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Prevent CSR Risks and Create Opportunities Through Collective Action and Multilateral Mobilization

Global social contribution has the risk that might be complicit in corruption, depending on country environment. We will find out Collective Action, one of the latest global trends, to prevent corruption risks by cooperating even with competitors. We will also see how global companies endeavor for development of business and society, through innovative Multilateral Mobilization in the areas of international crisis response and recovery which require Collective Action desperately.

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2015, a new year has begun. This year is the year of the sheep. The sheep is the 8th animal in the 12-year cycle of the Chinese zodiac, symbolizing peace. It is general belief that people born in the year of the sheep are gentle and good at living in the community like the sheep living in packs and adapting to nature. They don't act alone but rather consider others and live for the bigger good, beneficial to all parties through Collective Action.

CSR needs Collective Action and Multilateral Mobilization

Would it be possible for CSR to contribute for the bigger good, beneficial to all parties through Collective Action and Multilateral Mobilization? If so, which area and what kind of effects? It sounds like nonsense that companies competing for limited market and consumers cooperate each other. Besides, it can be accused of unfair practices as illegal collusion. However, there are some areas that synergy effects collaborated by multiple companies are encouraged through Collective Action and Multilateral Mobilization. Anti-corruption and international crisis response are such areas.

In the middle of last December, there were two events in New York City where the United Nations Headquarters is located. One was the 10th Principle Anniversary Event

celebrating the 10th Principle of UN Global Compact¹ against corruption.² The other was the UN-Business Collaboration Event for Global Ebola Response.³ Two events pitched the common voice that “The challenge, too difficult to be handled by a single company, can be solved through Collective Action and Multilateral Mobilization.”

Collaborate through Collective Action to address the difficult challenge that can't be handled by a single company

On December, 10, 2014, more than 200 people from UN, governments, multinational corporations, investors, and civil society leaders gathered to celebrate the 10th Anniversary of the 10th Principle of UN Global Compact against corruption and to reaffirm their commitment for anti-corruption. Also, more than 250 companies signed for the Call to Action⁴, an appeal by the private sector to governments for full implementation of the UN Convention against Corruption, reinforcement of transparency in public procurement and governance, and public-private partnership for anti-corruption. Since anti-corruption is difficult to be addressed individually, multiple companies have to gather their efforts collectively. Moreover, since it can't be achieved by the private sector only, governments have to create a clean business environment through enforcement of rule of law and implementation of anti-corruption policies.

In the fall of the last year, I met a corporate executive of a South Korean conglomerate in charge of global corporate philanthropy, sharing his challenge that a government official in his company's overseas operation had asked donation to the social welfare organization related with the government official, instead of bribery. More surprising is that other companies also receive that kind of request in many countries. Of course, the compliance department may oppose strongly, while the overseas business and social contribution departments may agonize seriously.

¹ Starting from 2000, UN Global Compact is the largest voluntary corporate citizenship initiative in the world, encouraging companies to integrate ten principles of the four areas of human rights, labor, environment and anti-corruption into their business operations. Currently, there are more than 12,000 participants from over 145 countries and about 8,000 participants are corporate members.

UN Global Compact Network Korea was founded in 2007 and it has 276 participants, as of December 2014.

The homepage of the UN Global Compact Headquarter: <http://www.unglobalcompact.org>

The homepage of UN Global Compact Network Korea: <http://www.unglobalcompact.kr>

² The 10th principle of UN Global Compact to combat corruption is as follows. “Business should work against corruption in all its forms, including extortion and bribery.” The homepage of the 10th Principle Anniversary Event: https://www.unglobalcompact.org/Issues/transparency_anticorruption/10th_anniversary_event.html

³ The homepage of the UN-Business Collaboration Event for Global Ebola Response: <https://www.etouches.com/ehome/108084/248258>

⁴ Signatories from South Korea are as follows: DGB Financial Group, GCEF (Global Competitiveness Empowerment Forum), International Brain Education Association, Jeju Tourism Organization, KORAIL(Korea Railroad Corporation), Korea Racing Authority, Korea Stock Exchange, LG Household & Health Care Co. Ltd. , and Seongnam Development Corporation. The homepage of the Call to Action: https://www.unglobalcompact.org/Issues/transparency_anticorruption/call_to_action_post2015.html



Member companies and stakeholders of UN Global Compact participated in the 10th Principle Anniversary Event to celebrate the 10th Principle of UN Global Compact against corruption and the UN-Business Collaboration Event for Global Ebola Response in New York City where the United Nations Headquarters is located. (Photo/Stuart Ramson/United Nations Foundation)

According to the <Resisting Extortion and Solicitation in International Transactions (RESIST)>⁵ jointly made by UN Global Compact, World Economic Forum, International Chamber of Commerce and Transparency International, in that case, a company should refuse, but the refusal should be decided by the social contribution committee in order to reduce burden of the employee dealing with the government official. It further advises that the reasons for refusal should be explained clearly to the government official and related government agencies. Also, fair alternatives could be explored instead of the rejected sponsorship. The more important advice is to be equipped with skillful rejection measures in order to avoid unreasonable requests by establishing a company's CSR policies, principles, and guidelines firmly as well as publicizing openly.

If one company refuses, then, what happens? If that company says, "No." but another company could say "Yes." This is the classic prisoner's dilemma. Therefore, the concept of Collective Action⁶ has emerged. For example, if sales departments of the companies participating in a public construction bid discuss their share, it is collusion, whereas, if a

⁵ <http://www.iccwbo.org/products-and-services/fighting-commercial-crime/resist>

⁶ The World Bank Institute describes anti-corruption Collective Action as 'a collaborative and sustained process of cooperation amongst stakeholders'. In 2013, B20 mandated UN Global Compact and International Centre for Collective Action (ICCA) to develop and maintain a global portal site about Collective Action. The homepage of Collective Action: <http://www.collective-action.com>

public agency and all bidding companies discuss anti-corruption and fair play pledge, it is Collective Action. Namely, it is a collective effort of companies in the same shoes, with the same anti-corruption dilemma, competing in the same industry, and operating in the same country, in order to make a clean business environment. Collective Action building alliances against corruption can be jointly driven through sectoral, regional and global levels.

Siemens Integrity Initiative⁷ promotes corruption-free markets globally through Collective Action and education & training, with total funding of more than US\$100 million, as one element of the settlements between Siemens and the World Bank, and Siemens and the European Investment Bank (EIB).

Ms. Sabine Zindera⁸, Vice President of Legal and Compliance, Siemens AG and Head of Siemens Integrity Initiative showed her confidence and expectation for the development of Collective Action by mentioning, “We are making good progress. The Collective Action projects backed by the Siemens Integrity Initiative have made a tangible difference and we are particularly pleased to see more and more committed and well-connected supporters rallying to the Collective Action banner and joining our common effort to fight corruption. This is the key to ensuring clean business and to promote fair markets.”



Mr. Georg Kell, Executive Director of UN Global Compact

(Photo/Stuart Ramson/United Nations Foundation)

Ms. Sabine Zindera, Vice President of Legal and Compliance, Siemens AG

(Photo/Christina von Messling/UN Global Compact)

Mr. David Barash, MD, Executive Director of Global Health Programs and Chief Medical Officer, GE Foundation

(Photo/Stuart Ramson/United Nations Foundation)

⁷ In the first funding round of the Siemens Integrity Initiative (<http://www.siemens.com/integrity-initiative>), UN Global Compact conducted Collective Action projects in Brazil, Egypt, India, Nigeria and South Africa. In South Korea, FKI-IMI (Federation of Korean Industries-International Management Institute) and GCEF (Global Competitiveness Empowerment Forum) have conducted NABIS (Northeast Asia Business Integrity School: www.nabis.kr), the business ethics & compliance education and training project for university students by mobilizing Collective Action efforts of 24 companies from 2011 to 2014.

⁸ Ms. Sabine Zindera is a member of the B20 Anti-Corruption Working Group. Mr. Huh, Chang-soo, Chairman of the Federation of Korean Industries (FKI) represents South Korea.

Participate in Multilateral Mobilization for solving global issues

Collective Action is also needed in the global issue like Ebola. On December 11, 2014, more than 200 people from UN, governments, companies, research institutes, and NGOs gathered in the United Nations Headquarters to improve UN-Business collaboration for combating Ebola, which has devastated Guinea, Liberia, and Sierra Leone of Africa.

The President of Liberia appealed to companies and investors, not to leave and come back, through her video interview.⁹ Especially, she asked for their active participation in economic recovery. Ebola-stricken national economy, suffered from massive damages in public health, agriculture, trade, and tourism etc. needs, not only short term crisis response, but also long term Post-Ebola economic recovery measures.

Already more than 100 companies and NGOs have joined to Ebola Private Sector Mobilization Group (EPSMG).¹⁰ Pharmaceutical companies like GSK for vaccine development, logistics companies like UPS for quick delivery, and ICT companies like facebook, Google, and Ericsson are not exceptions. Also, finance companies like VISA and MasterCard united for enabling efficient wage payment through digital and mobile banking to tens of thousands of healthcare and funeral service workers and their families.

Especially, Mr. David Barash, MD, Executive Director of Global Health Programs and Chief Medical Officer, GE Foundation, emphasized the importance of innovation and mobilization when dealing with international epidemics like Ebola, saying, "At GE, we regularly pull resources from different areas such as healthcare, power, water and software. We also need other companies to get involved and mobilize for greater impact."

Minimize risks and maximize opportunities through synergy effects

Collective Action and Multilateral Mobilization in the international society have existed in the past, are in progress at present, and will be increased more and more. They happen in the cases with common characteristics. First, the case is too complex and too big to be handled by a single company. Second, the case with a big crisis generates severe damages and entails serious risks for companies, but collaborative solution searching efforts may bring a chance again to the society and companies.

Mr. Georg Kell, Executive Director of UN Global Compact, which hosted aforementioned events, emphasized the importance of Collective Action for anti-

⁹ <https://www.youtube.com/watch?v=CGU50IWQBLk&feature=youtu.be>

¹⁰ The homepage of Ebola Private Sector Mobilization Group: <https://www.epsmg.com>

corruption in his closing speech of the 10th Principle Anniversary Event. He said, “Our collective efforts for anti-corruption are about to reach the tipping point. Now, as we aim for the next 10 years, we have to realize better that anti-corruption is not just good for business but should become a solution for business challenges as well as an essential factor for corporate and national competitiveness and sustainable development.”

In his concluding remarks of the UN-Business Collaboration Event for Global Ebola Response, he also highlighted the importance of Collective Action and Multilateral Mobilization¹¹ for crisis response and long term recovery by noting that eradicating Ebola has become one of the top priorities of UN Secretary-General Ban Ki-moon.

Mr. Im, Hong-jae, Secretary General and Vice President of UN Global Compact Network Korea also mentioned, “For more sustainable development of Korea and the world, more and more South Korean companies should participate in Collective Action to combat corruption and Multilateral Mobilization to solve global issues, both within South Korea and beyond, globally.”

South Korean conglomerates, more accurately, a subsidiary of each conglomerate in a similar industry, are competing each other in various areas of construction, electronics, energy, and system integration etc. Even each conglomerate is competing in sports games, with its own professional baseball team. However, they can be different in CSR, especially, in anti-corruption and international crisis response, the areas that Collective Action and Multilateral Mobilization can produce synergy effects, which could help them prevent risks and create opportunities.¹²

One company can’t solve all problems, but together, they can be solved one by one. There is a saying that “If you want to go quickly, go alone. If you want to go further, go together.”¹³ There are many ways more than one, to go towards the future. The choice of your company will determine its own future.

Written by Angela Joo-Hyun Kang : Ms. Kang is the Founder and Executive President of Global Competitiveness Empowerment Forum (GCEF), holds a bachelor’s degree of English Language and Literature from Yonsei University and a mid career master’s degree of Public Administration from Harvard Kennedy School. She was an Evaluation Group Member for Leadership and Responsible Practices of State Owned Enterprises appointed by the Ministry of Strategy and Finance and an Advisor of Presidential Council of Nation Branding as well as Global CSR Advisory Committee of Korea Trade Promotion Agency (KOTRA). She currently serves as a Regulation Reform Committee Member of the Ministry of Trade, Industry and Energy (MOTIE).

¹¹ In order to promote UN-Business collaboration, the homepage www.business.un.org is launched.

¹² There are many kinds of industrial Collective Action and Multilateral Mobilization mechanisms to solve issues of human rights, labor and environment together in the global supply chain, such as Electronic Industry Citizenship Coalition (EICC) which Samsung Electronics, LG Electronics, and SK hynix have joined, or 4C Association of coffee industry etc.

¹³ This is the slogan of Collective Action conference to combat corruption in Basel, Switzerland on June 26-27, 2014. For more information, visit <http://www.collective-action.com/event-detail/90>