

## Article

# Assessing the Impact of Nonprofit Organizations on Multi-Actor Global Governance Initiatives: The Case of the UN Global Compact

Alice Hengevoss

Center for Philanthropy Studies, University of Basel, 4051 Basel, Switzerland; alice.hengevoss@unibas.ch;  
Tel.: +41-(0)-61-207-28-56

**Abstract:** This study empirically assesses the impact of nonprofit organizations (NPOs) on multi-actor global governance initiatives. Multi-actor global governance initiatives have emerged to strengthen joint action among different societal actors to tackle transnational social and environmental issues. While such initiatives have received a great deal of academic attention, previous research has primarily focused on businesses' perspectives. In light of the important role of NPOs within such initiatives, critically addressing NPOs' role by assessing their impact on the effectiveness of such initiatives is crucial. This article builds on the United Nations Global Compact (UNGC)—the largest multi-actor global governance initiative in the world—and offers a panel analysis on a unique dataset including 820 NPOs from 68 different countries. The findings suggest that NPOs have indeed strengthened the UNGC over time, yet their engagement explains only a small fraction of differences in UNGC activity across countries. This study contributes to the emerging research on nonprofits' social responsibility by fostering the actorhood thesis, which places higher responsibility for the impact and requirements for accountability on NPOs. Furthermore, the study supports discussions about the increasing political role of NPOs by providing the first empirical evidence for their political leadership and impact in multi-actor global governance initiatives.

**Keywords:** United Nations Global Compact; nonbusiness participants; nonprofit organization; actorhood thesis; nonprofit social responsibility



**Citation:** Hengevoss, A. Assessing the Impact of Nonprofit Organizations on Multi-Actor Global Governance Initiatives: The Case of the UN Global Compact. *Sustainability* **2021**, *13*, 6982. <https://doi.org/10.3390/su13136982>

Academic Editor: Natalia Yakovleva

Received: 27 May 2021  
Accepted: 21 June 2021  
Published: 22 June 2021

**Publisher's Note:** MDPI stays neutral with regard to jurisdictional claims in published maps and institutional affiliations.



**Copyright:** © 2021 by the author. Licensee MDPI, Basel, Switzerland. This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>).

## 1. Introduction

The process of globalization has not only provided ample opportunities for transnational economic activities but has also amplified the reach and intensity of socioeconomic and environmental challenges [1]. In a global context, the power and capacity of individual states are insufficient to adequately address these challenges [2]. Consequently, other societal actors, including firms and nonprofit organizations (NPOs), are increasingly expected to take on a political role in contributing to systemic change to tackle the root causes of these challenges [3–5]. As a result, multi-actor global governance initiatives, such as the United Nations Global Compact (UNGC), the United Nations Sustainable Development Goals (SDGs), and the Global Reporting Initiative (GRI), have emerged to promote and strengthen joint actions to address these challenges [6–8].

Multi-actor global governance initiatives (henceforth multi-actor initiatives) have received considerable attention in the management research literature. However, the research focus is primarily from the business actors' perspective [5], discussing the positive impact of such initiatives on businesses' governance mechanisms [4,8–10] and performance [11,12], while also voicing concerns regarding the initiative's voluntary nature [13,14]. Nonbusiness participants—NPOs in particular—are primarily mentioned as actors with a watchdog function [15,16], or as collaboration partners to strengthen businesses' implementation of the initiatives [17]. However, research evaluating the role of NPOs more critically by assessing their actual impact on these initiatives is scarce.

One reason for the rather one-sided perspective is that research on global multi-actor initiatives is often tied to discussions on corporate social responsibility, while NPOs are implicitly assumed, by their very nature, to be socially responsible actors that by default operate in society's best interest [18,19]. However, there is an emerging stream of literature explicitly addressing the social responsibility of NPOs. Drawing from actorhood theory, which builds on the thesis that organizations are sovereign, purposive, and strategic entities that make consequential decisions [20], this scholarship views NPOs as actors with the social responsibility to make an impact and be accountable for the outcome of their decisions and actions [5,7,15]. With the growing expectation that NPOs will take on a political role, not only at the national level but also increasingly in the international sphere, understanding their function and impact in global multi-actor initiatives is crucial. In this context, this study investigates the impact of NPOs in the UNGC, which, as of today, is considered the largest multi-actor initiative worldwide, and addresses the following research question: to what extent does NPO engagement strengthen the United Nations Global Compact over time?

The question is addressed by running a panel regression analysis on a unique dataset that comprises information on the UNGC engagement of 820 NPOs, including business associations, labor associations, and nongovernmental organizations (NGOs), from 68 different countries as well as information on the UNGC's local network activity from 2009 to 2018. The findings suggest that NPOs indeed strengthen the UNGC over time, yet their impact explains only a small fraction of the differences in UNGC local network activity across countries. The study thus contributes to the emerging research on nonprofits' social responsibility. In particular, it fosters the actorhood thesis by showing that NPOs are purposive actors who create an impact in the institutional environment they operate in. Furthermore, it contributes to academic discussions around the increasingly political role of NPOs by providing the first empirical evidence for their impact on strengthening multi-actor initiatives. It therefore shows that NPOs can take political leadership in inducing societal change via multi-actor initiatives. Finally, taking NPOs' perspective on multi-actor initiatives contributes to the discussion on whether such frameworks need improvement to not only strengthen corporate social responsibility but also to further incentivize NPOs' continued engagement over time.

The article is structured as follows: the literature on nonprofits' social responsibility and on the UNGC, in particular, is reviewed; the employed methodology and data are presented; and the results are presented and discussed. The article concludes with implications and opportunities for future research.

## 2. Literature Review

### 2.1. *Nonprofits' Social Responsibility: Building on the Actorhood Thesis*

The emerging research on the social responsibility of nonprofits builds on the consequences of neoliberalism and the resulting actorhood perspective on organizational entities to highlight the relevance of further including NPOs in the discussion of the responsible behavior of organizations [5,7,15]. Neoliberalism is characterized by free-market exchange and inherently minimalist state intervention, taxation, and organizational regulation programs [15]. In the neoliberalist context, the actorhood thesis describes the greater autonomy and freedom of organizational entities. In particular, it understands organizations not solely as instruments of shareholders' interests [21], but also as sovereign, purposive, and strategic entities that make consequential decisions [20], and have their own rights and identities [22]. The actorhood thesis therefore understands organizations not merely as contexts for action [23], but as entities that have the power to shape the institutional environment they operate in [5]. The process of globalization has further increased their freedom, autonomy, and power due to the reduced power of sovereign states. However, increased autonomy and regulatory freedom also entail greater organizational responsibility and accountability. This holds true not only for corporations, as has been widely deliberated, but also for NPOs.

The actorhood thesis is usually more implicitly illustrated by many examples in nonprofit management research. For instance, the literature documents an increasing delegation of responsibilities, traditionally held by states, to NPOs, such as supplying public goods in regions where governments lack the capacity to do so [15,24]. More recent discussions emphasize the increasingly political role and power of international NPOs to influence debates on and policy outcomes of global governance forums [3,25]. These discussions are further accompanied by an increase in professionalization in NPOs, characterized by a greater strategic orientation and the definition of concrete outcomes and desired impacts [15,26]. Unfortunately, NPOs have also been at the center of severe scandals, which have not only caused societal harm but have also been detrimental to their reputation [18,19]. NPOs, therefore, are indeed purposive and strategic organizations with the social responsibility to create an impact; NPOs should be held accountable for and must suffer the consequences of their irresponsible behavior.

There are also more explicit discussions around NPOs' social responsibility. However, despite ascribing actorhood to NPOs, the thesis has led to different understandings of what constitutes NPOs' social responsibility. There is research suggesting that the social responsibility of an NPO is to ensure its own sustainability and survival so that it can continue "doing good" for society [25,27]. This perspective may highlight the assumption that the very existence of these organizations, which by definition are concerned with social welfare, produces sufficient good for society. However, with the pronounced societal role of NPOs and in light of instances of their irresponsible behavior in the past, this perspective seems outdated. A more developed yet general approach was offered in an essay by Bromley and Meyer [15], who stated that there is little difference between the social responsibility requirements of NPOs and corporations. Instead, the authors describe isomorphic forces in the form of societal expectations that shape the strategic orientation of an organization as well as the tools it employs to demonstrate its social responsibility—independent of the organizational sector. They illustrate their argument by the current societal concern around environmental issues, which have led organizations (for-profits and NPOs alike) to include some kind of environmentalism (e.g., by implementing monitoring and evaluating processes) to adequately report on environmental issues. A more differentiated approach is offered by Pope et al. [3]. Inspired by Carroll's CSR pyramid [28], the authors adapted the pyramid for NPOs. In particular, they suggest that to follow the organizational mission, being lawful, accountable, and ethical are merely the baseline for NPOs to assume their social responsibilities—the baseline for NPOs to engage with and actively take leadership in shaping the society in which they operate [3]. Thus, their concept depicts a more proactive role and pronounced responsibility for NPOs to create societal impact. The urgency to assume leadership in addressing and challenging social issues was illustrated by Lim [7], who, in his case study on the UNGC, showed how initiatives enable NPOs to become active participants in what the authors coined "the global organizational responsibility movement". The case study, therefore, emphasizes that NPOs' social responsibility includes a political component and requires societal impact on a global scale.

In sum, the nonprofit management literature shows that with greater actorhood, NPOs' social responsibility has also become of greater scholarly concern; it is recognized as going beyond solely ensuring organizational existence to furthering demands that they actively create societal impact and stimulate societal change on an increasingly larger scale. This, in turn, entails a need for accountability for NPOs' actions and decisions. However, little research has been carried out to concretely assess the extent to which NPOs have assumed their societal responsibility, especially in the realm of multi-actor initiatives.

## 2.2. *The United Nations Global Compact: Introducing NPOs' Perspective*

The UNGC was launched in 2000 by the United Nations (UN) secretariat to address concerns regarding the lack of regulation in global economic activities that cause social and environmental damage [29]. The UNGC has since grown to be the largest multi-actor initia-

tive worldwide [30], comprising over 9500 businesses and 3000 nonbusiness participants from 163 countries [31]. Nonbusiness participants include public sector organizations as well as NPOs, including business associations, labor associations, and NGOs. The initiative defines 10 principles that guide organizational management and governance in the fields of human rights, labor rights, environmental issues, and anticorruption [29], and are closely aligned with the SDGs [30]. Designed as an exchange and learning platform, the UNGC brings business and nonbusiness participants together to exchange best practices and learn how to better fulfill their social responsibility [30]. Until 2013, only businesses had to communicate their progress made on implementing the 10 principles. In October 2013, the UNGC board decided that nonbusiness participants—including NPOs—should also have a periodical disclosure requirement. Since then, nonbusiness participants have been required to biyearly communicate in a “Communication on Engagement” (COE) on how they support the UNGC [32]. The COE includes a statement of continued engagement, a description of practical actions taken to promote the 10 principles and further information on outcome measurements of the actions taken [33]. If an NPO fails to submit its COE by the required deadline, the organization will be designated “noncommunicating” on the UNGC website. The NPO is expelled from the initiative if, after a year of noncommunication, the organization again fails to submit a COE. Expelled organizations are listed publicly on the UNGC website [32].

To date, scholarship on the UNGC has taken on a primarily business-focused perspective, providing evidence of the positive impact of the initiative on business governance mechanisms [4,8–10], and performance [11,12]. Concerns have also been voiced regarding the lack of impact on, or “blue washing” of, corporate activities due to their voluntary nature [13,14]. NPOs, on the other hand, are primarily mentioned as actors with a watchdog function [15,16], or as collaboration partners to strengthen businesses’ implementation of the 10 principles [17]. However, research assessing the role of NPOs and their impact on the UNGC more critically is scant.

The case study by Lim appears to be the first (and thus far only) research to offer a critical reflection on the role of NPOs within the initiative [7]. The study discusses the implications of NPOs’ role as consultative partners to UN agencies. Indeed, the UNGC is the first initiative in which the UN has involved NPOs in a key framework [7]. NPOs also take on more functional roles—for example, by engaging companies in UNGC-related issues and local network activities or by providing commentary to them on their reporting [33]. These different roles, in turn, are argued to reinforce NPOs’ actorhood by enabling them to become active participants in the multi-actor initiative [7]. However, to the author’s knowledge, there is no study assessing NPOs’ actual impact on this initiative to support ascribed actorhood.

Despite the important role given to NPOs within the UNGC, there are indeed valid criticisms that may raise concerns regarding their impact. The UNGC makes it clear that it is a business-led initiative—the board constitutes twelve business and four nonprofit representatives—and critical research argues that due to imbalanced power dynamics between business and nonbusiness participants, NPOs may provide a source of legitimacy for, but actually have little actual weight in, policy debates within the initiative [34]. One may also address NPOs’ motivation to engage in such an initiative. Critics argue that, similar to their business counterparts, NPOs are also prone to joining social responsibility initiatives for reputational purposes while lacking commitment over time [24,35]. Subsequently, in light of the important role of NPOs within the UNGC framework, but even more so to address the criticisms mentioned above, research has yet to assess the extent to which NPOs effectively strengthen the UNGC.

### 3. Hypothesis

In this section, a hypothesis on the impact of NPOs on the UNGC is derived. To assess this impact, the article focuses on the UNGC’s local networks. Local networks play a crucial role in strengthening the implementation of the UNGC’s 10 principles

in business participants [10]. In particular, local networks organize different activities, including forums, conferences, and coaching and thematic sessions, which allow us to adapt broader principles to fit the specific local context [9,36]. They provide an important platform to stimulate multistakeholder dialog and provide knowledge, tools and mutual learning among business and nonbusiness participants, including NPOs [30]. Such local network activities have been shown to have a significant impact on improving responsible governance in business organizations [36]. However, studies have shown that the learning processes take time, which needs to be considered when assessing individual participants' impact and learning processes [4]. Local networks, therefore, offer a valuable measure to assess NPOs' impact in strengthening the UNGC over time.

Building on the actorhood thesis, the reviewed literature suggests that NPOs are expected to create societal changes not only on the local level, but increasingly on the global level by engaging and taking leadership roles in global governance forums. Assessing their impact based on UNGC local network activity, the following hypothesis is suggested: the greater NPOs' engagement is, the higher the UNGC's local network activity becomes over time.

## 4. Methodology

### 4.1. Data and Measures

The dataset used in this study consists of yearly observations of NPOs—local and global business associations, labor organizations and NGOs—that are members of the UNGC and submitted a COE during the 2009 to 2018 time period (T), when the data for relevant variables were most comprehensive. Although submitting a COE became mandatory in 2013, earlier voluntarily submitted COEs were available and included in the dataset. COEs have to be submitted biyearly. However, the UNGC recommends a yearly submission [32]. Consequently, the dataset includes yearly data for certain NPOs. After eliminating incomplete and redundant values, the panel contains data for 820 NPOs from 68 different countries from the regions of Africa, Asia, Europe, Latin America and the Caribbean, the Middle East, and North Africa (MENA), North America, and Oceania. To track development over time, the dataset contains only organizations for which data are available for at least two points, resulting in a panel of 2228 organization-year observations.

NPO engagement is the independent variable of this study and is composed of information that NPOs communicate in their COE. The COE requires a statement by the chief executive expressing continued support for the UNGC, a description of the practical actions that the organization has taken to support the UNGC's principles, and information on the measurement of outcomes. Publicly available data only included binary information (yes/no) on whether a given organization has provided this information (but gives no further information on specific actions taken or outcomes measured). Consequently, the following binary data are added, with equal weights, to construct an index for NPO engagement: statement of continued support provided; actions included; outcome measurements included; if the organization uses GRI standards; and if the organization enforces human rights, labor rights, environmental, and anti-corruption principles. These data are self-assessed by the individual organizations, which need to be considered when interpreting the results and have been provided by the UN offices responsible for UNGC reporting. For better interpretability, the index was scaled from 0 to 1.

UNGC local network activity, i.e., the extent to which UNGC networks locally engage with UNGC participants (business and nonbusiness), is the dependent variable. This variable is assessed based on the number of activities per UNGC network for each country and for each year as reported in the "UNGC Local Network Annual Reports" for the years 2009 to 2015 [37]. For the years 2016 to 2018, local network activity was summarized in the "Global Compact Local Networks: Accelerating National SDG Implementation" publication [38]. Until 2010, the number of individual local network activities per country was explicitly reported. Since 2011, activities per country have been reported descriptively. Thus, to gather the relevant data, described activities in the reports from 2011 to 2018 were

counted individually for each country and year. Following Schembera's and Hengevoss' approach [4], this study puts equal weight on and adds single activities, including reported conferences, best practices, coaching and thematic sessions, capacity-building activities, workshops, webinars, and similar reported events. In particular, webinars can account for a high number of activities per local network, as they are easily replicable. Following the methodology applied by the UNGC (in the reports of 2009 and 2010), this study counts each webinar as an individual activity. Furthermore, this study counts the engagement of a country-level local network in an event organized by a regional-level network as an individual activity for the respective country. For better interpretability, the variable was scaled from 0 to 1. Table 1 lists the items for the NPO engagement index and the individual local network activities included.

**Table 1.** NPO engagement index and local network activities.

Items NPO Engagement Index	Local Network Activities
- Statement of continued support provided;	- Conferences;
- Actions included;	- Best practices;
- Outcome measurements;	- Coaching and thematic sessions;
- NPO uses GRI standards;	- Capacity building activities;
- NPO enforces human rights principles;	- Workshops;
- NPO enforces labor rights principles;	- Webinars;
- NPO enforces environmental principles;	- Participation in regional-level network events;
- NPO enforces anti-corruption principles.	- Other Events

*Note.* Items are binary and added with equal weights.

Finally, the study controls for the variables discussed that generally influence organizations' continued engagement in multi-actor initiatives and, more precisely, influence organizations' contributions to the UNGC framework. First, the study controls for organizational *size*, which is associated with visibility and public scrutiny and thus potentially higher engagement in and impact on UNGC activity [39]. This variable is measured by the logarithmic transformation (to resemble a normal distribution) of the number of employees at the end of each year [36], which was provided by the UN offices responsible for UNGC reporting. Second, the study controls for the organization type (global business, association, local business association, foundation, global labor organization, local labor organization, global NGO, local NGO). Third, the study controls for *regional* and *country*-level institutional conditions to acknowledge arguments from institutional theory, which argues that formal regulation and informal norms and other contextual conditions significantly shape an organization's behavior [26,40], and thus may also affect an NPO's engagement in the UNGC. Finally, the study controls for participation duration. The underlying assumption is that, similar to a business organization, the learning processes can strengthen an NPO's capacity to stimulate UNGC local network activity over time [36]. Table 2 presents the descriptive statistics and correlation matrix for all included variables (for reasons of readability, correlations for individual countries were not included). The correlation coefficient suggests a significant relationship between UNGC local network activity and NPO engagement and other control variables, substantiating the research proposition.

Table 2. Descriptives and correlation matrix.

	Mean	SD	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.
1. Local network activity	7.93	10.42	1																
2. NPO engagement index	2.00	1.50	0.216 <sup>c</sup>	1															
3. Employees	902.3	4838.9	0.028	0.225 <sup>c</sup>	1														
4. Global business association	0.04	na	0.019	0.017	−0.010	1													
5. Local business association	0.23	na	0.053 <sup>a</sup>	0.062 <sup>b</sup>	−0.055 <sup>a</sup>	−0.114 <sup>c</sup>	1												
6. Foundation	0.16	na	0.040	0.065 <sup>b</sup>	0.047 <sup>a</sup>	−0.090 <sup>c</sup>	−0.241 <sup>c</sup>	1											
7. Global labor organization	0.00	na	−0.022	−0.011	−0.005	−0.006	−0.017	−0.013	1										
8. Local labor organization	0.01	na	0.003	−0.012	−0.004	−0.023	−0.061 <sup>b</sup>	−0.048 <sup>a</sup>	−0.003	1									
9. Global NGO	0.14	na	−0.053 <sup>a</sup>	−0.099 <sup>c</sup>	0.010	−0.084 <sup>c</sup>	−0.226 <sup>c</sup>	−0.178 <sup>c</sup>	−0.012	−0.045 <sup>a</sup>	1								
10. Local NGO	0.41	na	−0.044 <sup>a</sup>	−0.035	0.008	−0.172 <sup>c</sup>	−0.461 <sup>c</sup>	−0.362 <sup>c</sup>	−0.025	−0.092 <sup>c</sup>	−0.340 <sup>c</sup>	1							
11. Africa	0.07	na	−0.139 <sup>c</sup>	−0.030	−0.029	−0.047 <sup>a</sup>	−0.001	−0.100 <sup>c</sup>	−0.007	−0.025	0.088 <sup>c</sup>	0.038	1						
12. Asia	0.18	na	0.017	−0.063 <sup>b</sup>	−0.047 <sup>a</sup>	−0.034	−0.126	−0.011	−0.012	−0.043 <sup>a</sup>	0.104 <sup>c</sup>	0.067 <sup>b</sup>	−0.090 <sup>c</sup>	1					
13. Europe	0.34	na	0.100 <sup>c</sup>	0.074 <sup>c</sup>	−0.030	0.103 <sup>c</sup>	0.128	0.041	−0.026	0.005	−0.039	−0.154 <sup>c</sup>	−0.197 <sup>c</sup>	−0.335 <sup>c</sup>	1				
14. Latin America and the Caribb.	0.29	na	−0.035	0.001	−0.027	−0.099 <sup>c</sup>	0.025	0.053 <sup>a</sup>	0.045	0.059 <sup>b</sup>	−0.206 <sup>c</sup>	0.110 <sup>c</sup>	−0.154 <sup>c</sup>	−0.261 <sup>c</sup>	−0.571 <sup>c</sup>	1			
15. MENA	0.03	na	−0.004	−0.051 <sup>a</sup>	−0.022	−0.004	0.013	−0.023	−0.005	−0.018	0.008	0.006	−0.037	−0.063 <sup>b</sup>	−0.137 <sup>c</sup>	−0.107 <sup>c</sup>	1		
16. North America	0.08	na	−0.031	0.000	0.223 <sup>c</sup>	0.079 <sup>c</sup>	−0.134 <sup>c</sup>	−0.057	−0.007	−0.027	0.243 <sup>c</sup>	−0.041	−0.056 <sup>b</sup>	−0.095	−0.207 <sup>c</sup>	−0.161 <sup>c</sup>	−0.039	1	
17. Oceania	0.01	na	−0.011	−0.011	−0.012	−0.015	−0.041	−0.032	−0.002	−0.008	0.040	0.029	−0.017	−0.029	−0.063 <sup>b</sup>	−0.049 <sup>a</sup>	−0.012	−0.018	1
18. Participation time (years)	5.57	3.28	−0.040	0.174 <sup>c</sup>	0.033	na	na	−0.004	−0.028 <sup>a</sup>	0.061	−0.077 <sup>b</sup>	−0.052 <sup>a</sup>	−0.053 <sup>a</sup>	−0.062 <sup>a</sup>	0.128 <sup>c</sup>	−0.068 <sup>b</sup>	−0.041	0.042	0.004

<sup>a</sup> Correlation is significant at the 0.05 level. <sup>b</sup> Correlation is significant at the 0.01 level. <sup>c</sup> Correlation is significant at the 0.001 level.

#### 4.2. Analytical Approach

The hypothesis is tested based on a panel regression analysis in which fixed effects (FE) and random effects (RE) models are computed [41]. Panel regression analysis allows to assess changes per time unit, which is required to understand how NPOs' continued engagement impacts local network activity over time. The derived coefficients provide an estimate for the average effect of a given NPO's engagement level on the UNGC's local network activity per year. Moreover, panel data estimations are considered more effective in capturing the complexity of organizational behavior than cross-sectional or time series models [42]. Comparing FE and RE further allows the minimization of omitted variable biases [41]. FE estimations presume time-independent parameters (e.g., regional- or country-level influences) that are not observed but are likely to influence the dependent variable and therefore cancel out the effect of omitted but nonrandom variables [43]. Consequently, FE models compute estimators only for variables that vary over time. RE estimations, on the other hand, assume no time-dependent parameters. Despite this strong assumption, RE computations offer more consistent estimators than FE computations in models where the dependent variable changes relatively little over time [41]. The Hausman specification test allows the identification of a more efficient estimation between FE and RE [43]. If the Hausman p-value is relatively large ( $p > 0.05$ ), RE estimators do not significantly differ from FE estimators, and the RE model is preferred [43]. Consequently, FE and RE estimations for each model were run. In the results section, only the more efficient estimation according to the Hausman specification test (at the 0.05 significance level) is included.

All calculations were performed using RStudio, version 1.4.1106 [44], using the packages `car` [45], `lmtest` [46], `plm` [47], and `sandwich` [48].

#### 5. Results

Table 3 presents the results of the panel regression analysis assessing the impact of NPOs' engagement on UNGC local network activity over time. To account for the effect of learning processes, the UNGC local network activity was lagged by one year, such that estimates reflect the impact of NPOs' engagement in a given year ( $t$ ) on UNGC local network activity in the next year ( $t + 1$ ). For all estimations except (1e), RE models were tested to be more efficient than FE models (Hausman test,  $p > 0.05$ ). All models from (1a), (1b), (1c), (1d), and (1e) suggest a highly significant impact of NPO engagement in UNGC local network activity ( $p < 0.001$  for estimates of all four models). Local networks that include NPOs that report on continuous engagement, that offer practical actions to promote the 10 principles, and that themselves engage in outcome measurements are estimated to show 9.9% (1d) to 13.0% (1a) higher activity levels per year. Supporting the hypothesis, these findings show that NPOs have a significant impact in strengthening local network activity, and therefore indeed have a significant voice and impact in global governance forums such as the UNGC.

However, despite leading to a significant increase in activity, the coefficient of determination ( $R^2$ ) for models (1a) and (1b) suggests that NPO engagement and organizational characteristics (size and type) account for a relatively small amount of the variation in activity across different local networks (2.9% and 3.1%, respectively) over time. When controlling for regional influence, model (1c) suggests that regional differences in the institutional environment have a significant impact on local network activity over time. Model (1d) further underlines this argument, which, when controlling for country-specific (institutional) influences, accounts for 33.1% of the variation in activity across different UNGC local networks. These findings indicate that organizational factors including the number of employees and type of NPO do not significantly affect NPOs' contribution to local network activity. Instead, factors in the institutional environment either promote or impede NPOs' impact on local network activity.



**Table 3.** Panel analysis for UNGC local network activity (t + 1).

	(1a)	(1b)	(1c)	(1d)	(1e)
Intercept	0.066 *** (0.005)	0.224 *** (0.059)	0.145 * (0.060)	0.148 ** (0.054)	-
<b>Independent variable</b>					
NPO engagement index (t)	0.130 *** (0.012)	0.106 *** (0.014)	0.108 *** (0.014)	0.099 *** (0.013)	0.035 (0.021)
<b>Control variables</b>					
Size (ln employees)	No	-0.000 (0.002)	0.000 (0.002)	-0.002 (0.001)	-
Organization type <sup>1</sup>	No				-
Local Business Association		-0.155 ** 0.060	-0.158 ** (0.059)	-0.101 (0.054)	
Foundation		-0.144 * (0.059)	-0.149 * (0.058)	-0.107 * (0.053)	
Global Labor Organization		-0.250 * (0.117)	-0.243 * (0.115)	-0.134 (0.101)	
Local Labor Organization		-0.147 * (0.066)	-0.148 * (0.065)	-0.133 * (0.058)	
Global NGO		-0.168 ** (0.059)	-0.165 ** (0.058)	-0.121 * (0.053)	
Local NGO		-0.159 ** (0.059)	-0.159 ** (0.058)	-0.112 * (0.053)	
Region <sup>2</sup>	No	No		No	No
Asia			0.098 *** (0.018)		
Europe			0.090 *** (0.016)		
Latin America and the Caribbean			0.072 *** (0.017)		
MENA			0.101 *** (0.027)		
North America			0.066 ** (0.021)		
Oceania			0.072 (0.047)		
Country	No	No	No	Yes	-
Participation duration (years)					-0.008 *** (0.002)
N	2228	1729	1729	1729	1526
n	820	632	632	632	571
T	2–10	2–10	2–10	2–10	2–10
R <sup>2</sup>	0.029	0.031	0.054	0.331	0.031

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ , robust standard errors in parentheses. 1, *Global business association* as reference level. 2, *Africa* as reference level.

Finally, (1e) suggests that the longer NPOs' participation duration in the UNGC, the lower the local network activity. This finding is surprising given our hypothesis as it suggests that, over time, NPOs' engagement in local networks becomes relatively less relevant. To elaborate more on the implication of these findings, the results are discussed in more detail in the following section.

## 6. Discussion

This study assessed the impact of NPOs' engagement in the UNGC on local network activity over time. It is one of the few studies assessing NPOs' role in, and impact on, the UNGC, and therefore provides a crucial additional perspective to the rather business-focused management research on the drivers and effectiveness of the initiative. With regard to the research question, the results suggest that NPOs indeed play a significant role in increasing local network activity and, therefore, strengthen the UNGC initiative

over time. Confirming the derived hypothesis, the models (1a), (1b), (1c) and (1d) show that NPO engagement can lead to a yearly increase in UNGC local network activity of up to 13%. Connecting these insights to the nascent academic discussion about nonprofit social responsibility, different implications follow. First, in the context of a neoliberal and globalized economy, private organizations, including NPOs, experience greater freedom and autonomy. This, in turn, places higher social responsibility and requirements for accountability on them. Moreover, NPOs are increasingly expected to take on political leadership in global governance forums to tackle societal issues at their root cause. This has fostered the actorhood thesis, which describes NPOs as purposive actors with the social responsibility of having a positive impact on society, not only on the local, but increasingly on the global level. The findings, therefore, strengthen the actorhood thesis as they provide empirical evidence that NPOs are indeed active participants in multi-actor initiatives and create impact—for example, in the form of increased local network activity. Adding to Lim's [7] case study, this suggests that the UNGC not only strengthens NPOs' actorhood by enabling them to become active participants in the multi-actor initiative, but also that NPOs indeed take on their social responsibility by actively engaging in and strengthening the activity of local networks to create societal impact. Furthermore, the results relativize critical voices, arguing that power imbalances among different participants limit the weight of NPOs' voices in decision-making processes [34]. Therefore, despite the initiative being business-led, the findings suggest that NPOs have significant actorhood and weight in strengthening the UNGC.

Second, these findings further contribute to the scholarship discussing the increasingly political role and responsibility of NPOs [3,25]. In particular, these findings suggest that NPOs indeed take on a leadership role in global governance forums, and therefore provide empirical evidence for Pope et al.'s [5] conceptualization of NPOs' social responsibility, which places political leadership at the highest level of social responsibility. NPOs therefore not only take on their social responsibility by creating impact, but further deliberately partake in the political discussions in which their own social responsibility is defined.

However, models (1a), (1b), and (1c) suggest that the engagement of NPOs in local networks only explains a small fraction of variation in the activity levels over time and across countries. Model (1d) suggests that individual country factors have higher explanatory value in this regard. On the one hand, one could argue that this places less responsibility for impact and lower accountability requirements on NPOs as organization external factors seem to play a more important role in explaining differences in local network activity in different countries. On the other hand, the findings also suggest a potential for NPOs to further develop and strengthen their role in and increase their impact on the UNGC local networks. This, however, seems to require a better understanding of how institutional conditions under which such initiatives take place affect NPOs' impact. In particular, given that country-level factors seem to play an important role in promoting local network activity, the results raise questions about whether there are formal or informal institutional influences that can strengthen or inhibit NPOs' influence on local network activity.

Finally, model (1e) suggests that with the increasing participation duration of NPOs, local network activity decreases over time. Again, the respective model explains only a small fraction of differences in local network activity over time and therefore needs to be interpreted with caution. Nonetheless, this finding may raise the general question of how the UNGC framework needs to be improved to strengthen NPOs' incentives to continuously engage in local networks. Critical voices have argued that NPOs can be found to join social responsibility initiatives for reputational purposes while neglecting the actual implementation of their regulation standards [24,35]. A better understanding of how the initiative needs to be improved to incentivize continued engagement of NPO is therefore required.

## 7. Conclusions

This study is one of the first studies to critically assess the role of NPOs in the UNGC and provides empirical evidence suggesting that NPOs do indeed have an important weight in, and impact on, global governance initiatives. This contributes to the emerging research on nonprofit social responsibility and underlines the actorhood thesis, which places higher responsibility for impact and accountability requirements on NPOs. However, it also reveals the room for improvement for NPOs to further strengthen their role and contribution to local network activity over time and across different countries. Before concluding with implications for future research and practice, some limitations must be considered. As mentioned earlier, the evaluated data on NPO engagement were self-assessed by the organizations, and the data available were dummy coded to inform on whether the NPO reported on continuous engagement, practical actions taken, and engagement in outcome measurements. More precise data on specific actions taken as well as on measurements assessing different actions taken may yield a more differentiated understanding of what kind of NPO engagement can strengthen multi-actor initiatives. Therefore, the offered results are, at best, “suggestive”. Nonetheless, given that the UNGC is deliberately based on voluntary action, which is inherently reflected in the reported data, the author is confident that the study provides valuable directions for future research as well as for the improvement of the UNGC.

Future research is encouraged to address the need to better understand how country-level influences impact local network activity, and how NPOs may use them to their advantage. Paralleling current research venues from the for-profit literature [4,49–51], and in light of the currently accelerated development of online communication tools following the COVID-19 pandemic, nonprofit management research may investigate the role of technological infrastructure in different countries in strengthening NPOs’ engagement in the UNGC and similar multi-actor initiatives. Generally, the process of digitalization and inherent advancements in communication technologies offer new possibilities to communicate and collaborate in faster and more (cost-)efficient ways and can promote the transparency of and accountability for organizational behavior [50,51]. The UNGC builds on exchange and learning processes to strengthen and promote its 10 principles among different participants [29]. However, participants are typically spread across countries and regions and operate in complex institutional environments, making the communication and learning processes between them costly. Previous studies have found that higher quality online services can indeed strengthen the impact of local network activities and responsible innovation in for-profit organizations [4]. Consequently, a relevant venue for future research includes assessing the role of technological advancements in strengthening NPOs’ actorhood in the UNGC’s learning processes.

Moreover, the study has revealed the need for future research to better understand the incentives and mechanisms that ensure continuous engagement of NPOs in multi-actor initiatives. Recent literature on the UNGC has investigated which business organizations continue to join the initiative and which ones leave. Two perspectives are prominent therein: the critics argue that low entry barriers allow businesses to join for reputational purposes, while advocates argue that the principal motivation to join is an interest in learning processes and organizational improvement [52]. Furthermore, businesses from countries where there are no local networks are more likely to leave the initiative after some time [53]. These research venues could be paralleled for NPOs. This implies shedding more light on NPOs’ initial motivation to engage in the UNGC as well as on the managerial requirements and structure that allow for continued engagement. Moreover, from the UNGC’s perspective, investigation is needed on how the initiative needs to be further developed to provide sufficient incentives and accountability structures that ensure continuous NPO engagement and therefore higher local network activity over time. As the provided data reveals, the UNGC reporting requirements for NPOs are relatively low compared to the ones for business participants. This may keep entry barriers for NPOs to join the initiative low. However, it also entails a risk for NPOs to join the initiative for

reputational purposes and slacking on their impact over time. Gathering more detailed information—for example, on the basis of case studies—may allow a better understanding of NPO's initial motivation to join the UNGC as well as the managerial requirements and incentive structures needed to ensure continuous engagement and impact.

Finally, future research may assess whether multi-actor initiatives, in turn, have spillover effects that strengthen NPOs' actorhood by leading to higher accountability standards for these organizations themselves. Therewith, the initiative would not only strengthen the social responsibility of business organizations, but also that of NPOs.

**Funding:** This research received no external funding.

**Institutional Review Board Statement:** Not applicable.

**Informed Consent Statement:** Not applicable.

**Data Availability Statement:** Data was obtained from the United Nations and are publicly available under the following link: <https://www.unglobalcompact.org/participation/report/coe/create-and-submit/submitted-coe>.

**Conflicts of Interest:** The author declares no conflict of interest.

## References

- Crane, A.; Matten, D.; Glozer, S.; Spence, L. *Business Ethics: Managing Corporate Citizenship and Sustainability in the Age of Globalization*; University Press: New York, NY, USA, 2019.
- Scherer, A.G.; Palazzo, G. The new political role of business in a globalized world: A review of a new perspective on CSR and its implications for the firm, governance, and democracy. *J. Manag. Stud.* **2011**, *48*, 899–931. [[CrossRef](#)]
- Mitchell, G.E.; Schmitz, H.P.; Bruno-van Vijfeijken, T. *Between Power and Irrelevance: The Future of Transnational NGOs*; Oxford University Press: New York, NY, USA, 2020.
- Schembera, S.; Hengevoss, A. Institutional drivers of responsible innovation: The impact of the UN global compact in the digital age. *SSRN Electron. J.* **2019**. [[CrossRef](#)]
- Pope, S.; Bromley, P.; Lim, A.; Meyer, J.W. The pyramid of nonprofit responsibility: The institutionalization of organizational responsibility across sectors. *Volunt. Int. J. Volunt. Nonprofit Organ.* **2018**, *29*, 1300–1314. [[CrossRef](#)]
- Rasche, A.; Waddock, S.; McIntosh, M. The United Nations global compact: Retrospect and prospect. *Bus. Soc.* **2013**, *52*, 6–30. [[CrossRef](#)]
- Lim, A. Nonprofits as socially responsible actors: Neoliberalism, institutional structures, and empowerment in the United Nations global compact. *Curr. Sociol.* **2021**. [[CrossRef](#)]
- Martínez-Ferrero, J.; Eryilmaz, M.; Colakoglu, N. How does board gender diversity influence the likelihood of becoming a UN global compact signatory? The mediating effect of the CSR committee. *Sustainability* **2020**, *12*, 4329. [[CrossRef](#)]
- Rasche, A.; Gilbert, D.U. Institutionalizing global governance: The role of the United Nations global compact. *Bus. Ethics* **2012**, *21*, 100–114. [[CrossRef](#)]
- Mwangi, W.; Rieth, L.; Schmitz, H.P. Encouraging greater compliance: Local networks and the United Nations global compact. In *The Persistent Power of Human Rights: From Commitment to Compliance*; Risse, T., Ropp, S.C., Sikkink, K., Eds.; Cambridge University Press: Cambridge, UK, 2013.
- Orzes, G.; Moretto, A.M.; Moro, M.; Rossi, M.; Sartor, M.; Caniato, F.; Nassimbeni, G. The impact of the United Nations global compact on firm performance: A longitudinal analysis. *Int. J. Prod. Econ.* **2020**, *227*, 107664. [[CrossRef](#)]
- Ortas, E.; Álvarez, I.; Garayar, A. The environmental, social, governance, and financial performance effects on companies that adopt the United Nations global compact. *Sustainability* **2015**, *7*, 1932–1956. [[CrossRef](#)]
- Berliner, D.; Prakash, A. “Bluewashing” the firm? Voluntary regulations, program design, and member compliance with the United Nations global compact. *Policy Stud. J.* **2015**, *43*, 115–138. [[CrossRef](#)]
- Sethi, S.P.; Schepers, D.H. United Nations Global compact: The promise-performance gap. *J. Bus. Ethics* **2014**, *122*, 193–208. [[CrossRef](#)]
- Bromley, P.; Meyer, J.W. “They are all organizations”: The cultural roots of blurring between the nonprofit, business, and government sectors. *Adm. Soc.* **2017**, *49*, 939–966. [[CrossRef](#)]
- Szper, R.; Prakash, A. Charity watchdogs and the limits of information-based regulation. *Volunt. Int. J. Volunt. Nonprofit Organ.* **2011**, *22*, 112–141. [[CrossRef](#)]
- Seitanidi, M.M.; Crane, A. Implementing CSR through partnerships: Understanding the skeleton, design and institutionalization of nonprofit-business partnerships. *J. Bus. Ethics* **2009**, *85*, 413–429. [[CrossRef](#)]
- Fassin, Y. Inconsistencies in activists' behaviours and the ethics of NGOs. *J. Bus. Ethics* **2009**, *90*, 503–521. [[CrossRef](#)]
- Gibelman, M.; Gelman, S.R. A Loss of credibility: Patterns of wrongdoing among nongovernmental organizations. *Volunt. Int. J. Volunt. Nonprofit Organ.* **2004**, *15*, 355–381. [[CrossRef](#)]

20. Drori, G.S.; Meyer, J.W.; Hwang, H. Global organization: Rationalization and actorhood as dominant scripts. *Inst. Ideol. Res. Sociol. Organ.* **2009**, *27*, 17–43.
21. Friedman, M. The social responsibility of business is to increase its profits. *N. Y. Times Mag.* **1970**, *33*, 122–126.
22. King, B.G.; Whetten, D.A. Rethinking the relationship between reputation and legitimacy: A social actor conceptualization. *Corp. Reput. Rev.* **2008**, *11*, 192–207. [[CrossRef](#)]
23. Cyert, R.M.; March, J.G. *A Behavioral Theory of the Firm*; Prentice-Hall: Englewood Cliffs, NJ, USA, 2006.
24. Gugerty, M.K. The effectiveness of NGO self-regulation: Theory and evidence from Africa. *Public Adm. Dev.* **2008**, *28*, 105–118. [[CrossRef](#)]
25. Singh, N.; Mthuli, S.A. The big picture of non-profit organisational sustainability: A qualitative system dynamics approach. *Syst. Pract. Action Res.* **2020**. [[CrossRef](#)]
26. Hersberger-Langloh, S.E.; Stühlinger, S.; von Schnurbein, G. Institutional isomorphism and nonprofit managerialism: For better or worse? *Nonprofit Manag. Leadersh.* **2021**, *31*, 461–480. [[CrossRef](#)]
27. McDonald, R.E.; Weerawardena, J.; Madhavaram, S.; Mort, G.S. From “Virtuous” to “Pragmatic” pursuit of social mission. *Manag. Res. Rev.* **2015**, *38*, 970–991. [[CrossRef](#)]
28. Carroll, A.B. The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Bus. Horiz.* **1991**, *34*, 39–48. [[CrossRef](#)]
29. Kell, G.; Levin, D. The global compact network: An historic experiment in learning and action. *Bus. Soc. Rev.* **2003**, *108*, 151–181. [[CrossRef](#)]
30. Rasche, A. The United Nations global compact and the sustainable development goals. *Res. Handb. Responsible Manag.* **2020**, 228–241. [[CrossRef](#)]
31. UNGC. United Nations’ Global Compact. Available online: <https://www.unglobalcompact.org> (accessed on 27 May 2021).
32. UNGC. UN Global Compact Policy on Communicating Engagement. Available online: [https://d306pr3pise04h.cloudfront.net/docs/communication\\_on\\_progress%2FCOE%2FCOE\\_Policy\\_EN.pdf](https://d306pr3pise04h.cloudfront.net/docs/communication_on_progress%2FCOE%2FCOE_Policy_EN.pdf) (accessed on 27 May 2021).
33. UNGC. The Communication on Engagement (COE) in Brief. Available online: <https://www.unglobalcompact.org/participation/report/coe> (accessed on 27 May 2021).
34. Soederberg, S. Taming corporations or buttressing market-led development? A critical assessment of the global compact. *Globalizations* **2007**, *4*, 500–513. [[CrossRef](#)]
35. Phillips, S.D. Putting humpty together again: How reputation regulation fails the charitable sector. *Nonprofit Policy Forum* **2019**, *10*, 1–11. [[CrossRef](#)]
36. Schembera, S. Implementing corporate social responsibility: Empirical insights on the impact of the UN global compact on its business participants. *Bus. Soc.* **2018**, *57*, 783–825. [[CrossRef](#)]
37. UNGC. Archived Reports Local Network Annual Reports. Available online: <https://www.unglobalcompact.org/engage-locally/manage/reports/local-network-report> (accessed on 27 May 2021).
38. UNGC. Library. Available online: <https://www.unglobalcompact.org/library/5627> (accessed on 27 May 2021).
39. Bennie, L.; Bernhagen, P.; Mitchell, N.J. The logic of transnational action: The good corporation and the global compact. *Polit. Stud.* **2007**, *55*, 733–753. [[CrossRef](#)]
40. DiMaggio, P.J.; Powell, W.W. The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *Am. Sociol. Rev.* **1983**, *48*, 147–160. [[CrossRef](#)]
41. Wooldridge, J.M. *Econometric Analysis of Cross Section and Panel Data*; MIT Press: Cambridge, MA, USA, 2010. [[CrossRef](#)]
42. Hsiao, C. Panel data analysis—advantages and challenges. *Test* **2007**, *16*, 1–22. [[CrossRef](#)]
43. Giesselmann, M.; Windzio, M. *Regressionsmodelle Zur Analyse von Paneldaten*, 1st ed.; Springer: Berlin/Heidelberg, Germany, 2013.
44. R Core Team. *R: A Language and Environment for Statistical Computing*; R Foundation for Statistical Computing: Vienna, Austria, 2020.
45. Fox, J.; Weisberg, S. *An {R} Companion to Applied Regression*, 3rd ed.; Sage: Thousand Oaks, CA, USA, 2019.
46. Zeileis, A.; Hothorn, T. Diagnostic checking in regression relationships. *R News* **2002**, *2*, 7–10.
47. Croissant, Y.; Milla, G. Panel data econometrics in R: The PLM package. *J. Stat. Softw.* **2008**, *27*, 1–43. [[CrossRef](#)]
48. Zeileis, A. Object-Oriented Computation of Sandwich Estimators. *J. Stat. Softw.* **2006**, *9*, 1–16. [[CrossRef](#)]
49. Bansal, P. Sustainable development in the age of disruption. *Acad. Manag. Discov.* **2019**, *5*, 8–12. [[CrossRef](#)]
50. Conole, G.; Dyke, M. What are the affordances of information and communication technologies? *J. Assoc. Learn. Technol.* **2004**, *12*, 113–124. [[CrossRef](#)]
51. Guiora, A.; Park, E.A. Hate speech on social media. *Philosophia* **2017**, *45*, 957–971. [[CrossRef](#)]
52. Barrese, J.; Phillips, C.; Shoaf, V. Why do U.S. public companies continue to join the UN global compact: Ethics or economics? *Int. Stud. Manag. Organ.* **2020**, *50*, 209–231. [[CrossRef](#)]
53. Rasche, A.; Gwozdz, W.; Lund Larsen, M.; Moon, J. Which firms leave multi-stakeholder initiatives? An analysis of delistings from the United Nations global compact. *Regul. Gov.* **2020**. [[CrossRef](#)]