

# NGO Speech to UN on Responsible Entrepreneurship

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Good morning everyone. I would like to thank Chairman Habito, government delegates, and the CSD for providing the opportunity for this dialogue. This particular dialogue we feel is a major step forward in achieving the common goals that have brought us here today. As our contribution to this dialogue, I would like to highlight the following five points.

*1. "Responsible entrepreneurship" means taking the necessary risks to do the right thing - not just to earn profits but to benefit the rest of society and to sustain the health of the environment.*

Considering the dictionary definition of an entrepreneur as "one who organizes, manages and assumes the risks of a business," it is paradoxical that one of the major criticisms of business and industry is that risks are often externalized to the environment and society. We agree with the trade unions that responsible entrepreneurship "seeks to change the way things are done." However, there are major risks attached to changing business as usual -- both within companies and industries, and government as well. Nevertheless, responsible entrepreneurship, in order to promote sustainable development requires taking these risks.

Industry is not monolithic, but a complex community of different players. Industry is not simply the owners and CEOs, but also includes the workers, the shareholders, the consumers who make up the market, and the community of which each business is a part. Furthermore, there many different kinds of businesses -- with some sincere and responsible, others shrewd and irresponsible. It is a mistake to lump all companies into one stereotypical group, assuming they all think and act alike. Thus, we must give proper credit to the companies and individuals who take the necessary risks to do business in a way that serves communities and the planet. On the other hand, we also need to be able to see through the facade of companies (or public relations departments) which have learned the right words to mask bad habits.

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<sup>1</sup> Presented to the Commission on Sustainable Development 6th Session, United Nations, New York, for the NGO Working Group on Responsible Entrepreneurship and the NGO Taskforce on Business & Industry, April 21, 1998

<sup>2</sup> This presentation is not intended to represent the views of all NGOs, but only a number of NGOs participating in the discussions and writings in the production and follow-up to the paper "NGO Perspectives on Responsible Entrepreneurship."

Also, businesses may involve a range of different players, with some deserving credit for taking the risk of doing the right thing. This risk-taking behavior is (as the dictionary defines it) the essence of "entrepreneurship." To move beyond the motive of making money to the motive of making the world a better place is the essence of "responsible entrepreneurship."

*2. One of biggest obstacles in making voluntary initiatives work is a lack of credibility.*

Because voluntary initiatives have so often been paraded as a substitute for regulations, and also because they so often fail to live up to the positive publicity they are given, the public is naturally critical and suspicious. Credibility requires not only "proper reporting of the voluntary initiative's achievements and wide communication of these results"<sup>1</sup> but also reporting on the rest of the information essential to evaluating the effectiveness of those initiatives. Credibility also requires not only exploring "verification of adherence"<sup>2</sup> but independent verification of results. Discussions about sustainability are indeed "hampered by a lack of credible information" -- information that is not being voluntarily provided.

*3. Current corporate reporting and auditing practices need to be significantly improved.*

One weakness of many voluntary initiatives is an absence of useful information to the public. That is information necessary to determine to what degree that initiative actually achieves sustainability. One of the more controversial discussions within the business community is: How much information should be made public? This question has yet to receive a suitable answer.

Thus, the following topics need to be adequately addressed:

One of the biggest obstacles is a lack of credibility.

- a. Transparency: How transparent is the company in making information available to the public on its products and processes?
- b. Independent verification: To what degree can the public verify a company's movements toward sustainability? What mechanisms are available?
- c. Standardization: What kind of standards are appropriate for achieving environmental and social sustainability?

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<sup>1</sup> International Chamber of Commerce/World Business Council for Sustainable Development. "Responsible Entrepreneurship. Background Paper No. 1." Commission on Sustainable Development, 1998: Para. 4.

<sup>2</sup> Ibid, para. 4.

- d. Stakeholder involvement: To what degree are stakeholders involved in the development, implementation,
- e. monitoring, verification and evaluation of the initiatives?

*4. Voluntary initiatives cannot be a substitute for good environmental, labor and health laws and regulations -- and they can certainly not justify a neglect of basic human rights.*

Voluntary initiatives are meant to be an aid to companies and individuals to improve their behavior - not to be used as a justification for getting rid of regulations and hiding information about company practices from the public. Unfortunately, because of these abuses and mistakes, NGOs sometimes generalize and claim that "voluntary initiatives don't work" -- giving the impression that they do not recognize the positive steps and contributions some companies have made to further sustainability and human rights. Most NGOs would probably agree that companies should indeed be encouraged to voluntarily do the right thing, to improve their practices and to deepen their understanding of their responsibility to the community and society of which they are a part. As both NGOs and the trade unions agree: corporate responsibility cannot exist without accountability. Just as the behavior of individuals is guided by both personal moral codes as well as the laws of society, companies must also operate by regulating their practices according to a code of responsible conduct as well as the laws and regulations of the communities and societies to which they belong.

*5. To help establish credibility and identify the strengths and weaknesses of voluntary initiatives, we urge the CSD to support a Major Groups Review of their effectiveness.*

In order to get beyond generalizations and unsubstantiated claims about the specific strengths and weaknesses of different voluntary initiatives -- such as Responsible Care, ISO 14000, EMAS, the OECD Guidelines on Multinational Enterprises, the CERES Principles, and the UN Guidelines on Consumer Protection -- we need more than a three-hour dialogue, or even two weeks of discussions. Therefore, we urge governments to adopt the proposal for organizing a Major Groups Review of the Effectiveness of Voluntary Initiatives.

In particular this Review can contribute to each of the upcoming sectoral discussions at the CSD: in tourism, sustainable consumption and production, energy, transportation, food and agriculture, timber and land.

The equal partnership of Business and Industry, NGOs and Trade Unions in this review is essential. Industry has acknowledged the importance of "openness and responsiveness to public and stakeholder concerns" and "the need to seek out these concerns and to include them in its development policy."<sup>1</sup> NGOs and trade unions, in turn, have expressed the need to "monitor and assess corporate

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<sup>1</sup> Ibid, para. 42.

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practice."<sup>1</sup> Thus, a Major Groups Review will provide not only a rich and balanced assessment of voluntary contributions to sustainable development and but also help to achieve greater credibility.

Conducting an evaluation of different voluntary initiatives -- combining the perspectives of industry, NGOs and workers -- would offer a valuable contribution to each year's CSD session. Furthermore, the overall exercise will provide an important implementation of the principle of partnership -- applied to a cooperative, comprehensive look at some of the proposed solutions to the problems of unsustainable production and consumption practices.

Obviously, these topics cannot be adequately defined or discussed within a seven minute presentation, nor can we hope to resolve some of the complicated questions which each of these subjects raise within the three hours allotted to the overall dialogue. However, we can use this time to find common agreement on the importance of addressing these questions and to point out a direction and perhaps methods for us to answer them.

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<sup>1</sup> International Confederation of Free Trade Unions/Trade Union Advisory Committee - OECD. "Responsible Leadership for Change. Background Paper No. 2." Commission on Sustainable Development, 1998: Para. 40 (c); also, NGO Taskforce on Business and Industry, *Minding Our Business: The Role of Corporate Accountability in Sustainable Development*, p. 3.