



A MULTI-STAKEHOLDER INITIATIVE FOR RESPONSIBLE INNOVATION

Executive Summary

- Emerging technologies, such as nanotechnology, genetic engineering, and artificial intelligence, raise societal and ethical concerns, which cannot be tackled by legislation only.
- Multi-stakeholder initiatives (MSIs) provide effective governance solutions for such fast-paced environments, but only if they are setup in the right way.
- Principle-based MSIs are easily accessible for businesses, strengthen their credibility, and provide them with a reference basis for decision-making. International examples show that MSIs can also ensure high levels of quality and effectiveness.
- We recommend establishing an MSI for Responsible Innovation in the digital sector** based on a set of principles and viable mechanisms for voluntary monitoring and enforcement.
- The flexibility of this MSI secures competitive advantages of the digital industry in the EU, while stakeholder involvement effectively addresses societal and ethical concerns early on.

Multi-stakeholder initiatives as a governance mechanism

Existing regulatory structures and processes are challenged by a globalized economy and rapid innovation cycles, especially in the digital sector. Consequently, non-governmental actors, industry self-regulation and multi-stakeholder collaboration increasingly substitute governmental regulation. These forms of governance are often perceived as being more flexible, promoting competitiveness and contributing to solving grand societal challenges.

A specific form of self-governance is Multi-stakeholder initiatives (MSIs). They involve a wide range of stakeholders (state and non-state alike) who bring a vast pool of knowledge and expertise. They are based on voluntary membership, build consensus among their members and ensure compliance. To complement existing governance mechanisms, MSIs need legitimacy and effectiveness:

Legitimacy depends on the reputation and diversity of stakeholders involved in an MSI and the quality of their interactions. It is important that an MSI includes critical and socially recognized voices. In addition, openness to new members and transparency about goals and their implementation strengthen legitimacy.

Effectiveness means that an MSI produces tangible results that help to solve grand societal challenges, especially through its influence on agenda-setting of its corporate members and through quality control of their actions. Only if MSIs are effective do they provide a feasible alternative to governmental regulation.

As part of the LIVING INNOVATION project, we conducted 22 case studies on MSIs and analysed their design, content, and functional mechanisms. The MSIs are most active in knowledge-sharing, service providing, and standard setting. Two types can be distinguished: Certification-based MSIs place emphasis on compliance with predefined rules, require external verification and offer certification labels. Principle-based MSIs do not rely on any verification mechanism, but allow companies to commit themselves to a certain set of principles. They are ideal to address emerging issues in dynamic environments and for businesses, as they pose a low barrier to participate.

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Successful MSIs apply principle-based approaches

Principle-based MSIs are versatile, as businesses and stakeholders can tackle regulatory gaps on their own terms. Principles can be adapted over time and help businesses to go beyond compliance.

Design characteristics play an important role for the successful implementation of principles into business practice:

Generality: principles should state overarching requirements that can be applied flexibly to a rapidly changing industry.

Language: principles should avoid overly complicated language and prescriptive terminology.

Broad application: principles should apply to a broad range of circumstances.

Qualitative not quantitative terms: principles should use evaluative terms instead of strict rules.

As behavioural standard: principles should guide actions in a way that directly affects strategic and operational decision-making.

Sanction mechanisms: violating principles should be sanctioned, e.g. by excluding a company that continuously fails to comply with the principles from the MSI.

Principle-based MSIs provide important benefits for participating companies: When CEOs sign ambitious principles, they signal a commitment at the highest management level. This strengthens a company's image and credibility while providing a reference basis for internal decision-making.

Examples of principle-based approaches in MSIs

- [The United Nations \(UN\) Global Compact](#) offers a principle-based framework aiming to encourage businesses to adopt sustainable practices. The initial principles were launched in 2004. The Global Compact is the world's largest corporate sustainability initiative including more than 14,000 participants.
- [The Ethically Aligned Design Conceptual Framework](#) provides a 3x8 matrix of principles and a playbook for their implementation, aiming to contribute to a value-based design of autonomous intelligent systems. The framework was published by the Institute of Electrical and Electronics Engineers (IEEE) "Global Initiative on Ethics of Autonomous and Intelligent Systems"-Initiative in 2016. The initiative involves about 500 members, including businesses, researchers, NGOs, and governments.
- [The Principles for Responsible Banking](#) were set up as guiding vision for sustainable finance. Banks must implement the six principles across all business functions to become a signatory. The principles were launched by the United Nations Environment Programme (UNEP) Finance Initiative in 2019. The initiative is a partnership of UNEP and more than 400 banks, insurance companies, and investors.
- [The Ethical Trading Initiative \(ETI\) Base Code](#) includes nine principles that aim to promote human rights and decent working conditions in global supply chains. The MSI launched their base code in 1998. Its members include more than 90 businesses, 20 NGOs, and several trade unions.

How companies put Responsible Innovation into practices

Orient innovation activities towards solving the grand challenges of society.

Develop new technologies, products, services, and business models that are **socially acceptable and desirable**.

Co-create innovations together with the people affected by them.

Anticipate the impacts an innovation will have and work accordingly to benefit society and the environment.

Co-design whole systems (e.g., health care, food system, mobility) instead of focusing on individual technologies or products.

Respect ethical limitations and avoid risking the social license to operate.



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Recommendations

Initiate an MSI for Responsible Innovation in Industry

By now, Responsible Innovation is mainly an issue for researchers, publicly funded research organizations and programmes. Initiating an MSI for Responsible Innovation in Industry would allow to:

- Transfer the concept to industry and link up with corporate approaches and terms;
- Promote Responsible Innovation as a business opportunity and allow companies to participate in a leading position;
- Network, exchange experiences and initiate joint actions of companies and other stakeholders;
- Safeguard societal acceptance of innovations results; and
- Ensure transparency and high-quality outcomes of self-governance.

Through this MSI, policy creates an institution for dialogues (e.g., on ethical limitations and societal acceptance of new technologies), which cannot be implemented on the corporate level or by industry alone. Policymakers must take the initial step toward this MSI to ensure legitimacy and that the most significant societal, ethical, and environmental challenges are being tackled.

Establish Principles for Responsible Innovation in Industry

Principle-based MSIs are ideal to address emerging issues in dynamic environments and in areas with societal concerns. For companies, they pose a low barrier to

participate, while providing incentives for continuous improvements.

We developed a first draft of principles as a starting point (see below). When launching the MSI, a collaborative editing process could ensure that all corporate members can commit themselves to the final version of the principles. This safeguards their understanding, adoption and implementation.

Ensure viable mechanisms for monitoring and enforcement

To safeguard the long-term success of the MSI, a sound monitoring mechanism is needed. On the one hand, it ensures transparency about the progress in implementing the principles and about the achievement of the MSI's objectives. On the other hand, it is a core element of the enforcement mechanism, e.g., by excluding a company that continuously fails to comply with the principles.

A draft set of Principles for Responsible Innovation

Companies aiming at Responsible Innovation commit themselves to

- **Transparency:** by engaging in open innovation, reflecting on and openly disclosing the purposes and potential implications of innovations, as well as the associated uncertainties.
- **Participation & Inclusion:** by involving people from diverse and different backgrounds on eye-level (inclusive innovation processes) and considering their needs.
- **Anticipation:** by assessing risks and wider impacts (risk management and due diligence), considering ethical limitations, welcoming early warnings of negative impacts and mitigating harm.
- **Sustainability:** by orienting innovation towards Planet, People and Profit (triple bottom line) and increasing shared value (for the company and for society).