during the period in which it was founded. As with the other hypotheses, a word catalogue was developed so that any elements related to the IV could be identified. Both UNGC and participant documents were extensively examined to see if they provided any clues as to the UNGC being understood as a natural progression of UN-private sector relations. It was determined that potential indicators of this hypothesis

would include any references to the history of UN-private sector relations, the UNGC as being a “development” in this relationship, or any indication of the UNGC as being a big change, unprecedented or as a new beginning in the collaboration or association between the UN and business interests.

The word catalogue created to search for such indicators produced very few results. Only 2 percent of all words identified related to this historical approach. Further examination of the company documents verified this result- none of the documents bore any mention of the elements necessary to use this method to explain viability. The UNGC documents were a little more fruitful in this regard. Kell’s speech at the 10<sup>th</sup> anniversary of the UNGC uses many historical elements to frame the current situation of the UNGC. He discusses how “the gaps and weaknesses in global governance...led the United Nations to start actively collaborating with the private sector in the late 1990’s”, how by the 1990’s “...a new way of thinking began to emerge...” which eventually led to the launch of the Global Compact (Kell, 2008). Likewise, Annan’s speech at the launch of the Compact also mentions how the UNGC is a new phase in the relationship between the UN and business communities and Ruggie echoes this by saying how the Compact can be seen as “an unprecedented initiative in the history of the UN” (Ruggie, 2002). These observations link directly with Moynihan’s (2014) recommendation of using the historical approach to contextualise developments in global governance. These observations indicate that the UNGC was not a tool of corporate global governance that developed independent of current social and political occurrences of the time, but rather as a response to that historical context. However, going back to the research question is particularly important under this hypothesis. The research question frames the UNGC as a viable tool of corporate global governance, and although the historical approach helps to understand the reasons why the UNGC comes into existence, it does little to explain the supply, demand and reconciliation of interest aspects of viability.

Based on the aforementioned empirical evidence it can be ascertained that the historical approach does give some insights into how and why the Compact came into being in the first place. However, the evidence is weak as to this hypothesis giving insight into the current and future viability of the UNGC. Therefore, based on the empirical evidence gathered, hypothesis 4 does not hold any explanatory power over the viability of the UNGC.

In conclusion, hypotheses 1, 2, and 3 all possess some degree of explanatory power when attempting to understand the viability of the UNGC as a viable tool of corporate global governance. Hypothesis 1 demonstrated the most explanatory power with the vast majority of hypothesis-related words being related to this hypothesis. Hypothesis 3 ranked second in terms of number of words related to the theory identified. Hypothesis 2 also produced some insightful results and was deemed to definitely possess some explanatory power when attempting to understand the UNGC as a viable tool of corporate global governance. Hypothesis 4 was shown to hold some interesting insights into how the UNGC came into life, but does not hold power in explaining how the UNGC remains a viable entity.



The below table presents a succinct explanation of the above-mentioned results.

### 6.3 Analysis Results

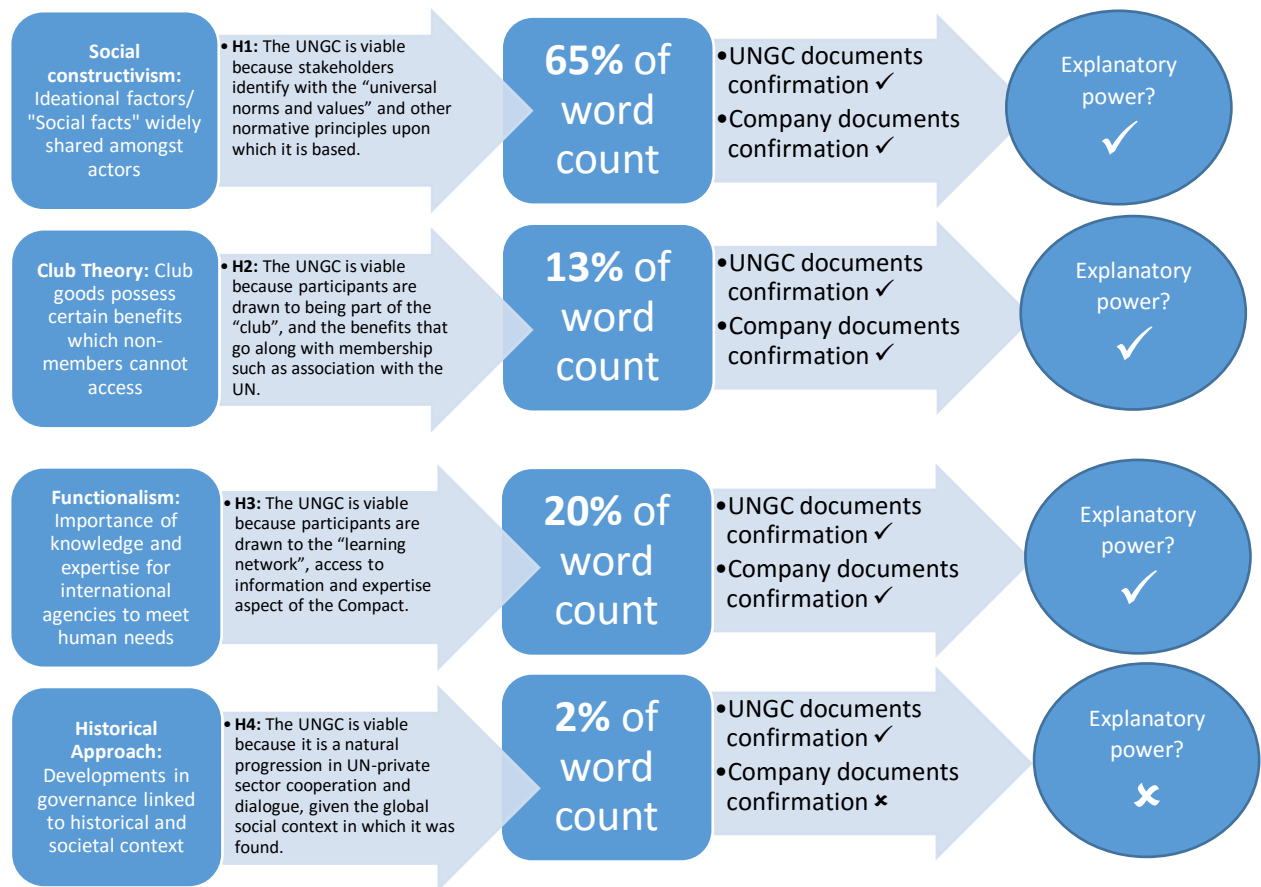


Figure 14 Results of Empirical Data Analysis

The above table is structured per theory/ hypothesis and then proven or disproven for explanatory power based on a combination of the word count results and more in-depth analysis of the texts. The final outcome of those examinations is then determined on the right-hand side of the graphic which concludes whether each theory-derived hypotheses has any explanatory power as to understanding the viability of the UNGC as a tool of corporate global governance.

As shown in the graphic, all but one theory, the historical approach, demonstrated some degree of explanatory power. Based on the evidence collected, it was determined that hypothesis 1 had most explanatory power. There was strong evidence pointing towards the fact that both parties in the UNGC have the share the same collective meanings and understandings of the normative ideas underpinning the Compact, most predominantly the Ten Principles. There is also a shared understanding of the need for businesses and the private sector to work in conjunction with the UN around certain global governance gaps, most notably in relation to the Compact, those around human rights, the environment, labour and anti-corruption.

Hypothesis 2 also demonstrated some degree of explanatory power but less so than hypothesis 1. There was some evidence that companies are attracted to participating in the UNGC because of the club benefits available to them. The UNGC itself also clearly promoted certain benefits of being in the Compact as a way of enticing businesses to participate. Therefore, the hypothesis does have some explanatory theory in determining reasons behind companies join and how the UNGC encourages private sector participation.

Hypothesis 3 as the graphic shows, was also proven through the word count and in-depth analysis. This functionalism-derived hypothesis does provide a significant amount of explanatory power when attempting to answer the research question. It shows that companies are drawn to the Compact because of the learning opportunities and access to information and expertise offered by the Compact, particularly through the Local Networks function, as detailed in subsection 2.2.1.

Hypothesis 4 was the only hypothesis disproven for its explanatory power with regard to the research question. As the graphic shows, a tiny fraction of the word count results was related to the historical approach. A more in-depth analysis of the relevant texts uncovered some more implicitly related content, but only from the side of the UN/ UNGC. These discoveries did sharpen the understanding of the context in which, and why, the UNGC was founded in the first instance, but directly related to the viability of the UNGC, it was determined to have no significant explanatory power.

## Chapter Seven: Conclusions

### 7.1 Conclusion

Chapters One and Two introduced some fundamental concepts which needed in-depth understanding before the research question could be tailored. The novel approach to corporate global governance, that of the voluntary initiative, was discussed and literature on its use reviewed. Various elements of the voluntary initiative became evident here- mainly that it is a novel and non-conventional tool which uses non-coercive, non-threatening and non-legally binding mechanisms in order to fulfil its mandate.

The UNGC was also defined and discussed through the use of documents from the Compact itself as well as from external observers. It was highlighted that this research paper neither supports, nor opposes, the use of Compact as a tool of corporate governance but that its implementation represents an important step in UN-private sector relations and so it is important to understand how this intriguing instrument operates and remains viable. The UNGC was determined to be a viable instrument of corporate global governance as it possesses certain characteristics that fulfil the definition of viability used for this research paper. The UNGC is capable of working, functioning and developing adequately, it is capable of existence and of having a reasonable chance of success. The main contributions to this viability were deemed to be a) a continued support of the UNGC from the supply side, i.e. the UN, b) a demand of the UNGC from participating companies with more companies enlisting than delisting in the Compact year on year and c) an alignment of interests from both sides in relation to certain elements of the Compact, i.e. the Ten Principles.

This information then led to the creation of the research question, which is now revisited so it can be answered based on the empirical evidence gathered in the previous chapters:

***Research Question:*** *How can a voluntary, transnational initiative such as the UNGC be understood as a viable tool of corporate global governance?*

The hypotheses used in this research paper were employed in a slightly unconventional sense in that they were tested for their explanatory power against the empirical data. Based on the discoveries made through these tests, it was possible to determine which of the four hypotheses offered explanatory power as to how the UNGC can be understood as a viable tool of corporate global governance. Hypotheses 1, 2 and 3 possess such explanatory power, with hypothesis 4 providing interesting insights into the circumstances under which and why the UNGC was founded but providing little explanation as to how the current viability of the Compact can be explained. Therefore, it was deemed to have no explanatory power in this case.

In conclusion, the viability of the UNGC as a tool of corporate global governance can be explained through three main theoretical concepts. Firstly, the UNGC has built itself on a base of the Ten Principles which are widely accepted and understood in a transnational context. These normative values

are typical of the type the UN espouses, but in this case, have also succeeded in attracting the attention of business interests. The Ten Principles, based on prior universal declarations, have managed to align the interests of both the UNGC and participant companies and to help them collaborate in an attempt to bridge global governance gaps. The analysis of the documents demonstrated that the stakeholders share the same understanding of what constitutes those Ten Principles, and other normative concepts such as CSR, human rights, sustainability etc. The UNGC appeals therefore, to the values shared by both the UN side and participating companies, thus contributing to its current and future viability as a tool of corporate global governance.

The viability of the initiative must also be understood as the UNGC's ability to entice private sectors to participate in the Compact, i.e. to attract demand. This was achieved through marketing the various club theory-related benefits that a company can enjoy while part of the Compact. These high revenue-producing companies need more of an incentive than moral obligation to join the Compact, and the UNGC has addressed that by offering certain benefits to those who join. Those benefits were identified as public association with the UN, the opportunity to access dialogue platforms with the UN and other societal actors as well as the UN's promise to promote favourable trade conditions, as highlighted by Kofi Annan in his founding speech. Results demonstrated that these benefits are primarily utilised by the Compact as a marketing tool and to a lesser extent referenced in the company documents as being a primary reason of them joining.

Finally, the viability of the UNGC as a tool of corporate global governance can also be understood by the Local Network aspect of the UNGC and the companies' attraction to gain access to information and expertise through participation in those networks. The UNGC also strongly promotes these learning and expertise tools, and similar to the club benefits, markets them in a way that appeals to the private sector. As evidenced in the analysed documents, companies see a valuable learning opportunity in that aspect of the Compact, and view the various learning and dialogue platforms as an advantage of Company participation.

### 7.1.1 Applicability to other voluntary initiatives

Previous chapters speculated that the results made in this thesis may also be generalised to other voluntary initiatives used to address certain governance gaps. There is no consensus amongst academics as to whether case study findings can be applied to make generalisations outside of those that are being studied, but some do agree that as long as external cases show similar characteristics to the one being studied, it is possible to make some generalisations (Rohlfing, 2012). With this in mind, it was possible to make a few observations based on this research paper which may also apply to the study of other voluntary initiatives.

Firstly, when understanding the viability of a voluntary initiative, it is important to determine the forces of supply and demand within that given initiative. It is essential to gain a deep understanding of the

interests of both of those forces and conduct research into how those interests can be reconciled or aligned within the initiative. This can be done by simple desk research and later by identifying the suitable documents which detail participants' reasons behind join such a voluntary programme, or as mentioned in subsection 7.3, in conducting expert interviews. Other methods of investigation may also prove useful for this purpose.

Furthermore, the selection of suitable theories is essential in conducting a study on the viability of a voluntary initiative. Voluntary initiatives do share some core characteristics, but often target specific groups, usually related to private enterprise but often only to a specific industry type or particular governance gap. The UNGC has a wide spectrum of principles running from human rights, to the environment, to labour and anti-corruption. Other voluntary initiatives are more specific regarding the global governance gap they want to focus on, for example only on carbon emissions, or labour rights in the textile industry etc. Taking those unique and varying characteristics into account is essential when selecting a theory which will provide an adequate base on which to structure the research. The theories used in this particular research may or may not work in understanding the viability of other initiatives. A fuller understanding of that initiative is needed before that transferability of theory can be decided.

In general, the exact findings of this research cannot be reasonably applied to the study of other voluntary initiatives, but certain observations about the ways in which to carry out such research can be ascertained.

## 7.2 Research Constraints

While conducting the research, and later while reflecting on it, a number of constraints were identified. One was the issue of the method of data selection and analyzation used. In this design, the selected data came from documents from participant sources, i.e. the UNGC and company participants. A big restraint in using these documents is that what they explicitly mention as their motivations for taking part in the UNGC, may not be entirely true. It is possible, for example that companies participate in the UNGC for reasons other than identifying with the “ten universal principles”, as discovering when analysing the external sources. Some critics accuse the UNGC as a way in which companies can “bluewash” their image, using the Compact as a method of dealing with negative press in relation to questionable corporate responsibility practices (Williams, 2004, p. 762). Even if these assertions are true, it was impossible to feature them in the results given the fact that unobserved or unmeasurable concepts should not get in the way of or be included in true scientific research (King, et al., 1996). An improved research design would include a method that could investigate and verify these claims, perhaps by using expert interviews or company questionnaires.

The research is also hampered by the participating companies which were used in the analysis. Due to the large number of participants, it was necessary to find a way to select a certain cohort or classification of those companies. It was decided to focus on the Fortune Global 500 participants of the Compact thus

limiting generalisations that could be made about the motivations of other types of companies. Due to this selection, the motivations of smaller companies, or companies from developing countries have not been included in the research which could possibly have a significant impact on results. The research may be improved in the future by analysing documents from a wider cohort of participants.

Lastly, there is no doubt that the texts used for data analysis were chosen and analysed with a certain degree of subjectivity. This is an unavoidable reality of most qualitative methods, especially coding whereby the researcher is necessitated to make a judgement call, one which is naturally influenced by his or her personal experiences, opinions, and ideas (Saldana, 2009). This limitation was recognised early in the research, and utmost care was taken to make selections as objective as possible, but naturally a certain degree of subjectivity could not be avoided.

Based on these observations, the following sub-chapter offers some recommendations for further research.

### 7.3 Recommendations for further research

The research question posed in this thesis focused on measuring the viability of the UNGC. In this thesis, the UNGC was deemed to be viable because it maintains a steady level of the traditional market forces of supply and demand, i.e. the UN continue to supply the UNGC as a “product” to achieve its broader goals, and companies are enlisting in the Compact at a faster rate than they are dropping out. Viability was, throughout this thesis, understood to mean capable of working, functioning and developing adequately, capable of existence and as having a reasonable chance of success. A more complex, but perhaps more contributory study would analyse the *success* of the UNGC. The success of the UNGC as a tool for corporate global governance could be measured through comparing the statements from participating companies to the tangible steps they are taking to implement the Ten Principles into their corporate strategy. This would merit a much more complicated research design, possibly necessitating on-site visits to various global locations. For obvious reasons, this type of research could not be conducted for this thesis, but it would provide extremely useful information and provide excellent insights into the *success* of the UNGC as a tool of corporate global governance.

Another interesting aspect of research on the UNGC would determining if it could remain viable if it saw a drastic increase in the number of participating companies. As of now, only a fraction of the private enterprises and corporations operating around the world takes part in the Compact. Would the initiative remain viable if all of these entities became participants? Or is there an optimum membership level which the UNGC can sustain without seeing a decrease in its results? This research could be conducted under the theoretical framework of club theory, which notes that with some club goods, there may come a point of saturation whereby benefits are no longer felt (Molle, 2014). It would be insightful to examine this idea so that future viability of the Compact could be understood.

In general, the topic of voluntary initiatives is an important one, and should become a more prominent research topic in mainstream corporate governance, global governance and social sciences research. Voluntary initiatives could hold the key to explaining how an IO, or even a national level government, can develop and maintain policy tools that attract multi-stakeholder actors of competing interests, thus tackling the ever-increasing gaps in global governance.

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## Appendix

This section provides a list of the sources from which hypothesis and theory related words were derived through the use of the word catalogue. Table 1 shows company documents consulted and Table 2 shows UNGC documents consulted. Figures 11, 12 and 13 in the thesis document derive data from these tables.

Table 1

Companies	Hypothesis 1	Hypothesis 2	Hypothesis 3	Hypothesis 4
BP COP	3	1	0	0
Total COP	125	0	28	0
Daimler COP	20	9	17	0
AXA COP	30	14	23	0
E.ON COP	5	0	1	0
Ford Motor COP	4	0	0	0
BNP Paribas	6	0	0	0
HP LOC	7	1	1	0
Nestle COP	108	0	2	0
China Railway Engineering LOC	5	1	1	0
BASF LOC	4	2	1	0
Noble Group	46	4	4	0
China Railway Construction LOC	5	0	0	0
HSBC Holding COP	30	4	1	0
ING Group	6	2	0	0
Metro COP	9	1	3	0
Sinochem LOC	4	3	0	0
Indian Oil COP	1	1	0	0
Aviva COP	23	1	8	0
BHP Billiton COP	5	0	0	0
<b>Total of hypothesis-related words</b>	<b>446</b>	<b>44</b>	<b>90</b>	<b>0</b>

Table 2

UNGC Docs	Hypothesis 1	Hypothesis 2	Hypothesis 3	Hypothesis 4
Kofi Annan Founding Speech	17	2	3	0
Georg Kell Remarks at the European Conference on CSR, 2004	13	3	4	0
John Ruggie “The Global Compact and the Challenges of Global Governance”	10	14	7	3
10 Year Anniversary Speech by Georg Kell at Chatham House	22	15	9	3
UNGC and OECD Guidelines for Multinational Enterprises: Complementarities and Distinctive Contributions	28	1	30	0
Executive Update, Lise Kingo	3	3	6	1

Executive Summary on SDG Compass	4	7	1	1
Infographic: UNGC Overview	0	0	0	0
Foundation for Global Compact website homepage <a href="https://www.unglobalcompact.org/about/foundation">https://www.unglobalcompact.org/about/foundation</a>	5	2	11	0
Interview with Mary Robinson <a href="http://globalcompact15.org/interviews/mary-robinson">http://globalcompact15.org/interviews/mary-robinson</a>	11	3	2	1
Interview with Ban Ki Moon <a href="http://globalcompact15.org/interviews/h-e-ban-ki-moon">http://globalcompact15.org/interviews/h-e-ban-ki-moon</a>	0	0	0	0
UNGC Mission <a href="https://www.unglobalcompact.org/what-is-gc/mission">https://www.unglobalcompact.org/what-is-gc/mission</a>	7	3	5	0
UNGC Strategy <a href="https://www.unglobalcompact.org/what-is-gc/strategy">https://www.unglobalcompact.org/what-is-gc/strategy</a>	8	14	11	0
Interview with Georg Kell <a href="http://www.un.org/apps/news/news_makers.asp?NewsID=122">http://www.un.org/apps/news/news_makers.asp?NewsID=122</a>	19	3	10	4
Ban Ki Moon Global Compact +15	12	3	2	0
Monthly Bulletin Jan 2016	13	1	5	5
Lise Kingo at UN Forum on Business & Human Rights	12	1	2	0
Opinion piece by Georg Kell in NY Times <a href="http://www.nytimes.com/2009/12/12/opinion/12iht-edkell.html?_r=2">http://www.nytimes.com/2009/12/12/opinion/12iht-edkell.html?_r=2</a>	1	0	0	0
Opening remarks by Ban Ki Moon at UNGC Global Leaders Summit 2016 <a href="http://www.un.org/apps/news/infocus/speeches/statments_full.asp?statID=3086#.V4NfP7grLIU">http://www.un.org/apps/news/infocus/speeches/statments_full.asp?statID=3086#.V4NfP7grLIU</a>	4	4	3	0
Webpage on benefits of joining UNGC <a href="https://www.unglobalcompact.org/participation/join/benefits">https://www.unglobalcompact.org/participation/join/benefits</a>	3	2	1	0
<b>Total of hypothesis-related words</b>	<b>192</b>	<b>81</b>	<b>112</b>	<b>18</b>