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From Principles to Practice: The Role of the SA8000 in Implementing the UN Global Compact

Center for International Private Enterprise
Social Accountability International
United Nations Global Compact

Article at a glance

- Implementing United Nations Global Compact (UNGC) commitments in the areas of human and labor rights, environment, and anti-corruption entails moving from high-level statements to company strategy and daily operations.
- Voluntary standards such as the UNGC principles and Social Accountability International's SA8000 workplace standard help companies capitalize on the benefits of good corporate citizenship.
- Key benefits of a responsible business conduct include: improved sales, employee satisfaction, community relations, and brand and industry reputation.
- Implementing the requirements of the UNGC and SA8000 on a global scale is feasible not just for large corporations but also for smaller companies which find practical ways of integrating social and financial goals.

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Introduction

The United Nations Global Compact (UNGC) is the world's largest corporate citizenship and sustainability initiative that gathers companies and civil society organizations committed to the 10 universally accepted principles in the areas of human rights, labor, environment, and anti-corruption. Launched 10 years ago and structured as a voluntary but accountable public-private initiative, the Global Compact focuses on engaging businesses around the world in the implementation of best corporate social responsibility practices. Chief Executive Officers of participating companies pledge to align their operations and strategies with the ten UNGC principles and they share approaches 10 lessons learned in the annual progress communication publication.

Just as good corporate citizenship goes beyond statements and declarations, participation in the UN Global Compact goes beyond signing a name on the dotted line. As companies commit to implementing the ten principles of the UNGC, they seek the best mechanisms to ensure that these principles are reflected in their performance. While there is no single best approach, there are some mechanisms that may prove useful for many companies around the world. One example is the SA8000 global social accountability standard for decent working conditions developed by Social Accountability International (SAI).

This article shows how six companies of different sizes representing different sectors and corners of the world use the SA8000 workplace standard as a tool to implement and report on the commitments to the labor principles (Principles 3-6) of the UN Global Compact. The Center for International Private Enterprise (CIPE) and SAI jointly interviewed their executives to obtain first-hand accounts of how they implement the principles of good corporate citizenship in practice. Each company is both a UN Global Compact participant and certified compliant to SA8000; all companies take advantage of the synergies between these two standards. In doing so, they have moved from ideas and statements to action.

Beraca

São Paulo, Brazil-based Beraca, founded in 1956, specializes in technologies and chemical raw materials for multiple industries and sourcing of natural ingredients. With over 230 employees and seven plants throughout Brazil, the company is one of the largest providers of chlorine-based water treatment products and one of the leading suppliers of natural and organic ingredients for pharmaceutical and cosmetics manufacturers, with customers in 47 countries.

Beraca became SA8000-certified in 2004. The initial motivation for adopting SA8000 followed from the company's long-standing commitment to the welfare of its workers and a suggestion by Avon, one of Beraca's key customers. Beraca subsequently joined the UN Global Compact in June 2006 to further build its sustainability strategy.

Labor and human rights issues are key challenges to responsible businesses throughout Brazil, but especially in the North and Northeast regions, which are the poorest in the country. Beraca has three important production sites in these regions and faces substantial labor and human rights issues – in particular the issues of child and forced labor – on a daily basis. The company believes that only with human and labor rights in place can it offer its employees the best working environment and its customers a guarantee of high quality, ethically manufactured products. Therefore, Beraca works to educate its suppliers among the local communities why unfair labor practices can be harmful even if they have traditionally been widely accepted.

Engaging this group of stakeholders with the aim of realizing a sustainable supply chain goes far beyond distributing Beraca's code of ethics and supplier training. To encourage sustainability, Beraca seeks to establish trusted long-term relationships, provides guidance to its suppliers in environmentally friendly processing techniques, facilitates the organization of cooperative production, and supports fair remuneration practices and community development projects.

“We are trying hard to follow
the highest standards on
environmental and social issues
but we realize that there is a long
path to be pursued.”

Ulisses Matioli Sabará
Co-President, Beraca

Both UNGC participation and SA8000 certification make clear the company’s commitment to international principles: “Once you take the road to responsible business practices and introduce standards, it is hard to turn around and break those standards in the future,” observed Beraca Co-President Ulisses Sabará. Voluntary standards also create an international community of companies that share values of responsible business conduct and act upon them. Collectively, they demonstrate how good corporate citizenship can gradually transform the global business environment.

Beraca has been successfully using SA8000 to translate its UNGC commitments in the area of human rights and labor principles into concrete actions verified by certification audits that customers both value and reward with a willingness to pay the premium prices for quality products and by establishing long-term business relationships. These are real returns on the investments Beraca made in responsible practices. The company shares its learning about sustainable business with other Brazilian UNGC members and supporters. It also shares with customers, including L’Oreal, Natura (one of the largest Brazilian cosmetic companies), and others to ensure credible standards and sustainable production.

When asked about the most important lessons learned, Ulisses Sabará was quick to point out: “It is the multiplicity of regional and cultural contexts of Beraca’s business operations that present the most challenges to implementing the universal UNGC principles and thus need to be more strongly recognized on the UN dialogue platform,” he said. Striving for uniformly high standards in diverse country environments is precisely where synergies between UNGC participation and SA8000 certification come into play. It is a complementary relationship in which the SA8000 provides a roadmap for UNGC implementation in individual settings. For Beraca, the SA8000 helped translate universal principles into specific Brazilian contexts through guidance on what steps need to be taken and how.

Voluntary standards are not a panacea for all problems that businesses around the world face, especially where laws or cultural traditions may lag behind the internationally accepted norms. However, regardless of local conditions, company leadership is of paramount importance. Ulisses Sabará assures that Beraca remains devoted to striving for excellence in corporate citizenship through SA8000 and other voluntary standards. “Being average is not my calling for this work,” he said. “People look up to me as a leader, and [SA8000] certification provides the credibility and reliability that we need here in Brazil.”

Rosy Blue

Rosy Blue has evolved from a small family diamond workshop in Mumbai, India founded in 1960, into a global corporation employing 10,000 people in 14 countries, and with over \$1.8 billion in annual sales in 2008. Headquartered in Antwerp, Belgium, Rosy Blue Group’s business includes trading of rough diamonds and manufacturing and distribution of polished diamonds and jewelry. As the company has grown, it has worked to address social issues in its own operations and throughout its supply chain. An integral part of this process has been participating in the UN Global Compact since

2008 and SA8000 certification of its key diamond processing facility in Phitsanulok, Thailand.

Rosy Blue wanted to ensure that the same high standards of business conduct would be observed in all countries where the company is present. Thailand is one such challenging environment, where concerns about underage workers and work conditions remain common. Rosy Blue Diamond Co., Ltd. was established there in 1989 as part of the Rosy Blue Group. Managed by Palitha Jayasekera, this diamond cutting plant has 250 employees and it is focused on exports to Belgium. The company has since placed particular emphasis on making this state-of-the-art facility excel in upholding social responsibility standards.

The work of diamond cutting and polishing is a highly skilled craft. Thus, worker retention and training are key parts of high quality products, strong customer relationships, and sustainable operations. Those considerations contributed to Rosy Blue's decision to certify its manufacturing facility in Thailand to SA8000 in 2006, making it the only certified diamond plant in the world.

Rosy Blue CEO Baron Dilip Mehta commented on the Thai subsidiary's success, "We used our facility in Thailand for a pilot project. The whole idea was to set standards and learn from that experience to find out if these best practices can be transplanted elsewhere. The current focus is on how we reach similar standards in other factories, whether in China or in India." Participation in the UN Global Compact provided one important answer to that question, helping to reinforce Rosy Blue's commitment to its core values: diversity, integrity, and accountability. The company had already followed many of the best practices without clearly articulating them, but after joining the UNGC Rosy Blue became more systematic about setting the standards, training employees in those standards, and communicating outcomes to stakeholders. "It helped us do what we were already doing better and it helped uplift the image of the industry globally," Dilip Mehta observed.

"The UN Global Compact is adding a lot of value to our business, not necessarily in dollars and cents, but in terms of better relationships with the customers, the suppliers, and the workforce."

Baron Dilip Mehta
CEO, Rosy Blue Group

The diamond industry's image has been tarnished by gems originating from conflict zones in Africa that fuel violence and abuse unless they can be properly traced and prevented from being sold freely on international markets. In response, the diamond industry developed production and tracking standards to control global sourcing of diamonds, notably through the Kimberley Process Certification Scheme (KPCS). Standards of conduct were also introduced among major diamond producers and mining companies such as the De Beers Best Practice Principles and Rio Tinto Business Excellence Model. In 2005, diamond producers and top jewelry brands in the world – with Rosy Blue among the founding members – formed the Council for Responsible Jewellery Practices. UNGC participation and SA8000 certification add further credibility to Rosy Blue's business and make it a preferred business partner.

Among the direct synergies between the UNGC and SA8000 in Rosy Blue Thailand have been better monitoring of wages and hours. The company is also more able to see and analyze in a more structured way how all the UNGC elements are covered in the company's daily operations. The

company feels it enjoys real benefits from more contented employees, evinced not only by the results of surveys, but by productivity increases of 10 percent. Rosy Blue also feels that UNGC participation has made it significantly more aware of environmental issues, including its carbon footprint.

Going forward, a key challenge facing Rosy Blue and the industry as a whole is the need for more reliable indicators of progress in the field of corporate social responsibility (CSR), along with the dissemination of best practices to all players in the supply chain from mining to retail. Rosy Blue plans to address that challenge by helping its smaller business partners understand the importance of good corporate citizenship and preparing toolkits for them to implement responsible practices. At the same time, the company remains committed to leading by example and seeks constant improvements in its own operations by measuring, among others, employee satisfaction and workplace indicators, energy, paper, and water use, and impact on local communities. Dilip Mehta concludes, “At Rosy Blue we acknowledge that there is always room for improvement. Our focus as a large corporation is to integrate the different standards we use to avoid duplication, assist smaller businesses to implement them, and embed these standards throughout the diamond and jewelry industry.”

Sabaf

Founded as a family firm in 1950 in the Italian province of Lombardy, Sabaf is a hallmark success story of its region, known for strong mechanical engineering traditions. Sabaf is one of the world’s leading manufacturers of components for domestic gas cooking appliances. The company sells approximately 50 percent of its products on the domestic market and exports the remaining half worldwide, mostly throughout Europe. Based on a strong growth record, Sabaf adopted a formal public limited company structure in 1998 that separates family ownership and management, chose Angelo Bettinzoli as its CEO, and became listed on

the Milan Bourse. This organizational transition, accompanied by a new corporate governance code, has been a part of Sabaf’s overall social responsibility strategy, providing a sustainable framework for decision-making and engagement with stakeholders.

Sabaf has manufacturing facilities in Italy and Brazil and maintains three wholly-owned subsidiaries focused on marketing and logistics in China, Mexico, and the United States. It is a leading supplier for household appliance companies such as Indesit, Bosch-Siemens, and Whirlpool, with 50 percent market share in Europe and 10 percent globally. In order to structure its corporate practices around its values, Sabaf developed a Charter of Values (CoV) in 2003. This charter is based on the UN Declaration of Human Rights, the EU Charter of Fundamental Rights, the Italian Constitution, and International Labor Organization’s core conventions. Its mandate includes suppliers and also covers other elements of the SA8000 standard, to which Sabaf became certified in 2005 after joining the UNGC in 2004.

Today, both the SA8000 and the Global Compact are key parts of Sabaf’s corporate responsibility. Angelo Bettinzoli explains, “Our

“It’s easy to do the right thing
when society is making money,
and hard to show solidarity in
times of economic hardships – but
this is when we need corporate
responsibility the most.”

Angelo Bettinzoli
CEO, Sabaf

company values translate into formal commitments through participation in the UNGC and into concrete company practice through SA8000 compliance and certification.” As a result, these are not separate commitments but rather intrinsic elements of performing in accordance with the company’s CoV. Daily applications of UNGC and SA8000 principles include procedures for hiring, choosing suppliers, and monitoring environmental management. Beyond these, there are incentive plans for staff based on sustainability targets in the economic, ecological, and social performance dimensions.

Although Sabaf’s SA8000 certification does not yet extend to its subsidiaries abroad, policies guaranteeing compliance to SA8000 are being implemented there. In Brazil, where Sabaf began operations in 2001, one key issue has been personnel retention. The company benchmarked its salaries against local peers and noticed that they were far below average, which explained high turnover. In response, Sabaf do Brasil revised its remuneration policies and introduced new targets for management to increase worker loyalty. Quality systems certification is the next step, to be followed by environmental and SA8000 certifications. This experience will inform Sabaf’s approach if it decides to introduce manufacturing into its China subsidiary.

Socially and environmentally responsible management for Sabaf is not only an ethical obligation but is also considered a tool to obtain and maintain competitiveness and pursue innovation. Like most companies, Sabaf finds its customers’ purchasing decisions start with product price and it is difficult to change that bias. Encouragingly, however, a survey published in Sabaf’s 2008 Annual Report revealed a high level of familiarity with the company’s commitment to corporate responsibility among its customers – 83 percent know about the SA8000 certification. Still, Sabaf sees greater appreciation for responsible business conduct among stock markets and investors than among customers. It is in the stock price where Angelo

Bettinzoli said, “We feel the return on investment is positive, through risk reduction and reputation improvement.”

The synergies of UNGC participation and SA8000 certification for Sabaf lie in implementing and verifying the core principles of the one through the other. Involvement in both initiatives also helps integration across departments so that all work according to the same values. In its UNGC reporting, Sabaf has consistently issued and expanded its communication on progress reports along with the social responsibility section of its annual reports. Angelo Bettinzoli emphasizes that such integrated accounts reporting is key for learning the lessons from what works in making CSR a part of both the company’s strategic vision and daily operations, “Only what is measurable is manageable.”

In many ways, Sabaf has benefited from the overall level of attention to corporate citizenship issues in Italy consistent with the European Union’s stance: 78 percent of SA8000 certifications in Europe and 36 percent of the worldwide total are in Italy, and several Italian regional governments also have strong CSR-affirmative procurement and incentive programs (including Lombardy). Yet, even in an environment that encourages good corporate citizenship, it takes individual initiative and dedication to implement real reform. Angelo Bettinzoli comments, “Going forward, as we are in and come out of the global financial crisis, we will see who is sincere and who is shallow, as it is harder to do the right thing in hard times.”

TDE

The energy sector is very important in Bolivia, a country rich in natural resources that play a key role in the energy industry. In particular, electricity transmission is of key importance for a country whose developing economy constantly raises the demand for electricity. The sector is also a pioneer of social responsibility in the workplace: there are only three SA8000-certified organizations in

Bolivia, each energy-related. Transportadora de Electricidad (TDE) S.A. is among them. TDE is the main electricity transmission company in Bolivia dedicated to building, maintaining and operating high-voltage electrical installations that ensure the flow of electricity. Although TDE does not generate power, it owns and operates 73 percent of Bolivia's high voltage network, maintains nearly 2,000 km of transmission lines and 23 substations, and operates in six of Bolivia's nine departments.

TDE's headquarters are in Cochabamba, Bolivia's third largest city. Originally government-owned, the company was privatized in 1997. In 2002, 99 percent of the shares were purchased by Red Eléctrica Internacional (REI), a wholly-owned subsidiary of a Spanish company Red Eléctrica de España (REE). TDE's current and former employees own the remaining 1 percent of shares. TDE obtained its SA8000 certification in 2007 and joined the UN Global Compact that same year.

TDE's participation in both SA8000 and the UNGC is remarkable given that the energy sector worldwide has been slow to embrace social responsibility policy and reporting. At the same time, the company's Executive Vice President Javier de Quinto considers Bolivia to be a challenging environment for socially responsible businesses, especially in regard to the extent of informal employment. As the TDE grid network

expands, new construction projects require using contractors and subcontractors. Hiring informal workers remains commonplace among competing suppliers, but TDE avoids this practice, following its commitments under both SA8000 and the UNGC that extend to the supply chain.

TDE is also facing industry-specific issues that make good corporate citizenship challenging in Bolivia, such as right-of-way issues that come into play when the company's operations require land acquisitions and easements or limited permission to use other people's property to develop and maintain its electrical grid. Difficulties in this situation stem from the overall weakness of property rights in the country.

TDE was first introduced to SA8000 in 2005 when REE earned certification. The company has since implemented SA8000 in daily business through its integrated management systems program. Thus, SA8000 has been a key for TDE to develop the structure for engaging with workers, suppliers, contractors, and subcontractors on social responsibility issues. Becoming a part of the Global Compact was also congruent with TDE parent company REE's commitment but was an independent decision. Javier de Quinto considered the UN Global Compact to "fit nicely with existing company values and views."

Consequently, few modifications of company policies were necessary following UNGC adoption. Changes that did take place included an improved management system for human resources as well as limits on working hours and required days off. Due to the geographic dispersion of TDE's work sites, some in hard-to-reach places, implementing those changes involved a coordinated effort to resolve logistical issues and adjust work schedules.

TDE believes that SA8000 and UNGC complement each other well: the Global Compact expands on the SA8000 by diffusing it to more stakeholders and in turn, SA8000 expands the UNGC commitments down the supply chain. "By asking our business partners for a minimum

"Corporate responsibility begins within a company where it first needs to be integrated in order to be successfully disseminated to the outside."

**Javier de Quinto
Executive Vice President, TDE**

compliance with legal requirements and higher voluntary standards, we reduced not only our own and our contractors' reputation risk but also risk of labor disputes," said Javier de Quinto.

In many cases, the benefits of having earned SA8000 certification or joined the United Nations Global Compact are not easily measurable because they have a more qualitative than quantitative nature. However, TDE has been striving to design various self-assessment guidelines such as its balanced scorecard that contains social responsibility elements. According to a survey of stakeholders TDE conducted in 2006, there has been a remarkable 87 percent improvement in the public perception of benefits that TDE brings to society. The company believes the improvements happened due to its social accountability initiatives and intends to repeat the survey to gather new data.

TNT

Amsterdam-based TNT N.V., through its two divisions, Express and Mail, is a leading global provider of transportation and distribution services. This large international group has over €10 billion in revenues and 160,000 employees in 64 countries. In Argentina, the company's local branch, TNT Express Argentina, is the fourth largest among its competitors. However, it leads the market in terms of corporate social responsibility.

Being a pioneer is never easy; there are only three SA8000 certified organizations in Argentina and TNT Argentina is the first company in the South American courier industry to become certified. Yet, TNT Director of Corporate Responsibility Mike Patrick is confident that fulfilling the commitments of the UNGC and SA8000 is a way to grow a sustainable multinational business. He also believes it is valuable for TNT subsidiaries to sign on individually and to actively participate on the national level. TNT Argentina made the decision to join the Global Compact and to seek

SA8000 certification in 2006 as a part of the TNT Group's larger commitment to good corporate citizenship. It ultimately became SA8000 certified in 2007.

Argentina has a high level of participation in the UNGC with 251 participants. However, the transport sector presents unique challenges for implementing the UNGC principles due to Argentina's significant labor-management tensions and corruption problems of concern through all business areas. The issue of particular concern is bribery of customs officials and other governmental agencies responsible for regulating cross-border movement of goods. Violation of intellectual property rights and counterfeit goods are also a concern, as transport companies strive to avoid carrying illicit merchandise. Each of these issues points up the importance of the tenth UNGC Principle, devoted to anti-corruption. Another

“The challenge in this century is to recognize that profitability is no longer the only indicator of success. Sustainable organisations will be those that integrate social and environmental demands with the demands of business and influence others in the process, creating responsible enterprises by taking sustainable action.”

Mike Patrick
Director of Corporate
Responsibility, TNT Express

challenge related to UNGC labor standards involves employer social security contributions since many companies operate informally, hiring unofficial workers. Finally, addressing the environmental impact is crucial given that one-fifth of the total carbon dioxide emissions in the world are produced by transportation.

Probably the most important area in which SA8000 certification helped improve TNT Argentina's business is the supply chain. TNT pre-qualifies new suppliers, a process that includes a meeting with members of the audit team to discuss the ISO14000 (environmental standard) and SA8000 policies. For its existing 500 suppliers, TNT uses a structured evaluation process that begins with a ranking based on strategic importance for the company's operations (such as airlines and trucking companies) and compliance with ethical norms. Suppliers must also submit documentation of salaries and social security payments. In persuading suppliers to comply, TNT uses market-based arguments, noting that better workplace practices bring more business because they improve services and provide access to large international companies that require compliant suppliers. "The challenge is not to force but to convince of the benefits and work together," explains Mike Patrick.

TNT Argentina's own compliance was also strengthened thanks to SA8000 through improvements in various internal policies. The company defined and documented its business principles, established an ethics committee, joined the World Economic Forum's Partnering Against Corruption Initiative and installed strong whistleblower protection procedures. Another way of embedding principles in daily operations has been through pay and incentive policy, thus providing tangible reward for implementing the standards.

There are certain costs associated with the UNGC and SA8000, including training, communications, alignment with processes, and

auditing. Yet, TNT notes many benefits as well, in particular worker satisfaction evidenced in low absenteeism and a very low voluntary turnover rate of about 4-5 percent, which brings big recruitment and training savings. The company reports that voluntary turnover at TNT Argentina is just a third of the industry average.

There are definite productivity benefits resulting from a stable, more experienced workforce and the sense of unity and common purpose within the company. Reputation also matters for the bottom line, especially in tough economic times. In previous years, TNT Argentina has been growing at 30 percent annually. Last year the growth slowed down due to the global recession but despite the crisis the company retained the loyalty of its key customers and feels it remains ahead of the competition.

Mike Patrick believes that going forward there are three important factors to advancing corporate responsibility in Argentina and worldwide. First, the efforts of companies such as TNT must be accompanied by cultivating the same tenets of good corporate responsibility among peers, suppliers, and subcontractors. Second, there must be a stronger global agenda for implementing the initiatives such as UNGC and SA8000 more widely. The role of governments and international organizations is crucial here and they need to partner with the private sector. Third, interacting and generating dialogue with customers is a key element of creating greater demand for a responsible business.

Yesim

"Producing for the world" – the slogan of Turkey's Yesim Tekstil – could not be any more true. With a large fully integrated yarn-to-finished-product facility under one roof, Yesim Tekstil is a leading manufacturer of knit goods for United States and European retailers. A production partner of the Nike brand since 2005, Yesim also sells to Gap, Banana Republic, Old Navy, Zara, Esprit, Hugo Boss, Lands' End, and Tchibo.

The textile industry in Turkey is challenged by rising living and labor costs, and intense price competition from lower-wage countries. In this increasingly competitive global market, many companies succumb to the downward cost pressure and resort to questionable labor practices and excessive overtime, creating tensions with workers. Yesim chose to do the opposite: instead of lowering its labor standards to compete on price, it became SA8000 certified in 2005 and joined the UN Global Compact in 2006 as a sign of commitment to the highest principles of business conduct.

Yesim is one of Turkey's largest employers. Based in Bursa in Northwest Turkey, it employs around 3,000 workers and has a daily production capacity of 55 tons of knitted products, 70 tons dyed, 100,000 meters of printed fabric, 150,000 garments, and 60,000 home textile products. The textile giant partners with a factory with 1,000 workers in Egypt and subcontracts to companies in Moldova, which employ another 1,700 workers, as well as to numerous manufacturers within Turkey.

The company's "people first" philosophy was its founding principle in 1983 and still informs Yesim's business strategy and daily operations. "In our company fundamentals we have already addressed issues like collective bargaining, subcontracting and overtime," CEO Senol Sankaya emphasized, adding that all the workers in Yesim factories are

**"Social compliance is tough,
and a dilemma to begin with.
Resolving it takes implementation
through a systematic approach to
each and every issue."**

**Senol Sankaya
CEO, Yesim Tekstil**

employees, not contract workers, and they have been members of the sector-wide union since the company's founding. When Yesim chose to embed the implementation of its corporate standards in a more systematic way, it became the first ready-to-wear producer in Turkey to be SA8000 certified and joined the UN Global Compact.

Taking on the implementation of SA8000 and UNGC was not without some concerns. Yesim feared that additional costs or a potential loss of flexibility to meet customer needs could stem from SA8000's prohibition of extensive overtime. The company was also worried about the cost of a monitoring system to control overtime and of shifting extra work to subcontractors and monitoring their practices. These early concerns evaporated, however, once Yesim implemented SA8000 and encountered no serious problems. In fact, limiting overtime brought benefits. Workers recognize the benefits of decreased overtime if they receive fair compensation for their regular work. The employees also feel that SA8000 certification brought greater attention to health and safety, better training, and improved communication with management. Among Yesim's top achievements of SA8000 implementation are a 37 percent decrease in work time lost due to accidents and sickness and nearly 100 percent compliance with overtime limit requirements.

Challenges to implementing SA8000 reappeared in the new context as Yesim expanded its business beyond Turkey. In Egypt, where the minimum wage is very low, workers demanded overtime to make ends meet when Yesim's management took over in 2009. At the same time, their efficiency during regular hours was only about one-third of the average in Turkey. Workers sought overtime to make extra money and then might push the work they were supposed to finish during regular hours into overtime. Yesim's response was to cut overtime as required by SA8000 but encourage better productivity by paying its Egyptian workers triple the minimum wage. As a result, workers felt

more valued, their wages were reliable, and hourly productivity rates increased while working hours decreased.

Yesim has also expanded the commitment to socially responsible business to cover the relationship with its suppliers and subcontractors in Egypt, India, Moldova, Pakistan, and Turkey. The company has developed a system of periodical audits for subcontractors as well as training, follow-up audits, and action plans to improve compliance.

The challenge ahead for Yesim and other socially conscious companies in the textile and garment industry is to maintain the principles they value in the face of increasing competition especially from Asia and Africa. Whether there is financial return on investing in responsible business practices depends at least partly on customers' awareness and willingness to pay a premium. Therefore, Senol Sankaya wishes for more companies to participate in the UNGC as a way to increase the demand for social compliance and create a level playing field for responsible producers. Given how many private codes of conduct exist, the UNGC distills their complexity to ten clear principles that all responsible businesses and their customers can agree on. Those principles are precisely what helped Yesim differentiate itself in a competitive market.

Conclusion

Good corporate citizenship is not a matter of philanthropy but rather of an organizational change that institutionalizes compliance in day-to-day business and makes social responsibility an integral part of corporate strategy. Such organizational change requires incentives that provide a business case for best practices, particularly in emerging markets. The companies profiled in this article demonstrate those benefits in terms of improved sales, employee satisfaction, community relations, as well as brand and industry reputation.

The growing coalition of companies that signed onto the UN Global Compact principles, as well as those that became SA8000-certified, also provides a strong case for the business benefits of responsible corporate citizenship. Ultimately, a more ethically sound business environment, one in which managers and workers strive together toward the shared goal of responsibility, improves company performance. Yet, for more companies to participate in the UNGC or SA8000 is not enough; integration of these commitments into the management system is crucial.

The effectiveness of voluntary standards – as opposed to government-mandated CSR measures – in improving corporate practices remains a subject of debate. Can they work without top-down enforcement? The experience of the companies covered in this article shows that they indeed can. Those companies voluntarily adopted high standards of business conduct because they understand the benefits thereof and they lead by example in their countries and industries. That is especially relevant in countries where governments may not have the sufficient capacity to enforce existing laws in areas such as workplace conditions, environment, or anti-corruption. There, voluntary standards help enable businesses to become leaders in changing not only their own company practices, but practices of the broader society as well.

The six companies discussed here show how that can be done on an international scale in diverse country settings. They all have international presence and relationships, either through trade on the global markets or through membership in corporate groups. At the same time, each is an active member of its local community and engages key stakeholders in sustainable business operations. All emphasize investment, and the return on investment, in their workforce. In that context, their UNGC participation and SA8000 certification are a public statement of both voluntary commitment to, and compliance with, the principles of good corporate citizenship.

This article is based on a joint UNGC-SAI-CIPE publication under the same title launched at the UNGC Leaders Summit in New York, June 2010. The full publication is available at: http://www.cipe.org/publications/papers/pdf/CIPE-SAI-UNGC_for%20web.pdf.

Launched in 2000, the United Nations Global Compact is a call to companies around the world to align their strategies and operations with ten universal principles in the areas of human rights, labor, environment and anticorruption, and to take action in support of broader UN goals. Through the development, implementation and disclosure of responsible corporate policies and practices, business can help ensure that markets advance in ways that benefit economies and societies everywhere. The Global Compact is a voluntary leadership platform for dialogue and learning, it is not a regulatory body. With more than 8,000 signatories in 135 countries, it is the world's largest corporate responsibility initiative. www.unglobalcompact.org.

Social Accountability International is a 13-year old international multi-stakeholder organization of business, labor and NGOs whose mission is to advance the human rights of workers around the world. It carries this out through training, capacity building, and the SA8000 workplace standard, which is based on ILO and UN conventions. Over 2200 organizations, in over 60 countries, employing over 1.3 million people, are certified compliant with SA8000 by organizations accredited by SAAS (Social Accountability Accreditation Services). SAI has partnered, in dozens of countries, to conduct training, capacity building and workplace rights

consultations – attended by workers, factory managers, auditors, labor inspectors, trade union representatives, supply chain managers, brand compliance officers, NGOs – about implementing management systems and criteria for ethical workplaces. www.sa-intl.org.

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