Rhetoric and Realities: Analysing Corporate Social Responsibility in Europe (RARE)

A Research Project within the EU's Sixth Framework Programme

Corporate Social Responsibility: Integrating a business and societal governance perspective.

The RARE project's approach

www.rare-eu.net

The RARE project consortium includes: Öko-Institut e.V., Fridjof Nansen Institute, Stockholm Environment Institute, Fondazione Eni Enrico Mattei, Budapest University of Technology and Economics, Institut für Sozialökologische Forschung and Peter Wilkinson Associates.

EU project contract No. CIT2-CT-2004-506043

Contents

Berlin, August 2005

Corporate Social Responsibility: Integrating a business and societal governance perspective. The RARE project's approach

Franziska Wolff and Regine Barth,[1] Öko-Institut

1 Introduction

Societies are facing severe challenges to adopt a more sustainable development approach and contributions are needed from across all sectors of society including business. In Europe, a growing number of companies are committed to Corporate Social Responsibility (CSR). Businesses are voluntarily going beyond legal obligations in the social and environmental spheres and are using different instruments and measures. Voluntary in nature, CSR initiatives like the UN 'Global Compact', OECD 'Guidelines for Multinational Enterprises', or the 'Global Reporting Initiative' build on the self-interest of companies and a business case, but they only rarely require verification of compliance and by definition are unenforceable. Key questions therefore are: how effective are Corporate Social Responsibility instruments; to what extent are they only rhetoric; and to what extent do they really contribute to sustainable development? What are the prerequisites for CSR activities to produce material impacts in the social and environmental realm?

These questions are tackled within the EU research project 'Rhetoric and Realities – Analysing Corporate Social Responsibility in Europe' (RARE).[2] On the basis of a coherent methodological framework fit to both assess CSR impacts and identify drivers of successful CSR, empirical data will be collected and evaluated. In order to prepare the ground for this venture, the project team has set out to explore the academic and practical discourse of CSR and relate it to the research questions of the RARE project. Within a 'trans-disciplinary' team of social scientists, economists, philosophers, engineers and consultants coming from diverse academic, practical and national backgrounds, it is imperative first to create a joint understanding of the very object of investigation (Gibbons/Novotny 2001).

---

[1] With input and support from the RARE project team (Maria Bohn, Bettina Brohmann, Miriam Dross, Miklos Fule, Christian Hochfeld, Daniele Nicolai, Tamas Palvolgyi, Linn Persson, Ingvild Sæverud, Katharina Schmitt, Irmgard Schulz, Jon Birger Skjærseth, Janos Szalvic, Federica Viganó, Jørgen Wettestad, Peter Wilkinson).

[2] Funded within the EU's Sixth Framework Programme, thematic area 'Citizens and governance in a knowledge-based society' (Contract No. CIT2-CT-2004-506043). The RARE project partners include Öko-Institut e. V. (project coordinator), Fridtjof Nansen Institute (FNI), Fondazione Eni Enrico Mattei (FEEM), Stockholm Environment Institute (SEI), Budapest University of Technology and Economics (BUTE), Institute for Social-Ecological research (ISOE), and Peter Wilkinson. This article reflects only the authors' views. The Community is not liable for any use that may be made of the information contained herein. More info on RARE are available at www.rare-eu.net

The objective of this article is to establish such a joint understanding. We do not strive to reinvent the wheel and certainly do not claim to go with this paper 'where no one has gone before'. Nevertheless, we feel it may be of use to others as the application of existing knowledge to a rather under-researched set of questions still generates interesting insights. This document not only provides a rich overview of current debates. It also embarks on some analytical groundwork and brings together aspects of research that have previously been linked only loosely. Furthermore, it substantiates existing approaches to a 'holistic' understanding of CSR which looks at CSR both from the business and the societal perspective.

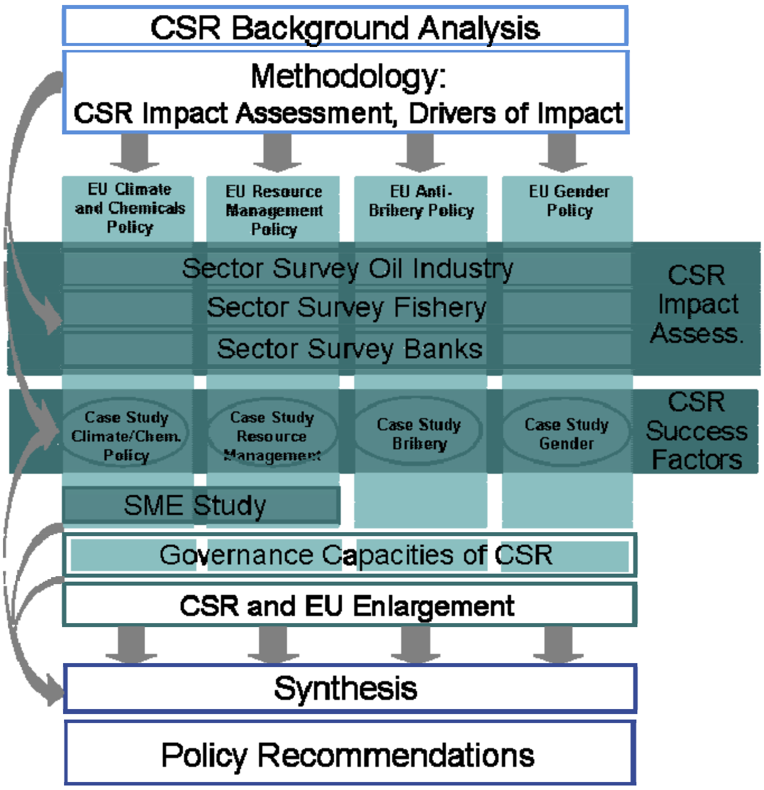
The following paper is structured in four chapters: In the first, we elaborate some more on the research objectives and design of RARE, thus laying the foundations for the following considerations. In Chapter 2 we review the academic discourse and explore on which traditions we can build. We embark in Chapter 3 on some conceptual considerations, starting with the fundamental question of what responsibility means in the context of corporate behaviour. We go on to discuss the 'voluntary' and 'beyond compliance' nature of CSR. Approaching CSR both from the impact and process side, we lay down the impact areas accounted for in the RARE project – the environment and societal realm – and distinguish different degrees of integrating CSR into business processes ('built-in' vs. 'bolt-on' CSR). Both these types of CSR are accounted for in our research. After clarifying these definitions, we develop an integrative perspective on CSR: we see CSR on the one hand as a (either reactive or strategic) response of businesses to sustainability challenges and a means to manage the uncertainties resulting from these. On the other hand, we present CSR as a mode of societal sustainability governance: it transforms socio-economic relationships and serves as a channel through which stakeholders assert vis-à-vis companies their norms and interests regarding sustainable development. Building on existing models, we show how CSR affects the reciprocal relations and exchange processes between private sector, civil society and the state. One focus is on the various types of public policies governing CSR. Drawing on Matten/Moon (2004), these will be classified into four ideal types. We argue that regulatory interventions are not per se incompatible with CSR, though CSR is generally restricted to voluntary, beyond compliance behaviour. In Chapter 4 empirical evidence substantiates core parts of our integrative model of CSR. In addition, we provide an overview of current forms of business and societal self-regulation (through CSR instruments) and of types of political governance pertaining to CSR (by means of stimulating and regulating CSR).

2 RARE – the project background

The research project 'Rhetoric and Realities – Analysing Corporate Social Responsibility in Europe' (RARE) aims to improve the understanding of the effectiveness of Corporate Social Responsibility as a policy instrument and how it can actually benefit sustainable development in the EU. Theoretical and empirical insights into CSR will be gained by assessing the impacts of CSR activities in different economic sectors and with regard to different sustainability-relevant policy fields, thus adding a structural component to the predominantly actor-oriented perspective of current CSR research.

One major focus of empirical work will be an analysis of existing CSR activities of enterprises in three different economic sectors: the oil industry, the banking sector and the fisheries and fish processing industries. By developing and then applying a specific tool – CSR Impact Assessment – we seek to separate the rhetoric from the real impact of CSR in these sectors.

Diagram 2.1: RARE Research Design



Source: Oeko-Institute.

The Impact Assessment will take into consideration mainly societal and environmental impacts. Specifically, it will evaluate the contribution of CSR activities to the achievement of the European Union's policy goals in four areas of sustainable development: environmental protection (climate and chemicals policies), resource management, gender equality and countering bribery. Among other things, the approach includes three sector surveys using questionnaires that will cover some 20 multinationals in each sector. In a further step, in-depth case studies in selected companies will serve to identify the success factors responsible for high impacts of different CSR instruments.

Through a complementary SME study, the project will provide insights into the performance of European small and medium-sized companies (SMEs) in the field of Corporate Social Responsibility. The project will also tackle political and public policy dimensions of Corporate Social Responsibility. Against the backdrop of EU enlargement, we will analyse the relevance of CSR activities to the integration of the new Member States into the EU. We will also evaluate the contribution of CSR instruments to sustainable development in relation to the problem-solving capacity of public policy instruments. Relevant questions include: which policy areas are suitable to be tackled by CSR? Will a political framework – voluntary, mandatory, or a combination of both – be necessary to make CSR an effective instrument? Finally, the team will formulate policy recommendations for companies, national governments and the EU, promoting elements of a European approach to CSR.

3 Drawing on the academic discourse

Several strands of academic discourse are relevant for understanding CSR and the conceptual design of the RARE research project. Below, we sketch out roughly the development of CSR discourse and relevant social scientific debates and explore to what extent the RARE project can, for its own purposes, draw on CSR definitions, models of organizational behaviour and governance approaches.

It can be said that the modern academic debate on Corporate Social Responsibility started in the 1950s. Under the title of '*Social Responsibility*' it initially focussed on the societal expectations towards business and on the ethical obligations of companies towards society. Howard Bowen, the 'founding father' of CSR, defines CSR as comprising 'the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society' (Bowen 1953). The explorations of CSR in the 1960s and 1970s largely followed this basic question (Davis 1960, McGuire 1963, Fitch 1967, Jones 1980).

In contrast to this, in the 1970s the focus shifted to the capacity of a firm to respond to its environment. Under the title of '*Corporate Social Responsiveness*' or 'CSR_2', it was asked whether, how exactly and with what consequences companies should and could adapt to specific societal needs (Frederick 1978, Ackermann/Bauer 1976).

At the same time, the concept of '*Corporate Social Performance*' (CSP) emerged (Sethi 1975, Wartick/Cochran 1985, Carroll 1979). The new term signals an interest in the outcomes of CSR and thus a certain affinity to the basic research question of RARE. However, early models of CSP focused on analytically distinguishing between different dimensions of the CSR concept, such as the proscriptive, prescriptive, and dimension content of CSP; the economic and legal vs. ethical vs. discretionary/philanthropic responsibilities; or the principles, processes and policies inherent in CSP.[3] Only in the 1990s, when Wood revised the CSP model, did she commit herself to look more systematically into empirical performance and the measurable effects of corporate responsible behaviour (Wood 1991). She differentiated CSP into:

- *principles* of corporate social *responsibility*, including: legitimacy (on the institutional level), public responsibility (on the organizational level) and managerial discretion (on the individual level);
- *processes* of corporate social *responsiveness*, such as environmental assessment, stakeholder management; and issues management; and
- *outcomes* of corporate *behaviour*, ranging from social policies via social programmes to social impacts.

Both the outcome/impact dimension and the process analysis seem stimulating for the RARE approach which takes company internal *processes* as one factor (besides e.g. structural determinants such as sector environment) to explain CSR *impact*. This perspective both of Wood and RARE draw on the point highlighted by Jones (1980: 65) that CSR should not be seen (exclusively) as a set of outcomes but as a process.

Building on the Woods model, other authors have included into the analysis economic and environmental outcomes/impacts beyond the social ones (e.g. Swanson 1995, Steg et al. 2003).[4] The ‘environmentalisation’ and ‘sustainabilitisation’ of the CSR debate under the influence of the sustainability discourse have left their mark here – the consideration of all three dimensions of social, ecological and economical responsibility has become common stimulated by concepts such as the *triple bottom line approach* (Elkington 1998) and *corporate sustainability* which gained acceptance in the 1990s.

In the 1980s and 90s, *Stakeholder Theory* made an important contribution to the CSR discourse.[5] It challenged the stockholder paradigm coined by Milton Friedman (1970) that considers the maximisation of financial returns to stockholders (shareholders) as the major social responsibility of a company.[6] As this neoclassical approach failed to

---

[3] Sethi (1975) differentiated between social obligation as a proscriptive dimension of corporate social performance, responsibility as prescriptive, and responsiveness as anticipatory and preventive dimension. Carroll’s (1979) model of CSP is a three-dimensional concept of corporate social performance: economic and legal obligations are followed by ethical responsibilities expected by society and finally discretionary activities, guided by business desire to engage in social roles not mandated or required by law and not expected of businesses in an ethical sense. Carroll later revised this model slightly (Carroll 1983, 1991). Wartick and Cochran (1985) divided CSP into principles, processes and policies: while social responsibility is a mere principle, social responsiveness is a more action-oriented process, and issues management is a policy.

[4] This links up with a research strand that emerged in the 1980s and that asks about the relation of CSR to a company’s financial performance (Cochran/Wood 1984).

[5] Today, there are various approaches to stakeholder theory; Donaldson/Preston (1995) differentiate normative approaches from descriptive and instrumental ones.

[6] According to this model, as the stockholders lend capital to the managers, who act as their agents, managers are required to spend corporate funds only in ways that have been authorised by the stockhold-

explain why companies adopt beyond-compliance policies, stakeholder theory contended that effective management requires the balanced consideration of and attention to the legitimate interests of all stakeholders defined as 'anyone who has a stake in or claim on the company' (Freeman/Reed 1983).[7] The focus shifted from the company and its responsibilities to the groups to which the company has responsibilities and to processes which accounted for these groups' claims. The RARE project conceptually considers the important role of stakeholders and identifies them as crucial drivers of CSR impact.

According to *Social Contract Theories* (Rawls 1971, Donaldson/Dunfee 1999) like Communitarianism, the corporation is a possession of the community rather than of individuals and holds a social contract with society from which it derives its power and, therefore, serves a constellation of interests.[8] Like early approaches to CSR, the focus is on principles of responsibility rather than on processes and outcomes, and therefore the interface to the RARE research question is limited.

The concept of *Corporate Citizenship* (CC) (McIntosh et al. 2003, Habisch 2003, McIntosh/Andriof 2001, Warhurst 2000, Marsden/Andriof 1998) links up with social contract theories to the extent that it refers to companies' rights and duties/obligations vis-à-vis society, comparing companies to citizens.[9] Corporate Citizenship is usually characterised by its specific reference to the (frequently local) community and to stakeholder cooperation. It is defined as 'the management of the totality of relationships between a company and its host communities, locally, nationally and globally' (EC Commission 2002, CSR Austria 2003).[10] The conventional perspective identifies CC with discretionary (albeit strategically employed) philanthropic activities that are based on 'enlightened' self-interest. An extended theoretical conceptualization of CC reframes

ers. Beyond this, the means employed for profit maximisation shall be legal and not deceptive; also, Friedmann recognises that ethical custom plays a role in directing corporate executives' behaviour.

[7] This definition has been interpreted both in a wide sense that includes 'any group or individual who can affect or is affected by the corporation' and in a narrow sense including 'only those groups who are vital to the survival and success of the company' (ibid.); cf. the definition of primary and secondary stakeholders at Clarkson (1995: 106). Recently, the natural environment has been added as a further stakeholder to the wide definition that embraces owners, employees, customers, suppliers, communities and governments (Carroll/ Buchholz 1999).

[8] The ethical obligations of corporate managers towards citizens are derived from the terms of this agreement, which authorises the managers to own and use land and natural resources and to hire members of society as employees. Furthermore, they must do so in such a way that the benefits outweigh the detriments.

[9] Matten/Crane (2005: pp. 168) criticise that this dimension of CC is not very well conceptualised.

There are two opposite approaches of deliminating Corporate Citizenship from CSR: While some view it as the more general concept which covers as one aspect CSR (Logan/Tuffrey 1999, Waddock 2003), others prove that the concept of Corporate Citizenship is usually limited to the company's local environment thus being only a part of the wider concept of corporate social responsibility (Mutz/Korfmacher 2003).

[10] It might be added that in our understanding this should be specified to those relationships that have the capacity or intention to promote sustainable development. Thus, corporate-community interactions such as public relation measures would be explicitly excluded.

CC away from the notion that the corporation is a citizen in itself but suggests that companies administer certain aspects of citizenship – social, civil and political rights – for other constituencies (Matten/Crane 2005). Within RARE, the discussion of the CC concept and analysis of CC activities plays a limited role (cf. chapters 4.3.2, 0).

A more critical perspective underlies the concept of *Corporate Accountability*. It stresses that corporations are answerable in some way for the consequences of their actions. While according to the stockholder approach of Friedman, companies – apart from fulfilling legal requirements – were solely answerable to their shareholders, today critics demand that because of the vast influence of companies on public and private life, companies have to become more accountable to the whole of society. So far, the major means of accountability is creating transparency through reporting about non-financial performance and engaging with stakeholders (Paul/Garred 2000, Zadek et al. 1997, Gray 1992). Those aspects are taken up in the RARE analysis.

The topic of *corporate governance* (CG) escalated the agenda in 1992, particularly following publication of the Cadbury Report in the UK. Corporate governance is defined as the management of the totality of relations between the board of directors, the management, shareholders and other stakeholders of a company.[11] CG also 'provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined" (OECD 1999: 4; see also Witt 2000, Zingales 1998, Shleifer/Vishny 1997). It has been maintained that good CG builds economic confidence and trust and is thus essential for maintaining the integrity and credibility of financial institutions, stock exchanges, corporations, and the whole market economy in itself (Schaub 2004, Blair 1995). While some authors subsume CG under CSR (e.g. Sacconi 2004, CSR Austria 2003), the RARE project, in accordance with the European Commission (2001)[12] and others, does not to a greater extent accommodate CG into the conceptualisation of CSR (see more at chapter 4.3.1).

Apart from the management literature on CSR, *social science* approaches and *legal analyses* lend themselves to tackling the practice of CSR. In particular, institutional approaches are helpful as they ask how social choices of individual or collective actors (e.g. companies) are shaped, mediated, and channelled. The adoption and implementation of CSR can be understood as one such social choice. Institutional approaches are characterised by scepticism of atomistic accounts of social processes and the assumption that institutional arrangements and social processes matter. However, behavioural assumptions and the understanding of 'institutions' vary in different forms of institutionalism in economics, sociology and historical/political science.

---

[11] Tirole (2001: 1), however, comments that 'the standard definition of corporate governance among economists and legal scholars refers to the defence of shareholders' interests' only.

[12] Cf. the Commission's definition of the internal dimension of CSR which does not include CG aspects: 'Within the company, socially responsible practices primarily involve employees and relate to issues such as investing in human capital, health and safety, and managing change, while environmentally responsible practices relate mainly to the management of natural resources used in the production.' (European Commission 2001: 8).

The *new institutional economics* view institutions predominantly as norm systems that constitute incentives or disincentives for rationally behaving (i.e. benefit maximising) actors. They can be employed strategically to optimise behaviour in the face of cognitive limits, uncertainty and incomplete information, monitor transaction costs and difficulties and enforce arrangements (North 1988, Williamson 1985, Ostrom 1990).

Sociological institutionalism takes as a starting point a cultural, much broader concept of institutions that includes not only norms but social patterns, symbol systems, and discourses that are taken for granted (Lepsius 1990, Hall 1986). The behaviour of actors is not so much understood as 'rational' but as being influenced by norms, routines as well as the desire to gain social legitimacy and comply with social expectations of 'appropriateness'. Institutions thus influence behaviour by providing cognitive scripts, social roles and identities that 'precede' strategic calculations.

One school of (new) social institutionalism which is particularly interesting for the research object of RARE is rooted in *organisational analysis* (March/Olson 1984, Meyer/Rowan 1977, Zucker 1977, DiMaggio/Powell 1983, Powell/DiMaggio 1991). Among other things it analyses organizational change and innovation/learning processes; the perpetuation of organisational practices and structures over time; the role of agency and strategy vs. that of institutionalised practices; convergence of organizational behaviour across organisational fields (e.g. industry sectors); and generally the interaction of people, organisations and wider society on behaviour in organisations. A (relatively small) portion of this literature tackles questions of corporate environmental management and societal responsibility (e.g. Gladwin 1993; Bansal 1996, Hoffman 1997). Insights from organisational analysis can easily be related to CSR as one specific form of organisational practice (which is increasingly employed by corporations). For the RARE project in particular, explanations of organisational change – the role of existing strategy, structure and power distributions (Fligstein 1991), institutional entrepreneurs (Beckert 1999), intra- and interorganizational learning (Holmqvist 2003, Field/Ford 1995), turbulence in organizational fields and forces of institutionalization etc. (Powell 1991, Van den Ven/Hargave 2004) – can be applied to the questions: why is CSR adopted and what company internal processes promote its effectiveness.

Historical (and political science) institutionalism works with both (bounded) rationalistic and cultural concepts of institutions which are defined as rule systems both structuring and being structured by individual and collective action (Giddens 1984, Scharpf 1997, Mayntz/Scharpf 1995). One debate with relevance for the RARE project covers the so-called 'new policy instruments'. It started in the mid-1990s in the context of changing governance structures and EU expansion and grew in intensity with the increasing number of so-called voluntary or negotiated agreements[13] (e.g. Golub 1998; Jordan et al. 2003). But

[13] Given the specific interest of RARE, it is interesting to see the threefold typology of voluntary agreements by Jordan et al. (2003). The first type, unilateral commitments, consists of 'environmental improvement programmes instigated by individual companies or by industry associations'. This sounds like classical CSR. According to Jordan et al. (2003: 11), 'they are instruments of governance because they offer industry a means to communicate its environmental commitment to the public'. Next come

the range of 'new' instruments includes market-based instruments as well, such as taxes, subsidies, tradable permits, deposit-refund schemes, and eco-labels. Similarly, CSR may be perceived as yet another type of new policy instrument, with states defining frameworks or setting incentives for companies' beyond compliance behaviour in the social and environmental realm. The increasing use of and interest in such 'new instruments' were prompted by perceived regulatory weaknesses and failures of traditional command and control approaches. Their shortcomings included economic inefficiency, environmental ineffectiveness and democratic illegitimacy (Golub 1998, Jordan et al. 2003).[14]

In the study of international relations, an institutional discussion first started to gain ground in international relations studies in the early 1990s with the publication of the seminal book 'Governance without government: order and change in world politics' (Rosenau/Czempiel 1992). Rosenau contends that 'in a world where authority is undergoing continuous relocation – both outward toward supranational entities and inward toward subnational groups – it becomes increasingly imperative to probe how governance can occur in the absence of government' (ibid.: 2–3). Rosenau distinguishes 'governance' from 'government':

> Both refer to purposive behavior, to goal-oriented activities, to systems of rule; but government suggests activities that are backed by formal authority, by police powers to insure the implementation of duly constituted policies, whereas *governance refers to activities backed by shared goals that may or may not derive from legal and formally prescribed responsibilities and do not necessarily rely on police powers to overcome defiance and attain compliance*. Governance, in other words, is a more encompassing phenomenon than government. It embraces governmental institutions, but *it also subsumes informal, non-governmental mechanisms whereby those persons and organizations within its purview move ahead, satisfy their needs, and fulfil their wants*. (…) governance is a system of rule that works only if it is accepted by the majority (or, at least, by the most powerful of those it affects), whereas governments can function even in the face of widespread opposition to their policies (Ibid.: 4, our italics)

Another relevant discussion tackled the role of private authorities in global governance. The emergence of 'private' authorities is evidence of the relocation of authority from sovereign states to an extra-territorial political space (Cutler/Haufler/Porter 1999, Hall/Biersteker 2002, Bernstein/Cashore 2004). While Cutler et al. maintain that non-state actors 'must be empowered either explicitly or *implicitly* by governments and international organizations with the right to make decisions for others' (1999: 19, italics in original), Cashore (2002) argues that they could be granted legitimacy from produc-

the public voluntary schemes; and finally, the more formally negotiated agreements, i.e. 'contracts' between industry and public authorities aimed at addressing particular environmental problems' (ibid.).

[14] Economic inefficiency has to do with the imposition of uniform reduction targets and technologies which ignore the variable pollution abatement costs facing individual firms. Command and control instruments have a tendency to stifle incentives to reduce emissions beyond mandated levels and the development of pro-active and innovative pollution control technology. Environmental ineffectiveness arises as target groups react to excessive costs and economic inefficiency by increasing non-compliance and political resistance. Democratic illegitimacy arises when command and control instruments lead to regulatory capture by industry and the related exclusion of the general public and environmental interest groups.

ers and consumers along the market supply chain.[15] In this context, CSR might actually increase the legitimacy of private actors' role in global governance.

4 Approaching CSR: conceptual considerations

4.1 The basis of responsibility[16]

At this point, we develop our own approach to the question of what is meant by the claim of corporate social responsibility. One way of approaching this question is to suggest a meaning of 'responsibility' in the context of corporate behaviour. The British legal philosopher H.L.A. Hart, in his classical article 'Punishment and responsibility: essays in the philosophy of law' (Hart 1968), usefully suggests a classification of the senses of the word 'responsibility' into four headings: role-responsibility, causal-responsibility, liability-responsibility and capacity-responsibility. We suggest that 'Responsibility' in 'Corporate Social Responsibility' can largely be understood as role-responsibility, so that the responsibility is related to duties or aims as taken on by the corporation in commitments made explicitly or implicitly. Moreover, that causation is an important notion for understanding what a corporation could be responsible for.

Hart's categories of responsibility, although he elucidates them for individual people, are applicable to the corporate actor as well.[17]

He speaks of *role-responsibility*,

> '...whenever a person occupies a distinctive place or office in a social organization, to which specific duties are attached to provide for the welfare of others or to advance in some specific way the aims or purposes of the organization, he is properly said to be responsible for the performance of these duties, or for doing what is necessary to fulfil them. Such duties are a person's responsibilities.' (Hart 1968: 212)[18]

Causal-responsibility means that

[15] In the environmental and social realm, non-state actors have created new forms of governance schemes in opposition to traditional intergovernmental co-operation and turned to the market for rule-making authority (ibid.). Such schemes typically involve development of rules for sustainable production, independent verification of compliance with those rules, and labelling of products flowing from approved practices. Within forestry, fisheries, tourism and mining schemes have emerged that require firms to comply with sustainability rules in regular audits (ibid.). Companies participating in such schemes could be said to do more than those *with* self-imposed CSR policies but *without* any independent auditing of compliance in terms of commitment to CSR measures.

[16] The following chapter is based on an input by Maria Bohn.

[17] According to Sternberg, whereas business has the purpose to maximise owner-value, a corporation can have any end within the permit of law. A corporation is 'an artificial person, with assets, liabilities and purposes distinct from those of its owners, the shareholders' (Sternberg 2004: 36).

[18] In his discussion of role-responsibility, Hart further notes that a 'responsible person is one who is disposed to take his duties seriously; to think about them, and to make serious efforts to fulfil them... Responsibilities in this sense may be either legal or moral, or fall outside this dichotomy' (ibid: 213).

> 'it is possible to substitute for the expression 'was responsible for' the words 'caused' or 'produced' or some other causal expression in referring to consequences, results, or outcomes.' (ibid: 214)

Regarding *liability-responsibility* he explains:

> 'though in certain general contexts legal responsibility and legal liability have the same meaning, to say that a man is legally responsible for some act or harm is to state that his connexion with the act or harm is sufficient according to law for liability.' (ibid: 223)

In order to specify *capacity-responsibility*, Hart elaborates that the expression 'he is responsible for his actions' is often used

> 'to assert that a person has certain normal capacities (...) those of understanding, reasoning, and control of conduct: the ability to understand what conduct legal rules or morality require, to deliberate and reach decisions concerning these requirements, and to conform to decisions when made.' (ibid: 227)

The notion of responsibility implied in corporate social responsibility can be interpreted largely as role-responsibility. The responsibility then relies on an established definition of this role, a definition which provides a clue to what the content of the responsibility is, i.e. *what* the corporation is *responsible for*. Role-responsibility is relevant for the corporate context, as corporate social responsibility instruments rely on some kind of definition of aims or duties. These aims and duties can be thought to constitute one definition of a corporate role in society.

Corporate social responsibility as role-responsibility finds expression for example in codes of conduct or socially responsible reporting. Codes are voluntary obligations referring to for instance community, consumers and workers. Clearly, the company here sets out or subscribes to a set of rules or principles which adds to the definition of its role in society as a corporation. Socially responsible reporting and auditing can be understood as ways to display and communicate corporate activity or impacts regarding a particular subject, e.g. environmental performance. This is predicated on this subject being relevant to report on.

J. R. Lucas, in *Responsibility* (Lucas 1993), importantly points out that responsibility is not exclusive to one person. The logic of responsibility is different from the logic of material objects, because reasons 'are not privative in the way that material objects are'. Responsibility can be shared: 'I can take responsibility for an action without depriving you, of responsibility for it too' (Lucas 1993 p. 75). Arguably, this would apply to aggregate actors, for instance the corporation and the state, as well as to individual people. Socially responsible investment, producing certified ecological or social products or services, and buying these, are good examples of responsibility being shared – in this case among investors, shareholders, fund managers, the corporation and consumers.

If the corporation is responsible for something, it is important that it can be held to account, that it can be made to tell the story of how the responsibility was fulfilled.[19] But

[19] Accountability and responsibility are closely related. A difference is that accountability also has to do with giving reasons or explanations (Allen 1991).

to whom is the corporation accountable? Sternberg rightly points out that 'The individuals or groups to whom one is accountable for fulfilling an obligation are not necessarily the ones to whom the obligation is owed: one can be accountable to A for fulfilling an obligation to B' (Sternberg 2004: 140). For what is the corporation accountable? This depends on what it is responsible for. But it could possibly be said that, although the duties and aims which the corporation sets for itself through the adoption of standards or other corporate social responsibility instruments are not the only conceivable ones, it is *less contestable* to hold it to account for these commitments which it has made than for commitments it has not made.

Viewing corporate social responsibility largely as role-responsibility, it is important to remember that this role is not the only conceivable one for the corporation to take on. The notion of *causation* is important to understand what a corporation *could be responsible for*, and is hence both useful to understand the aims and commitments made and what other aims and commitments could look like.[20] Causal structures provide background to what corporations possibly could be responsible for by a) describing the social and natural context in which their activities take place (and in which they take on responsibilities) and by b) showing what consequences corporate activities cause or can cause.[21] The evolvement of causal structures through time is also of interest here, since consequences of corporate behaviour can occur very far into the future. For instance, sea level rise that results from warming of the oceans will continue for many centuries after stabilisation of CO2 concentrations (Church et al. 2001) that are caused, among other things, by the fossil fuel based production of companies. In contrast, the effect of corporate behaviour relating to employment issues (e.g. gender equality) cannot be expected to reach as far into the future.

Specifying the immediate addressees of corporate responsibility, we can pinpoint the following stakeholders for the policy fields chosen by the RARE project:

- Environment: Companies have a responsibility vis-à-vis the (local, national, international) community whose environmental resilience is affected by the companies' economic activities (this includes those concerned directly, future generations, the state as well as civil society organisations). They also have responsibilities vis-à-vis their staff whose health might be affected by environmental impacts.
- Resource management: In addition to the above addressees, responsibility relating to resource management also includes the employees and shareholders to the extent that unsustainable resource management undermines future production, employment and value added.

[20] In a most general way, what one is responsible for can be related to what one causes, and then not just in the sense of causal-responsibility described by Hart, but also in a moral sense. A corporation which through emission of greenhouse gases causes impacts on climate (which then has further negative effects) can be thought to be responsible for avoiding such impacts.

[21] The suggestion is here that the fact that x causes or can cause something can sometimes be a condition for x being responsible for that thing.

- Gender: Corporate responsibility extends to employees, potential and future employees and their social contexts, but also to business partners e.g. contractors and the wider community in which gender-equal practices might be stabilised or not through corporate policies.
- Bribery: Corporate responsibility relates to a wide range of stakeholders who may be affected by practices which are unacceptable on several grounds: bribery is unethical and illegal; it runs counter to the values of stakeholders; it presents business risks including criminal and financial sanctions; can threaten the sustainability of the business in extreme cases;[22] it can demotivate employees and deter applications of potential employees and damage communities through impairing human rights, misallocating resources and impoverishing citizens.

4.2 Specifying the 'voluntary' and 'beyond compliance' nature of CSR

The consensus definition of CSR is based on the premise that CSR is voluntary and 'beyond compliance', i.e. additional to mandatory, legal requirements. While 'voluntary' describes the motivation of corporate behaviour, 'beyond compliance' specifies the relative level of implementation (i.e. implementation of legal standards only vs. implementation of additional measures). In the following we scrutinize these definition elements and refine them.

We suggest that 'compliance' can relate to both goals and measures. Goals may be quantitative or qualitative, mandatory or voluntary; they set targets or define the illegality of actions. Measures include activities by which goal attainment shall be ensured (implementation measures) or the performance level of goal attainment increased (performance measures). 'Beyond Compliance' in relation to a goal means to overachieve a given target. 'Beyond compliance' in relation to implementation or performance measures, on the other hand, means that a company installs instruments not prescribed by regulation that serve to systematically implement a goal or improve the respective performance.

This distinction is especially necessary in special cases where the *goals* do not leave room for any beyond compliance actions by a company, such as in the case of countering bribery. Bribery is defined as a crime by basically all legal systems and may not be tolerated in companies and their counterparts – there is a total ban for bribery. It therefore is impossible to *over*achieve this goal. It is however nevertheless possible to carry out 'beyond compliance' measures to ensure or enhance compliance. In our example, a company that has a record of bribery (i.e. is below compliance regarding the *goal*) could nevertheless act beyond compliance regarding *measures*, if it e.g. adopts the Business Principles Countering Bribery and subsequently conducts organisational, training, control and other activities to counter bribery. In such cases, CSR means to undertake vol-

[22] like e.g. Arthur Andersen.

untary measures expected to help the company to become compliant with regard to the goals set by policy-makers.

We will illustrate the scope for CSR in light of a less exceptional policy field such as reduction of environmentally harmful emissions. We assume there is a legally defined threshold for emission of the substance and also that several implementation measures are prescribed regarding verification and reporting. In cases like this, a company can go beyond compliance with regard to both the goal and further measures. Concerning the goal, CSR could mean that the company commits itself to reducing its emissions by a further x %. Concerning measures, an example for CSR would be to verify and report more frequently and extensively than required or to do so publicly and with independent verification although this is not stipulated (cf. Table 1).

Table 1: 'Beyond compliance' activity with regard to goals and measures

Legislative Requirements		Room for CSR	
Mandatory goal	Mandatory implementation measures	'Beyond compliance' with regard to goal	'Beyond compliance' with regard to implementation or performance measures
Maximum threshold for the emission of substance x		Company commits itself to reduce emissions beyond mandatory threshold by x %	
	Verification via an internal control programme every month		Verification via an internal control programme every day Additional verification by an independent expert organisation
	Report to the competent authority every six months		Report is made available to the public Report includes analysis of performance fluctuations and countering measures

Source: RARE.

In some cases, the line between the two types of 'beyond compliance' CSR can be blurred. Certainly, 'beyond compliance' in the case of implementation/performance measures can only be classified as CSR if the company is either already in compliance with the underlying goals or has at least fully and verifiably committed itself to getting rid of all practices countering the goal.

Another special case regarding the relation between voluntariness and 'beyond compliance' is the (so far rather sparse) law governing CSR itself. Here, we can distinguish between two types: regulation regarding instruments whose adoption however remains voluntary and the binding introduction of CSR-related instruments which have so far been voluntary. A case in point for the first type of regulation is the European EMAS legislation on environmental management systems. When companies want to use the EMAS logo, they have to succumb to the legally defined goals and obligations. Implementing CSR nevertheless is CSR, as the company subjects itself *voluntarily* under the legislation. An example for the second case are legally binding disclosure obligations for investment funds or requirements for corporate reporting that have been increasingly introduced in recent years (cf. chapter 5.2). Some critics argue that once there are legal requirements as to the socially responsible behaviour of firms, the respective behaviour is neither voluntary nor 'beyond compliance' any more and thus no CSR. We would agree that a company fulfilling the basic legal requirements indeed does not exceed the 'compliance level' concerning implementation/performance measures. However, there still is room for goal-related CSR, i.e. for overachieving the disclosure or reporting targets that are legally set if the company reports in a quality or scope beyond the legal minimum standards. An additional, qualitatively different argument is that even if a company is obliged to disclose or report on its social and environmental performance, the decision to actually materially enhance its social and environmental performance would still be voluntary.

4.3 Impact areas and process dimensions of CSR

CSR is about both creating impacts through responsible behaviour and the specific process leading up to these impacts. In the following, we outline impact areas and process dimensions that are focussed on in the RARE project.

4.3.1 Impact areas of CSR: society and the environment

In which areas is CSR expected to create 'responsible' outcomes and impacts? Starting from the definition that CSR is a concept whereby companies integrate sustainability concerns into their business operations, the RARE project accepts all three sustainability areas as impact dimensions.[23] However, our focus is on the social and environmental impact dimension. The social dimension not only refers to welfare issues but also covers a wider range of (*societal*) aspects such as gender equality and combating bribery. The economic dimension is only recognised as part of corporate responsibility to the extent that it pertains to the level of the overall economy (e.g. 'responsible competitiveness', cf. AccountAbility 2005), not, however, to the business level. The reason for this is that economic considerations pertaining to the business level are seen as the very basis of corporate decisions and activities, not as a field of responsibility.[24] In our view, CSR focuses on such areas affected by the business operations that go beyond the financial interests of a company (Schmitt 2004: 19).

[23] The term 'Corporate Social Responsibility' is preferred to the term 'Corporate Responsibility' which does not specify the impact dimensions of responsibility.

[24] This is different in concepts like 'Corporate Sustainability' (e.g. Schaltegger et al. 2002) and 'Triple Bottom Line' (Elkington 1998).

By the same token, 'corporate governance' – understood as the power and control structures within a company (cf. definition in chapter 3) – is considered as part of CSR here only to the extent that these structures indeed pertain to the integration of environmental and social concerns into the companies' operations.[25] This can be the case e.g. in relation to a company's risk management structure and its reporting practices vis-à-vis share- and stakeholders.

4.3.2 Process dimensions of CSR: 'built-in' and 'bolt-on'

The RARE project analytically distinguishes between two different forms of CSR processes: CSR in the narrow sense is about 'building' responsible behaviour 'into" the process and product decisions and operations relating to the company's business activities. In the broader sense, CSR also encompasses societal commitment that goes beyond (i.e. is 'bolt-on' to) immediate business activities. The latter type of CSR is often referred to as Corporate Citizenship (CC).[26] We understand both 'built-in' and 'bolt-on' processes as legitimate forms of CSR. Conceding that in reality there are ample overlaps and grey zones, at this point we will try to differentiate them analytically.

When CSR is 'built-in', it constitutes an integral part of a company's operations. Built-in CSR includes efforts to (1) make corporate *processes* more sustainable and to improve (2) the ecological and social properties of the *products or services* themselves. In a broader sense, CSR covers (3) the promotion of sustainable *consumption* and (4) co-operation in creating social-ecological *framework conditions* governing production (Belz/Pobisch 2004). In the first case, CSR can encompass sustainable resource management in raw material extraction; the greening of sourcing decisions, of production and distribution processes; fair trade practices and consumer information; compliance to ILO's labour standards including renunciation of child labour; as well as efforts to increase female representation on different management levels. In the second case, CSR extends to research, innovation, product development and the introduction into the product portfolio of more environmentally friendly or socially sustainable products, such as 3-liter cars. The third case includes activities by which companies can promote consumption of sustainable products, among others by means of pricing and marketing. In the fourth case, CSR is about the sustainability alignment of companies' influence not only on legislative processes and industry norm-setting, but also on general patterns of perception and interpretation ('ecological' = expensive) (Belz et al. 2005: 251).

[25] This excludes a vast part of corporate governance aspects from the RARE project understanding of CSR.

[26] Cf. definition in chapter 3. Note, however, that not all authors make the distinction between CC and CSR (e.g. Andriof/McIntosh 2001: 14 use the terms as synonyms), and that the concept of Corporate Citizenship is used very inconsistently (cf. Loew et al. 2004: 10). For the subsequent elaborations we refer to what Matten/Crane (2005) describe as the 'limited' (vs. 'extended') view of CC. While the limited view of CC from a theoretical perspective might not seem satisfying it is nevertheless appropriate for our empirical analysis since it depicts a specific empirical manifestation of CSR organization.

Through CSR instruments like codes of conduct, management systems, or non-financial reporting, the company's operations themselves (including external dimensions such as supply chain management, cf. Roome 1998: 263) are altered in a systematic, frequently standardised way. A CSR instrument for our purposes will be defined as a tool that systematically causes or facilitates the incorporation of sustainability concerns into a company's operations and that has potential to create bottom-line impacts (positive externalities) in the societal realm or the environment.[27] Because it makes use of instruments, 'built-in' CSR is usually connected to processes of implementation which ideally are monitored and reviewed.

When CSR is 'bolt-on', companies engage in socially beneficial spot-initiatives and extra-activities (often limited in time) beyond their core business operations. Though such 'bolt-on' or Corporate Citizenship (CC) activities are frequently regular and routine measures that may even be strategically linked to the scope of business,[28] they can be labelled as 'bolt-on' to those business operations that constitute the very raison d'être of a company. By definition, external parties profit directly or indirectly from such measures.[29] Activities include donations both in financial and material terms, sponsoring, the setting up of foundations, exemption of employees for charity purposes (Corporate Volunteering), and Cause-Related Marketing (i.e. commercial activities by which business and charities or causes form a partnership with each other to market an image, product or service for mutual benefit).[30] In addition, CC covers policies for managing the impacts (negative externalities) of companies on the local, national, or international communities in which they are embedded, especially in cooperation with external stakeholders.

Diagram 4.1: 'Built-in' and 'bolt-on' CSR processes

[27] We explained above that there is an economic impact dimension of CSR, too, which is, however, not an object of our investigation.

[28] E.g. a corporation with sites in Africa donates to AIDS projects, a global food company to projects fighting childhood mortality, etc.

[29] However, advocates of the CC concept generally highlight that not only external parties, but also the company itself profits from this commitment: in the long run, the enterprise depends on the social, ecological and economic stability of the community in which it is situated. Therefore, there is a 'win-win situation' for business and society (Maaß/Clemens 2002).

[30] CRM definition by 'Business In The Community' (BITC).

Source: RARE.

Cooperations with stakeholders however are difficult to classify in terms of 'bolt-on' and 'built-in'. While some forms can be expected to be rather bolt-on (e.g. cause-related marketing), others might actually be integrated into process or even product decisions to a larger extent (e.g. project and strategy dialogues, inclusion of stakeholders into issue identification or reporting activities).

The two process types of CSR can actually be seen as a continuum (cf. Diagram 4.1) – with management systems probably 'building in' responsibilities to the highest degree, followed by codes of conduct or reporting activities, while donating and sponsoring possibly bring up the rear with the lowest degree of integration. A 'ranking' of CSR activities along this process dimension, however, is a difficult if not impossible task, as a lot depends on the specific realisation.

Summing up, the CSR concept 'encompasses the fundamental responsibilities of the company and all of its contributions to sustainability *irrespective of whether the activities concerned form part of [built-in] or lie outside [bolt-on] its ordinary business activities*' (Loew et al 2004: 10; our brackets).[31] Both built-in and bolt-on CSR measures have societal and environmental impacts, though it can be assumed that they do so to varying degrees.

4.4 An integrative perspective on CSR

Drawing on the literature described above, the RARE project has developed an integrative perspective on CSR. 'Integrative' here means that a business perspective is integrated with a societal governance perspective on CSR.

We start from the observation that companies act in complex social and natural environments. They trigger and take part in processes of economic and social exchange, thereby drawing on people (as workforce and consumers), society as a collective (as carriers and providers of social norms, of public goods etc.) and making use of the environment (as resource base and waste sink) (Midttun 2004, Hoffman 1997). In return, companies create economic and social assets, provide work and livelihoods for people, and offer opportunities for people's social inclusion and self-realisation. Among each other, companies compete not only for resources and customers, but also for political power and institutional legitimacy, for social as well as economic fitness (Aldrich 1979: 265, DiMaggio/Powell 1983: 66). From a macro-perspective, corporate practices can be seen as being formed by, and embedded within, particular economic, social cultural and institutional structures and systems of beliefs and at the same time as constituting, ordering and changing the nature of these encompassing structures. This existence between agency and structure is generally described as a process of 'structuration' (Giddens 1984).

[31] Our brackets and italics. Cf. Mutz et al. (2001= who also point out that CSR includes CC.

Companies are part of a world that faces massive challenges, a number of which are being subsumed under the term of ‘sustainable development’. In the famous Brundtland-Report in 1987, sustainable development is defined as ‘Meeting the needs of the present generation without compromising the ability of future generations to meet their needs.’ The concept resulted from an attempt to integrate environmental protection into strategies of economic development. It combined the idea of intragenerative and intergenerative justice. In its most common form, sustainability means the balancing of economic, ecological and social development. Established as a guiding principle for societal development at the UN Earth Summit in Rio de Janeiro 1992, it was taken up in business concepts in the mid-1990s. Companies on the one hand contribute to sustainability problems (‘causal responsibility’); on the other hand they are perceived to possess the means to contribute to their solution (‘capacity responsibility’); finally, a large number of companies accept that society attaches duties to their role in the economy and society (‘role responsibility’). Against this backdrop, our integrative approach views CSR both as a business approach to either reactively or proactively manage sustainability challenges, and as a specific mode of socio-economic relationships and thus of societal governance.

4.4.1 The business perspective

What is the business perspective on CSR? We argue that it is tightly tied to the challenges of sustainable development. They are one – though certainly not the only – cause for companies to turn to CSR which represents a means to reducing uncertainty regarding respective societal demands and to tackling them.

Sustainability challenges for companies such as climate change, poverty reduction and equal opportunities, translate into a range of more specific ‘issues’ (e.g. transport emissions, micro lending, equal pay for men and women). These issues represent areas of current or expected future stakeholder interest, and for which responsible corporate behaviour is or might be requested. Sustainability issues can either crop up (intentionally or unintentionally) as direct consequences of company actions, like CO2 emissions, workers’ accidents, ‘ghost fishing’[32] etc., or as broader societal problems which exist quite independently of company action (e.g. poverty, starvation, HIV/Aids).[33]

In our understanding, CSR from the business perspective is a means to respond to sustainability challenges. Companies can do so either in a *re*active way (responsive approach) or in a *pro*active way (strategic approach) which systematically enhances governance capacities for sustainability. In the *responsive* approach, companies perceive sustainability issues mainly as risks to which they react more or less on an ad hoc basis. They do so because they fear if they ignore the issues, this might damage their reputation and in severe cases even forfeit their licence to operate or at least turn into a missed (business) opportunity. Corporate learning processes will take place though the ad hoc

---

[32] i.e. when fishing nets that have come off their attachment aboard fishing vessels float through the water and keep capturing fish.

[33] This definition is based on Schmitt (2004).

manner of reacting to specific issues by means of CSR can be expected to limit them to so-called ‘technical learning’ (Glasbergen 1994) about the instruments and activities adopted.

When companies rather proactively integrate management of sustainability issues into company operations, we speak of a *strategic* approach. We assume that in this case companies tend to perceive the opportunities rather than the risks tied to sustainability issues. Such perceived opportunities involve tangible and intangible benefits. For example, consumers may be willing to pay a premium price for products produced in a socially/ecologically friendly way, corporate and brand identity will be positively connotated, employee motivation may rise and resource productivity is likely to increase through environmental standards and efficiency measures.[34] Perceiving CSR as a beneficial approach to sustainability issues does not restrict the application of CSR to ‘win win’ situations: though the adoption of CSR policies will generally be driven by the company’s expectation of future benefits (at least avoided losses), this does not imply that such benefits will necessarily emerge. On the contrary, some CSR related activities go hand in hand with forgoing certain benefits, e.g. the cost savings connected to the use of child labour.

With the strategic and systematic integration of CSR into business, CSR becomes a mode of corporate self-regulation targeted at enhancing the company’s sustainability. Learning is likely to move beyond technical learning towards ‘conceptual learning’ (Glasbergen 1994), i.e. a change of the problem definition will take place that is accompanied by the development of new concepts (such as being a socially responsible company). ‘Social learning’ might even take place, i.e. a widely shared change in corporate values and ideas about sustainability and about the appropriate roles of actors and the rules for their interaction.

There is a partial overlap between our distinctions of a responsive vs. strategic approach to CSR and of bolt-on vs. built-in CSR processes regarding the degree of integration into business. CC activities seem likely to be part of the responsive rather than the strategic approach. The focus here, however, is on companies’ perception of how they can react to societal demands for sustainability.

Whether a company chooses a responsive or strategic approach to sustainability and CSR is not only a result of its purely internal motivations, autonomous considerations and deliberate foresight (i.e. ‘agency’) but also to a high degree a (possibly symbolic) response to external pressures for legitimacy (i.e. pre-existing ‘structure’). An important role is played by the institutional context of industry standards, best established practices, cognitive biases and social rules to conform with and by the way in which the world and the company are being interpreted by the company’s external environment. In the words of Hoffman (1997: 7):

> ‘Things that were considered unthinkable just a few years ago are now standard business practice. This is not the result of individual firms’ getting smarter, nor does it suggest that firms were dumb

[34] More on tangible and intangible benefits of CSR in BSR 2004, Porter/Kramer 2002, BiE 2002, Holliday et al. 2002, Warhurst 2002, European Commission 2001, Andriof/McIntosh 2001, etc.

> to begin with. It suggests that how a firm behaves is a reflection of how accepted conceptions of corporate behaviour are defined. And this definition has been steadily evolving.'

We assume that the stronger CSR is rooted in this institutional context, the further the concept has moved 'from heresy to dogma' (ibid.), the likelier it becomes that companies opt for the strategic approach.

Implicit in our conceptualisation of the business perspective is an understanding that CSR does not have to be motivated by deep ethical beliefs of CEOs, staff or influential stakeholders. Though the ethical attitudes, virtues or environmental convictions of 'institutional entrepreneurs' or 'change agents' within companies are certainly important drivers of socially responsible behaviour (Dobson 2004), we assume that self-interest (avoiding risk, seeking opportunities) as well as institutional pressures and the seeking of legitimacy within the organizational field[35] can also – if not more so – induce CSR behaviour.

4.4.2 The societal and state perspective

While we have stated above that the business perspective on CSR is influenced by the way society defines standards of acceptable corporate behaviour, the societal contribution in CSR goes beyond this very general relationship. From the perspective of societal stakeholders, CSR can be viewed as a specific form of socio-economic relationships and of *societal governance* in general. For the purpose of this paper we see governance through the state (political governance) as a specific form of societal governance. The reason is that governments from a business perspective can be interpreted as 'stakeholders', though stakeholders with very special means (the monopoly of legitimate power). Due to these differences, political governance will be addressed in a separate chapter (4.4.2.3).

Stakeholders use the channels of CSR purposefully to advance their (primary or secondary) interests regarding the social and environmental behaviour of companies, thus promoting societal objectives like sustainability. As a consequence, CSR activities affect not only company internal processes but at the same time restructure patterns of social order and interaction. The achievement of societal goals becomes a matter of negotiation between societal actors and thus – if one disregards the stakeholder 'state' for a moment – of societal self-governance (Mayntz 1998, Rhodes 1996, Kooiman 1994).

In the following, we sketch out how CSR may influence and change socio-economic governance by looking at the relations between a company and its primary stakeholders (shareholders, employees, suppliers, customers, competitors) as well as wider societal stakeholders (civil society, the state). Generally, these relations can be classified according to the degree of confrontation vs. cooperation ('challenge',[36] 'sparring part-

[35] i.e. the firm's social environment (competitors, contractors, sector associations, share- and stakeholders, the state etc.)

[36] Relationship based on mutual opposition and conflict

ners'[37] vs. 'one-way support',[38] 'mutual support',[39] 'endorsement'[40]) and according to the intensity of cooperation ('project dialogue'[41], 'strategy dialogue',[42] 'task force',[43] 'joint venture/alliance'[44]) (cf. Crane/Matten 2004: 158-159).

4.4.2.1 The perspective of primary stakeholders

The relationship between a company and its primary stakeholders is basically one of commercial exchange. What is the perspective of a company's primary stakeholders on CSR and how does CSR affects its relationship to the company? We will describe this 'bilaterally', i.e. between the company and individual types of stakeholders, drawing on concepts of governance analysis.

- Shareholders – Company: A company's non-financial accounting and reporting efforts can strengthen the voice of shareholders in sustainability matters: On a better information basis, they can assess their company's sustainability performance and assert their rights to promote more corporate responsibility (shareholder activism). In a more indirect way, shareholders can make use of market mechanisms in order to influence companies' sustainability by investing in socially responsible (SRI) funds and improving access to capital for sustainable businesses. While in the case of stakeholder activism societal governance works via exerting influence 'from within' ('voice', cf. Hirschman 1970), in the SRI case it works via the potential to switch ('exit') from a non-sustainable fund to a competing SRI product.

- Employees – Company: While in countries with a low formalisation of employee rights CSR may induce companies to grant their workers a 'voice' beyond what is legally required (though in the form of 'privileges' rather than 'rights'), respective corporate activities in a European context frequently are a question of compliance with codified standards – fought for by employee organisations (works councils, trade unions) – rather than beyond compliance measures (Crane/Matten 2004: 257). However, gender equality e.g. is one of the fields where many European countries have little formalised provisions for corporate conduct beyond very general standards, thus leaving leeway for CSR measures.

- Suppliers – Company: For suppliers, CSR such as fair trade practices hold the potential that the buying company grants preferential purchasing conditions, frequently in order to stabilize the exchange relation and gain legitimacy as well as customers. The fair prices frequently are a precondition for the suppliers to keep social and ecological minimum standards. On the other hand, CSR measures such as sustainability-related supply chain management are a means by which suppli-

---

[37] Relationship based on 'healthy conflict' and periodic bouts of conflict

[38] Relationship based on philanthropy, sponsorship or other forms of resource contributions from one party to another.

[39] Relationship based on formal or informal two-way support, such as derived from strategic philanthropy, or as formalized though a third party association or body of some kind.

[40] Relationship based in paid/unpaid public approval granted from one partner to the other in relation to a specific product or programme, such as in the case of labelling or accreditation schemes

[41] Relationship based on discussion between partners regarding a specific project or proposal, such as stakeholder dialogue accompanying major regeneration or construction project.

[42] Relationship based on discussion between partners over longer-term issues and the development of overall strategy for organizations, industries, or regulatory regimes.

[43] Relationship based on co-operation to achieve a specific task such as a research project or new product/system development.

[44] Relationship based on formal partnership involving significant mutual resource commitment to achieve specific goals.

ers/contractors are pressurized by big buyers (threatening to ‘exit’ from the commercial exchange) to implement specific standards.

- Customers – Company: Through CSR activities like reporting companies provide more (non-financial) information to customers who can then take better informed decisions on purchasing or rejecting the company’s products (‘exit’). At the same time, customers can be included in actor co-operations to improve the ecological qualities of a product along its life cycle (‘voice’; cf. Rubik et al. 2000).

- Competitors – Company: Strategic alliances, joint ventures or co-marketing initiatives with competitors are means to temporarily subject the rationale of competition[45] under the expectation of cooperation gains. They can serve to overcome obstacles to more sustainable products, production or marketing paths (e.g. by achieving network effects or economies of scale).

4.4.2.2 The perspective of wider societal stakeholders

We will shed light on the relationship between civil society, the political-administrative system and companies in a ‘trilateral’ way, thus stressing that CSR simultaneously affects the relations between these three actors (Midttun 2004): it affects the legitimate exchange between civil society and industry;[46] the regulatory exchange between government and the business sector; and the political exchange between government and civil society.

- Civil society – Company: Civil society can be understood as articulator and carrier of norms and values. CSR activities represent a means of promoting societal norms and interests in exchange for legitimacy. In order to support and enforce changes in corporate behaviour, NGOs for example develop CSR instruments/corporate standards (codes, labels), participate in cooperative processes (ranging from information exchange to interest mediation), or challenge corporate legitimacy through boycotts. On the other hand, NGOs campaign for corporate donations, sponsorship, and other CC activities to get funding for social and environmental projects. Companies through cooperation with civil society above all hope to gain legitimacy and potentially a competitive edge.

- State – Company: The state is the locus for legitimate political aggregation of collective interest and a provider of public goods; in exchange for making use of these public goods companies provide material resources for the state to (re-) distribute. From the perspective of the political-administrative system, CSR commitment by companies can (partly) relieve it of public functions such as norm setting and provision of public services. Furthermore, CSR may constitute a framework for co-operative governance where the traditional means of the state fail: public private (or trilateral) co-operations might make accessible information, innovation, and legitimacy potentials that allow the tackling of sustainability problems more effectively (Wolff 2004). From the perspective of companies, CSR may be a means to evade, postpone, but also to spearhead (and thus shape according to the own interests) formal regulation; it might therefore maintain or increase the level of corporate self-regulation.

- Civil society – State: In a democracy, civil society (as a state’s citizens, electors, tax payers etc.) is the source of collective interest which is aggregated through the political-administrative system. CSR provides an interface at which civil society actors may assert their norms and interests directly vis-à-vis the private sector by influencing corporate agenda setting, developing (non-binding) norms/codes or monitoring corporate behaviour. They thus substitute public policy by societal governance. This may be an attractive option for civil society when citizens feel their in-

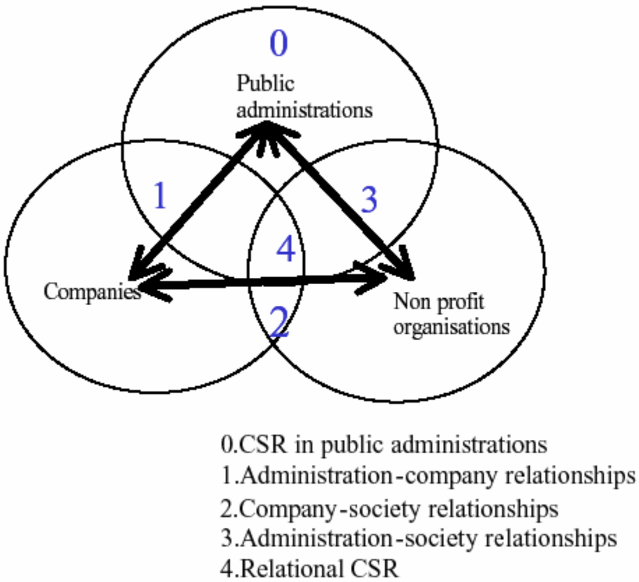
[45] For customers, resources, political influence, legitimacy etc.

[46] While Middtun (2004) conceptualises the relation between civil society and business as one of ‘commercial exchange’, we have included the commercial relations between companies and employees/ customers (as parts of civil society) into the above paragraph on ‘primary stakeholders’.

terests are not taken up adequately in the political system (principal agent dilemmas, cases of 'state failure' etc.). For the political system, societal governance represents on the one hand a potential loss of influence and on the other a relief of norm setting and implementation verification burdens.

The 'relational model' of CSR stresses the triangular relations between companies, public administration and civil society/non-profit organisations, and the resulting diversity and reciprocity of actor relations in CSR processes (Albareda et al. 2004, Castiñeira 1999; cf. Diagram 3).

Diagram 3: Relational model of CSR



Source: Albareda et al. 2004

Relations between corporate and civil society actors that are independent of the state are areas of societal self-governance – unlike in earlier models of social relations the state is not the hub that all social relations revolve around. Where all three actor spheres overlap, truly 'relational' CSR is practiced. The overlaps also indicate areas of 'co-responsibility' or 'complex responsibility' (Lozano 2001). Departing from the observation that in the modern, functionally differentiated and 'networked' societies, these concepts assume that organizations must take over co-responsibility for the complex positive and negative consequences of our interdependent behaviour. Sustainability problems are neither exclusively caused by corporations nor can they be exclusively solved by them. Responsibility therefore must be based on institutionalized co-responsibility. Below, we will elaborate in greater detail on how the state contributes to this and how it may use and organise CSR policies as a means of political governance.

4.4.2.3 The state perspective

Like societal actors, the political-administrative system can systematically influence corporate social responsibility. This holds true independent of the fact that CSR is generally defined as *voluntary*, *beyond compliance* behaviour by companies (cf. chapter

4.2). We will describe four different ideal types of public policies relating to CSR, three of which are public ones: explicit, implicit, regulated and stimulated CSR.

Two of these ideal types have been described by Matten/Moon (2004) when drawing attention to the fact that identical activities by the same multinational corporation might be judged as CSR in states where they are voluntary and beyond-compliance (frequently the case in the US), and as obligations to shareholders and employees or compliance to social or environmental policies in states where they are formally required (frequently the case in Europe). In order to avoid comparing apples and oranges, Matten/Moon (2004) differentiate between 'explicit' and 'implicit' CSR. *Explicit CSR* covers *corporate policies* assuming responsibility for the interests of society. It consists of voluntary, self-interest driven strategies, policies, and programmes by companies addressing issues perceived as being part of their social responsibility by the company and/or its stakeholders. By contrast, *implicit CSR* means the entirety of a country's *formal and informal institutions* assigning corporations an agreed share of responsibility for society's interests. The reason why certain forms of corporate behaviour represent explicit CSR in some countries and implicit CSR in others results from differing traditions of capitalism, business systems, social welfare and industrial relations (Whitley 1999, Esping-Anderson 1999, Hollingsworth/Boyer 1997, Lane 1994). In recent years, explicit CSR has been gaining momentum in Europe, too.[47] Also, the growing experience and sophistication of CSR practice has moved the boundary between pioneering and accepted practice.

At the same time, governments increasingly adopt CSR policies that either try to simulate or even to regulate CSR activities of corporate actors. In order to further explore the relation of CSR and public policies, two dimensions – the intensity of public policy impacts on CSR and the thrust, i.e. incentive structures of public policies – will be analysed. The impact of public policy interventions and the incentive structures of public policies are considered two axes that each forms a continuum (see Diagram 4.2). The following paragraphs elaborate on the intersections between the axes.

Impact of public policy interventions on CSR

Public sector interventions in the field of CSR have traditionally been low in the US and in most European countries until the turn of the century. CSR policies and instruments such as company-internal schemes, sector codes, or community relations are formulated and adopted by companies. They can also be promoted by means of different forms of networking (e.g. joint norm setting, voluntary sector agreements, and supply chain management). This '*explicit CSR*' is motivated not by public policies but by corporate self-interest, i.e. corporations expect some sorts of benefits from their behaviour. The state however provides the general legal and institutional framework of corporate practice, which influences the company's perception of its own self-interest. This framework

[47] The reasons for this are seen in disjunctures in the broader system of social governance or national business system that result from government failures, from new market imperatives or new social demands (Matten/Moon 2004: 12).

covers among other things the national business system, the organisation of industrial relations, or company law.[48] The impact of public policies on corporate social behaviour is also diffuse when governments adopt regulation pertaining to work safety, labour rights, the welfare system, countering corruption, environmental protection, or even citizen action. This is the 'classical' type of *implicit CSR*, as described by Matten/Moon (2004). The impact is diffuse to the extent that it is directed at the more encompassing business-society-government relations, rather than stimulating individual corporate policies.

Diagram 4.2: Ideal types of CSR policies

***Impact** of public policy interventions on corporate social behaviour*

	'Carrots' (incentives, procedural instruments)	'Sticks' (disincentives, hierarchical regulation)
high/ specific	Stimulated CSR - *Public sector facilitates* CSR (e.g. VA, tax incentives for SRI, formulation of voluntary codes or labels, capacity building, development of standards) - *Public sector endorses* CSR (e.g. by recognizing or publicising leading corporate givers, endorsing labelling schemes or metrics/investment indicators relating to SRI, introducing pro-CSR management in public sector bodies), providing tools and skills - *Public sector, companies and stakeholders network with each other* in CSR activities (PPP, multi-stakeholder dialogues) * exogenous 'pull factors' of CSR *	Regulated CSR - *Public sector mandates CSR* (e.g. introducing disclosure obligations for investment funds, mandatory reporting for companies, setting up mandatory environmental management systems), consultation with employees * exogenous 'push factors' depending on endogenous 'pull factors' of CSR *
low/ diffuse	Explicit CSR - *Corporations formulate/adopt* CSR policies (company-internal schemes; sector codes, community relations etc.) - *Corporations* promote CSR though *networking* (e.g. joint norm setting, VA, supply chain management) * endogenous 'pull factors' of CSR *	Implicit CSR - *Public sector mandates implicit CSR* (e.g. work safety regulation, labour rights, welfare system, environmental protection, support for citizen action) * exogenous 'push factors' of CSR *

***Thrust** of public policy interventions (incentive structures)*

Source: RARE.

[48] This framework itself does not represent a form of implicit CSR, as it does not specifically assign social responsibilities to companies.

At the other end of the scale, the impact of public policy making on companies' social behaviour can be high. This is the case when the public sector takes on an active role in mandating, facilitating, and endorsing corporate CSR activities or when public and corporate actors as well as further stakeholders act in partnership with each other (World Bank 2002, Midttun 2003).

Governments mandate CSR for example when adopting disclosure obligations for investment funds or mandatory reporting for companies; when setting up compulsory environmental management systems; when influencing bodies such as Pension Funds or Export Credit Associations to adopt reporting or evaluation criteria. As these obligations and their underlying values, norms and rules become formally entrenched, they become '*regulated CSR*'. This trend has become prevalent in recent years in many European states, but not in North America. In comparison to implicit CSR, regulated CSR aims to directly influence strategic activities at the level of the corporation. This focus was adopted from the concept of explicit CSR (though stripping it of the notion of self-interest). It provides a more procedural and less direct form of governance in the sense that it does not provide fixed threshold values of pollution or antidiscrimination provisions, but sets indirect incentives for the company to adopt practices such as environmental standards or antidiscrimination schemes – e.g. by means of regulatory transparency obligations. The decision whether the company really becomes greener or more social is voluntary; the management will decide on this considering the reaction of the company's stakeholders, especially investors and customers. Thus regulated CSR aims – seemingly paradoxically – to drive forward beyond compliance behaviour by means of regulation. To sum up: implicit and regulated CSR are both characterised by the publicly institutionalised and (largely) mandatory character of societal corporate action required. They differ in the new type's special focus on the corporation and its indirect governance approach, i.e. the fact that the adoption of the desired social/environmental behaviour is not itself regulated.

The impact of public interventions on corporate social behaviour is also high and specific when the public sector facilitates and endorses CSR and engages in networking activities. We will call these activities '*stimulated CSR*', as the state aims to promote explicit CSR in companies. However, unlike in the case of 'regulated CSR' public policies are non-obligatory and use 'carrots' only (see below) (Ruhnka/Boerstler 1998). Facilitating CSR in order to push its adoption by companies for example could mean that the state introduces tax incentives for socially responsible investment (SRI), formulates voluntary codes or labels, develops standards, or invests in CSR-related capacity building. Endorsement of CSR through the state can be implemented by activities such as publicizing leading practitioners of CSR, endorsing labelling schemes, metrics or investment indicators relating to SRI, and by introducing pro-CSR management in public sector bodies or public authorities. Corporate social behaviour is also highly affected when public authorities, companies and stakeholders network with each other in CSR activities (World Bank 2002). The state can either convene or facilitate such networks or it can participate in them. Examples of networks are multi-stakeholder dialogues, or the more exclusive and purpose-driven public private partnerships (PPP).[49] While public sector mandating, facilitation and endorsement of CSR may be rather unilateral activities, the state within networks inherently depends on interaction (Marin/Mayntz 1991),[50] as CSR network partners are often strategically interdependent but at the same time relatively autonomous.[51]

Thrust of public policy interventions

So far we have mainly looked at the intensity of public policy impact on corporate social behaviour. We will now consider its thrust, i.e. the incentive structures that public policies employ towards companies. This will help us understand the governance problems connected to different public policy approaches. A very rough differentiation can be drawn between positive incentives (government ‘carrots’) and negative incentives (government ‘sticks’). While a widespread assumption is that if a government ‘stick’ is involved, then the resulting behaviour cannot be classified as (‘voluntary’) CSR,[52] we have clarified in chapter 4.2 that ‘voluntary’ company activities does no necessary imply ‘absence of all regulation’. CSR also includes when companies adopt a voluntary though legally standardised instrument (e.g. EMAS), or when they go beyond mandatory goals and measures. Making a distinction between positive and negative governmental incentives helps us to better understand driving forces for CSR adoption in companies and ways of politically shaping these.

Generally, ‘carrots’ like financial incentives (e.g. tax relief), provision of infrastructure and capacity building means (e.g. training centres for CSR) or of discretionary tools (e.g. CSR standards and EMAS), procedural rights (e.g. participation in stakeholder dialogues) or information are more acceptable to companies than ‘sticks’ as they leave more leeway for individual action. While ‘explicit CSR’ is motivated by endogenous push-factors (self-interest), ‘stimulated CSR’ tries to add exogenous pull factors to the endogenous motivation. From a (political) governance perspective, however, there is no certainty that carrots will indeed be ‘consumed’ and the push factors will take effect. This means that the regulator cannot be sure that the instruments will be made use of, that they indeed stimulate the desired behavioural change, and that they do so to the desired extent (Wolff 2004).

[49] This is however restricted to such PPPs that can really be considered as CSR; cf. footnote 60.

[50] Networks can be understood as structures for communication and interaction between a variety of interconnected actors, each of which draws on particular resources to influence the way public or private policies are formulated and implemented. Networks encompass fabrics of rather informal relations between a number of interacting actors in a specific policy field (‘*Issue-networks*’), but also highly integrated actor constellations characterised by continuity, consesus orientation and professional interest mediation (‘*policy-community*’).

[51] Though not necessarily equal in terms of power and influence, the voluntariness of their network participation lends each of them at least the (veto-) power of the exit-option.

[52] In this persepctive, government ’carrots’ are acknowledged to promote CSR, since acceptance of carrots is voluntary.

On the other hand, especially regulative ‘command-and-control’ policies as the most prominent ‘sticks’ do not necessarily guarantee that the public goal (promoting effective CSR) is attained either. Regulative instruments like social security, health provisions, and mandatory labelling schemes (‘implicit CSR’) generally provide merely exogenous push factors and offer no incentive for beyond-compliance efforts. They also tend to encounter low acceptance by companies and their implementation might be effectively obstructed. In order that ‘regulated CSR’ is employed, exogenous push factors – the provision of regulatory frameworks – need to be supplemented by endogenous pull factors – the self-interest to fulfil the legal framework in a way that goes beyond the minimum requirements.

Whether a stick or a carrot is more effective in promoting CSR cannot be predicted independent of the context: certain forms of CSR such as Corporate Citizenship activities can hardly be achieved by force, while e.g. reporting obligations are generally more easily embedded in regulation. But even attempts to cast such obligations into legislative frameworks might fail if the respective addressees can successfully create resistance against state interventions (e.g. when due to high corporate concentration the actor constellation is dominated by a few major players). A ‘carrot’ policy might be more effective in such a case.

5 Empirical observations

In chapter 4.2 we outlined an integrative understanding of CSR both as a strategically employed mode of corporate self-regulation and as a mode of societal governance. We will now specify how CSR is conducted empirically as a governance mechanism and the types of instruments and policies that are used to achieve this. We will differentiate between instruments employed and developed by business and civil society and by policies employed by the state.

5.1 Business and societal self-regulation by means of CSR instruments

As presented above, we define CSR instruments as tools that systematically cause or facilitate the incorporation of sustainability concerns into a company’s operations and that have potential to create bottom-line impacts (positive externalities) in the societal realm or the environment. The instruments that companies use empirically to enhance their internal sustainability governance or that are used by societal stakeholders to induce responsible corporate behaviour may be categorised in three areas (European Commission 2004a; cf. Table 1):

- socially responsible management: this category includes the instruments codes of conduct, management systems, accounting and reporting, stakeholder engagement, and Corporate Citizenship activities (which may be grouped along the continuum of ‘built-in’ and ‘bolt-on’)

- socially responsible investment, with the complementary instruments SRI funds and indexes;
- socially responsible consumption, based on instruments for social and environmental labelling.

The governance capacity lies either mainly with the companies themselves (CSR area 'management') or with varying stakeholders. In the CSR area of 'investment', it is for example shareholders that have the crucial steering potential, facilitated by rating indices and the screening activities of institutional investors. In the CSR area 'consumption', on the other hand, governance capacity is shared between label-awarding stakeholder organisations, companies that comply with the label criteria, and consumers.

Table 1: CSR Instruments

CSR area	CSR instrument or activity	Governance capacity
Management	Codes of conduct	Companies
	Management systems	Companies
	Accounting and reporting	Companies [Stakeholders]
	Stakeholder engagement	Companies Stakeholders
	Corporate Citizenship activities	Companies Stakeholders
	Non-standardised activities	Companies
Investment	SRI funds and indexes	Shareholders; potential investors
Consumption	Social and ecological labelling	Stakeholders Companies Consumers

Source: RARE.

A hypothesis in the RARE project is that the kind of instrument employed by a corporation has an influence on the impact of corporate social responsibility. The purpose in the following is to compare the potential for impact that different CSR instruments can be thought to have. Three continua will be considered:

- the instrument's scope and reach: its geographical scope, the (economic and/or social and/or environmental) impact areas, and the business processes it covers;
- the obligations covered by the instrument: their specificity, stringency and ambitiousness.
- governance mechanisms required or recommended by the instrument to enforce it: e.g. monitoring mechanisms, internal or external verification, forms of accountability or sanctions.

The following exposition does not specify these dimensions for individual instruments, but rather gives an overview of types of instruments.

5.1.1 Socially responsible management

5.1.1.1 Codes of Conduct

Codes of conduct are formal statements of principles that define standards for specific company behaviour. Codes serve both as internal management tools to influence corporate behaviour of subsidiaries, contractors or suppliers, and to inform customers. They can either be developed unilaterally by companies themselves or by sector associations, bilaterally by the social partners or multilaterally when other stakeholders are included, too (Jenkins 2001). A further type includes model codes which are developed by external stakeholders such as trade unions or NGOs. Finally, there are codes drafted by state actors (mostly inter-governmental codes. Companies frequently use generic codes as guidance for formulating company-specific policies.

Regarding scope, codes refer to different issue areas like the environment, human rights and corporate behaviour with respect to the market place (consumers, customers, competitors) or work place (employees). Beyond the company itself, codes can apply to varying degrees down the supply chain.

The obligations inherent in codes differ in specificity, depending on whether it is a generic or company-specific code. While some codes involve targets and measures, they cannot be enforced by states. Enforcement is restricted to contractual penalties (if such penalties are included in the code), or other private sanctions by those companies at the top of the supply chain vis-à-vis their partners,[53] or by membership bodies e.g. industry associations. Compliance can be supported by the threat of image losses (Dröge/Trabold 2001).

5.1.1.2 Management systems

Management systems (MS) are internal tools of companies and organisations generally used to integrate their values into everyday practices. They provide a 'set of procedures, process steps and specifications that an organisation uses to manage a process or activity' (European Commission 2004a). Frequently, national or industry standardisation bodies develop management systems standards that then serve as models for an individual company's MS.

The scope of management systems originally focussed on quality processes (like ISO 9000, EFQM Model). In the meantime, management systems are being applied in a variety of fields, including the improvement of the environment (e.g. ISO 14000, EMAS) and of occupational health and safety (OHSAS 18000). Though there is not yet a certi-

[53] e.g. demand for corrective actions and remediation programmes, disciplinary measures or the ending of a sourcing contract (European Commission 2004).

fied management system[54] that embraces the whole breadth of CSR (as opposed to selected dimensions), important experiences with CSR management systems and proto types do already exist.[55] Management systems can be deployed across the whole organisation (e.g. EMAS) or can be site based (SA8000).

The obligations inherent in management systems either refer to processes and implementation phases (process standards) or to performance and progress (performance standards). MS do not per se grant substantive achievements in the areas covered (ibid).

Compliance to the system may be verified and certified by the companies themselves, or by third parties.[56] Transparency of the verification and certification process, as well as the credibility of the standard development process, is indispensable for the success of the instrument. Management systems that are linked with a third party certification scheme dispose of an effective compliance mechanism as non-compliance can lead to revoking the certificate.

5.1.1.3 Social and environmental accounting and reporting

Non-financial accounting can be defined as the voluntary process concerned with assessing and communicating organizational activities and impacts on sustainability matters, above all social and environmental issues relevant to stakeholders (cf. Gray 1992). While the differences between the terms ‘accounting’, ‘auditing’ and ‘reporting’ are often blurred, ‘accounting’ can be seen as the overall process which includes ‘auditing’ – the measurement and checking exercise – and ‘reporting’ – i.e. communicating of data (Crane/Matten 2004: 163). There are no formal standards on which impacts to account for and how to assess corporate performance. However, some guidelines have been developed in the framework of voluntary reporting standards.

Reporting is a tool for communicating the accounted for and assessed social and environmental activities and impacts either to consumers or to rating systems used by the investment community (Accountability 2003: 7). Like accounting reporting can generally function as a management tool to the extent that it enables the company to have a more systematic approach to sustainable development, measure progress and define strategies and targets for improvement (European Commission 2004a).

Both sector and cross-sector reporting standards have been developed to guide companies’ reporting exercises in terms of process and format, thus making reports compara-

---

[54] The International Standard Organisation is currently developing an ‘ISO 26 000’ standard which however will not be a genuine management system but will provide guidelines to Social responsibility only.

[55] Sigma project in Great Britain; Q-RES model in Italy; Values Management System in Germany. The International Standardisation Organisation is currently working on Social Responsibility Guidelines. A number of research groups are also active in defining procedures and tools to implement CSR management systems.

[56] It has to be noted, however, that certification of management systems serve a different purpose than labelling of e.g. socially or environmentally friendly products.

ble. The scope of non-financial reporting standards has generally expanded[57] but varies in individual instruments: While the Global Reporting Initiative (GRI) covers both the social, environmental and economic 'footprint' of an organisation and a wide range of more specific CSR issues, the Greenhouse Gas (GHG) Protocol Initiative for example deals exclusively with GHG emissions reporting. Reporting may focus on business processes or even extend to stakeholder engagement procedures (AA1000A). The geographical scope of reporting standards frequently extends to the global level.

In some countries and to some extent, reporting has been made mandatory (cf. chapter 5.2), but in the large majority of cases it is still voluntary. The obligations inherent in reporting standards can be linked to the different phases of reporting:

- Accounting/measurement: standards may relate to the collection and evaluation of data to measure social and environmental performance against specific given performance indicators;[58]
- Auditing: standards may also relate to the examination (verification) of data for accuracy by either internal and external parties;
- Assurance: beyond auditing, the wider evaluation of the reports' quality, materiality and credibility may be covered by the standard.[59]

Reporting guidelines or standards however do not specify substantive levels of performance that a company would have to meet.

5.1.1.4 Stakeholder engagement

Stakeholder engagement includes various types of interaction between companies and their societal stakeholders. Stakeholder engagement can take on bilateral or multilateral, formal or informal, issue-specific or more comprehensive forms. States may act as convenors or as participants of co-operations with companies and other stakeholders, or they can define the rules to which certain types of co-operation need to adhere. Once states are part of stakeholder co-operations, we can speak of 'public private partner-

[57] The focus of reporting when the instrument evolved in the 1970s was on companies' environmental, health and safety performance.

[58] A problem in the field of sustainability reporting is that there are no 'hard analytics' as in financial reporting (Rogers 2005). This has to do with the frequently qualitative nature of the respective data that make difficult their measurement, and with the rather recent development of such indicators.

[59] The Global Reporting Initiative (GRI 2002: 18) defines assurance as follows: 'The provision of independent assurance is a structured and comprehensive process of collecting and evaluating evidence on a subject matter (the sustainability report) that is the responsibility of another party (distinct from management of the reporting organisation), against suitable criteria. As a result of the process, assurance providers express a conclusion that provides the intended users/stakeholders with a stated level of assurance about whether the subject matter (the sustainability report) conforms in all material respects with the identified criteria. Independent, competent experts who maintain an attitude of 'professional scepticism' perform the assurance process.' Zadek (2004: 7) adds that while 'Assurance often is assumed to apply only to a company's published reports, (…) it applies equally to the assurance of the company's underlying systems and processes, as well as its products, services and governance.'

ships'.[60] Within the EU, PPPs have increasingly been established to promote CSR (European Commission 2004b).[61]

Stakeholder engagement is not per se limited in geographical scope; it can be local (e.g. co-operations on a specific construction project), national (e.g. consultation of nationally relevant stakeholders for reporting purposes), European (e.g. the European Multi-Stakeholder Forum) or global (e.g. the Clean Clothes Campaign). Impact areas are mostly social and/or environmental. In principle, stakeholder engagement may relate to all sorts of business processes along the value added chain, from raw material extraction and sourcing to consumer communication, as in the case of reporting. It can be restricted to discretionary consultations about specific measures (project dialogues) or extended to longer-term discussions on the organization's overall strategy (strategy dialogues; cf. Crane/Matten 2004: 159).

Whether any obligations for companies result from their interaction with stakeholders and how specific, stringent and extensive these obligations are varies from case to case. It can be assumed that the potential for self-commitment of companies increases with the intensity of co-operation (Wolff 2004: pp. 74, Schneidewind/Petersen 1998). A low intensity is given in consultative processes where co-operation is restricted to learning the stakeholders' opinion, while consideration of this opinion in subsequent processes is not guaranteed. This type of co-operation aims at receiving information of experts and parties affected. Cooperation is more intense when it includes genuine negotiations and interest mediation processes at the end of which ideally consensus decisions are taken and implemented by companies. Here the aim is not only to enhance the quality of corporate decisions but also to gain acceptance and legitimacy for corporate actions.

5.1.1.5 Corporate Citizenship activities

Corporate Citizenship activities include a variety of specific measures such as donations, sponsoring, the establishment of foundations or cause-related marketing (CRM), and exemption of staff for corporate volunteering. In the first cases companies voluntarily transfer funds for social or environmental purposes. These funds are to varying de-

---

[60] Public private partnerships (PPPs) as forms of cooperation between public authorities and private actors (Roggencamp 1999) are not per se expressions of CSR. In our understanding, only PPPs in the environmental and social realm fall under the heading of CSR, and only to the extent that the cooperation serves a beyond compliance purpose. This excludes such PPPs from the field of CSR that serve the implementation of existing legal provisions. Whether a PPP can be considered a CSR activity or not is independent of the number of its participants (bilateral vs. multilateral PPPs) and its degree of formalisation (informal vs. contract-based/under private law vs. under public law).

[61] Among others, the UK government in its neighbourhood renewal strategy seeks to engage companies in the social and economic regeneration of deprived areas though local strategic partnerships. In the Netherlands, several government departments are actively engaged in CSR-related public-private partnerships, the focus being on employment, social cohesion, urban renewal, and crime prevention. The French government in 2002 stipulated a long-term public-private agreement on the prevention of discriminatory practices between 'Adecco' and the Fund for Action and Support of Integration and the Fight against all Discrimination (Fasild).

grees tied to a specific purpose and a return service (Welzel 2004).[62] CRM are commercial partnerships between NGOs and companies which involve associating a charity's logo with a brand, product or service. The aim is to encourage sales of the product while at the same time raising funds for the NGO. In the case of corporate volunteering, companies encourage employees to volunteer for social projects by conceding working hours for this purpose.

Except for corporate volunteering, which as a rule is tied to the local level, CC activities may all be applied on the local, national and international levels. Impact areas tend to be the environmental and the social (frequently charity) sphere. Although there is a debate about the strategic alignment of CC activities (Habisch 2003), a thematic link between the company's line of production and CC activities is not necessary. For example in cause-related marketing the promoted cause can be in a wholly separate field, like when the brewery Krombacher gave shares of its sales to save rain forests. A characteristic of CC activities is that they do not cover specific business processes but are rather 'bolt-on' to corporate process and product decisions.

As CC measures are voluntary spot-initiatives rather than embedded in a general set of obligations, the specificity, stringency and ambitiousness of all 'obligations' involved is self-defined.

Unlike with the CSR standardised instruments described above, specific governance mechanisms are not a part of most CC activities. As the activities are discretionary and ad hoc, there is no need to further implement or enforce them. This is, however, not the case with cause-related marketing, where there is a longer-term, contract-based commercial relationship between company and NGO which requires implementation.

5.1.1.6 Non-standardised activities

Non-standardised company or sector activities are all those CSR activities which are not based on standardised CSR instruments. They differ greatly depending on the sector and the individual company's issue focus. Such activities can range from a sector-wide voluntary agreement to very specific measures such as adaptation of mesh sizes in fishing companies to avoid over-fishing.

5.1.2 Socially responsible investment

Socially responsible investment is a market-based instrument that links the access to capital of publicly listed companies not only to the financial targets of investors but also to their social, environmental and ethical considerations (ABI 2002). SRI is not an instrument used by companies: it is fund managers ('institutional SRI') and individual investors ('consumer/retail SRI') that influence companies via their investment decisions. SRI works through two channels (European Commission 2004a). Either shareholders directly influence a company's orientation towards socially responsible behav-

[62] e.g. while donations do not afford any return services, sponsoring is linked to realization of the activity sponsored.

iour through dialogue, pressure on management, and voting rights in shareholder meetings, or investors influence companies' preferences indirectly by selecting the assets for their portfolios on social and environmental grounds (social/ethical 'screening'). This can be done by including companies with a positive performance or by excluding companies producing specific adverse products.[63] For the screening approach, the criteria used by SRI funds and rating indices become crucial, developing a levering effect on companies' access to capital.

Along with the globalized capital markets, the geographic scope of SRI funds and rating indices is usually global. Their thematic scope encompasses various issues of the economic, social and environmental sustainability dimensions. All spheres of business operations are covered.

SRI is not immediately linked to any business obligations. Rather, compliance with the criteria of SRI funds and rating indices is attractive as it may improve access to borrowed capital and lower the capital costs for responsible companies. Non-compliance on the other hand will prevent inclusion or lead to exclusion from the SRI funds or rating indices.

As with other CSR instruments that work on the basis of market mechanisms, transparency is an important governance aspect. Disclosure is a precondition for development of indices such as FTSE4Good or the Dow Jones Sustainability Index that provide market transparency and thus facilitate the up-take of SRI. At the same time, the criteria and processes of rating and screening (through funds) need to be transparent, as their credibility crucially affects the attractiveness of SRI for investors.[64]

5.1.3 Socially responsible consumption

5.1.3.1 Social and ecological labelling

Social and ecological labels are market-based instruments that aim to influence purchasing decisions of customers, retailers, traders and end consumers in favour of products that have socially/environmentally favourable characteristics (e.g. energy efficiency), that were responsibly manufactured (e.g. by respecting labour standards) or traded (e.g. by granting fair producer prices). Social and ecological labels include the demand side into the process of making businesses more sustainable, while at the same time serving as business instruments for marketing and creating premium market opportunities. They can be regarded as CSR instruments to the extent that they communicate information on the beyond compliance nature (in terms of social or ecological behaviour) of a product's content, production and trading conditions.

[63] Such as alcohol and tobacco products, pornography, arms, nuclear industries.

[64] Among others, voluntary transparency guidelines disclosing methods and sources of information used to assess companies' performance, the screening criteria, and control of the investment policy may promote the accountability of funds to investors (e.g. Eurosif 2004).

The geographical scope of labels varies from national (e.g. Fairtrade Mark) to international (like in the Forest or Marine Stewardship Council (FSC/MSC) Certificates). Regarding dimensions of sustainability, labels started out with covering the environmental dimension (e.g. the German 'Blue Angel') but have extended to social issues (e.g. Belgian Social Label). This includes fair trade, child labour, and human rights. While some labels cover a range of products (such as the EU eco-label), others only apply to selected products (e.g. the Rugmark Label).

Labelling organisations impose numerous obligations on the characteristics, production and trading of a product. As the fulfilment of these obligations is linked to the awarding of the material certificate which may be used in the product's marketing, there is a relatively strong compliance mechanism.

Further crucial aspects relating to the governance capacity of labels are transparent and verifiable procedures of criteria development and labelling. Equally important are the monitoring, verification and control of the label claims through the certifying organisations or third parties. Effectiveness of certification schemes furthermore depends on the visibility of labels which may be undermined if there are competing labels in the same issue areas (Wolff 2004: 152).

5.1.4 Conclusions

There are several points of departure for self-regulation by means of CSR instruments: businesses use codes of conduct, management systems, and reporting standards as 'built-in' mechanisms, as well as stakeholder engagement and other 'bolt-on' Corporate Citizenship activities in order to adapt its management to sustainability requirements. Societal actors can influence responsible behaviour of companies: consumers can influence through their consumption e.g. by buying socially and ecologically sustainable (certified) products or by boycotting or diverting their purchasing; pressure groups can influence through campaigns or the media; stakeholders can play an active role in auditing processes or stakeholder cooperation projects. Generally they can unilaterally or in cooperation with companies design CSR instruments such as model codes or implement instruments that make assessments of companies and their CSR performance. The societal and ecological impact of the diverse instruments can be expected to be influenced by the scope of the instrument, the obligations and the stringency of governance mechanisms. This hypothesis will be further developed within the RARE project.

5.2 Political governance by means of CSR in the EU

In the following, we will analyse to what extent the types of CSR policies described in chapter 4.4.2.2 are made use of in the European Union. The focus will be on 'regulated' and 'stimulated' CSR. 'Explicit' CSR – understood as a company's social practices motivated by corporate self-interest – is by definition no instrument of political governance. It is rather a means of business self-governance. As such, it makes use of the instruments characterised above (chapter 5.1).[65]

5.2.1 Implicit CSR

'Implicit CSR' covers corporate social practices where the immediate public sector impact on CSR is low, but where the state provides an institutionalised background of social, environmental or other ethical norms and rules (taking effect as 'sticks'). It is a widespread form of political governance in Europe. Within the EU member states, there are significant differences in the forms and intensity of implicit CSR; it is most intense in the Scandinavian form of welfare capitalism. Generally, a tendency to reduce political governance via implicit CSR and shift it to explicit and stimulated CSR can be observed. While traditional regulation in the environmental and social sphere (implicit CSR) is reduced, at the same time new forms of regulation – regulated CSR – emerge. Within the RARE project, implicit CSR will not be a focus of analysis since we view formal provisions to behave socially responsible as classical (hierarchical, but also incentive-oriented) forms of political governance rather than the new mode of integrative business and societal governance that we perceive (explicit) CSR to be. However, implicit CSR might be accounted for as an explanatory variable for differences in explicit CSR performance.

5.2.2 Regulated CSR

We defined 'regulated CSR' to include such corporate social practices in an environment of high/specific public sector interventions that are based on disincentives or regulatory means; however, compared to classical implicit CSR these 'sticks' work indirectly/procedurally and leave it to the companies to indeed go beyond compliance of social/environmental regulation or not. In the EU, this new form of governance is predominantly employed with regard to legal transparency obligations. They either oblige investment (predominantly pension) funds to disclose the extent to which social, environmental and ethical criteria are accounted for in the funds' investment policy. Such clauses have been introduced among others by Belgium,[66] France,[67] Germany,[68] Italy,[69]

[65] In the past years, the emergence of numerous institutions bears witness to the increase in explicit CSR activities in (continental) Europe. This includes the UK based association 'Business in the Community' whose establishment was followed by the pan-European 'CSR Europe' and similar national business organisations (e.g. 'CSR Austria'); the 'European Academy of Business in Society' (EABIS); and the expansion of the Sustainable and Responsible Investment Forum beyond the United Kingdom. The RARE research project will analyse explicit CSR in the oil, banking and fisheries sector.

[66] Art. 42 of the Supplementary Pensions Act (Loi relative aux pensions complémentaires).

[67] Art. 21 and 23, Loi sur l'épargne salariale (Law 2001-152 of 19 February 2001).

[68] §115 (4), Änderung des Versicherungsaufsichtsgesetzes and §1 (1) No. 9, Gesetz über die Zertifizierung von Altersvorsorgeverträgen.

[69] In Italy, the Permanent Committee for Social Affair of the Senate has recently approved an amendment to the pension reform regulation that introduces a UK-style disclosure obligation for pension funds (Eurosif 2004a). The bill is expected to be passed in 2004.

Sweden[70] or the UK.[71] Transparency obligations can also relate to corporate reporting. While early forms of mandatory reporting were introduced by several European countries in the 1990s with an environmental focus,[72] a second wave of regulation included social and ethical aspects into the transparency obligations, thus applying a wider concept of Corporate Social Responsibility. France was the first country to introduce respective legislation in 2001,[73] followed among others by Denmark[74] and Sweden;[75] respective revisions are also planned in the framework of the UK Operating and Financial Review.[76] At the EU level, the Accounts Modernisation Directive[77] as of January 2005 obliges large and medium-sized (but not small) companies in the Member States to include into their annual reports 'at least a fair review of the development and performance of the company's business and of its position, together with a description of the principal risks and uncertainties that it faces'. Also, '[t]o the extent necessary for an understanding of the company's development, performance or position, the analysis shall include both financial and, where appropriate, non-financial key performance indicators (…) including information relating to environmental and employee matters'.[78] In addition, the Commission in October 2004 tabled a proposal[79] to amend the EC Accounting Directives[80] by provisions clarifying the responsibility of board members for

[70] Swedish Public Pensions Act (Lagen (2000: 192) om allmänna pensionsfonder).

[71] Regulation 2 (4) of the Occupational Pension Schemes (Investment, and Assignment, Forfeiture, Bankruptcy etc.) Amendment Regulations 1999, Statutory Instrument 1999 No. 1849. Pensions Bill 2003-04 (HL Bill 73) (not yet passed in July 2004) Clause 233 revises the provisions on the Statement of Investment Principles[71] and determines that 'the statement is reviewed at such intervals, and on such occasions, as may be prescribed and, if necessary, revised'.

[72] e.g. in Belgium (Art. 4.1.8 of VLAREM II Law, 1995), Denmark (Law on Green Accounts in combination with a statutory order from the Ministry of the Environment and Energy, 1996), the Netherlands (Environmental Protection Act, 1997), Norway (Art. 3.3 Accounting Act/'Regnskapsloven').

[73] Art. 116, Law 2001-420 of 15 May 2001 ('Loi relative aux Nouvelles Régulations Économiques'/Law on New Economic Regulations), and Decree No. 2002-221 of 20 February 2002 on the implementation of article L. 225-102-1 of the Code of Commerce and modifying the Decree No. 67-236 of 23 March 1967 on Company law.

[74] Danish General Accounting Law, 2001.

[75] Law dating from 1 July 2003.

[76] OFR, Draft Regulation 5 and 7.

[77] Directive 2003/51/EC of the European Parliament and of the Council of 18 June 2003 amending Directives 78/660/EEC, 83/349/EEC, 86/635/EEC and 91/674/EEC on the annual and consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings (referred to below as Accounts Modernisation Directive).

[78] Art. 1.14 and Art. 2.10 of the Accounts Modernisation Directive. The Accounting Modernisation Directive was transposed into the Member States' national law.

[79] Proposal for a Directive of the European Parliament and the Council amending Council Directives 78/660/EEC and 83/349/EEC concerning the annual accounts of certain types of companies and consolidated accounts, COM (2004) 725.

[80] 4th Company Law Directive 78/660/EEC of 25 July 1978 on the annual accounts of certain types of companies – as amended by Directive 2003/51/EC of 18 June 2003 and the 7th Company Law Directive 83/349/EEC of 13 June 1983 based on consolidated accounts as amended by Directive 2003/51/EC of 18 June 2003.

financial statements and key non-financial information, transparency in intra group relations and transactions with related parties and disclosure about corporate governance.

5.2.3 Stimulated CSR

Finally, governments increasingly aim to persuade companies to implement CSR by providing ‘carrots’. Such ‘stimulated CSR’ is relatively new and includes public facilitation of CSR activities, their endorsement or the public participation in CSR-related networking. States facilitate CSR for example by developing or co-authoring respecting instruments that can be used by companies on a voluntary basis. Examples in the field of codes of conducts are the intergovernmental drafting of the OECD Guidelines for Multinational Enterprises and the co-authoring by the British government of the Ethical Trade Initiative (ETI) and the Voluntary Principles on Security and Human Rights for companies in the Extractive and Energy Sectors. However, repeated calls of the European Parliament for a European Code of Conduct for European Companies operating in third countries have not been taken up by other EU institutions yet.[81] In the field of management standards, the EU established a public policy framework with the Environmental Management System EMAS. To the extent that the public administrations of member states participate in the development of International Organization for Standardization (ISO) standards,[82] governments have contributed to the establishment of the environmental management system ISO 14000, the quality management system ISO 9000, and are presently contributing to the development of ISO guidelines on ‘Social Responsibility’. At the national level, even though there are no state-initiated instruments in place yet that are both fully-fledged management systems and cover the width of the CSR concept, some initiatives are being taken.[83] Labelling is a further field where EU countries provide legal frameworks for voluntary corporate use. Apart from eco-labelling schemes which were developed in most countries beginning in the 1980s and which also exist on the EU level, Denmark launched in 2000 the Social Index which may be used as a label, and Belgium introduced a social label based on ILO labour standards in 2002. Most EU states have developed legal frameworks for public private partnerships (PPPs) as forms of cooperation between public authorities and businesses that may among others relate to CSR issues.[84] Governments also facilitate

---

[81] cf. ‘The Trading system and internationally recognized labor standards’ (A4-0423/98-Sanjoin) EP Committee on External Economic Relations; ‘EU standards for European Enterprises operating in developing countries: Towards a European Code of Conduct,’ (A4-0508/98-Howitt) EP Committee on Development and Cooperation; and the Fassa Report for Commission's action in support of Fair Trade (A4-0198/98-Fassa). Also see PE 228.198/fin, 12-13.

[82] In some countries, national participation in the ISO standardisation bodies is based exclusively on industry, in others the public administration is involved, too.

[83] They include the draft standards on ethical management and SRI developed by the Spanish standardisation committee (Standards PNE 165010 and 165001), and a draft guideline standard on implementing Corporate Social Responsibilities by the Austrian Standards Institute.

[84] While PPPs are mainly governed by national law, the European Union has also issued a ‘Green Paper on public-private partnerships and Community law on public procurement’ (COM (2004) 327) that analyses PPPs with regard to Community law on public procurement and concessions.

CSR activities by capacity building. This approach was chosen by the Danish Government when founding the Copenhagen Centre (TCC) or the Dutch government that established an information centre on CSR, and by numerous other EU states that have introduced research programmes on CSR. At the level of political agenda setting and policy formulation, some governments have included CSR competences in their ministries[85] or have established respective advisory committees. Financial incentives are a further way of facilitating CSR, or rather Corporate Citizenship activities. Instruments such as tax deductions for social foundations or for company donations to social and environmental projects are common in most EU states. Corporate community involvement may be encouraged by the government matching contributions made by companies.

Apart from facilitating CSR by instrument development, capacity building and financial initiatives, the public sector can stimulate CSR by directly endorsing it, e.g. by applying respective management standards on its own organisational units or adjust its procurement policies towards labelled products. Beyond the environmental field (EMAS, public procurement), this type of stimulated CSR is not yet well-known within the EU. A third type of ‘stimulated CSR’ is public participation in CSR-related networking. The best-known example of this was the EU Commission’s initiative to launch the European Multistakeholder Forum on CSR. In response to the Commission’s Green Paper, business representatives and stakeholder groups had called on the Commission to encourage constructive dialogue between all CSR actors. The debate focused on how to promote Corporate Social Responsibility, and how to ensure more transparency and convergence of CSR practices and instruments. Between April 2002 and July 2004, four round tables and high level meetings were held.[86] In addition to such initiatives directly geared towards CSR, there are a number of Public Private Partnerships relating to selected CSR issues[87] and Voluntary Agreements by businesses with governmental participation (as partners and – rarely – as controlling and sanctioning authority).[88]

To sum up: while we do not consider societal obligations by companies that are formally required (‘implicit CSR’) to be CSR, we do consider public support policies (‘stimulated CSR’) or procedural regulations (‘regulated CSR’) to be compatible with CSR. The reason for this is that the latter forms of political governance keep the actual behavioural change in companies a voluntary decision. In addition, even ‘regulated CSR’ defines only minimum standards that are generally outstripped by the standards of voluntary CSR instruments (cf. chapter 4.2).

[85] In the UK there is a Minister for CSR.

[86] Topics of the round tables were: Improving knowledge about CSR and facilitating the exchange of experience and good practice; Fostering CSR among SMEs; Diversity, convergence and transparency of CSR practices and tools; CSR Development aspects.

[87] In the Netherlands, for example, several government departments are actively engaged in CSR-related public-private partnerships, the focus being on employment, social cohesion, urban renewal and crime prevention.

[88] As noted by Jordan et al. (2003: 3), the European Environment Agency estimated the number of voluntary agreements in the environmental field to be already around 300 in the EU-15 in 1997.

6 Summary and conclusions

Analysing the academic discourse we have found both management and social science discourse as inspiring sources for answering the RARE research questions. Responsibility in the context of corporate behaviour will be understood as ‘role responsibility’: the role of companies in society is attached with specific duties to provide for the welfare of others. This links up with our integrative understanding of Corporate Social Responsibility which combines a business and a societal perspective: On the one hand, we consider CSR as a mode of self-regulation which companies adopt in order to respond among other things to sustainability challenges; they can do so more reactively or more strategically. On the other hand, we see CSR as a model of societal governance: various stakeholders make use of CSR instruments such as SRI, shareholder rights, labels, business-NGO co-operations etc. to advance their own norms and interests regarding the social and environmental behaviour of companies. As a consequence, CSR affects not only company internal processes but at the same time restructures patterns of social order and interaction. By way of conclusion, we will now elaborate how the two perspectives interact.

The main interface between the business and the societal (including state) perspective on CSR lies in the definition (or: social construction) of corporate self-interest. A company’s perception of sustainability challenges and its decision to tackle the attached economic risks, opportunities and uncertainties by means of CSR depends on a number of external, societal influences. The company’s evaluation of existing public policies and potential new legislation, of shareholder and consumer behaviour and sales opportunities, its openness for peer pressure and vulnerability to civil society activities – they all affect whether the company sees a CSR issue as a risk or rather as an opportunity, whether CSR is considered a best practice and leadership opportunity, and how the company defines its role vis-à-vis society. The governance attempts by state and societal actors thus influence the corporate interpretation of its environment. They do not, however, translate unstrained into corporate decisions. Rather, the company context – the company’s culture, history and organizational capacities as well as the company’s interpretation of structural factors[89] etc. – can be expected to work as ‘filter’.

The interaction between corporate self-regulation and societal governance works the other way around, too. However, while civil society in the field of CSR can only indirectly influence corporate options for action, companies’ activities or neglects may directly restrict the leeway for sustainability governance by civil society: if companies do not take part in labelling schemes, the influence of sustainable consumer choice will diminish. Likewise, if the business sector does not disclose its social and environmental performance, aligning investment with SRI criteria becomes more difficult. In other cases, however, companies cannot effectively restrict societal governance geared towards CSR, as their survival depends on their primary and wider societal stakeholders not using the ‘exit option’. Should companies for example refuse to engage with their

[89] e.g. visibility of product (Bowen 2000), or sector affiliation (Campbell 2003).

stakeholders, conflicts may be tackled by NGOs in antagonistic forms (e.g. boycotts). Due to the power monopoly of the state, public sustainability governance can be swayed to a lesser extent by corporate action than civil societal governance. While companies may employ CSR strategically as a means to prevent legislation, it is in principle still up to the legislator whether or not to refrain from legislation. The caveats at this point, as is known, are lobby pressures of highly organised interest groups as well as the wide-spread fear of governments (fuelled by economic liberalisation thinking) that social and environmental regulation might reduce national competitiveness.[90] There are also more subtle forms of interaction between the corporate and societal/public governance modes. For example, the way in which companies frame sustainability problems often heavily influences or dominates the public discourse and subsequent policy making. This can be illustrated by the hegemony of eco-efficiency and ecological modernisation concepts (WBCSD 2000) vis-à-vis sufficiency strategies for sustainability which question economic growth as such (Sachs 1995). While the former concept by now is recognised by policy makers in many countries,[91] the latter is consistently ignored.

The advantage in combining the business and societal perspective on CSR lies in the systematic consideration of the influences, normative and cognitive restrictions as well as incentives that the various stakeholders pose to companies and that affect the company's CSR performance. At the same time, those limitations are incorporated which CSR as a societal governance mode meets through corporate action; thus the strength of societal influences on the corporate dimension of CSR is also qualified. The disadvantage of the integrative approach, however, lies in the resulting complexity.

In the course of the RARE project, we will explore the efficacy of CSR both as a strategically employed form of business self-regulation and as a mode of societal governance, both geared towards achieving social and environmental goals. We will compare CSR with other, more state-centred forms of sustainability governance. In doing so, the project will focus on the social and environmental impact dimension of corporate behaviour. We will include into the research CSR instruments and activities that vary regarding how tightly they are integrated into core business operations (from 'bolt-on' forms of CSR that are represented by the concept of Corporate Citizenship to more tightly 'built-in' types of CSR). In order to delimitate CSR from regulated corporate behaviour we have developed an understanding that voluntary CSR action may take place within a regulated procedural framework that leaves adoption of the instrument voluntary. We do not consider mere compliance with legal requirements to be CSR. Beyond compliance activities may either be geared to overachieving legal goals or to conducting (non-compulsory) measures to fulfil the goals. This means that activities by a company that has compliance problems in a certain issue area nevertheless can be considered CSR if the activities are in addition to the legally required implementation measures and are appropriate to solve the compliance deficits. We have opted not to research 'implicit'

[90] For a debate of this hypothesis see Porter/van der Linde (1995) and Jaffe et al. (1995).

[91] as just one example cf. the EU Environmental Technologies Action Plan (European Commission 2004).

forms of CSR.[92] Based on recent developments in public policies on CSR we have introduced two new categories: ‘regulated’ and ‘stimulated CSR’. States have started regulating CSR instruments that have traditionally been unregulated. This regulated CSR deviates from implicit CSR to the extent that it a) focuses on corporate policies and b) regulates only the procedural framework and leaves it to the companies to really take on greener or more social policies. Second, numerous states now use incentives (‘carrots’) to stimulate explicit CSR in companies (‘stimulated CSR’).

[92] They do not fit into our integrative model: Neither do they account for the strategic dimensions of CSR as business self-regulation instrument, nor does it represent an alternative model of societal governance.

7 References

AccountAbility (2005). Responsible Competitiveness – Corporate Responsibility and the competitiveness of nations and communities. Paper.

AccountAbility (2003). Mapping Instruments for Corporate Social Responsibility. Report for the European Commission. Belgium.

Aldrich, H. (1979). Organizations and Environments. Englewood Cliffs.

Bansal, P. (1996). Institutional pressures associated with corporate environmental strategies. Presented at the Academy for Management Conference, Cincinatti.

Beckert, Jens (1999). Agency, Entrepreneurs, and Institutional Change. The Role of Strategic Choice and Institutionalized Practices in Organizations. In: Organization Studies 20(5), pp. 777-799.

Belz, F-M./Pobisch, J. (2004). Shared Responsibility for Sustainable Consumtion? The Case of the German Food Industriy. Paper presented at the 12th International Conference of Greening of Industry Network in Homg Kong, November 7-10 2004.

Berger, P./Luckmann, T. (1967). The Social Construction of Reality. New York.

Bernstein, S./Cashore, B. (2004). Non-State Global Governance: Is Forest Certification a Legitimate Alternative to a Global Forest Convention? In: Kirton, J./Trebilcock, M. (eds.). Hard Choices, Soft Law: Voluntary Standards in Global Trade, Environment and Social Governance. Aldershot.

Blair, M. (1995). Ownership and Control: Rethinking Corporate Governance for the Twenty-First Century. Washington: Brookings Institution.

Bowen, Frances E. (2000). Environmental Visibility: A Trigger of Green Organizational Response? In: Business Strategy and the Environment, Vol. 9, pp. 92–107.

Bowen, Howard (1953). Toward Social Responsibilities of the Businessman. New York: Harper and Row.

BSR (Business for Social Responsibility) (2004): Overview over Corporate Social Responsibility. Retrieved 16 December 2004, from http://www.bsr.org/CSRResources/IssuesBriefDetail.cfm?DocumentID=48809

Campbell, David (2003). Intra- and Intersectoral Effects in Environmental Disclosures: Evidence for Legitimacy Theory? In: Business Strategy and the Environment, Vol. 12, pp. 357-371.

Carroll, Archie B. (1991): The pyramid of corporate social responsibility: toward the moral management of organizational stakeholders. In: Business Horizons/Jul-Aug, pp-. 39-48.

Cashore, B. (2002). Legitimacy and the Privatization of Environmental Governance: How Non-State Market-Driven (NSMD) Governance Systems Gain Rule-Making Authority. Governance: An International Journal of Policy, Administration, and Institutions Vol. 15 No. 4, pp. 503-529.

Crane, Andrew/Matten, Dirk (2004): Business ethics - A European perspective Oxford.

Crane, Andrew (1995). Rhetoric and Reality in the Greening of Organizational Culture. In: Greener Management International, Vol. 12, pp. 49-62.

CSR Austria (2003). Die gesellschaftliche Verantwortung österreichischer Unternehmen. Eine Studie im Auftrag der Initiative CSR Austria, durchgeführt von: Gesellschaft für Personalentwicklung, i-mug Beratungsgesellschaft mbH, Institut für Interdisziplinäre Nonprofit Forschung an der WU Wien. Wien.

Cutler, C.A.; Haufler, V.; and Porter, T. (Eds. 1999). Private Authority and International Affairs. Albany.

DiMaggio/Powell (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. In: American Sociological Review, Vol. 48, pp. 147-160.

Dobson, J. (2004). Applying virtue ethics to business: The agent-based approach. In: Electronical Journal of Business Ethics and Organization Studies, Vol. 9, No. 2.

Dröge, Susanne/Trabold, Harald (2001). Umweltbezogene Verhaltenskodizes für ausländische Direktinvestitionen: Potentiale und Grenzen. Deutsches Institut für Wirtschaftsforschung, Berlin.

Esping-Andersen, G. (1999). Social foundations of post-industrial economies. Oxford.

European Commission (2004a). ABC of the main instruments of Corporate Social Responsibility. Brussels.

European Commission (2004b). Corporate Social Responsibility – National public policies in the European Union. Brussels.

European Commission (2004c): Communication from the Commission to the Council and the European Parliament: Stimulating Technologies for Sustainable Development: An Environmental Technologies Action Plan for the European Union. COM(2004) 38, Brussels, 28.1.2004.

European Commission (2002). Communication from the Commission concerning Corporate Social Responsibility: A business contribution to Sustainable Development. COM (2002) 347. Brussels.

EU Commission (2001). Promoting a European framework for corporate social responsibility. Green Paper, COM (2001) 366, Brussels.

Eurosif (2004). Eurosif Transparency Guidelines for the Retail SRI Fund Sector. Paris.

Field, Laurie/Ford, Bill (1995). Managing Organizational Learning – From Rhetoric to Reality. Melbourne.

Fligstein, Neil (1991). The Structural Transformation of American Industry: An Institutional Account of the Causes of Diversification in the Largest Firms, 1919-1979. In: W. Powell/P. DiMaggio (eds.). The New Institutionalism in Organizational Analysis. Chicago, pp. 310-336.

Gibbons, M./Novotny, H. (2001). The Potential of Transdisziplinarity. In: Klein, T./ Grossenbacher-Mansuy, W./Häberli, R./Bill, A./Scholz, R./Welti, M. (eds.); Transdisciplinarity: Joint Problem Solving among Science, Technology, and Society. An Effective Way for Managing Complexity. Birkhäuser Verlag, Basel, pp. 67-80.

Giddens, A. (1984). The Constitution of Society. Berkeley/ Los Angeles.

Gladwin, T. (1993). The meaning of greening. A plea for organisational theory. In: K. Fischer/ J. Schot (eds.). Environment strategies for industry. Washington DC, pp. 37-62.

Glasbergen, P. (1996). Learning to manage the Environment. In: W. M. Lafferty/J. Meadowcroft (eds.). Democracy and the Environment: Problems and Prospects, pp. 175-193.

Golub, J. (ed.) (1998). New Instruments for Environmental Policy in the EU, London: Routledge.

Gray, Rob (1992). Accounting and environmentalism: an exploration of the challenge of gently accounting for accountability, transparency and sustainability. In: Accounting, Organizations and Society, Vol. 17 No. 5, pp. 399-426.

GRI (2002): Sustainability reporting guidelines 2002. Boston.

Habisch, André (2003). Corporate Citizenship – Gesellschaftliches Engagement von Unternehmen in Deutschland, Berlin/Heidelberg, 2003.

Hagenah, Evelyn (1996). Neue Instrumente für eine neue Staatsaufgabe: Zur Leistungsfähigkeit prozeduralen Rechts im Umweltschutz. In: Dieter Grimm (Hg.): Staatsaufgaben. Baden-Baden, S. 487-522.

Hall, R. B./Biersteker, T.J. (eds.) (2002). The Emergence of Private Authority in Global Governance. Cambridge.

Hall, P./Taylor, R. (1996). Political Science and the Three New Institutionalisms, MPIFG Discussion Paper 96/6, Köln.

Hirschman, Albert O. (1970). Exit, Voice, and Loyalty. Responses to Decline in Firms, Organizations, and States. Cambridge.

Hoffman, Andrew (1997). From Heresy to Dogma. An Institutional History of Corporate Environmentalism. San Francisco.

Hollingsworth, J. R./Boyer, R. (eds.) (1997). Contemporary Capitalism: The Embeddedness of Institutions. Cambridge.

Holmqvist, Mikael (2003). A Dynamic Model of Intra- and Interorganizaional Learning. In: Organization Studies 24(1), pp. 95-123.

Jaffe, Adam B./Peterson, Steven R./Portney, Paul R./Stavins, Robert N. (1995). Environmental Regulation and the Competitiveness of U.S. Manufacturing: What Does the Evidence Tell Us?. Journal of Economic Literature, Vol. 33 (March 1995), pp. 132-163.

Jordan, A./Wurzel, R./Zito, A. (eds.) (2003). 'New' Instruments of Environmental Governance? Special Issue of National Experiences and Prospects, Environmental Politics Vol. 12, No. 1.

Kooiman, Jan (ed) (1994). Modern Governance. New Government - Society Interactions.

Lane, Christel (1994). Industrial order and the transformation of industrial relations: Britain, Germany and France. In Hyman, R./Ferner, A. (eds): New frontiers in European industrial relations. Oxford, pp. 167-195.

Lepsius, R. M. (1990). Ideen, Interessen, Institutionen. Opladen.

Loew, Thomas/Ankele, Kathrin/Braun, Sabine/Clausen, Jens (2004). Significance of the CSR debate for sustainability and the requirements for companies. Münster/ Berlin.

Maaß, Frank/Clemens, Reinhard (2002). Corporate Citizenship - Das Unternehmen als 'guter Bürger'. Wiesbaden.

March, James/Olson, Johan (1984). The New Institutionalism: Organisational Factors in Political Life. In: American Political Science Review, Vol. 78, pp. 734-749.

Marsden, C./J. Andriof (1998). Towards an Understanding of Corporate Citizenship and How to Influence It. In: Citizenship Studies 2(2), pp. 329-352.

Matten, Dirk/Crane, Andrew (2005). Corporate Citizenship: Toward an Extended Theoretical Conceptualization. In: Academy of Management Review, Vol. 3 No 1, pp. 166-179.

Matten, Dirk/Moon, Jeremy (2004). Implicit' and 'Explicit' CSR: A conceptual framework for understanding CSR in Europe Paper presented at the 20th EGOS Colloquium, 1-3 July 2004, Ljubljana.

Mayntz, R./Scharpf, F. W. (1995). Der Ansatz des akteurszentrierten Institutionalismus. In: Dies. (Hrsg.): Gesellschaftliche Selbstregelung und politische Steuerung. Frankfurt a.M./New York. S. 39-72.

Mayntz, Renate (1998). New Challenges to Governance Theory. European University Institute, The Robert Schuman Centre. Jean Monnet Chair Papers 50: Florence.

McIntosh, Malcolm/Thomas, Ruth/Leipziger, Deborah/Coleman, Gill (2003). Living Corporate Citizenship – Strategic routes to socially responsible business. Prentice Hall, London.

McIntosh, Malcolm/Andriof, Jörg (2001). Perspectives on Corporate Citizenship: An Introduction. In: Malcolm McIntosh/Jörg Andriof, (eds.) 'Perspectives On Corporate Citizenship. Sheffield.

McIntosh, Malcolm/Thomas, Ruth/Leipziger, Deborah/Coleman, Gill (2003). Living Corporate Citizenship – Strategic routes to socially responsible business. Prentice Hall, London.

McWilliams, A./Siegel, D. 2001. Corporate social responsibility: A theory of the firm perspective. Academy of Management Review. Vol. 26(1), pp. 117-127

Midttun, Atle (2003). Business, the State and Civil Society: Introduction to a CSR Research Programme. Presentation to the research track on 'the policy framework/societal context' at the 2nd colloquium of the European Academy for Business in Society.

Midttun, Atle (2004). Corporate (Social) Responsibility: Governance in the Interface Between Business, the State and Civil Society. Paper for the 3rd Annual Colloquium of the European Academy of Business in Society, Leuven.

Mutz, Gerd/Korfmacher, Susanne (2003). Sozialwissenschaftliche Dimensionen von Corporate Citizenship in Deutschland, in: Backhaus-Maul, Holger/ Brühl, Hasso (ed.): Bürgergesellschaft und Wirtschaft – zur neuen Rolle von Unternehmen. Berlin, pp. 45-62.

Mutz, Gerd/Korfmacher, Sunsanne/Arnold, Karen (2001): Corporate Citizenship in Deutschland. Hg. von der Geschäftsstelle Internationales Jahr der Freiwilligen, Frankfurt a.M.

Myer, John/Rowan, Brian (1977). Institutionalized Organizations: Formal Structure as Myth and Ceremony. In: American Journal of Sociology Vol. 83, pp. 340-363.

North, D. (1990). Institutions, Institutional Change and Economic Performance. Cambridge.

Ostrom, E. (1990). Governing the Commons. New York.

Parsons, T. (1956). Suggestions for a Sociological Approach to the Theory of Organizations, Part I and II. In: Administrative Science Quarterly VOl. 1, pp. 63-85, 225-239.

Paul, James A./Garred, Jason (200). Making Corporations Accountable: A Background Paper for the United Nations Financing for Development Process. A Background Paper for the United Nations Financing for Development Process.

Porter, Michael E./Kramer, Mark R. (2002). The Competitive Advantage of Corporate Philanthropy'. In: Harvard Business Review, December, pp. 57-68

Porter, Michael E./van der Linde, Claas (1995). Towards a new conception of the environment-competitiveness relationship. In: Journal of Economic Perspectives, Vol. 9, No. 4, pp. 97-118.

Powell, Walter/DiMaggio, Paul (eds.) (1991). The New Institutionalism in Organizational Analysis. Chicago.

Powell, Walter (1991). Expanding the Scope of Institutional Analysis. In: W. Powell/P. DiMaggio (eds.). The New Institutionalism in Organizational Analysis. Chicago, pp. 183-203.

Rhodes R.A.W. (1996). The New Governance: Governing without Government, Political Studies, Vol. 44.

Rogers, Jean (2005). We have financial fundamentals, so why not sustainability fundamentals? In: Ethical Corporation, 25 Feb 05. Retrieved March 2, 2005, from http://www.ethicalcorp.com/content.asp?ContentID=3526

Roome, Nigel (1998): Conclusions. Implications for Management Practice, Education and Research. In: N. Roome (ed.): Sustainability Strategies for Industry. The Future of Corporate Practice, Washington D.C, pp. 259-276.

Rosenau, J.N. and Czempiel, E.O. (1992). Governance without government: order and change in world politics, Cambridge: Cambridge University Press.

Rubik, Frieder/Hoffmann, Esther/Simshäuser, Ulla (2000): Innovationen durch die Umweltpolitik – Integrierte Produktpolitik (IPP) in Deutschland. Gutachten im Auftrag des BMU. Heidelberg.

Sacconi L. (2004). Corporate Social Responsibility as a model of 'extended' corporate governance. An explanation based on the economic theories of social contract, reputation and reciprocal conformism, Liuc papers No. 142. Retrieved from http://www.biblio.liuc.it/biblio/liucpap/pdf/142.pdf

Sachs, Wolfgang (1995). From efficiency to sufficiency. In: Resurgence, Vol. 171, pp. 6-8.

Schaltegger, Stefan/Herzig, Christian/Kleiber, Oliver/Müller, Jan (2002). Nachhaltigkeitsmanagement in Unternehmen. Konzepte und Instrumente zur nachhaltigen Unternehmensentwicklung. Edited by Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit. Bonn.

Scharpf, F. W. (1997). Games Real Actors Play: Actor-Centered Institutionalism in Policy Research, Boulder.

Schaub, A. (2004). Regulatory Competition and Subsidiarity in Corporate Governance in a Transatlantic Perspective, keynote address, Brussels.

Schmitt, Katharina (2004). Corporate Social Responsibility in der strategischen Unternehemensführung – eine Fallstudienanalyse deutscher und britischer Unternehmen der Ernährungsindustrie. Unpublished manuscript.

Schneidewind, Uwe/Petersen, Holger (1998). Changing the Rules: Business-NGO Partnerhsips and Structuration Theory. In: Greener Management International, Vol. 24, pp. 105-114.

Shleifer, A. and Vishny R. (1997). A Survey of Corporate Governance, Journal of Finance, Vol. 52, pp. 737-783.

Tirole J. (2001). Corporate Governance, Econometrica, Vol. 69, No. 1, pp 1-35.

Van den Ven, Andrew/Hargave, Timothy (2004). Social, Technical and Institutional Change. In: M. S. Poole/A. H. Van de Ven (ed). Handbook of Organizational Change and Innovation, New York, pp. 259-303.

Warhurst, A. (2000). Corporate Citizenship and Corporate Social Investment: Drivers of Tri-Sectoral Partnerships. In: Journal of Corporate Citizenship 1/1, pp. 57-73.

Warhurst, A. (2000). Corporate Citizenship and Corporate Social Investment: Drivers of Tri-Sectoral Partnerships, Journal of Corporate Citizenship Vol. 1, No. 1, pp. 57-73.

Whitley, Richard (1999). Divergent capitalisms. The social structuring and change of business systems. Oxford.

Williamson, O. (1985). The Economic Institutions of Capitalism. New York.

Winn, Monika I./Angell, Linda C. (2000). Towards a Process Modell of Corporate Greening. In: Organization Studies 21(6), pp. 119-1147.

Witt, Peter (2000): Corporate Governance im Wandel, in: Zeitschrift Führung und Organisation 69, H. 3, S. 159-163 Wolff, Franziska (2004): Staatlichkeit im Wandel – Aspekte kooperativer Umweltpolitik. München.

WBCSD (World Business Council on Sustainable Development) (2000): Eco-Efficiency - The Business Link to Sustainable Development. By Livio D. DeSimone and Frank Popoff. MIT.

Zadek, Simon, Pruznan, Peter/Evans, Richard (eds.) (1997). Building Corporate Accountability: Emerging Practices in Social and Ethical Accounting, Auditing and Reporting. London.

Zingales, L. (1998). Corporate Governance, in: The New Palgrave Dictionary of Economics and the Law. London, pp. 497-502.

Zucker, Lynne (1977). The Role of Institutionalization in Cultural Persistence. In: American Sociological Review Vol. 42, pp. 726-743.