

The Global Expansion of Corporate Social Responsibility:
Emergence, Diffusion, and Reception of Global Corporate Governance Frameworks

by

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Table of Contents

Acknowledgements	ii
List of Figures	vii
List of Tables	viii
Abstract.....	ix
Chapter 1	
The Worldwide Convergence in Corporate Social Responsibility and the Legitimacy of Global CSR Frameworks.....	1
1.1 Introduction	1
1.2 CSR as the Moral Regulation of the Economy: The Multi-Stage, Multi-Causal, Multi-Level Approach of the Dissertation	4
1.2.1 CSR as a Property of the Firm	5
1.2.2 CSR as Property of a Firm’s External Environment	10
1.3 Outline of Dissertation and Summary of Chapters	15
Chapter 2	
Corporate Social Responsibility as Moral Regulation of the Economy: A Theoretical Account.....	23
2.1 Introduction	23
2.2 CSR as Moral Regulation of the Economy	25
2.3 Durkheim and Professional Ethics.....	28
2.4 Polanyi and the Double Movement.....	32
2.5 Meyer and the Institutionalization of World Culture.....	38
2.6 A Multi-Causal, Multi-Level Frame of CSR as Moral Regulation of the Economy.....	45
2.7 Conclusion: Moral Regulation and Assessing the Causes and Consequences of Cross-National Processes	48

Chapter 3	
Institutional Emergence and Change in Global Corporate Social Responsibility: The Politics of Global Corporate Governance in the Intergovernmental CSR Field.....	50
3.1 The Announcement of the UN Global Compact	50
3.1.1 Three Stages of Institutional Emergence and Change in Global CSR	51
3.1.2 Proposed Argument on Institutional Emergence and Change	53
3.2 Explaining Institutional Emergence and Change in the Intergovernmental CSR Field.....	55
3.2.1 New Institutional Theory and Institutional Emergence and Change.....	55
3.2.2 Internal Changes in Field Composition in the Intergovernmental CSR Field.....	58
3.2.3 External Events and the Mobilization of Action in the Intergovernmental CSR Field.....	60
3.2.4 Field Expansion and Institutional Outcomes in the Intergovernmental CSR Field.....	63
3.3 Data	67
3.4 The First Stage: Shared Understanding in the Intergovernmental CSR Field.....	68
3.4.1 International Political Opportunities and the ITT Scandal	69
3.4.2 Employing the Organizational Resources of UN Bodies	70
3.4.3 The New International Economic Order and Distributive Justice	74
3.5 The Second Stage: Domination in the Intergovernmental CSR Field	77
3.5.1 Using the UN’s Organizational Resources to Stall Negotiations.....	78
3.5.2 The Cold War Divide and the “Politicization” of the Code of Conduct	80
3.5.3 The Developed Countries Dominate the Code of Conduct Negotiations.....	84
3.6 The Third Stage: Settlement and Compromise in the Intergovernmental CSR Field.....	89
3.6.1 The New Economic Globalization as Political Opportunity.....	90
3.6.2 Interorganizational Networks as Organizational Resource: Rapprochement with Business and Reaching Out to UN Bodies.....	92
3.6.3 CSR as Business-Friendly and Non-Antagonistic: Doing Good is Good Business	99
3.7 Conclusion.....	102

Chapter 4	
The Global Expansion of Corporate Social Responsibility: Cross-National Analyses of Global CSR Framework Diffusion and Its Impact on Corporate Commitment to CSR	107
4.1 The Widespread Adoption of Global CSR Frameworks.....	107
4.2 Global Dimensions of CSR Frameworks	112
4.3 The UN Global Compact and the Global Reporting Initiative.....	114
4.4 Institutional and Political-Economy Approaches to Cross-National Diffusion: Theory and Hypotheses.....	121

4.4.1	Institutional Channels: Global Institutional Pressure and Local Receptivity	123
4.4.2	Political-Economy Channels: Foreign Economic Penetration and National Economic System	127
4.4.3	Different Levels of CSR Commitment: Decoupling and Organized Hypocrisy as Responses to External Pressures	130
4.5	Data and Methods	132
4.5.1	Dependent Variables.....	133
4.5.2	Independent Variables	134
4.5.3	Methods	137
4.6	Results	138
4.6.1	Overall Findings for All Countries: Institutional Effects on Global CSR... 144	
4.6.2	Overall Findings for All Countries: Political-Economy Effects on Global CSR.....	145
4.6.3	Differences between Developed and Developing Countries: Institutional Effects.....	146
4.6.4	Differences between Developed and Developing Countries: Political-Economy Effects	147
4.7	Discussion.....	148
4.8	Further Specifications: Institutional and Political-Economy Effects on CSR-Sensitive Industries	153
4.8.1	Cross-National Analyses of CSR Adoption in CSR-Sensitive Industries... 153	
4.8.2	Firm-Level Analyses of Corporations in Extractive Industries	156
4.8.3	Discussion	162
4.9	Conclusion	164

Chapter 5

	Decoupling and Recoupling in Corporate Social Responsibility: A Case Study of the Reception of Global CSR in the Republic of Singapore	168
5.1	Introduction	168
5.2	Decoupling and Transnational Processes	171
5.2.1	Decoupling and Globalization.....	171
5.2.2	Receptor Sites as Facilitators of Moral Regulation.....	174
5.2.3	The Consequences of Decoupling.....	178
5.3	Case Selection: Why Singapore?.....	181
5.4	Data and Method.....	183
5.5	Political Economy of the Republic of Singapore.....	189
5.5.1	Corporate Social Responsibility in Singapore	191
5.6	State Actors, Corporations, and Nongovernmental Organizations as Receptor Sites	193
5.6.1	State Actors as Receptor Sites.....	194
5.6.2	Corporations as Receptor Sites	197
5.6.3	Civil Society and Nongovernmental Organizations as Receptor Sites	200
5.7	Lateral Decoupling and the Implementation of Global CSR	203

5.7.1	Government Actors and the Legitimacy of CSR	204
5.7.2	Corporations and the Practical Logic of CSR.....	210
5.7.3	Nongovernmental Organizations and the Civil Regulation of Corporations.....	215
5.8	Vertical Decoupling and Resulting Recoupling Efforts.....	222
5.8.1	Lateral Decoupling and Organizational Uncertainty.....	222
5.8.2	Corporations and Recoupling Strategies.....	226
5.8.3	Immanence: Recoupling as Value-Rational Action	228
5.8.4	Community and Tradition: Recoupling as Traditional Action	232
5.8.5	Competitive Advantage: Recoupling as Instrumental-Rational Action	238
5.9	Conclusion.....	242
Chapter 6		
Virtue from Markets? Reflecting on the Moral Regulation of the Economy and Future Developments in Global Corporate Social Responsibility		
		246
6.1	Reflections on the Moral Regulation of the Economy.....	246
6.2	Institutional Theory and the Dynamism of Social Institutions.....	248
6.3	Future Developments in Global Corporate Social Responsibility.....	253
6.4	Virtue from Markets?.....	258
References.....		261

List of Figures

Figure 1.1	Carroll’s Pyramid of Corporate Social Responsibility	6
Figure 1.2	Freeman’s Stakeholder View of the Firm.....	8
Figure 1.3	Stakeholder Relationships as Embedded in Broader Environments: Four Possible Sociological Domains	12
Figure 1.4	The Multi-Stage Process of the Global Expansion of Corporate Social Responsibility	14
Figure 2.1	Durkheim and Professional Ethics	29
Figure 2.2	Polanyi and the Double Movement	35
Figure 2.3	Meyer and the Institutionalization of World Culture	41
Figure 2.4	CSR as Moral Regulation of the Economy.....	46
Figure 3.1	Events Impacting the Moral Regulation of the Economy in the Intergovernmental CSR Field.....	62
Figure 3.2	Institutional Emergence and Change in the Intergovernmental CSR Field, 1964 to Present	66
Figure 3.3	Plenary Session of the Commission on Transnational Corporations in Lima, Peru, 1976	74
Figure 3.4	Tenth Session of the Commission on Transnational Corporations, New York, 1984	84
Figure 3.5	The Network Structure of the UN Global Compact.....	98
Figure 3.6	Secretary-General Kofi Annan with Coca-Cola Chairman E. Neville Isdell, . 2006	101
Figure 4.1	Channels of Moral Regulation of the Economy for Global CSR Frameworks.....	111
Figure 4.2	Cumulative Count of UN Global Compact Launches in All Countries, 2000-2007	120
Figure 4.3	Nested Structure of Data in Multi-Level Logistic Regression of Firms in Extractive Industries	159
Figure 5.1	CSR Receptor Sites, Decoupling, and Corporate Recoupling Strategies... ..	178
Figure 5.2	Singapore in Southeast Asia.....	189
Figure 5.3	Moral Regulation Factors Impacting CSR in Singapore	193
Figure 5.4	Award Winners at the 2011 Singapore Compact CSR Summit.....	207
Figure 5.5	CSR Asia’s 2011 Sustainability Disclosure Forum in Singapore	221
Figure 5.6	NTUC Income Advertisement	236

List of Tables

Table 4.1	The Ten Principles of the UN Global Compact	115
Table 4.2	Global Reporting Initiative Sustainability Reporting Guidelines	118
Table 4.3	Top Ten Countries by Types of CSR Participation.....	119
Table 4.4	UN Global Compact Launches by Year and Country	120
Table 4.5	Channels of Moral Regulation for the Adoption of Global CSR Frameworks.....	123
Table 4.6	Major International Human Rights, Environmental, and Labor Treaties in the Analyses	126
Table 4.7	Institutional and Political-Economy Predictions of Ceremonial Commitment to Global CSR Frameworks	132
Table 4.8	Countries in the Analyses (N = 99).....	133
Table 4.9	Variables in the Analyses.....	139
Table 4.10	Descriptive Statistics of Variables in the Analyses.....	140
Table 4.11	Correlations of Covariates in the Analyses.....	140
Table 4.12	Event History Analysis and Negative Binomial Regression of CSR Adoption, 99 Countries, 2000 to 2007	141
Table 4.13	Event History Analysis and Negative Binomial Regression of CSR Adoption, 27 Developed Countries, 2000 to 2007	142
Table 4.14	Event History Analysis and Negative Binomial Regression of CSR Adoption, 72 Developing Countries, 2000 to 2007	143
Table 4.15	Selected Results from Event History and Negative Binomial Analyses, 2000-2007	149
Table 4.16	Negative Binomial Regression of UN Global Compact Adoption, CSR-Sensitive Industries, 2000 to 2007	154
Table 4.17	Descriptive Statistics of Variables in Analyses of Firms in Extractive Industries.....	159
Table 4.18	Correlations of Covariates in the Analyses of Firms in Extractive Industries.....	160
Table 4.19	Countries in the Analyses of Firms in Extractive Industries (N = 47)	160
Table 4.20	Multi-Level Mixed-Effects Logistic Regression of Substantive CSR Commitment of Firms in Extractive Industries, 2000 to 2007	161
Table 5.1	Globalization Index 2007 Rankings	183
Table 5.2	List of Respondents	185
Table 5.3	Structured Interview Questions.....	188

Abstract

This dissertation examines the global expansion of corporate social responsibility (CSR)—the worldwide convergence of CSR around human rights, environmental, and labor issues, and the widespread adoption of CSR frameworks. Contrary to studies that view CSR as the product of firm-level factors, I argue that the global expansion of CSR stems from factors in a firm’s external environment. In a multi-stage process, I explain how attempts by actors to shape the moral regulation of the global economy, especially in periods with profound contradictions in the institutional regulation of economic activity, drive the emergence, diffusion, and reception of global CSR frameworks.

First, I discuss the theories of Emile Durkheim, Karl Polanyi, and John W. Meyer to construct an analytic framework of the moral regulation of the economy that specifies significant events, channels, and factors of moral regulation that stem from institutional and economic domains at both global and domestic levels.

Second, I examine institutional emergence and change in the intergovernmental CSR field from 1964 to the present. Utilizing historical documents from the United Nations, I show how external events and changes in internal field composition lead to the emergence of global CSR frameworks and change in institutional outcomes for the intergovernmental CSR field.

Third, I compare institutional and economic factors that drive the diffusion of CSR frameworks across various corporations and countries in the world. In cross-national time-series analyses, I show how global pressures through nongovernmental and bilateral trade channels lead to CSR framework adoption. I also demonstrate how corporations in

developed and developing countries respond to these environmental pressures with different levels of CSR commitment.

Finally, I examine the subsequent domestic reception of CSR frameworks in a case study of the Republic of Singapore. Using fieldwork and interview data with corporate, government, and nongovernmental actors, I examine lateral decoupling among domestic receptor sites and how corporations in Singapore respond to CSR pressures with different recoupling strategies.

Throughout the dissertation, I use the case of the global expansion of CSR to critique and refine new institutional and world society explanations of the emergence, diffusion, and reception of social institutions.

Chapter 1

The Worldwide Convergence in Corporate Social Responsibility and the Legitimacy of Global CSR Frameworks

1.1 Introduction

In 2001, Nestlé SA, the Swiss food and beverage company and currently the most profitable corporation in the world,¹ became a participant in the UN Global Compact, a global corporate social responsibility initiative newly established by the United Nations (UN) in 2000. Since the 1970s, Nestlé had faced a sustained global campaign against its marketing of infant milk formula in developing countries (Sikkink 1986)² and civil society organizations perceived the company's membership in the UN Global Compact as an affront to their efforts over many decades to publicize Nestlé's irresponsible practices. Those organizations quickly moved to publicly denounce Nestlé's bid for corporate citizenship as nothing other than "bluwashing"—using the legitimacy of the UN's CSR framework to conceal its unethical practices (Richter 2004). What did Nestlé hope to gain by endorsing the UN's global CSR framework and why do its CSR efforts continue to generate so much contention?

¹ "Fortune Global 500." *Fortune*, July 25, 2011.

² Critics argued that Nestlé had promoted breast milk substitutes in developing countries while deliberately overlooking the lack of clean water in those countries, resulting in the deaths of many babies and young children. The global Nestlé controversy pushed global actors to call for restrictions on the company, resulting in an International Code of Marketing of Breast Milk Substitutes, sponsored by the United Nations Children's Fund and the World Health Organization in 1981 (Sikkink 1986). Despite Nestlé's endorsement of this International Code, civil society critics continued to publicize what they perceived as Nestlé's ongoing unethical practices with terms such as "baby killer" and "genocide" used to describe the company.

Corporate social responsibility (CSR) is a controversial issue. Although the notion that corporations should also contribute back to society is not new, the idea that corporations should be responsible for issues beyond their narrow technical, economic, and legal requirements has now taken root with many of the world's largest transnational corporations, and even with the governments of many countries and nongovernmental organizations, despite severe criticisms from both business experts and civil society.

According to some business experts, corporations really should have no business thinking about how to improve the welfare of their stakeholders or how to improve their social and environmental practices. The prominent economist Milton Friedman, for example, once famously declared that "the social responsibility of business is to increase its profits" (Friedman 1970). The view of these business experts is that when corporations engage in CSR, they are really interfering with processes that they either have no expertise in or should be better left to other actors in society such as the government. Furthermore, from this perspective, corporations are organizations whose sole purpose is to serve the benefit of their shareholders. When individuals invest their capital in corporations, for example, the role of managers in those corporations is to ensure the maximum return for those investments. Any activity, especially CSR activities that redirect capital to social and environmental ends, that does not contribute to "the bottom line" or to maximizing shareholder wealth, is anathema to the very functioning of modern business corporations. CSR advocates have of course attempted to counter this argument and the new mantra in the world of CSR is that "doing good is good for business." Unfortunately, studies have shown very little correlation between CSR and firm financial performance (Margolis and Walsh 2003) and there does not seem to be a sufficient number of socially and environmentally conscious consumers for a "market for virtue" (Vogel 2005).

If business experts are hostile to the idea that corporations should be seriously considering the interests of their stakeholders and the wider society instead of merely their shareholders, it may be surprising that even civil society and progressive organizations are critical of CSR. To these civil society critics, CSR is at best a shallow exercise in public relations and advertising with glossy brochures featuring photographs

of smiling workers from the Third World. At worst, these critics argue, corporations use CSR to cover up their egregious social and environmental practices, using CSR initiatives to “greenwash” or “bluewash” their past exploits and possibly even to distract governments from imposing more regulations on them. It is due to civil society organizations that concerned members of the public now easily recognize terms such as “sweatshop labor.” To civil society critics, nothing short of government regulation and constant scrutiny from nongovernmental organizations will result in better social and environmental practices from corporations.

Corporations are clearly in a bind of the most curious kind. They face pressures to improve their social and environmental practices but are also attacked by business and civil society critics when they engage in CSR. Yet, despite these formidable obstacles, corporations today are no longer passively reacting to criticisms of their social and environmental practices but are instead proactively engaging with CSR issues. While observers may have previously confined CSR to philanthropy, charitable donations, or local labor or environmental concerns, CSR today has truly become a global phenomenon (Davis, Whitman, and Zald 2008). Corporations go to great lengths to address supply chain issues literally half way round the world. Civil society actors target corporations in issue areas that are not even remotely connected to local concerns. CSR norms, standards, and practices have spread far across corporations of different sizes and industries and in many countries around the world. Even *The Economist*, with some measure of trepidation, declared that the CSR movement has already “won the battle of ideas.”³ Why are corporations now engaging with CSR on such a worldwide scale despite little evidence that CSR brings any tangible benefits? This dissertation examines the global expansion of corporate social responsibility by explaining the worldwide convergence of CSR around human rights, labor, and environmental concerns and the widespread adoption of global CSR frameworks by corporations across the world.

³ “The Good Company.” *The Economist*, January 25, 2005.

1.2 CSR as the Moral Regulation of the Economy: The Multi-Stage, Multi-Causal, Multi-Level Approach of the Dissertation

Controversial or not, corporate social responsibility today has clearly become an institution in more ways than one. It is both taken for granted that corporations should address concerns beyond what is legally required of them as well as a prominent feature in the pronouncements, if not practices, of many corporations around the world. One significant way in which corporations engage with CSR is by participating in what are called CSR frameworks, initiatives that contain rules or principles that define the boundaries of corporate activity as they pertain to human rights, environmental, and labor issues. CSR frameworks are typically voluntary (i.e., they are not legally binding) and, while many such frameworks exist at the industry or national level, the most prominent ones today with the most corporate participants are global frameworks such as the UN Global Compact and the Global Reporting Initiative.

This dissertation examines the global expansion of corporate social responsibility by accounting for the emergence, diffusion, and reception of global CSR frameworks. In doing so, I seek to answer the following questions. First, what are the factors that led to the emergence of global CSR concerns and frameworks? Although CSR is conventionally portrayed as a domestic or industry-level issue, many global CSR frameworks have emerged since the 1990s as a result of the efforts of governments and nongovernmental organizations, capturing the attention of both corporations and their critics. How do we explain the rise of such global initiatives if CSR is not purely a firm-level phenomenon? Second, why do many corporations around the world endorse these global CSR frameworks and why is their level of commitment to those frameworks uneven across countries? What makes some countries more conducive to the adoption of CSR and why do some countries display more substantive CSR commitment compared to others? Third, how are global CSR frameworks received and implemented domestically? By the nature of their broad principles and scope of application, global CSR frameworks may not address specific domestic CSR issues nor can they apply equally to all types of

corporations. How do different domestic actors, including corporations, state actors, and nongovernmental organizations, interact to receive and implement global CSR practices?

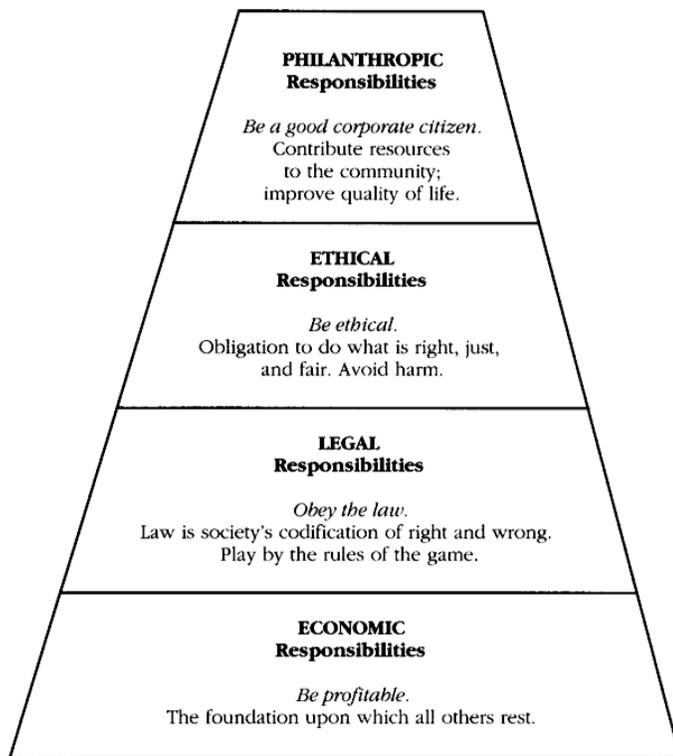
The approach I take in this dissertation differs substantially from many existing studies of CSR that explain CSR in relation to factors internal to the corporation. While these studies have produced many insights into the CSR phenomenon, I argue that they are not able to explain many of the features of the global expansion of CSR, including the cross-national diffusion of CSR and its decoupling from domestic CSR concerns. The main argument I propose in this dissertation is that the global expansion of CSR stems from factors in corporations' external environments. As such, I emphasize that, in addition to internal firm factors, the countries in which corporations operate, for example, the institutional and economic characteristics of those countries, and the degree of those countries' connections to global institutions and other countries, can better explain why many corporations and governments around the world are endorsing global CSR frameworks despite the uncertain costs and benefits from doing so. In short, the approach of this dissertation sees CSR not so much as a property of the firm but as a property of the wider environments in which firms are embedded.

1.2.1 CSR as a Property of the Firm

Since corporations and their practices are the central feature of corporate social responsibility, it is not surprising that many scholars attempt to explain CSR by relating it to the internal characteristics of the firm. Many such studies, for example, attempt to explain whether a firm's financial performance predicts CSR adoption or whether CSR contributes to a firm's financial performance (see Pava and Krausz [1995] and Margolis and Walsh [2003] for excellent surveys of these studies). The "CSR as a property of the firm" perspective is best encapsulated by Archie B. Carroll's (1991) celebrated "pyramid of corporate social responsibility" where the responsibilities of a firm are ranked according to their priority for the firm (Carroll 1991:42). Economic responsibilities form

the foundation of this pyramid, followed by a firm's legal, ethical, and finally philanthropic responsibilities (see Figure 1.1).⁴

Figure 1.1
Carroll's Pyramid of Corporate Social Responsibility



Source: Carroll (1991:42)

If Carroll's "pyramid of CSR" conceptualization is how scholars perceive the significant factors explaining CSR, it is not surprising that the dominant thinking on corporate social responsibility relates CSR to internal firm characteristics (Sabate and Puente 2003; Schwartz and Carroll 2003; Windsor 2006).⁵ In this perspective, CSR can only come, at

⁴ In that regard, Carroll's CSR pyramid resembles Maslow's hierarchy of needs but applied to the corporate organization.

⁵ Early research on CSR focused on two problems: the impact of CSR on firm financial performance and the free-rider problem associated with CSR adoption. In the first scenario, CSR is costly and firms should see a negative impact on their financial performance. Research in this area, however, has yielded inconclusive results with no indication that CSR has a negative relationship with financial performance (Freedman and Jaggi 1986; Baldwin et al. 1986; Patten 1990). In the second scenario, CSR does not pose

best, as a trade off between different internal firm factors, with economic considerations being the paramount concern. Of course, corporations face considerable cost and resource constraints and, without attention to those constraints, their very survival as organizations is in jeopardy. CSR scholars are thus more than warranted in their examination of whether CSR can be profitable for firms or whether firms that are more financially successful can engage in CSR practices. Furthermore, CSR scholars have contributed important insights into firm practices. In their study of 106 US firms from 1985 to 1991, for example, Pava and Krausz (1995:39) found that the relationship between firm financial performance and CSR followed an inverted-U pattern—firms that could afford CSR typically did so but forfeited any financial advantage in the long run.

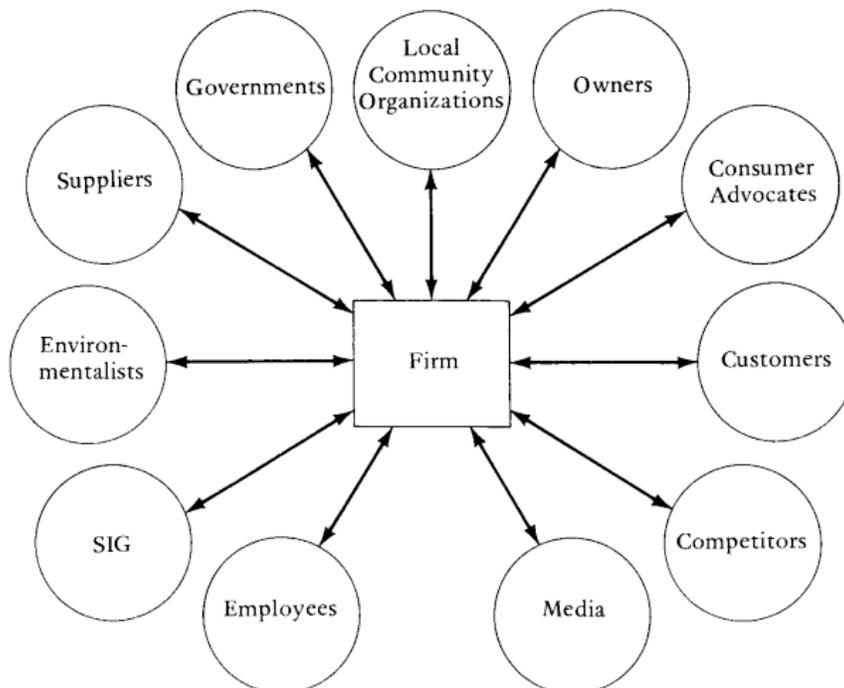
This dissertation does not argue for or against the “pyramid of CSR” as a business model, nor does it attempt to argue that internal firm factors are irrelevant. I do not make any ethical or motivational assumptions on the part of corporations beyond the basic existential premise that corporations need to be profitable and serve shareholder interests in order to survive. Nevertheless, internal firm characteristics alone do not explain why CSR has become a prevalent concern for corporations to begin with. Why are philanthropic and ethical responsibilities even included in Carroll’s CSR pyramid in the first instance when, by all accounts, corporations need only to attend to economic and legal concerns to survive and prosper? Can firms’ individual decisions to adopt CSR explain why governmental actors were the first to bring issues of the regulation of transnational corporations to intergovernmental forums like the UN in the 1970s or the emergence of global CSR frameworks in the 1990s? Can internal firm factors explain the legitimacy of global CSR frameworks around the world when they cannot even explain the utility of firm-level CSR practices (Margolis and Walsh 2003; Vogel 2005)?

Since the 1980s, there have been attempts to go beyond the firm-level conception of corporate social responsibility to theorize CSR as the product of firms’ relationships with their stakeholders. Stakeholder theory (Freeman 1984, 1994, 1999; Post, Preston, and

significant costs and firms free ride on the legitimacy that CSR offers. Existing studies, however, indicate that this is not the case either. Voluntary CSR programs, while increasing in prominence, are not as “cheap” or evenly diffused as most of their critics assume (Deva 2006).

Sachs 2002; Phillips 2003) argues that corporations' managers should attend to those external change factors, especially groups and individuals, that affect or are affected by their organizations' activities (see Figure 1.2). I note that Freeman (1984) and subsequent elaborations of the stakeholder approach (Post, Preston, and Sachs 2002) attribute attention to external change factors as necessary to firms' survival and not because of any particular sense of corporations' altruism (Walsh 2005). Nevertheless, I argue that the stakeholder approach does not approach CSR from the perspective of internal firm factors so much as external firm *interests* (cf. Walsh 2005:428). Stakeholder theory not only manages to bypass the normative considerations of a lot of CSR discussion (see my brief discussion of this point in Chapter 2 of this dissertation), it also sets itself up as a more empirically accurate portrayal of the pragmatic decisions that managers have to make in the corporation's everyday affairs (Freeman, Wicks, and Parmar 2004).

Figure 1.2
Freeman's Stakeholder View of the Firm



*Stakeholder = Any group or individual who can affect or is affected by the achievement of the firm's objectives. The groups listed here are examples of categories of stakeholders.

Source: Freeman (1984:25)

Therefore, despite its focus on the firm and its interests, the stakeholder approach dramatically widens the scope of analysis for scholars interested in examining corporations' CSR practices, including the likelihood that CSR is shaped by the relationships between a firm and organizations and individuals in its external environment. In recent studies, more sociologically oriented approaches to CSR have taken seriously the impact of a firm's relationships with their stakeholders, including the role of social movement organizations in pressuring firms on CSR issues (King 2008; Soule 2009).

By focusing on these specific external relationships with individuals and organizations, however, stakeholder theory may be remiss in overlooking even broader institutional and economic factors that can impact corporations' adoption of CSR practices. If, for example, CSR were generated by a firm's unique relationship with specific stakeholders, then CSR practices would vary remarkably across corporations and across countries. Nestlé SA and Royal Dutch Shell, for instance, would have markedly different approaches to CSR. Of course, firms' specific CSR practices are undoubtedly tailored to their CSR needs. But, then, what explains the emergence of global CSR frameworks such as the UN Global Compact and why do corporations of different industries, sizes, and corporations become participants in these frameworks? If these global CSR frameworks have no observable benefits for corporations, and if in fact participating in CSR frameworks may even draw undue attention from watchful critics, as with Nestlé, why do we observe such a rapid and widespread adoption of global CSR frameworks by corporations across countries? Although the number of participating corporations in these frameworks is no doubt small compared to the total number of corporations in the world, the isomorphism in framework adoption across a sufficient number of corporations, including many of the world's largest transnational corporations, should raise questions about factors giving rise to endorsement of global CSR frameworks.

1.2.2 CSR as Property of a Firm's External Environment

As such, this dissertation argues that global CSR concerns, including corporations' engagement with global CSR frameworks, must be explained by the broader institutional and economic factors that constitute a firm's external environment. These institutional and economic factors, I argue, comprise not only specific relationships between corporations and their stakeholders, but also the totality of the external environment in which corporations are embedded. In other words, it is changes in these external environments that subsequently result in calls for corporate social responsibility. To anticipate the analytic framework that I discuss in more detail in subsequent chapters, I posit that notions of corporate social responsibility stem from the moral regulation of the economy—attempts by actors to shape the institutions that govern macro economy-society relationships. From a global perspective, events, channels, and factors that constitute this moral regulation may arise from the four possible sociological domains of global norms and institutions, global economic activity, domestic social institutions, and domestic economic systems.

Thus, calls for corporate social responsibility arise not only when specific stakeholders demand attention from firms on certain issues, or from firms balancing shareholder interests with their CSR activities, but from disjunctures among these four sociological domains, for example, when there are contradictions between economic activity and the institutional regulation of that activity. Events, channels, and factors in these domains generate moral pressures on social actors to address the regulation of economic activity, to which they may respond by devising notions of corporate social responsibility and through enacting broad frameworks that articulate the principles and boundaries of responsible corporate behavior.

To address the effects of these external environments, this dissertation engages with arguments from new institutional theory (Meyer and Rowan 1977; DiMaggio and Powell 1983; Powell and DiMaggio 1991) and its world society variant as applied to global and transnational processes (Meyer et al. 1997; Meyer 2000; Meyer 2010). In new

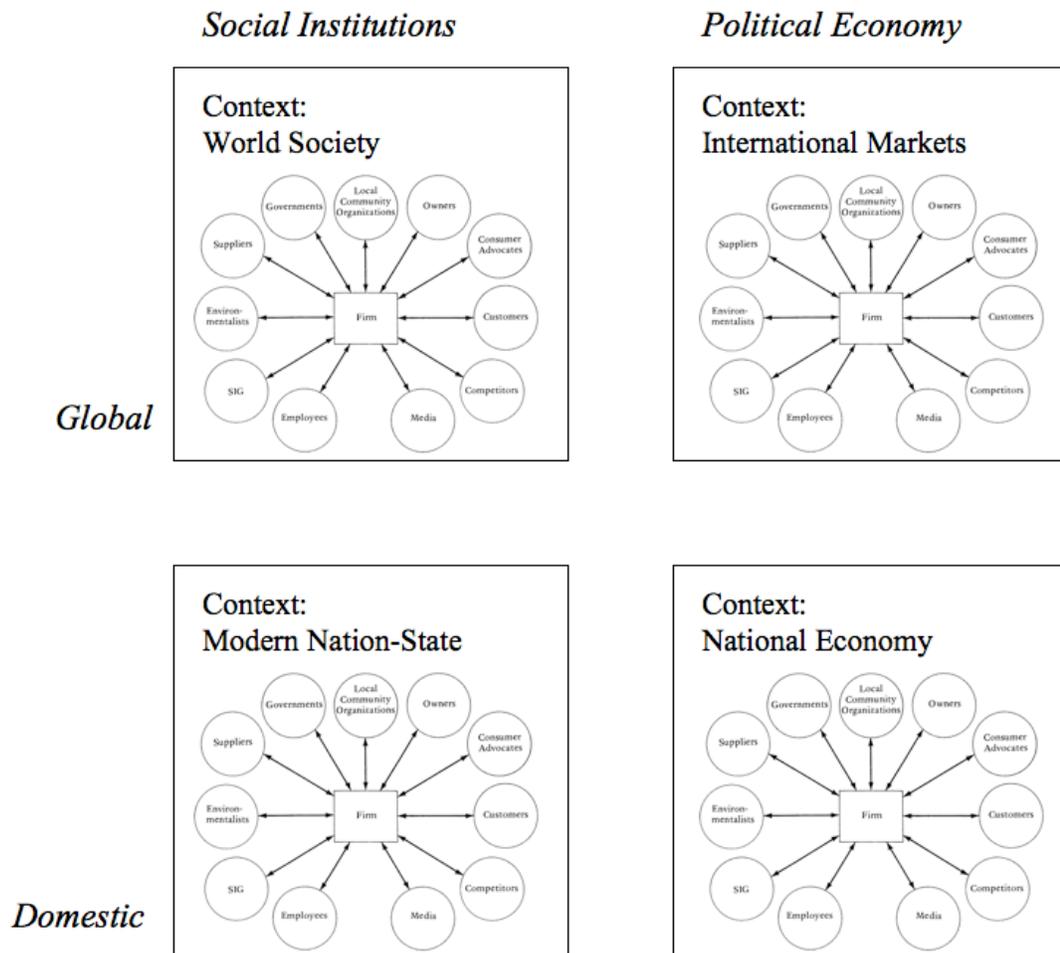
institutional and world society theories, organizations and nation-states are seen as entities that are embedded in wider institutional environments. Because organizations and nation-states face coercive, normative, and cognitive pressures to demonstrate legitimacy to their external constituencies, they often adopt structures and practices that conform to the expectations of those constituencies. In the institutional argument, organizations and nation-states are “open systems” (Scott 1995:132) that reflect the norms and institutions of the environments they are embedded in and, as such, display a remarkable degree of institutional isomorphism (DiMaggio and Powell 1983). Furthermore, in responding to their external environments, organizations and nation-states adopt similar structures and practices despite varying internal needs or domestic conditions, leading them to decouple formally adopted policies from actual practices. Empirical research using the world society approach, for example, has shown that governments demonstrate legitimacy to international society by ratifying human rights treaties but do not put the principles of those treaties into practice (Hafner-Burton and Tsutsui 2005).

Notably, institutional theory argues that the diffusion of norms and institutions does not depend solely on specific relationships between social actors but also on “cultural linkages” (Strang and Meyer 1993; Meyer 2010) in which social actors connect themselves to broad cultural categories. Regardless of specific connections, embeddedness in these cultural categories constitutes ties that link actors, organizations, and countries to their broader external environment. In other words, norms and institutions do not necessarily have to flow between actors on a “point-to-point” transmission basis; actors may also adopt norms and institutions because they identify with the expectations that constitute the environments they are embedded in.

Applying new institutional and world society theories to corporate social responsibility, I argue that the global expansion of CSR stems not only from corporations’ internal needs or specific stakeholder relationships but from factors in their broader institutional and economic environments. Changes in the definition and understanding of society-economy relationships in the external environment, for example, may propagate calls for more specific institutions to regulate those relationships. I propose that global corporate social

responsibility is a prominent example resulting from these broad environmental changes. As such, corporations and governments respond to these environmental effects by enacting global CSR frameworks. Many corporations and governments, of course, have neither the capacity nor the intent to actually implement CSR, leading them to decouple formally adopted CSR frameworks from actual practice, resulting in much variation in CSR commitment across corporations and countries. Figure 1.3 presents a possible reframing of Freeman’s stakeholder formulation with regard to the broader environments from which CSR ideas and practices emerge. I elaborate on this formulation in Chapter 2 of this dissertation.

Figure 1.3
Stakeholder Relationships as Embedded in Broader Environments: Four Possible Sociological Domains

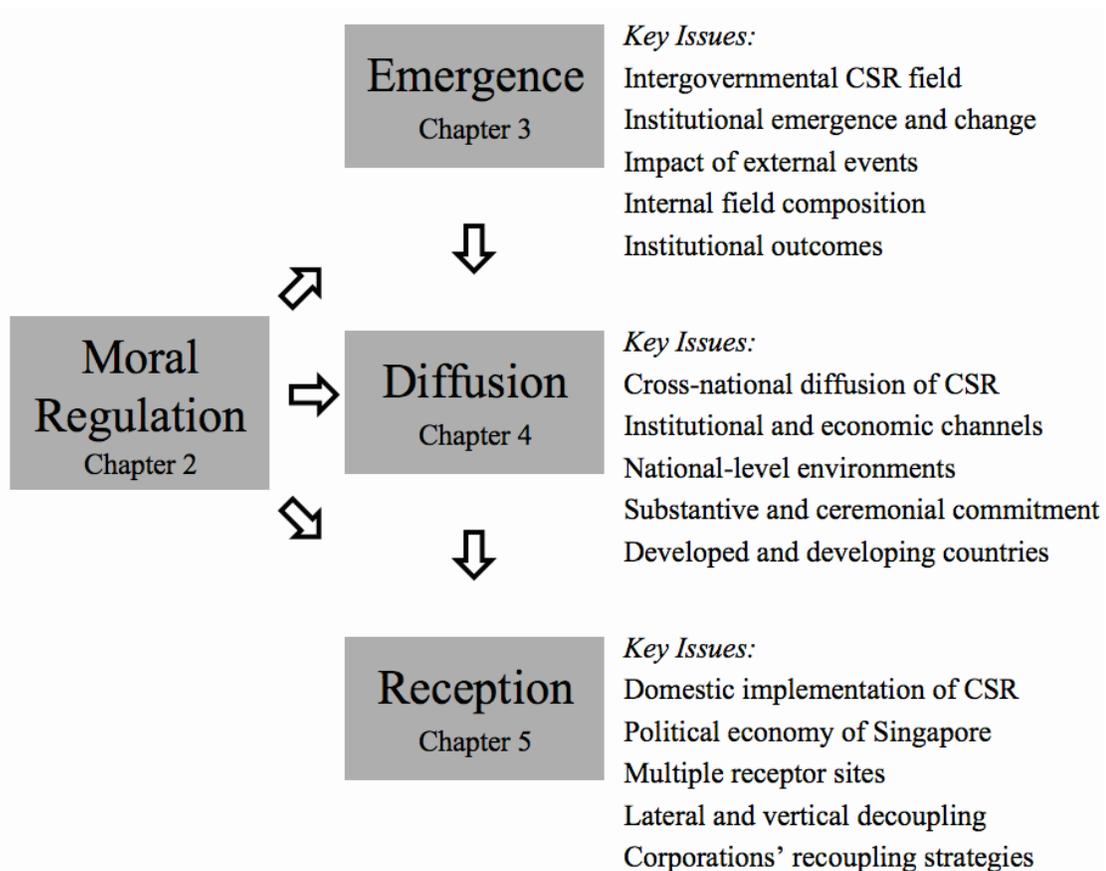


Despite the institutional approach that informs many of my subsequent discussions and findings, this dissertation also constantly engages with the assumptions and propositions of new institutional and world society theories in an attempt to refine their explanations of the emergence, diffusion, and reception of institutions. Institutional theory does not have a robust explanation of how institutions emerge and change. Since institutions are the broad patterns of cultural rules that constitute meaningful action for the social actors involved (Meyer, Boli, and Thomas 1987), it is paramount that any account of these patterns can also explain how institutions come to be legitimate and taken-for-granted in the first instance and what factors propel institutions to change over time. I discuss how insights from field (Bourdieu 1985; Martin 2003; Emirbayer and Johnson 2008) and social movement theories (Armstrong and Bernstein 2008; Fligstein and McAdam 2011) can provide the concepts and mechanisms to strengthen institutional accounts of emergence and change. Institutional theory's strengths lie in explanations of diffusion with much empirical research demonstrating the institutional conditions that propel the spread of practices across organizational fields (Powell and DiMaggio 1991; Greenwood et al. 2008) and countries (Frank, Hironaka, and Schofer 2000; Hafner-Burton and Tsutsui 2005; Drori, Meyer, and Hwang 2006). Nevertheless, institutional explanations of diffusion do not explicitly compare institutional channels with alternative sources of diffusion, such as channels of economic activity, making it difficult to weigh the import of institutional effects. I discuss how institutional explanations of diffusion can be strengthened with more direct comparisons with political-economy factors such as foreign economic penetration (Kentor 1998; Kentor and Boswell 2003) and global inequality (Wallerstein 1979; Beckfield 2003). Institutional theory's account of the reception of institutions centers on the phenomenon of decoupling, where organizations meet legitimacy pressures by adopting externally-sanctioned models but do not put those models into practice because of varying internal needs or domestic conditions. I further extend this concept and the notion of domestic receptor sites (Frank et al. 2000) by introducing the possibility of lateral decoupling. Institutional theory also assumes that decoupling does not pose significant problems for the actors involved and I argue that this is a problematic assumption given the theory's foundational argument that organizations are systems open to environmental capture. I show how decoupling creates

significant uncertainty for organizations, leading those organizations to engage in recoupling strategies that alter existing practices to fit adopted models.

To reiterate, the moral regulation framework I present considers both institutional and economic environments at both global and domestic levels in which corporations are embedded. The analytical advantage of this multi-causal and multi-level approach to CSR is that it enables me to weigh and explicitly compare different explanatory factors at each stage of the emergence, diffusion, and reception of global CSR frameworks, which I examine respectively in the subsequent chapters of this dissertation. Figure 1.4 diagrams the multi-stage process of the global expansion of corporate social responsibility.

Figure 1.4
The Multi-Stage Process of the Global Expansion of Corporate Social Responsibility



1.3 Outline of Dissertation and Summary of Chapters

The following chapters of this dissertation analyze various aspects of the global expansion of corporate social responsibility in chronological fashion, proceeding from the emergence of global CSR frameworks within what I call the intergovernmental CSR field, followed by the cross-national diffusion of these frameworks across countries, and ending with the reception or domestic implementation of CSR at the local level.

Chapter 2, **Corporate Social Responsibility as Moral Regulation of the Economy**, presents a theoretical account of the events, channels, and factors that explain the global expansion of corporate social responsibility. I consider how the insights of Emile Durkheim, Karl Polanyi, and John W. Meyer can be integrated to derive a multi-causal and multi-level framework that conceives of CSR as a product of the moral regulation of the economy—attempts by actors to shape the institutions that govern macro society-economy relationships. I begin with Durkheim’s foundational theory of the division of labor in society where he discusses how new economic interests and activity generated by industrial development and market competition are accompanied by social and institutional forms of regulation. In particular, Durkheim discusses the development of professional ethics, such as in medieval guilds based on religious cults, as a possible means of circumscribing the unfettered interests unleashed by economic development and market competition. In this account, Durkheim provides an explanation of the relationship between two possible sociological domains—the social-institutional domain where actors construct frameworks to regulate the consequences of activity that occur in the political-economy domain.

Writing of political and economic developments in early twentieth century Europe, Polanyi basically extended this Durkheimian account of the relationship between institutional and economic domains in society to include factors at the global level. One of the examples Polanyi discussed was how belief in principles of free trade between countries and the development of the international gold standard precipitated domestic

economic protectionism, resulting finally in severe economic crises and institutional attempts to curb the consequences of those crises. Polanyi's extension of the Durkheimian framework consisted of positing higher-level domains of activity that could impact domestic practices. As such, Polanyi makes crucial advances over Durkheim in conceptualizing the moral regulation of the economy by accounting for the domain of political economy in multi-level terms. Polanyi was, of course, writing before the current era of globalization and, although his theory provided for the possibility of global effects, he did not have a strong conception of social institutions operating at the global level.

In his writings on the institutionalization of world culture, John W. Meyer provides this "missing" component by arguing that global norms and institutions were sufficiently consolidated and legitimated after the Second World War such that they could have independent effects on domestic practices. Enacted by intergovernmental organizations such as the United Nations and facilitated by the spread of international nongovernmental organizations, Meyer argues that global progressive norms such as ideas of human rights and the environment come to be taken for granted by many nation-state actors, thereby shaping the practices of domestic actors.

Integrating these theoretical insights, I present a framework of CSR as moral regulation of the economy that consists of institutional and economic domains at both global and domestic levels. These four domains of social action are analytical constructs that help to distinguish the events, channels, and factors that propel the emergence, diffusion, and reception of global corporate social responsibility.

Chapter 3, **Institutional Emergence and Change in Global Corporate Social Responsibility**, is an historical analysis of the politics of global corporate governance that compares three stages in the development of the intergovernmental CSR field. I analyze archival data from the United Nations to argue that external events and internal field composition explain institutional emergence and change in the intergovernmental CSR field.

Starting from the early 1970s, the governments of developing countries, led mainly by the Latin American countries, responded to what they perceived as the negative consequences of foreign direct investment by calling on intergovernmental actors to enact regulatory frameworks for transnational corporations. During this stage, developing countries utilized the United Nations Conference on Trade and Development as a platform to advocate for a New International Economic Order, including plans to establish a Code of Conduct on Transnational Corporations. Because of the relatively small size of the intergovernmental CSR field at this stage, there was a consensus among field actors that international economic transactions, especially between developed and developing countries, were a matter of distributive justice. Developing countries were successful in utilizing various organizational platforms in the UN to establish a Centre on Transnational Corporations that conducted research on the impact of transnational corporations and deliberated a possible Code of Conduct. The institutional outcome of this stage of the intergovernmental CSR field was characterized by a shared understanding between field actors.

Beginning in the late 1970s, developed countries, mainly the United States, became active participants in the intergovernmental CSR field and utilized the existing organizational resources established previously as well as their positions of authority from other UN bodies to stall negotiations on the Code of Conduct. Representatives from developed countries and international business associations argued that the Code of Conduct had been politicized by developing countries and did not present a fair assessment on transnational corporations. Developed countries reframed the issue of foreign investment as being essential to economic development in the Third World. At the same time, representatives from the United States engaged in tactics like withholding their UN dues and pressuring for changes in the UN Secretariat in order to delegitimize the Code of Conduct and to dismantle the Centre on Transnational Corporations. Several developing countries, at this stage, also began to be more receptive to foreign investment and transnational corporations as part of their developmental strategies, further dividing the previous consensus among developing countries. By the early 1990s, all attempts to create a global framework on corporations were defeated and the institutional outcome at

this stage of the intergovernmental CSR field was characterized by the domination of developed countries over developing countries.

Starting in the late 1990s, the intergovernmental CSR field had expanded further when UN actors such as the UN Secretariat and other institutional entrepreneurs within the UN began mobilizing within the field as a response to what they perceived as the potentially negative consequences of economic globalization. Cognizant of the bitter and divisive debates that took place in the intergovernmental CSR field in the past two decades, UN actors, including individuals like Secretary-General Kofi Annan, John Ruggie, and Georg Kell, began sidestepping the nation-state system in their plans to establish a new global CSR framework. These UN actors began consulting with international business representatives as well as other UN human rights, labor, and environmental agencies and were successful in their attempts to create a voluntary CSR initiative called the UN Global Compact. The institutional outcome of this stage of the intergovernmental CSR field was one of settlement and compromise.

In this chapter, I argue that external events and internal field composition are the main factors that led to institutional emergence and change in these three stages of the intergovernmental CSR field. Integrating institutional, field, and social movement theories, my main argument proposes that as social fields expand, with the entry of new actors that bring with them additional resources and interpretive frames, institutional outcomes of settlement and compromise will be more likely compared to shared understanding or domination outcomes. Fields of intermediate internal composition are neither small enough to be consensus-driven nor large and diverse enough to encompass a plurality of positions and more powerful field actors can easily reshape the field to reflect their dispositions and interests, resulting in domination outcomes. In the most expansive fields, that have a diversity of actors, interests, and resources, no particular group of field actors will be able to effectively achieve consensus or dominance, making settlement and compromise the likely institutional outcome.

Chapter 4, **The Global Expansion of Corporate Social Responsibility**, presents the findings of quantitative analyses of the diffusion of global CSR frameworks with cross-national panel data. In this chapter, I examine the institutional and economic channels at both domestic and global levels that drive corporations and governments around the world to endorse global CSR frameworks like the UN Global Compact and the Global Reporting Initiative. I seek to explain why some countries have more conducive environments for corporations to adopt CSR frameworks and why the level of commitment to those CSR frameworks is uneven across countries.

I explicitly compare institutional and political-economy theories of diffusion and test their propositions in a dataset of 99 countries. I consider four main hypotheses. First, world society theory argues that countries that are more connected to global norms and institutions will be more likely to have corporations engage with global CSR frameworks. Second, political-economy perspectives argue that countries that are more connected to global economic activity will have more corporations engage with global CSR. Corporations, especially in developing countries that have a higher degree of foreign economic penetration, will face investment or trade pressures from other countries to adopt global CSR frameworks. Third, domestic social institutions can also make certain countries more conducive for CSR. The degree of transparency of the business environment, the level of education and democracy, as well as existing corporate members of CSR frameworks are some domestic factors that push corporations in those countries to seriously consider adopting global CSR frameworks. Fourth, the national economic system of a country may determine whether its corporations look favorably on global CSR frameworks. In more liberal economies, for example, corporations may endorse global CSR frameworks as a means to demonstrate corporate citizenship while avoiding further government regulation.

To examine why levels of CSR commitment are uneven across countries, I discuss institutional and political-economy predictions of why corporations may adopt global CSR frameworks but not comply with the requirements of those frameworks. In institutional arguments, corporations in developing countries respond to global CSR

pressures by adopting CSR frameworks but they lack the capacity to comply with the requirements of those frameworks. Political-economy arguments, on the other hand, predict that corporations in developed countries that face the same global CSR pressures will respond with non-compliance, not because of the lack the capacity but because of organized hypocrisy. I test these propositions by dividing my full sample of countries into a subset of 27 developed countries and a second subset of 72 developing countries.

I also apply those propositions to a study of corporations in CSR-sensitive industries, focusing on a sample of 2,354 firms in extractive industries across 47 countries. I weigh internal firm characteristics with external global CSR pressures to determine the extent to which extractive corporations are vulnerable to those external pressures on substantive CSR commitment. I also test cross-level interactions to ascertain if corporate size will positively moderate global institutional and economic channels of CSR pressure.

My findings indicate that global institutional channels, especially through nongovernmental linkages, are strong predictors of global CSR framework adoption, including substantive commitment to those frameworks. I also find that bilateral trade relations between countries encourage corporations in developing countries to adopt global CSR frameworks. Comparing developed and developing countries, my findings suggest that it is corporations in developed countries that respond to global CSR pressures by not complying with CSR framework requirements. At the firm level, I find that the size of extractive corporations positively moderates both global institutional and bilateral trade pressures for substantive CSR commitment. Overall, these findings suggest that world society theory's account of the institutionalization of world culture also encompasses the global expansion of corporate social responsibility. Nevertheless, the significance of cross-national economic factors like bilateral trade relations also indicates that institutional linkages are not the only important channels of CSR. Differences in levels of CSR commitment across developed and developing countries also suggest that inequality in the world system is more durable than world society theorists acknowledge. Internal firm characteristics such as size of the corporation may also positively moderate global institutional and economic pressures.

Chapter 5, **Decoupling and Recoupling in Corporate Social Responsibility**, is a case study of the reception of global CSR in the Republic of Singapore where I present my findings from fieldwork and interviews with CSR practitioners in corporations, the government, and nongovernmental organizations.

In this chapter, I discuss the utility of using institutional theory's decoupling concept to explain how global ideas and practices are adopted in domestic contexts. Existing perspectives on globalization argue that global ideas and practices are either rejected by domestic actors or they are adapted to fit domestic needs and conditions. I argue that institutional theory provides a third alternative: in decoupling, domestic actors neither resist nor adapt global ideas but formally adopt them but do not implement them in actual practice. I explore this proposition by refining world society theory's concept of receptor sites—domestic social structures, such as professional associations, that facilitate the reception of global models. In my case study of CSR in Singapore, I show how the lateral decoupling between multiple receptor sites can result in organizational uncertainty for corporations. Corporations that engage with CSR respond to this uncertainty with recoupling strategies—attempts to reinterpret or transform their existing practices such that they fit with adopted CSR frameworks.

First, there exist multiple receptor sites in Singapore that facilitate the reception of global CSR models. Aside from nongovernmental organizations, state agencies serve as receptor sites for global CSR because of state actors' connections with international organizations. Corporations themselves are also receptor sites for global CSR as they receive CSR norms either through their global connections or, as subsidiaries of transnational corporations, from their parent companies overseas. Because of their differing interests, however, actors in these multiple receptor sites do not necessarily cohere in how they approach global CSR issues. I refer to this as lateral decoupling as opposed to vertical decoupling that occurs within organizations. My interview data suggests that state actors approach global CSR frameworks ceremonially because they want to strengthen the legitimacy of CSR in Singapore. Corporations, on the other hand, approach global CSR with a view to its practical application and how to balance CSR with cost and resource

constraints. Civil society is weak in Singapore. Those nongovernmental organizations that are active tend to be service-oriented and are the recipients of corporate financial aid.

My fieldwork also reveals that lateral decoupling among different receptor sites generates considerable uncertainty regarding the boundaries, applicability, and utility of global CSR frameworks. Corporations in Singapore, especially those that are already members of the UN Global Compact, respond to this uncertainty with strategies to recouple their existing practices to adopted CSR frameworks. In general, transnational corporations in Singapore see CSR adoption as relatively unproblematic since they receive global CSR norms from their parent companies. With sufficient resources to engage in CSR activities, they perceive CSR as consonant with their corporate values and organizational identities. Large domestic companies engage in recoupling strategies that emphasize tradition and their ties to the local community. Smaller companies and small-to-medium enterprises perceive CSR as a means of maintaining competitive advantage to distinguish themselves from their competitors.

I conclude the dissertation by reflecting on the moral regulation framework and its contributions to the existing literature on corporate social responsibility. I discuss how my arguments contribute to refining institutional theory, especially to account for the dynamism in social institutions. I also consider future developments in global CSR that may possibly change the ways in which prominent corporate, government, and nongovernmental actors exercise the moral regulation of the economy. These future developments offer scholars opportunities for research that, utilizing some of the findings in this dissertation, can further refine our understanding of the scope and impact of corporate social responsibility. I conclude these reflections by noting that while there may not be, in the words of David Vogel (2005), a “market for virtue,” external institutional and economic factors will continue to push for virtue from markets.

Chapter 2

Corporate Social Responsibility as Moral Regulation of the Economy: A Theoretical Account

2.1 Introduction

Between 1899 and 1900, Emile Durkheim gave a series of lectures at Bordeaux in which he applied the essential tenets of his sociological work to address questions about social changes in France. In these lectures, Durkheim's central concern was the issue of moral regulation and he applied this perspective to challenge the views of classical economic theory, socialist doctrines, as well as Weberian and Marxist conceptions of the state. Addressing the need for what he called "professional ethics" to mitigate the free play of economic forces, Durkheim (1957:9-10) remarked:

If we were to attempt to fix in definite language the ideas current on what the relations should be of the employee with his chief, of the workman with the manager, of the rival manufacturers with each other and with the public—what vague and equivocal formulas we should get! . . . Injunctions as vague and as far removed from the facts as these could not have any great effect on conduct. Moreover, there is nowhere any organ with the duty of seeing they are enforced. They have no sanctions other than those which a diffused public opinion has at hand, and since that opinion is not kept lively by frequent contact between individuals and since it therefore cannot exercise enough control over individual actions, it is lacking both in stability and authority. The result is that professional ethics weigh very lightly on the consciousness and are reduced to something so slight that they might as well not be.

More than a century later, it seems Durkheim's lament of "vague and equivocal formulas" has been answered with the development and maturation of the corporate

social responsibility movement. Across many countries in the world, corporations of different sizes, types, and industries have embraced the notion that businesses should attend to social and environmental practices beyond their economic, technical, and legal requirements. Not only has the CSR movement weathered sustained criticisms from prominent economists (Friedman 1970) and critics (Carson 1962), advocates for CSR have already, according to *The Economist*, “won the battle of ideas.”¹ Calls for corporate social responsibility today have expanded far beyond the realm of social activists—governments have begun to endorse CSR frameworks like the UN Global Compact, there are now organizations that specialize in services for CSR consulting, and even corporations themselves have moved from defensive positions to becoming proactive advocates for corporate citizenship.

Yet, despite the ascendancy of the contemporary CSR movement, questions still remain as to the motivations behind CSR advocates, the definitions and scope of CSR, and the consequences and efficacy of CSR, if any. Business experts (Vogel 2005; Karnani 2010) and social movement activists (Smith 2010) remain unconvinced. Despite definitions of CSR being remarkably consistent over the past few decades (Davis 1973; Carroll 1999; Barnett 2007), many still conflate CSR with charity, philanthropy, or simply obeying the law. Like many transnational corporations, Nestlé SA, long targeted by activists for the irresponsible marketing of infant milk formula in the developing world, and despite being supporters of the International Code of Marketing of Breast-Milk Substitutes (Sikkink 1986) and a member of the UN Global Compact, still remains a target of vociferous criticism (International Code Documentation Centre 2010). Furthermore, scholars showing only tenuous links between CSR and firm financial performance (Margolis and Walsh 2003; Vogel 2005) have deflated the much-ballyhooed CSR rallying cry that “doing good is good for business.”

If CSR indeed remains a set of injunctions that is “vague and far removed from the facts” with “no sanctions” on actual organizational behavior, how can sociologists explain its surprising ascendancy in modern society, its global expansion, and its reorienting of how

¹ “The Good Company.” *The Economist*, January 25, 2005.

businesses approach social and environmental concerns? In this chapter, I construct a theoretical framework that posits corporate social responsibility as the consequence of the *moral regulation of the economy*—efforts by social actors to shape the institutions that govern society-economy relationships. The main argument of my CSR as moral regulation approach argues that struggles around and movements for corporate social responsibility emerge when there are disjunctures between economic activity and the social institutions that govern that activity.

2.2 CSR as Moral Regulation of the Economy

In what follows, I demarcate my theoretical framework from previous approaches to corporate social responsibility and explain how the moral regulation framework contributes to understanding current patterns and developments in CSR practices. To begin, I must point out that I do not equate the term “moral regulation” solely with the field of “business ethics” (De George 2006), especially the variant that concerns itself with the *personal* ethics of decision-making in business. Although CSR and business ethics are closely related topics, I refer to moral regulation as the *institutionalized* rules that are external to and coercive of economic *organizations*, especially as they pertain to how corporations relate to their external environment. The phrase “moral regulation of the economy” thus refers to the patterns of social and economic forces, whether formal or informal, that govern how corporations’ practices fit with what other actors in society expect of them. The phrase is archaic but Durkheim employed it and the Durkheimian tradition in sociology is extensive (Fish 2005) so there will be no lack of understanding as I apply it to the study of corporate social responsibility. The moral regulation framework of CSR contributes to the literature in the following ways.

First, the moral regulation framework seeks to move discussions of CSR beyond “normative” considerations. There already exists a veritable cottage industry of scholarly work that has locked horns about whether businesses “should or should not” engage in CSR and I do not aim to replicate the arguments and findings of these studies (see Carroll

1999; Andriof and McIntosh 2001; Frederick 2006). Instead, I provide a sociological framework to assess some of the puzzles, causes, and consequences of the emergence, diffusion, and reception of CSR. To be sure, the problem of CSR is profound—corporations routinely violate human rights and pollute the environment and cover these up with ceremonial commitment to CSR—but it will not be answered with simple normative proclamations. My moral regulation framework asks not whether corporations should engage in CSR but what social forces push corporations, governments, and nongovernmental organizations to struggle over those normative considerations and what sociological factors lead to the widespread adoption of CSR despite these controversies. Sociologically oriented studies on CSR (Hoffman 2001; King 2008; Soule 2009) have already begun to take this approach.

Second, the moral regulation framework shifts discussions of CSR beyond the firm-centered perspective. Of course, corporate behavior is undoubtedly at the center of CSR debates and cannot be ignored. Nevertheless, my framework of moral regulation argues that CSR is *not* a property of corporations but is instead a property of the wider environment (be it the community, region, country, world society) in which corporations exist. This is another way of saying that the problem of CSR is also the problem of the legitimacy of the corporation in society (cf. Meyer and Rowan 1977). My framework demonstrates how CSR is comprised of debates and struggles among multiple social actors (not only corporations) about what constitutes legitimate corporate behavior, who decides the formal and informal rules of behavior that emerge from those debates, and what consequences those rules and debates have for corporate behavior. There is some precedent for this “externalist” approach to CSR in stakeholder theory (Freeman 1984, 1994, 1999; Post, Preston, and Sachs 2002; Phillips 2003). Although Walsh (2005) argues that stakeholder theory is still a firm-centered approach to CSR, it at least offers a perspective that seriously considers how external actors can have substantial impact on firm behavior. I will show shortly how integrating the insights of sociologists like Emile Durkheim, Karl Polanyi, and John W. Meyer can help shed light on these concerns.

Third, the moral regulation approach expands on arguments that show how CSR practices are related to “economic” causes, by which I mean that economic factors are the primary factors explaining CSR (see Pava and Krausz 1995; Carroll 2000). My theoretical account proposes a multi-causal and multi-level approach to CSR. Since CSR is about corporations’ actions, it is often tempting to assume that pressures for CSR arise solely from economic determinants. I do not discount these economic determinants but the theoretical framework I propose suggests that economic determinants must be weighted against other social or institutional factors that can explain why, despite no strong evidence that CSR actually has tangible benefits, corporations are embracing the CSR movement. Bartley (2007a, 2007b) and Kinderman (2012) have already suggested political approaches as alternatives to understanding the emergence of corporate regulation frameworks. Furthermore, my theoretical reasoning also acknowledges that pressures for CSR do not emerge solely from a corporation’s immediate environment. More frequently, calls for corporate responsibility arise from institutions and organizations that are not directly connected to specific corporations. If CSR were simply a local or domestic phenomenon, patterns of CSR activity and the types of CSR frameworks available to corporations would not be so similar across countries. Ruggie (2003a), Whitehouse (2003a), Shanahan and Khagram (2006), and Davis, Whitman, and Zald (2008), for example, have noted some of the cross-national dimensions of CSR.

Lastly, and this point is perhaps the most tenuous, the moral regulation framework is an attempt to build on and make explicit a return of economic and organizational sociology to its macro foundations and concerns (cf. Krippner 2001; Krippner and Alvarez 2007). By this, I simply mean that empirical work on organizations and economic behavior should continue to be grounded in middle range theories but should also seriously consider the society-wide (and even cross-national) institutions that can dramatically alter and undergird the way organizations operate in society. Recent approaches in organizational logics (Friedland and Alford 1991; Thornton and Ocasio 2008), economic sociology (Mizruchi, Stearns, and Marquis 2006; Krippner 2011), management (Davis 2009), and transnational and global sociology (Frank, Hironaka, and Schofer 2000; Hafner-Burton and Tsutsui 2005; Drori, Jang, and Meyer 2006) suggest that this is a

viable direction for the study of organizational and economic issues. The emergence, diffusion, and reception of global CSR practices is, I suggest, a prime example of how theoretical approaches in economic and organizational sociology can benefit from considering macro concerns and issues.

In the following sections, I discuss the theoretical insights of Durkheim, Polanyi, and Meyer and show how those insights can be integrated into a framework for understanding CSR as the consequence of the moral regulation of the economy. I do not attempt to discuss the full implications of their entire bodies of work but instead focus on the central theme that integrates their views on (i) how social actors respond to the uncertainty resulting from disjunctures between economic activity and the institutions that govern that activity and (ii) the consequences of those social responses.

2.3 Durkheim and Professional Ethics

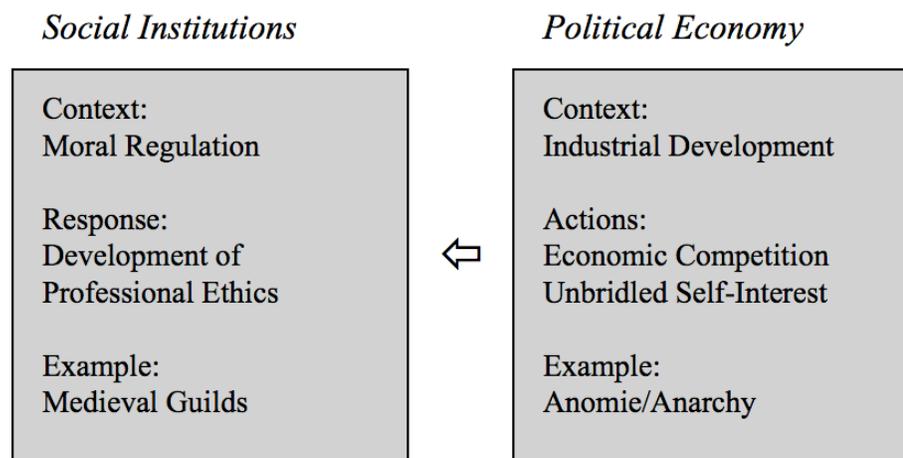
The theme of moral regulation is central to Emile Durkheim's sociology (1951, 1957, 1982, 1984, 1995). Although Durkheim wrote less substantively on economic topics (Swedberg 2003:18), *The Division of Labor in Society* in 1893 (Durkheim 1984) nevertheless was Durkheim's key work that examined the moral regulation of economic activity, specifically the social rules underpinning the division of labor in modern societies. Here, as in other works (Durkheim 1957), Durkheim sought to understand economic developments in Europe in the late nineteenth century and he challenged economic theorists' notion that contracts between individuals were sufficient to explain cohesion in societies marked by individualism and extensively differentiated divisions of labor. Instead, Durkheim argued that the non-contractual basis of contracts—moral regulation or the “beliefs and modes of behavior instituted by the collectivity” as social institutions (Durkheim 1982:45)—were crucial to understanding different modes of social cohesion despite dramatic changes in a society's division of labor. According to Durkheim (1984:71), for example:

Every contract therefore assumes that behind the parties who bind each other, society is there, quite prepared to intervene and to enforce respect for any undertakings entered into. Thus it only bestows this obligatory force upon contracts that have a social value in themselves, that is, those that are in conformity with the rules of law.

One way to understand Durkheim’s approach to the moral regulation of the economy, I argue, is to posit a relationship between two analytically demarcated domains in society. On the one hand, there is the domain of *political economy* that includes the division of labor in society, economic competition between individuals and organizations, and industrial development, as they pertain to the governance of production and exchange activities. On the other hand, there is the domain of *social institutions* that comprises patterns of “beliefs and modes of behavior instituted by the collectivity” as they pertain to the regulation of economic activities in the sphere of political economy (see Figure 2.1). Writing of the “individual appetites” unleashed by economic competition and industrial development, Durkheim (1957:11) posited the relationship between these two domains:

A form of activity that promises to occupy such a place in society taken as a whole cannot be exempt from all precise moral regulation, without a state of anarchy ensuing. The forces thus released can have no guidance for their normal development, since there is nothing to point out where a halt should be called.

Figure 2.1
Durkheim and Professional Ethics



Note: Arrow ⇐ represents direction of causal influence

This quote originates from the same series of lectures that I quoted at the beginning of this chapter. There, Durkheim argued for the development of a set of professional ethics that can potentially provide the sort of “precise moral regulation” to keep economic competition in check by binding it to moral rules and social institutions. What would these professional ethics look like and how would they be executed? Durkheim had in mind the kind of medieval guilds (Durkheim 1957:17) of craftsmen where each independent guild was structured along the lines of a religious cult or community that provided the sort of “moral environment” (Durkheim 1957:22) that constrained individual members’ actions. These constraints in the form of professional ethics would prevent economic competition from disrupting the social bonds between individuals and resulting in an anomic “state of anarchy.”

Durkheim’s example of professional ethics and civic morals was clearly an important one for his thinking on the moral regulation of the economy. In fact, Durkheim apparently thought it so important that he included the lecture as the preface to the second edition of *The Division of Labor in Society* in 1902 as an indication of the maturation of his social thought after the groundbreaking publication of *Suicide* in 1897 (Durkheim 1951; Parsons 1949:339). In Durkheim’s formulation, there is clearly a relationship between economic activity and the institutions and moral rules that social actors enact to regulate economic activity. However, the exact causal relationship between these two domains of action is unclear. Did Durkheim mean to say that moral regulation was not an “automatic response” to economic competition left unchecked? In fact, there are portions of Durkheim’s writing, like in the quote above, where he appears to occupy a normative position that advocated the need for moral regulation. On the other hand, did Durkheim mean to suggest that, as economic behavior was embedded in social institutions, it was not likely that economic competition would continue unbridled without some countervailing response from social actors to regulate that behavior? I suggest that the latter interpretation is more likely the case, bearing in mind Merton’s (1968:81-83) warning of assuming functional necessity when there is in fact none. Nevertheless, as he demonstrated with evolving forms of law and sanctions with the changing division of labor in society, Durkheim had enough evidence to posit a relationship between

economic behavior and the social institutions developed to regulate that behavior that can be tested with empirical research.

Why did Durkheim believe that professional groups (what he referred to as “the guild system”), instead of other actors in society, would likely enact moral regulation in the face of unbridled economic competition? One other possible source of regulation from the political economy domain that Durkheim considered in this formulation was the State but he subsequently dismisses the State’s efficacy in providing the requisite moral governance. According to Durkheim, economic activities were too vast and diffuse in society for the State to be able to effectively provide the type of specific moral regulation that individual guilds could enact:

This direct tutelage by the State was of course only feasible whilst manufacturers were still few and in the early stages. The ancient guild in its early form failed to adapt itself to the new style of industry and the State was able to provide a substitute for the old guild discipline only for a period. . . . On the other hand, that experience demonstrates that the State was itself not able to perform this office, because economic life is too vast and too complex, with too many ramifications, for it to supervise and regulate its operations effectively.

Durkheim’s views on the State reflect his argument against proponents of socialist doctrines during the period (Durkheim 1957). Nevertheless, I suggest that Durkheim is not arguing against the State as a possible source of moral regulation, just that the State may not be able to offer the kind of moral regulation precise enough to govern different types of behavior specific to different domains of economic activity, depending on the nature of the division of labor *in a specific society*. Under different historical or economic circumstances, the State could well be the fount of exacting institutional control over economic activity, for example through specialized agencies and bureaucracies.

Of the many appraisals of Durkheim’s formulation of moral regulation, Hendry (2001), for example, argues that Durkheim failed to account for the rise of large bureaucratic organizations, as Weber (1947) did, and that bureaucracies could serve as potential sources of regulation in which individual self-interest was constrained by the “communal interests of the firm qua society” (Hendry 2001:212). Hendry nevertheless points out that

the Weberian foundation of modern management studies' focus on the bureaucratic hierarchical organization (Chandler 1977), in turn, did not anticipate the rise of flexible economies where "the relationships between firms and their employees, and the relationships between employees, are increasingly governed, quite openly, by the rules of the market rather than by those of traditional moral obligation" (Hendry 2001:213). In this scenario, moral constraint can only be exercised through appealing to the self-interest of "free" agents (Fama 1980), leaving open the possibility of the kind of "state of anarchy" that so concerned Durkheim. I concur with Hendry's (2001:214) assessment that Durkheim's view of professional ethics as moral regulation provides a useful framework to reconsider the relationship between economic activity and institutions that regulate that activity.

Durkheim's view of the development of professional ethics as a bulwark against the potential consequences of unconstrained economic competition and behavior is, I argue, a first important step towards conceptualizing corporate social responsibility as a domain of activity not confined to any one firm alone but as a consequence of multiple social actors, including the State and professional and business associations, contending for legitimate ways to regulate economic behavior. Durkheim's main contribution here is in positing the *type* of connection that exists between the social-institutional and political-economy domains of society, where the disjuncture between economic activity and the available means of regulating economic development would drive further efforts by social actors to shape the institutions that govern society-economy relationships.

2.4 Polanyi and the Double Movement

Karl Polanyi's central work, *The Great Transformation*, first published in 1944, is an economic history and theory of the origins of the Industrial Revolution and the rise of fascism in Europe (Polanyi 2001). Polanyi's thought is in many ways an extension of Durkheim's concerns about the relationship between the domains of social institutions and political economy, specifically, the consequences of disjunctures between those two

domains. Scholars have conventionally related Polanyi's social and economic theory to the work of Karl Marx and Marxism (Humphreys 1969; Stanfield 1980; Block and Somers 1984; Somers 1990; Burawoy 2003) and Polanyi himself made numerous references to Marx in *The Great Transformation* and none to Durkheim (Akturk 2006:108). Nevertheless, the theoretical affinities between Polanyi and Durkheim have not gone unnoticed (Bernburg 2002; Burawoy 2003:200; Akturk 2006). Akturk (2006:108) calls the affinity between Durkheim and Polanyi's treatment of anomie an "obvious similarity" while, for Bernburg (2002:735), "the resemblance . . . is striking." Suffice to say, both theorists made crucial connections in specifying the relationship between social institutions and political economy and the consequences of their "disembeddedness."

Polanyi's assumptions of the social underpinnings of economic behavior (Block and Somers 1984; Krippner 2001) are fundamentally similar to Durkheim's. Like Durkheim (1984, 1995), Polanyi also relied on anthropological and historical evidence to argue for the close relationship between social and economic domains in society. Furthermore, Polanyi (2001:48) is more explicit that economic behavior was *embedded* in social institutions:

The outstanding discovery of recent historical and anthropological research is that man's economy, as a rule, is submerged in his social relationships. . . . Neither the process of production nor that of distribution is linked to specific economic interests attached to the possession of goods; but every single step in that process is geared to a number of social interests which eventually ensure that the required step be taken. These interests will be very different in a small hunting or fishing community from those in a vast despotic society, but in either case the economic system will be run on noneconomic motives.

In fact, when discussing the relationship between notions of the "self-regulating market" and the "fictitious commodities" of labor, land, and money, Polanyi (2001:73) relies on exactly the same example of the guild system as Durkheim to demonstrate the social regulation of economic activity:

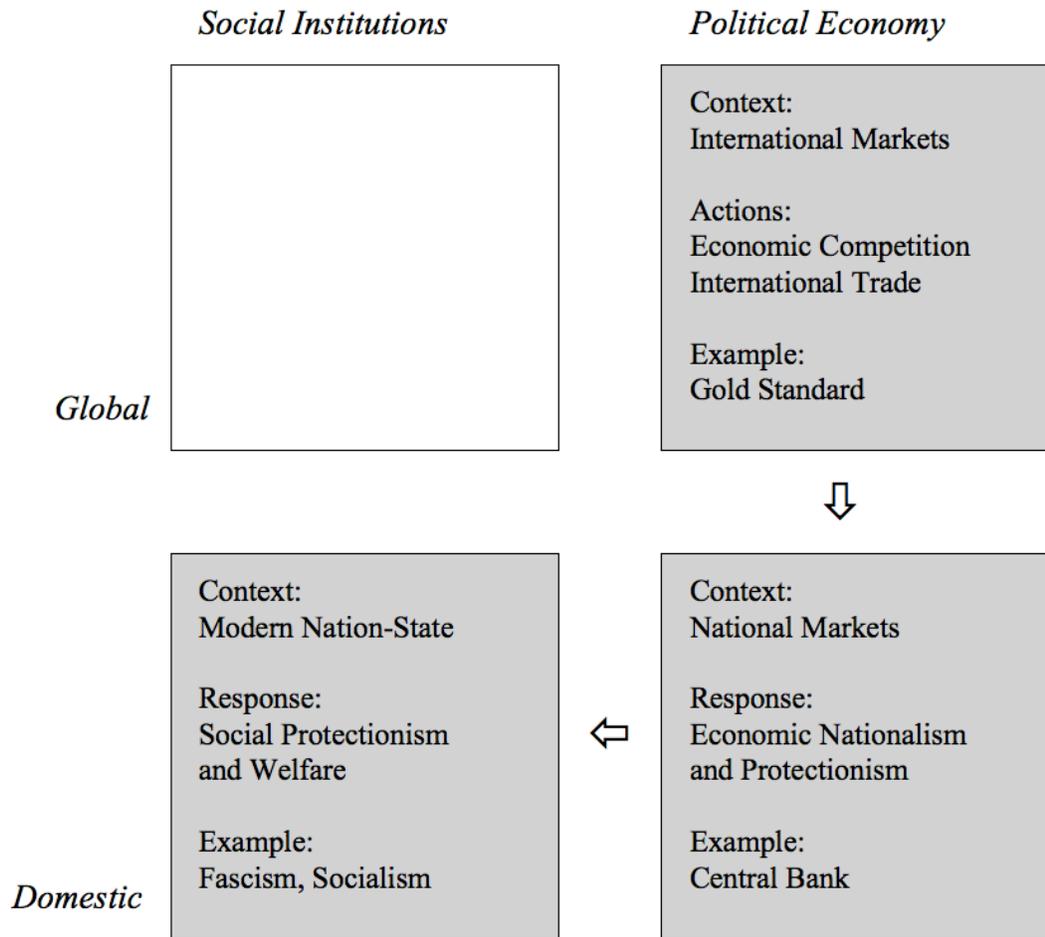
Under the guild system, as under every other economic system in previous history, the motives and circumstances of productive activities were embedded in

the general organization of society. The relations of master, journeyman, and apprentice; the terms of the craft; the number of apprentices; the wages of the workers were all regulated by the custom and rule of the guild and the town. What the mercantile system did was merely to unify these conditions either through statute as in England, or through the “nationalization” of the guilds as in France.

Thus, as with Durkheim, Polanyi considers two domains of social action that have a distinctly causal relationship—the domain of production and distribution and the domain of social relationships and social interests. Of course, I distinguish these two domains only analytically and my distinction does not imply that they are autonomous even though social actors themselves sometimes treat them as such. As Polanyi shows through his discussion of the way different forms of economic distribution mirror different social arrangements (Polanyi 2001:45-58), the domains of economic and social action co-evolve through history much like Durkheim’s (1984) discussion of how social institutions like law co-evolve with changing divisions of labor in society. Although there are subtle differences between directions of causal influence between Durkheim and Polanyi as they describe these social and historical processes, the key point I emphasize is that both theorists posit direct relationships between these two domains of social action.

Polanyi demonstrates this key point of the embeddedness of economic behavior by showing how developments in the political-economic realm throughout history—what he calls elsewhere “economy as instituted process” (Polanyi 1957)—are accompanied by social-institutional responses to protect the relationships and interests that social actors perceive to be under threat of dissolution. Polanyi refers to this process as the “double movement.” For my purposes in delineating aspects of Polanyi’s work that speak directly to the moral regulation of the economy, I focus on Polanyi’s discussion of world economic developments in the late nineteenth and early twentieth centuries although the patterns Polanyi examines apply equally well to his discussion of the Industrial Revolution of the eighteenth century. In this historical illustration of the international economic system, I argue that Polanyi makes crucial advances over Durkheim in conceptualizing the moral regulation of the economy by accounting for the domain of political economy in multi-level terms (Figure 2.2) (Polanyi 2001:3; Stanfield 1980).

Figure 2.2
Polanyi and the Double Movement



Note: Arrows ⇌ ↓ represent direction of causal influence

According to Polanyi, the development of international markets through the eighteenth century had encouraged free market advocates to enact a global economic standard in the late nineteenth century, based on the convertibility of national currencies to their value in gold, in order to facilitate free trade across countries. Polanyi argued that economic liberals' belief that international markets would "self-regulate" buttressed the establishment of the international gold standard (Polanyi 2001:31). National economies, however, reacted by not fully adhering to the gold standard and principles of free trade for fear that their potential national deficits would require them to enact deflationary

policies domestically, such as lowering wages for workers, or by depreciating their currencies (Polanyi 2001:203):

Under nineteenth-century conditions foreign trade and the gold standard had undisputed priority over the needs of domestic business. The working of the gold standard required the lowering of domestic prices whenever the exchange was threatened by depreciation. Since deflation happens through credit restrictions, it follows that the working of commodity money interfered with the working of the credit system.

Polanyi argued that the international gold standard had also led countries to react by espousing economic nationalism, using their central banks as means of protectionism to control the value of their currencies and serve as “buffers” against deflation and depreciation (Polanyi 2001:207):

Liberal nationalism was developing into national liberalism, with its marked leanings towards protectionism and imperialism abroad, monopolistic conservatism at home. Nowhere was the contradiction as sharp and yet as little conscious as in the monetary realm. For dogmatic belief in the international gold standard continued to enlist men’s stintless loyalties, while at the same time token currencies were established, based on the sovereignty of the various central banking systems. Under the aegis of international principles, impregnable bastions of a new nationalism were being unconsciously erected in the shape of the central banks of issue.

Because of these contradictory pressures between global economic developments and domestic economic responses—manifest belief in the gold standard, free trade, and self-regulating markets versus actual protectionist measures taken domestically—countries, fearing the “threatening collapse of the international economic system” (Polanyi 2001:24), began to abandon the gold standard and further restrict their dependence on international trade. After the First World War and the Great Depression, the major world powers reacted to mitigate the disastrous economic consequences by establishing new social institutions: welfare state systems in Great Britain and New Deal America, the entrenchment of socialism in the Soviet Union, and fascism in Italy and Germany.

The causal chain in Polanyi’s historical explanation of the “double movement” thus begins with developments in the global economic domain (establishment of the gold

standard by belief in free trade and self-regulating markets), leading to protectionist economic measures in the domestic economic domain (economic nationalism and the use of central banks as buffers), and finally to moral regulation developed in the domestic social institutional domain (justifications and ideologies of welfarism and totalitarianism).

To return to my comparison between Durkheim and Polanyi's approaches to moral regulation, Durkheim only posited the relationship between domains of action within the confines of one country (i.e., France). Although Durkheim made a strong argument for a strong causal relationship between the social-institutional and political-economy domains in society, it is clear that Polanyi's account of the causes and consequences of free market ideologies is far more nuanced and ambitious with his incorporation of global causal factors. By situating countries' social and economic institutions in their international economic context, Polanyi was able to demonstrate how "moral developments" in the domestic sphere were not solely confined to domestic causes—they could be dramatically influenced by global events as well. Writing of fascism in Europe, for example, Polanyi (2001:245-248) remarked:

The appearance of such a movement in the industrial countries of the globe, and even in a number of only slightly industrialized ones, should never have been ascribed to local causes, national mentalities, or historical backgrounds as was so consistently done by contemporaries. . . . In fact, there was no type of background—of religious, cultural, or national tradition—that made a country immune to fascism, once the conditions for its emergence were given.

Fascism, like socialism, was rooted in a market society that refused to function. Hence, it was worldwide, catholic in scope, universal in application; the issues transcended the economic sphere and begot a general transformation of a distinctively social kind. It radiated into almost every field of human activity whether political or economic, cultural, philosophic, artistic, or religious.

With his consideration of global economic events, Polanyi opens the possibility for conceptualizing moral regulation in multi-level (global-domestic) terms. Nevertheless, Polanyi did not have a strong conception of social-institutional factors—for example, global norms—operating at the global level (see missing cell in Figure 2.2). Part of the

reason for this was that Polanyi was writing before the current era of globalization and there were no international organizations like the United Nations prominent enough to promulgate global social and cultural norms. Like many others, Polanyi's brief references to the League of Nations suggest he thought it was a dismal failure (Polanyi 2001:22). Of course, as a testament to his theory, the events that Polanyi himself analyzed (culminating in the Second World War) *did* subsequently lead to the formation of international organizations like the United Nations.

Nonetheless, for the purposes of my comparison and framework, this is an omission that needs further discussion. Polanyi's analysis of economic history undoubtedly went further than Durkheim's own treatment of economic issues but as Akturk (2006:108-109) argues:

Unlike Durkheim, Polanyi fails to seek a satisfactory resolution to the non-economic aspects of the multifaceted problem that he meticulously identifies. The origins of morality and the production of meaning in society are almost completely ignored in Polanyi's narrative. This weakness is due to his "tragic view" that the societal "coziness" of premodern community is lost forever.

I show in the following section how the new institutional and world society approaches in sociology can complement this "missing" portion of the "production of meaning in society" in my framework of the moral regulation of the economy.

2.5 Meyer and the Institutionalization of World Culture

John W. Meyer's world society theory (also referred to as the world polity approach) describes how the development of global cultural and associational processes after the Second World War has resulted in the establishment of shared norms and institutions across different countries (Meyer et al. 1997; Meyer 2000; Meyer 2010). The world society approach essentially applies insights from new institutional theory in sociology and organizational studies (Meyer and Rowan 1977; DiMaggio and Powell 1983) to the study of globalization and international relations. In new institutional theory (Powell and

DiMaggio 1991), organizations seek legitimacy from their external constituents by adopting ideas and practices that conform to institutionalized expectations of how organizations should be structured and what activities organizations should engage in. In doing so, organizations respond to powerful coercive, normative, and mimetic pressures in their environment, adopting remarkably similar structures and practices that may not be efficient or functional for their actual operations. Likewise, in world society theory, nation-states are conceived as entities that reflect global norms and institutions, often adopting standards, frameworks, and models that are considered legitimate in international society, despite considerable variation in domestic contexts and resources. The world society approach to globalization seeks to explain how these global norms and institutions, promulgated by international organizations like the United Nations and global civil society organizations, shape the way modern-nation states adopt similar structures (Meyer et al. 1997), approaches to governance (Drori, Jang, and Meyer 2006), and orientations to human rights (Hafner-Burton and Tsutsui 2005) and the environment (Frank et al. 2000).

Despite many similarities and obvious affinities (Meyer is the originator of both variants of institutional thinking), one crucial difference that sets the world society approach to globalization apart from the new institutional theory of organizations is what world society theory draws from global historical context. According to Meyer (2000; 2007; 2010), the content and institutionalization of world culture and norms—its focus on progressive values, science and rationalization, mass schooling and education—is a direct result of world conflict and economic disasters. As Meyer (2010:6) writes:

The disasters of the first half of the twentieth century, culminating in World War II, radically weakened and delegitimated a world order built on charismatic and corporate nation-states as ultimate units of authority, with national citizenship as the master human identity. . . . After 1945, it was increasingly understood that this older world of corporate nationalism had created two world wars, a massive depression, enormous moral violations including a Holocaust, and unsustainably unjust inequalities of racism and colonialism.

Thus, as a direct consequence of the events Polanyi examined in *The Great Transformation*, architects of the new global order established global institutions and

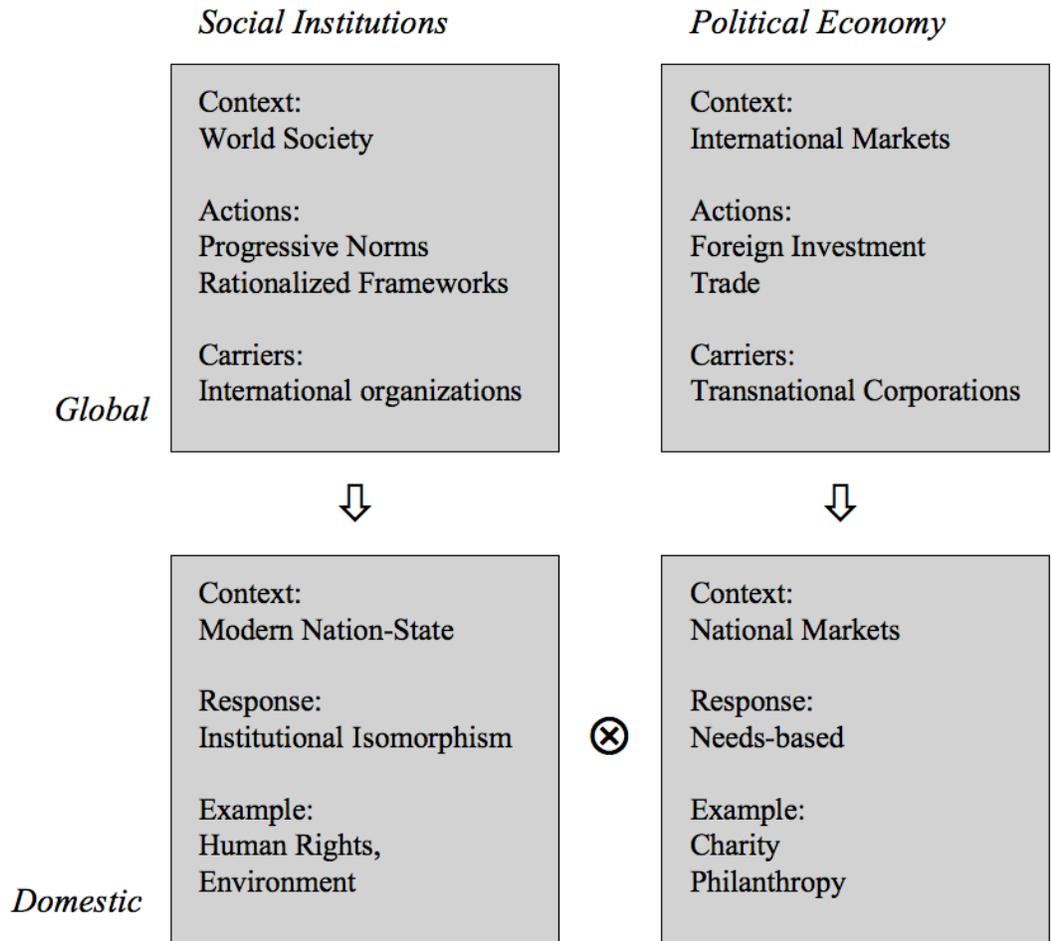
organizations that embodied progressive principles such as the sanctity of human rights (reflected in the UN's Universal Declaration of Human Rights). The institutionalization of these progressive principles, Meyer argues, is evident from the subsequent independence of former colonies of the European powers. Many newly formed nation-states, requiring templates for governance, development, and education, conformed to these new global expectations of peace, security, and equality by adopting policies, structures, and practices promulgated by international organizations dedicated to those progressive principles. The reconstruction of European countries after the Second World War, together with the defeated Axis powers of Germany, Italy, and Japan, also precipitated the institutionalization of world culture.

According to world society theory, the institutionalization and diffusion of world culture is supported by a contemporary global order is that "stateless" (Meyer 2000:236), parallel to the decentralized polity of the United States in the nineteenth century described by Alexis de Tocqueville (2004). Global norms and institutions do not derive from a centralized world government (i.e., there is none even though international organizations like the UN are prominent actors in the world society) or powerful countries (e.g., the American state has long refrained from endorsing global principles) (Meyer 2007) but are instead supported by the proliferation of "disinterested" actors and nongovernmental organizations that serve as carriers for global norms and progressive principles (Boli and Thomas 1997). Thus, as Meyer (2010:6) argues:

[In] the postwar world, an enormous number of professional and organizational social structures arose to assert the [world progressive] qualities involved. . . . Adopting the stance of rising above the self, they are not mainly interested actors, so much as Others, in the old Meadian sense, and they derive their agentic authority from roots that would once have been considered religious.

Thus, with reference to the moral regulation framework I have established, world society theory's account of the institutionalization of world culture highlights the source of moral regulation in the global social-institutional domain that is missing from Polanyi's multi-level approach that I discussed in the previous section (see Figure 2.3).

Figure 2.3
Meyer and the Institutionalization of World Culture



Note: Arrows ↓ represent direction of causal influence, cross ⊗ represents potential decoupling

Writing before the contemporary era of globalization, Polanyi could not have predicted the emergence and institutionalization of a progressive world culture without a central world authority and thus was not able, according to Akturk (2006:108), to effectively theorize the “origins of morality and the production of meaning in society” as a potential resolution to future disjunctures in society-economy relationships.

Durkheim, previously discussed, and Meyer provide much more robust accounts of culture and institutionalization. New institutional and world society approaches, for example, show how institutions—“cultural rules giving collective meaning and value to

particular entities and activities, integrating them into the larger schemes” (Meyer, Boli, and Thomas 1987:13)—have powerful effects in shaping the structures and practices of organizations and nation-states. Because progressive world culture principles have gained much salience in contemporary world society, modern nation-states have ratified human rights and environmental treaties at a remarkable rate (Frank et al. 2000; Hafner-Burton and Tsutsui 2005) as with the adoption of mass education (Schofer and Meyer 2005), scientific expansion (Drori et al. 2003), and modes of ethnic mobilization (Tsutsui 2004). Despite much diversity and inequality in the world polity (Beckfield 2003), global norms and institutions, with international organizations as their transmitters, remain a resilient source of moral regulation of modern nation-states.

Do contemporary understandings and models of corporate social responsibility reflect these global progressive principles and are they the outcome of the moral regulation of the global economy? Concerns about the instability of the current world economic system (Stiglitz 2002; Ruggie 2003b), the development of global corporate governance frameworks by international organizations (Sagafi-Nejad 2008), and calls for transnational corporations to be responsible for practices beyond their conventional domains (Davis et al. 2008) suggest that global CSR issues fall squarely within this framework. Human rights and environmental concerns, issues that are central to world cultural principles, are central to contemporary CSR, as reflected in frameworks like the UN Global Compact and the Global Reporting Initiative. Furthermore, the UN’s involvement in promoting corporate social responsibility through corporate involvement and domestic CSR networks (Wynhoven and Senne 2004) and the cross-national diffusion of CSR frameworks (Shanahan and Khagram 2006) indicate that the patterns described by world society theory are already under way for the diffusion of CSR.

In previous sections, I examined how both Durkheim and Polanyi posited mutually reinforcing effects between the social-institutional and political-economy domains in society, in most part because they theorize economic behavior as embedded in social practices. Furthermore, as in Polanyi, global economic events were also seen to have dramatic consequences in domestic social realms. Although world society theory has its

foundation in Durkheimian sociology, Meyer has a different approach to the issue of dependencies between different domains in society. Domestic actors like nation-states are exceptionally open to global institutional influences not only because they have previously adopted environmentally sanctioned structures and models that reflect world cultural principles but also because they have the capacity to *decouple* formally adopted models from actual practice (Meyer et al. 1997:154; Meyer 2000:244). Thus, nation-states that ratify human rights treaties, for example, do not always have the capacity or political will to enforce those treaties domestically (Hafner-Burton and Tsutsui 2005). Otherwise, nation-states concede to external institutional pressures to appease international observers and critics but retain domestic practices to maintain the status quo (Krasner 1999).

Meyer's argument regarding decoupling—that inconsistencies between policy and practice stem not solely from domestic conditions but from actors balancing external pressures and domestic needs—is a novel one and Meyer assumes that a loose coupling between formal models and actual implementation does not pose significant problems for further expansion of world cultural principles. Referring to Durkheim, Meyer (2007:265) states:

It is important not to make too much of [decoupling]. The classic sociological observation—usually attributed to Durkheim—is that collective norms (like progress and individual rights, in the modern scheme) impact the practices of both those who ostentatiously subscribe to them and those who don't.

As an example, Meyer refers to research on the expansion of female participation in tertiary education (Bradley and Ramirez 1996; Ramirez and Wotipka 2001) to show that worldwide rates of female participation increase regardless of whether countries adopt the requisite policies. Nevertheless, as Polanyi demonstrated, there may be disastrous consequences when domestic actors agree to abide by global models, albeit economic ones such as ideas of the self-regulating market or the international gold standard, but actually resist them in practice. Decoupling may also have consequences as the divergence between promises and actions may lead to *greater* uncertainty for actors in the world society, leading to further pressures for change in areas where decoupling is

most extreme. Hafner-Burton and Tsutsui (2005) show, for example, that countries that made “empty promises” by ratifying human rights treaties were subsequently pressured to improve their actual human rights practices. Furthermore, to suggest that there would be few consequences to decoupling is not entirely consistent with the fundamental premise of new institutional and world society theory that lower-level entities (in this case, nation-states) are constantly open to environmental influence. If domestic actors do not tightly couple formal policies with actual implementation, would external actors not alter their global models or exert further pressure to minimize the extent and potential of decoupling? The consequences of decoupling require further empirical research but, for the purposes of the framework I present in this chapter, raise the question of whether actions in the domains of social institutions and political economy have independent effects on domestic contexts (see Figure 2.3).

To what extent does the potential decoupling between institutions posited by Meyer reflect weak dependencies between the social-institutional and political-economy domains in any given society? In other words, is it likely that pressures for moral regulation of the economy do not arise directly from actions and events in the global economic domain, as shown by Polanyi, but only from global institutional sources, as theorized by Meyer? The world society approach seems to suggest so, in part because world society studies rarely compare institutional and economic explanations directly but also because the world society approach has not examined the potential consequences of decoupling. While scholars using world society theory often weigh global and domestic explanations, they seldom adjudicate between world institutional and global economic factors directly to explain domestic outcomes. The multi-causal and multi-level framework of moral regulation that I derive from the theories of Durkheim, Polanyi, and Meyer presents an opportunity to make these analytical domains explicit and to test them empirically.

Nevertheless, the contributions of Meyer and his associates in the world society approach to globalization and cross-national processes are, in my estimation, considerable. World society scholars have demonstrated, with a wide range of empirical investigations, the

extent of the institutional consolidation of shared norms, many of them progressive in nature, at the global level. Challenging existing realist or economic accounts of cross-national interdependencies, world society theory also presents a uniquely sociological explanation of the development and reproduction of this world culture despite the lack of a central world authority in the post-World War II era. Through world society theory, scholars have been able to examine how social and cultural factors operating at the global level have powerful effects in shaping the way domestic actors conduct their internal affairs.

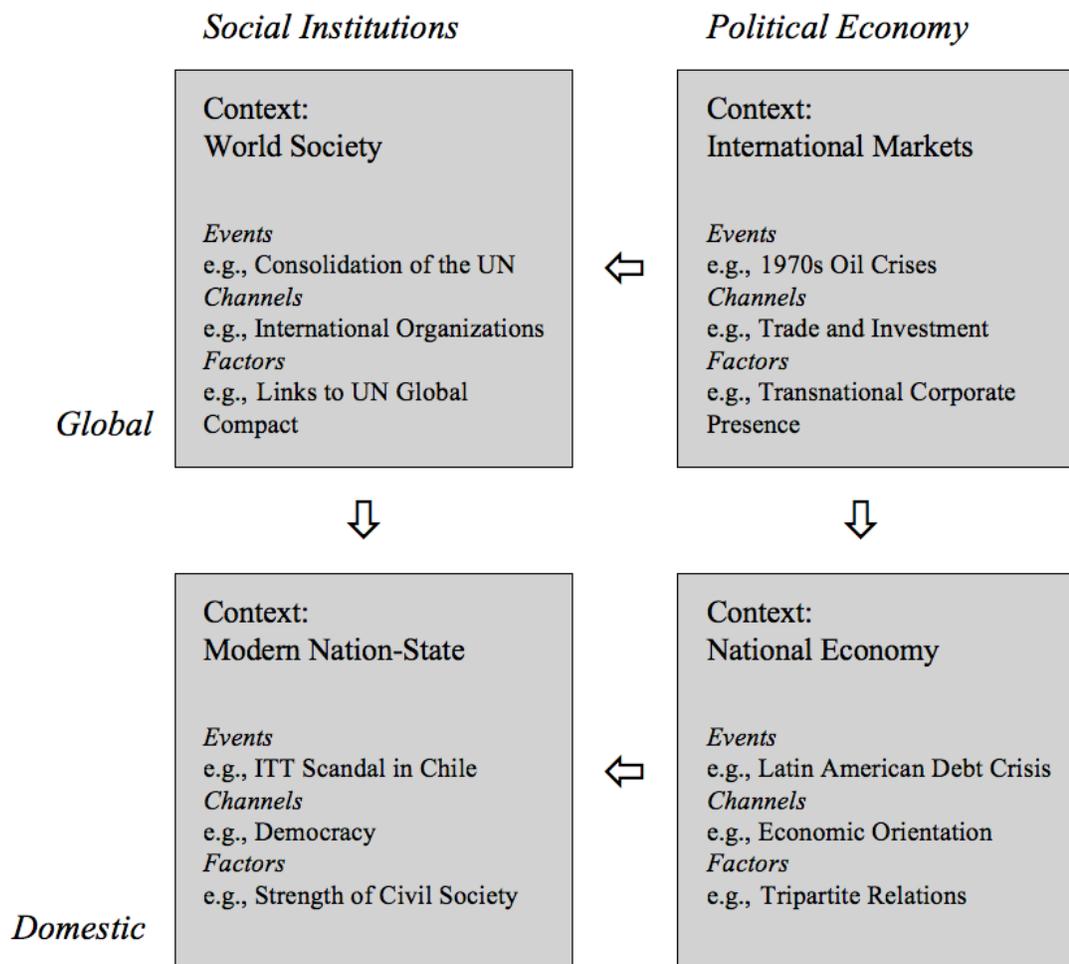
2.6 A Multi-Casual, Multi-Level Framework of CSR as Moral Regulation of the Economy

At the start of this chapter, I argued that a theoretical framework that seeks to explain the contemporary corporate social responsibility movement must be able to successfully account for (i) the objective conditions giving rise to CSR, (ii) a perspective on CSR that goes beyond the existing firm-centric paradigm, and (iii) multiple causes of CSR at multiple levels of analysis. From the various theoretical and empirical insights of Durkheim, Polanyi, and Meyer, I derive a framework of moral regulation that addresses these concerns. The basic idea underlying this framework is my argument that CSR is the outcome of efforts by social actors to shape the institutions that govern society-economy relationships. To that end, I employ the moral regulation framework as a template for identifying, classifying, and assessing the *events*, *channels*, and *factors* that explain the various aspects of CSR—its emergence in the form of standardized frameworks, its diffusion across organizations and countries, and its implementation in domestic contexts—as well as to establish causal links between domains (see Figure 2.4).

First, the moral regulation framework identifies the domains in which *events* occur that have consequences for the emergence of global CSR frameworks (see Chapter 3). Global events, for example, often serve as triggers of domestic actors' mobilization. The governments of several developing countries, motivated by the collective action of Arab

members of the Organization of Petroleum Exporting Countries to restrict the supply of oil during the oil crises of the 1970s, employed the United Nations Conference on Trade and Development as a platform to advocate for a global governance framework to regulate transnational corporations, sparking the United Nations' interest in corporate social responsibility. Otherwise, domestic events such as the International Telephone and Telegraph scandal in Chile in 1973 also influenced UN actors' decisions to seriously consider international frameworks and guidelines for the role of transnational corporations in domestic political affairs.

Figure 2.4
CSR as Moral Regulation of the Economy



Note: Arrows ⇌ ⇩ represent direction of causal influence

Second, the theoretical framework I present identifies the *channels* through which the moral regulation of the economy is exercised (see Chapter 4). Corporations and countries that are embedded in extensive global institutional linkages or have a high degree of foreign economic penetration, for example, may be more likely to be pressured through those channels to engage with CSR practices. The world society approach has argued that countries that are more connected to global institutions through international nongovernmental organizations (INGOs) are more likely to be conducive to progressive values such as human rights and protection of the environment. Therefore, INGOs may act as channels or carriers through which global actors pressure countries to adopt global CSR frameworks. The pressure to adopt CSR may also come through trade or investment channels, where trade or investment partners in other countries pressure domestic corporations to demonstrate good corporate citizenship. Domestic channels, such as a country's orientation towards economic policy, may also influence CSR engagement. Countries that have less regulated economies, for example, may have more corporations engage with CSR as a voluntary measure in order to avoid further government regulation.

Third, the moral regulation framework presents the various *factors* that explain how CSR practitioners' attempts at governing society-economy relationships are either consistently pursued or loosely coupled from one another (see Chapter 5). CSR practitioners belonging to various sectors in society may approach the implementation of CSR with different interests and orientations. Countries that have extensive foreign investment from transnational corporations may see the implementation of CSR frameworks as relatively unproblematic as their domestic subsidiaries merely adopt the CSR practices of their parent companies overseas. This contrasts with domestic companies or small-to-medium enterprises that either have existing philanthropic activities and ties with the local community or, otherwise, have to balance CSR engagement with cost and resource constraints. The weighting of the variable "strength" of either foreign capital or domestic business, therefore, can help explain whether CSR in domestic contexts reflects either global principles or domestic needs. In another scenario, governments that have extensive links to global institutions may promote global CSR frameworks that are voluntary and ceremonial while domestic CSR NGOs may prefer CSR frameworks that require more

stringent reporting requirements. Comparing the relative weight of these factors can help determine if CSR implementation is symbolic and decoupled from practice or practical and tailored to specific business needs.

In sum, I employ this framework to identify the relevant events, channels, and factors that shape the practice of corporate social responsibility.² At each stage of the global development of CSR, I compare and assess their relative impact in order to test arguments of institutional emergence, cross-national diffusion, and reception and implementation.

2.7 Conclusion: Moral Regulation and Assessing the Causes and Consequences of Cross-National Processes

In this chapter, I examined the theories of Durkheim, Polanyi, and Meyer and how they contribute to understanding the relationship between the institutional and economic dimensions of society. I argued specifically that integrating their views on this relationship can yield a theoretical framework on the moral regulation on the economy of which the emergence, diffusion, and implementation of corporate social responsibility can be assessed. In Durkheim's study of how economic competition and the division of labor in society are undergirded by social institutions, he introduced the conception of the development of professional ethics as a means to regulate economic behavior. In Polanyi's analysis of historical events leading to the rise of fascism in Europe, he examined how attempts by free trade and market advocates to institute international market mechanisms resulted in domestic protectionism, ultimately leading to conservative social reactions and ideologies. In Meyer's theory of the institutionalization of world culture, he argued how developments after the Second World War resulted in the consolidation of a stateless global regime of progressive norms and institutions that

² The direction of the causal arrows presented in Figure 2.4 suggests that the moral regulation of the economy is effected by global factors on domestic domains. I note that this is only one possible way in which moral regulation effects are exercised as my discussion of the preceding theories suggests. Domestic factors may also affect moral regulation efforts in global domains, as I demonstrate in subsequent chapters.

impacted the practices of modern nation-states and domestic actors. By integrating these insights, I developed a theoretical framework that incorporates multi-causal (institutional and economic) and multi-level (global and domestic) explanations of the moral regulation of the economy, of which I argue that the global CSR movement is a prime example of.

Although I apply this moral regulation framework to study the global expansion of corporate social responsibility in this dissertation, I believe the framework's foundations in macro sociological theory can also be applied to the study of other global and transnational processes, whether it is the study of how foreign direct investment affects human rights practices (W.H. Meyer 1996; Smith, Bolyard, and Ippolito 1999), the diffusion of environmental protection (Schofer and Hironaka 2005), or global civil society (Smith and Wiest 2005). Studies of global and transnational processes have generally considered only economic processes (Wallerstein 1979; Richards, Gelleny, and Sacko 2001; Kentor and Boswell 2003) as the main source of integration in the world system with economic factors being the main determinants of domestic practices. In this conception (Wallerstein 1979), cultural or social factors are typically disregarded as superficial or epiphenomenal (cf. Tomlinson 1999). In this regard, Meyer's world society approach has been an important rejoinder to globalization scholars that global cultural factors also act as a powerful source of world system integration, despite the lack of a centralized world authority, and that global institutional factors can have autonomous effects on domestic actors' practices. Nevertheless, cultural or institutional perspectives on globalization do not sufficiently appreciate the impact of economic factors or inequality in the world polity (Beckfield 2003). The moral regulation framework developed in this chapter offers a theoretical account that can incorporate both traditions and the opportunity to weigh their merits explicitly in future empirical research on globalization.

Chapter 3

Institutional Emergence and Change in Global Corporate Social Responsibility: The Politics of Global Corporate Governance in the Intergovernmental CSR Field

3.1 The Announcement of the UN Global Compact

In January 1999, then-Secretary-General of the United Nations, Kofi Annan, made a startling announcement at the World Economic Forum at Davos, Switzerland. In his speech to world business leaders, ten months before the “anti-globalization” protests at the World Trade Organization Ministerial Conference in Seattle, the Secretary-General warned of the current and future dangers of economic globalization and the need for corporations all over the world to participate in upholding universal norms in protecting human rights, the environment, and labor. Annan also announced that the UN would introduce a voluntary corporate social responsibility (CSR) initiative called the UN Global Compact, a learning forum where corporations in any country or industry could join in order to support those universal norms and exchange best practices in corporate responsibility (Wynhoven and Senne 2004).

Kofi Annan’s speech and announcement of the UN Global Compact was a surprising event for several reasons. First, this was the first time that the UN explicitly engaged with corporations, openly inviting them to be a part of UN activities to promulgate universal progressive norms. While private actors, including non-state actors such as international nongovernmental organizations (INGOs), had previously been involved in UN deliberations and policies at several levels, their role was always secondary to that of the governments of member-states. The UN was, by definition and charter, an

intergovernmental forum with nation-states as its sole members. Why was the UN suddenly reaching out to business corporations? Second, the UN's previous attempt at contriving an international regulatory framework, the Code of Conduct on Transnational Corporations, had failed dramatically. Starting in the 1970s, deliberations on the Code of Conduct continued for two decades until the 1990s with no agreement or resolution, bitterly dividing opinions between countries in the process. Why did the UN want to resurrect this divisive issue again? Third, there were dissenting opinions within the UN about the possible success of such a CSR framework. The UN had previously focused more on matters of international peace and security compared to issues on social and economic development and a global CSR initiative that directly involved the participation of private non-state actors was a radical new direction for the UN. If anything, state and civil society actors in the UN system were more likely to be hostile to transnational corporations, effectively hindering support for a global CSR framework. Why did corporate social responsibility come to occupy a significant position on the UN's agenda for the new millennium despite this resistance?

3.1.1 Three Stages of Institutional Emergence and Change in Global CSR

In the events leading up to Secretary-General Kofi Annan's announcement of the UN Global Compact in 1999, there were three relatively distinct stages of negotiations in the United Nations regarding plans to enact a global governance framework to regulate the activities of transnational corporations. In the process, actors within the UN established a Centre on Transnational Corporations to deliberate a Code of Conduct that would determine the boundaries of cross-national corporate activities, based on globally sanctioned norms and practices. These deliberations continued for two decades since the early 1970s and often consisted of acrimonious debates between developed and developing countries. Although the UN Centre on Transnational Corporations' efforts did not see fruition, actions within this intergovernmental CSR field resulted in three institutional outcomes for the intergovernmental field of global CSR.

From 1964 to 1974, the governments of developing countries, led mainly by governmental actors from the Latin American countries, employed the UN Conference on Trade and Development (UNCTAD) as a platform to advocate for a New International Economic Order, that included plans for a global framework to regulate the activities of transnational corporations. In this stage, actors in this intergovernmental field mobilized around an understanding of CSR issues as related to matters of *distributive justice* between developed and developing countries. The institutional outcome of this stage of mobilization was one of *shared understandings* between intergovernmental actors.

From 1977 to 1993, governmental actors from developed countries like the United States actively intervened in the intergovernmental CSR field to oppose calls for a global framework for transnational corporations. These actors employed their positions of authority from other UN bodies to stall negotiations on the Code of Conduct on Transnational Corporations, calling for any global frameworks to be either voluntary or to not have any codes at all. Representatives from developed countries and major international business associations argued that transnational corporate activities, such as foreign direct investment, were *essential to development* and should not be hampered by global regulations. The institutional outcome of this stage was the *domination* of one group of intergovernmental actors over another.

From 1997 to the present, responding to calls to mitigate the negative consequences of economic globalization, actors from UN agencies, such as the UN Secretariat, began to engage with the intergovernmental CSR field. These UN actors resurrected the idea of having a global governance framework for corporations but, wary of the years of acrimonious negotiations that took place previously, suggested implementing a voluntary initiative instead of a legally binding framework. Mobilizing their inter-organizational networks from within the UN and with the aid of institutional entrepreneurs, they promoted CSR with a *doing good is good for business* frame. The institutional outcome of this current stage of global CSR is one of *settlement and compromise* between different actors in the intergovernmental CSR field.

3.1.2 Proposed Argument on Institutional Emergence and Change

Why did the intergovernmental CSR field evolve through these three historical iterations, resulting in different institutional outcomes? In one recent and prominent study of cross-national frameworks, Bartley (2007a) examines the institutional emergence of social and environmental certification associations and suggests that institutional emergence takes the form of negotiated settlements. While settlements and compromises are a reasonable outcome given the multiple bargaining positions of diverse organizational actors, a review of similar historical events (see, for example, Sikkink [1986] on the International Code of Marketing of Breast-Milk Substitutes and Sagafi-Nejad [2008] on the Code of Conduct on Transnational Corporations) reveals that other institutional outcomes are also distinct possibilities (cf. Hoffman 1999). More powerful actors, for example, may simply dominate other actors that have fewer resources or less cogent frames of action.

Otherwise, institutions that emerge may also reflect a shared understanding between actors that forge a high degree of consensus on a given issue. Domains of social action, such as intergovernmental fields, comprise a sufficient diversity of political opportunities, organizational resources, and interpretive frames, such that collective mobilization, depending on the field's composition of actors and on external events that impact the field, would likely lead to distinct institutional outcomes.

In this chapter, I examine the issue of institutional emergence and change in corporate social responsibility at the global level by explaining the various attempts within the UN to establish an international framework to regulate the norms and activities of corporations, beginning with the Code of Conduct on Transnational Corporations in the 1970s and culminating in the UN Global Compact at the turn of the new millennium. With historical documents from the UN and elsewhere, I examine this evolution of global CSR frameworks to account for changes in the intergovernmental CSR field that resulted in three distinct institutional outcomes—*shared understanding*, *domination*, and *settlement and compromise*. I integrate various insights from institutional, field, and social movement theories to explain institutional emergence and change and I propose the following arguments.

First, I argue that *internal* changes in the composition of actors in the intergovernmental CSR field can contribute to the emergence of new institutions that come to characterize the entire field. New actors that participate in the field bring with them additional resources to create new political opportunities and interpretive frames that change existing relationships among actors in the field and can potentially challenge the existing institutional foundations of the field.

Second, events *external* to the intergovernmental CSR field can impact and motivate actors within the field to pursue particular courses of action and adopt specific interpretive frames to respond to those external events. Actors mobilize collectively, relying on social movement-like strategies, to support existing institutions or to effect institutional change. Depending on the internal composition of field actors—their positions of authority and resources available relative to one another—external events may lead field actors to challenge the status quo, thereby leading to the emergence of new institutions.

Third, how actors within the intergovernmental field mobilize vis-à-vis one another, depending on external events and internal field composition, results in distinct institutional *outcomes*. I argue that as fields expand, in other words, as more actors participate in the field, settlement and compromise will be the more likely institutional outcome. In more expansive fields, the diversity of political opportunities, resources, and interpretive frames poses more obstacles for actors in those fields to enact institutions that reflect either shared understandings or domination.

In the following section, I elaborate on these arguments by examining various institutional, field, and social movement theories on the issues of institutional emergence and change.

3.2 Explaining Institutional Emergence and Change in the Intergovernmental CSR Field

How institutions emerge and change has been a topic of significant interest to scholars of organizations and institutions. Questions of institutional emergence and change are core to the understanding of social processes because institutions form the basic framework and rules of cultural meaning that constitute the definition of actors, agency, means, and outcomes (Durkheim 1951, 1982, 1984; Merton 1968; Friedland and Alford 1991; Meyer et al. 1997).¹ Furthermore, the study of institutional emergence and change is important for examining the initial conditions from which subsequent social patterns either congeal around or deviate from (Stinchcombe 1965; Zucker 1977). Most existing studies from the institutional perspective in sociology, however, tend to emphasize diffusion and maintenance processes and have less explicit explanations of the initial conditions that give rise to institutional persistence in the first instance.

3.2.1 New Institutional Theory and Institutional Emergence and Change

Social institutions, the patterns of meaningful cultural rules that constitute actors, agency, means, and outcomes, are a core concern of sociologists that study organizations, social environments, and global and transnational processes (Thomas et al. 1987). The new institutional sociology of organizations (Meyer and Rowan 1977; DiMaggio and Powell 1983) sees institutions as a key independent variable that explains patterns of organizational activity, giving meaning to routine social action, constituting taken-for-granted cultural schemas, and even defining the “actors” that participate in social

¹ My use of “institutions” is drawn specifically from the new institutional tradition in organizational and global sociology. Thus, while other scholars in sociology and other social scientific disciplines often employ “institution” to connote any sort of general patterning of social activity, my usage here conforms to the more specific sociological understanding of institutions as patterns of meaningful cultural rules. According to Meyer, Boli, and Thomas (1987:12-13), for example, institutions are rules that “take the form of cultural theories, ideologies, and prescriptions about how society works or should work to attain collective purposes, especially the comprehensive and evolving goals of justice and progress” or “cultural rules giving collective meaning and value to particular entities and activities, integrating them in the larger schemes.”

interaction (Meyer, Boli, and Thomas 1987). The new institutional research program argues that organizations and even nation-states come to adopt similar practices and structures in order to conform to legitimacy pressures from their external environment, despite very little connection between adopted practices and internal functional requirements (Powell and DiMaggio 1991; Meyer et al. 1997). These pressures lead to the diffusion and persistence of specific practices and structures across organizations (Zucker 1977) within circumscribed organizational fields (DiMaggio and Powell 1983) and come to achieve a taken-for-granted status among social actors (Jepperson 1991).

Most studies that employ the new institutional perspective to explain organizational behavior, however, have conventionally focused on patterns of institutional diffusion and maintenance (Strang and Meyer 1993; Frank, Hironaka, and Schofer 2000; Guler, Guillén, and Macpherson 2002; Hafner-Burton and Tsutsui 2005; Drori, Jang, and Meyer 2006), but this raises the question of why those institutions emerge to begin with (Friedland and Alford 1991:243-244). For example, if corporations around the world participate in a CSR framework that promotes human rights, environmental, and labor principles because they feel it is a legitimate practice for organizations to adopt, how did that framework come about and why is it considered “legitimate” in the first instance? Furthermore, new institutional theory’s focus on diffusion and maintenance has also been criticized for not adequately accounting for institutional change, leaving the impression that social institutions are static and immobile entities (DiMaggio 1988; Abbott 1992; Hirsch and Lounsbury 1997; Schneiberg and Clemens 2006), forestalling the possibility that new institutions may emerge.

Institutional scholars that employ an “institutional logics” approach have attempted to respond to these criticisms of institutional emergence and change. Friedland and Alford (1991) suggest that new institutions may come about when conflict between institutions engenders mobilization around existing material and symbolic practices. In the case of CSR, this insight suggests that the emergence of institutions that stipulate the rules and meanings of the regulation of corporations may arise out of conflicts between, for example, the logic of market liberalization and the logic of community and

environmental protection. Thornton and Ocasio (2008) and Thornton, Ocasio, and Lounsbury (2012) make this argument more specific by enumerating possible factors such as contests for status and power, institutional entrepreneurs, or historical contingency that condition the way social actors employ material and symbolic practices to defend existing institutions or to advance new patterns of cultural rules that guide future action. Nevertheless, the discussion of institutional logics and conflict remains highly abstract and tentative. What, for example, are the concrete mechanisms through which actors respond to these contradictions in institutional logics? How do those actions then result in the emergence of new cultural rules to be taken for granted by a wide constituency of social actors?

I argue that a more fruitful attempt to address concerns of institutional emergence and change lies with returning to new institutional theory's initial conceptual linking of institutions to organizational fields (DiMaggio and Powell 1983; Schneiberg and Clemens 2006:201) and more recent attempts to extend social movement theories to a general theory of collective action (Armstrong and Bernstein 2008; Fligstein and McAdam 2011). The conception of organizational fields (DiMaggio 1983) and field theory in general (Martin 2003) reminds institutional scholars that social institutions (i.e., higher order patterns of cultural meanings) are intimately linked to sets of "objective power relations that impose themselves on all who enter the field and that are irreducible to the intentions of the individual agents or even to the direct interactions among the agents" (Bourdieu 1985:724; Emirbayer and Johnson 2008). It is therefore changes in these field-level relations that may also drive emergence and change at the broader institutional level. Social movement theories on political opportunities, resource mobilization, and interpretive frames, well-researched in their own right (McAdam, McCarthy, and Zald 1996; McAdam and Snow 1997), can also provide institutional scholars with the concrete mechanisms through which actors engage in strategic collective action to effect broad changes at the institutional level.²

² In recent years, scholars working with both social movement and organizational theories have employed social movement processes to derive a more general theory of collective action. Armstrong and Bernstein (2008) and Fligstein and McAdam (2011) represent this shift in social movement perspectives to consider how political opportunities, resource mobilization, and framing processes can apply to other instances of

Employing insights from these approaches, I posit that institutional emergence and change in the intergovernmental CSR field is the outcome of two key factors: (i) internal changes in the composition of the field and (ii) mobilization of actors in the field responding to events external to the field. I discuss these factors and how they relate to distinct institutional outcomes for the intergovernmental CSR field.

3.2.2 Internal Changes in Field Composition in the Intergovernmental CSR Field

Conceptions of fields in sociology draw mainly from Bourdieu's (1985) notion that fields are circumscribed domains of relational positions occupied by social actors with different dispositions and resources and from DiMaggio and Powell's (1983:148) application of that definition to organizations and their relationships that "constitute a recognized area of institutional life." Like new institutional theory, scholars employing field theory have also been criticized for not adequately accounting for the issue of change in fields (cf. King 2000:427; Martin 2003:24; Fligstein and McAdam 2011), leading to charges that field theory emphasizes only ahistorical reproduction (cf. Steinmetz 2011:46).

Unlike Steinmetz (2011), I do not intend to defend field theory by discussing the "inherently historical" nature of Bourdieu's oeuvre and concepts. Instead, I suggest that the potential for field change can be gleaned simply from the properties of social fields themselves as employed by scholars who engage with the concept (DiMaggio 1983; Emirbayer and Johnson 2008; Fligstein and McAdam 2011). Since social fields are constituted by the distribution of actors and their dispositions and resources within them

collective action outside of conventionally theorized social movements. Fligstein's (1990, 1996) earlier work on the transformation of corporate control and the politics of market formation, for example, were initial attempts to portray economic action by firms as having social movement-like properties. Armstrong's (2002) examination of the spread of lesbian and gay organizations in the second half of the twentieth century and Bernstein's (2003) analysis of the strategic choices of gay activists in achieving policy change showed how existing perspectives in social movement theory, such as political process and resource mobilization models, can be refined by reconsidering the scope of movement goals and outcomes as well as the multiple institutions in which social mobilization occurs. In Lounsbury, Ventresca, and Hirsch (2003)'s study of the recycling social movement in the United States, they emphasize that social movements, through mobilization, political contestation, and opening up "discursive spaces" can "facilitate the creation of new economic institutions by constructing practice models and de-institutionalizing dominant field frames" (Lounsbury et al. 2003:96).

(Bourdieu 1985:724-725), I argue then that field change should depend on changes in the internal composition of actors, dispositions, and resources, especially with the entry or exit of key actors in the field. When new actors engage in an existing social field, for example, they often bring with them new interests and resources, changing the existing relationships and interactions in the field (Hoffman 1999:255; Fligstein and McAdam 2011:15). It is not an unlikely proposition that changes in relationships within groups can be effected simply through pure numerical considerations. Simmel (1950:87), for example, once argued that “certain developments [of the group] can be realized only below or above a particular number of elements” while “certain other developments are imposed upon the group by certain purely quantitative modifications.” Whether small or large in numerical terms, field actors pursue their interests through strategic collective action (Fligstein and McAdam 2011), often adopting social movement-type strategies in the process.³

In the intergovernmental CSR field, governmental actors from developing countries were the first key active participants, utilizing the UN’s organizational resources such as the UNCTAD platform, to advocate for a Code of Conduct to regulate transnational corporations. Because of their dispositions as representatives of developing countries, they were able to achieve a high degree of consensus on the issue that foreign investment in the Third World was a matter of distributive justice. Thus, actors from developing countries were able to shape the intergovernmental CSR field through their shared understanding of the relationship between transnational corporations and national development and they were successful in mobilizing UN actors to establish commissions, hearings, and research efforts on the matter.

³ Both Fligstein and McAdam (2011:2) and Armstrong and Bernstein (2008:79) argue that conventional social movement processes are generalizable to other forms of collective strategic action and not confined merely to actors excluded from the political process. Fligstein and McAdam term the social domain within which such collective action occurs the “strategic action field.” This conceptualization applies to the empirical case I discuss because there are various actors within the UN, whether nation-states, UN organizations, non-state actors, or institutional entrepreneurs, that engage in social movement-like strategic action when they want to achieve certain goals within the UN system. In the case of global CSR frameworks, the strategic action field in question is the “intergovernmental CSR field”—a relatively circumscribed domain of social action at the global level of analysis, in which member nation-states, non-state actors, and administrative agencies attempt to balance their own organizational interests vis-à-vis the creation and maintenance of global corporate governance frameworks.

This institutional outcome, however, was subsequently disrupted by the active engagement of developed countries in the intergovernmental field. Representatives from the developed world exercised their authority derived from other fields in the UN to stall negotiations on the Code of Conduct. They were successful in dismantling developing countries' previous organizational efforts and in promoting their view that foreign investment was essential to development. Developed countries' entry to the intergovernmental field further complicated relationships between field actors as some developing countries abandoned the campaign for distributive justice, choosing instead to embrace transnational corporations' investments as part of their developmental strategy. Actors from developed countries were thus able to reshape the intergovernmental CSR field through their domination of other actors.

3.2.3 External Events and the Mobilization of Action in the Intergovernmental CSR Field

Although internal change in the composition of fields can precipitate field actors' strategic collective action, leading to new institutions that come to characterize the field, I argue that it is not a sufficient condition for institutional emergence and change. Although fields are relatively circumscribed and autonomous domains of social action with internal rules, positions, and relationships, to argue that change is only generated through internal processes runs the risk of tautology, a charge that has been constantly leveled against field theory (cf. Martin 2003:8).

Thus, I propose that the influence of external events is a second factor that accounts for how field-level action generates institutional emergence and change (cf. A.D. Meyer 1982). Fligstein and McAdam (2011:15) note the impact of external factors on social fields and propose that external shocks can originate from "other [strategic action fields], invasion by other groups of organizations, actions of the state, or large-scale crises such as wars or depressions." Likewise, Emirbayer and Johnson (2008:19-20) argue that "[s]ubstantial innovations in an organizational field typically occur only when there is a

linking up of the strategies of action of participants in the internal contestations of a field with the strategies of homologous actors, individual or collective, in other fields.” In empirical research, Hoffman (1999) has shown how external disruptive events like the publication of Rachel Carson’s *Silent Spring* in 1962 or the Union Carbide disaster in Bhopal, India in 1984 reoriented the US chemical industry’s institutions at the organizational field level. Sauder (2008) examines how the legitimacy of *US News & World Report*’s law school rankings with external audiences helped to entrench *US News* as a key player in the field of American legal education.

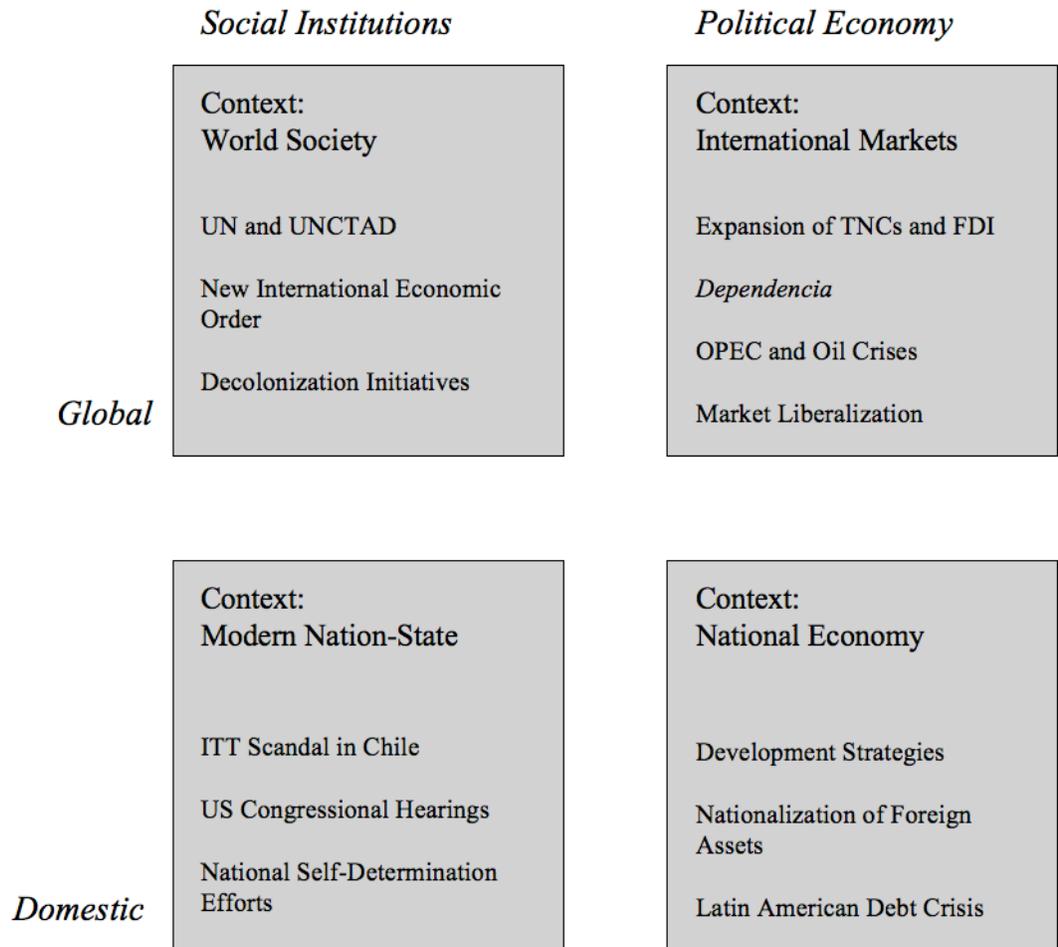
Although field theorists are skeptical of the effects of external events that act as compelling forces on fields (Martin 2003), I argue that events that serve as triggers to influence or disrupt field-level action are not arbitrary occurrences. Rather, external events stem from other domains of social action in the broader field environment that fields are embedded in. Fligstein and McAdam, for example, argue that “all fields [are] embedded in complex webs of other fields” (2011:8), where the relationship between proximate and distant fields, vertical or horizontal linkages, and state and non-state actors can affect strategic collective action within fields.

In my empirical discussion, I show how the intergovernmental CSR field is connected to social and economic domains at both global and domestic levels in terms of the moral regulation of the economy framework I presented in Chapter 2. Events that stem from these domains are significant for the intergovernmental CSR field precisely because they have ramifications for how field-level actors initiate or respond to calls for the moral regulation of the economy⁴ and, therefore, are not arbitrary occurrences that compel changes to the field from the outside. As such, events in the global economy, global institutions, domestic social spheres, and domestic economies directly impact the emergence of global CSR frameworks in the intergovernmental CSR field and intergovernmental field actors mobilize collectively around opportunities triggered by

⁴ Furthermore, these are external events described by field actors themselves as being influential on their actions. See my empirical discussion later in this chapter.

these events.⁵ Figure 3.1 below classifies these events according to my moral regulation framework and I discuss their impact in the empirical section of this chapter.

Figure 3.1
Events Impacting the Moral Regulation of the Economy in the Intergovernmental CSR Field



⁵ Recent arguments in social movement theory propose that strategic collective action may be triggered by factors from multiple institutional sites. Armstrong and Bernstein, for example, question whether social movement mobilization necessarily takes place in relation to a centralized authority such as “the state” (2008:81-82) and argue that researchers need to examine collective action and mobilization that draw from multiple institutions and sources of domination in society (2008:82-84). This is particularly relevant to the intergovernmental CSR field as there is no centralized “target” of collective mobilization (the UN, for example, is not a centralized “world government”). Instead, mobilization in the intergovernmental CSR field responds to events in global and domestic sites that it is connected to.

The impact of these external events is, of course conditional, upon internal characteristics of the intergovernmental CSR field. Without taking into account collective action at the field level or the specific relationships between field actors, external events would not be meaningful triggers for field actors to mobilize around. Martin (2003:23) notes that external events and factors “need to be translated to the internal logic of the field” while Emirbayer and Johnson (2008:19) argue that stability and change in an organizational field depends on “the ways in which external forces and developments are refracted through the prism of its specific interests.” Sauder’s (2008) study shows, for example, that *US News*’ law school rankings established its foothold in the American legal education field largely through existing connections within the field. Thus, external events may impact the success of field actors’ mobilization efforts, depending on the existing composition of the intergovernmental CSR field, leading to distinct institutional outcomes.

3.2.4 Field Expansion and Institutional Outcomes in the Intergovernmental CSR Field

External events and field composition are both factors that, when combined, push actors in the intergovernmental CSR field to mobilize collectively and strategically, resulting in changes in the cultural rules that constitute the entire field and the emergence of new institutions. The three stages of CSR evolution in the intergovernmental field reveal distinct institutional outcomes: shared understanding between field actors in the 1970s, domination of one group of field actors over other groups in the 1980s, and settlements and compromises between field actors in the 1990s. Although I have discussed possible reasons why these institutional outcomes result from the combined impact of external events and field composition, why did the evolution of the intergovernmental CSR field proceed in this chronological fashion? In other words, why did institutional change develop from shared understandings, through domination, and ending with settlement and compromise? I argue that field expansion, due to the entry of new actors responding to both external and internal field developments, is more likely to result in settlement and compromise outcomes rather than shared understandings or domination.

Existing studies have suggested various reasons why field level factors result in certain institutional outcomes but these studies have not explained why some outcomes are more likely than others. Fligstein and McAdam (2011:7) acknowledge that the general outcome of institutional emergence is the creation of “stable social fields” but do not elaborate on the institutional character of these outcomes. Likewise, Sauder’s (2008) study of the *US News* law school rankings describes changes in relationships at the field level but does not attribute any institutional character to the eventual outcome of the entrenchment of *US News* rankings in the American legal education field.

Bartley (2007a) argues that the emergence of social and environmental certification associations stems from “negotiated *settlements* and institution-building *projects* that arise out of conflicts involving states, NGOs (nongovernmental organizations), and other nonmarket actors, as well as firms” (Bartley 2007:299). Yet, institutional change and emergence do not necessarily have to result from internal field conflict and contestation. New institutional theory, for example, also identifies taken-for-granted notions and a shared understanding of social reality as an important basis for social institutions (Meyer and Rowan 1977; Zucker 1977). Furthermore, the emergence of institutionalized practices can also be the result of more overt patterns of coercive isomorphism (DiMaggio and Powell 1983) and domination (McAdam, Tarrow, and Tilly 2001; Armstrong and Bernstein 2008). The case of the intergovernmental CSR field, as well as other similar cases of intergovernmental frameworks (Sikkink 1986), reveals that distinct institutional outcomes are possibilities. On the other hand, Hoffman’s (1999) study of institutional changes in American chemical industry environmentalism reveals a transition from regulative, through normative, to cognitive institutions but does not explain the direction of this transition.

Using the empirical case of the intergovernmental CSR field, I explain the trajectory of institutional emergence and change by comparing institutional outcomes across time. In fields with a limited number of engaged actors, as with the intergovernmental CSR field in the early 1970s, mobilization around issues and events is relatively straightforward, resulting in a high degree of consensus between field actors and an institutional outcome

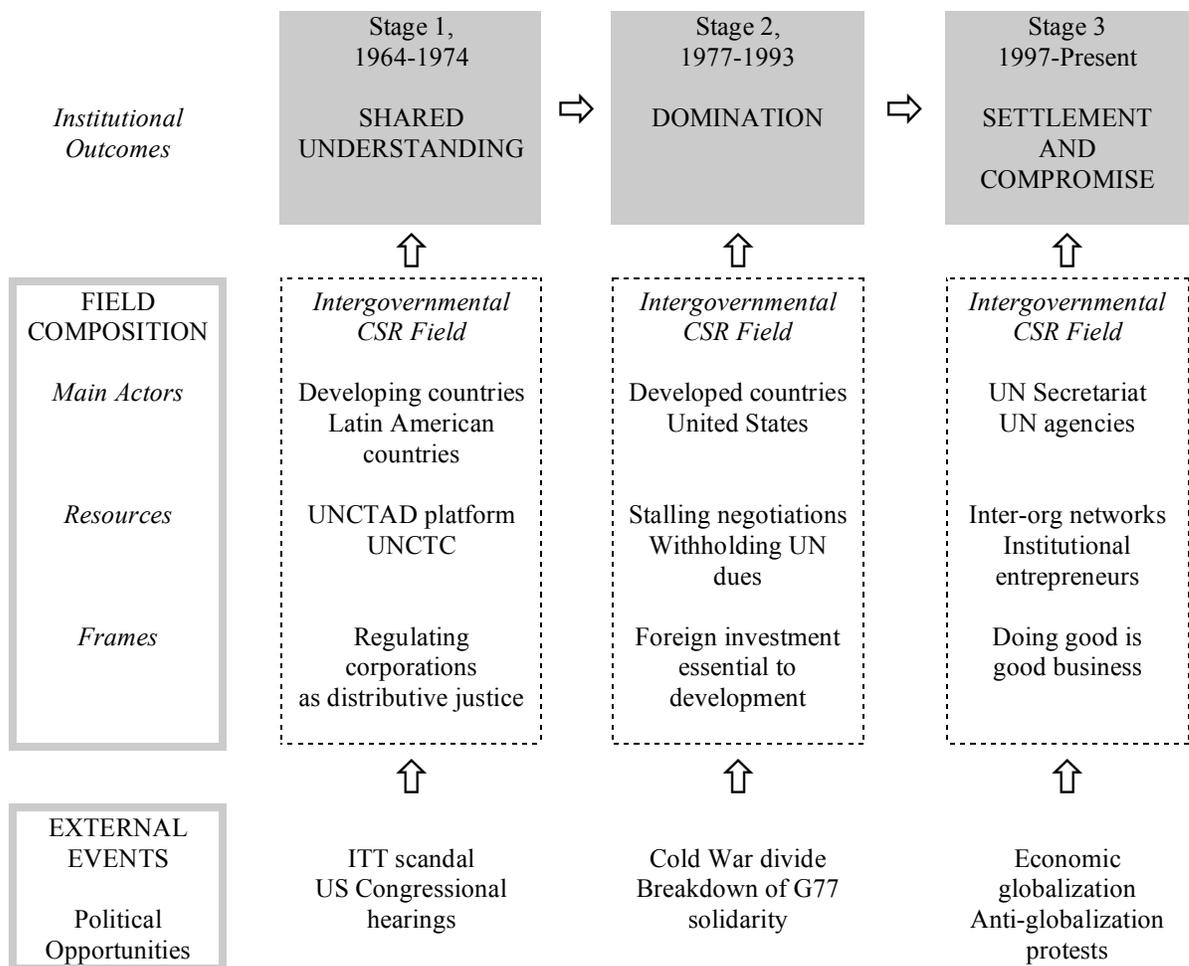
of shared understanding. As fields expand, the entry of new actors changes existing relationships and relative positions within the field as new actors bring with them additional dispositions and resources that can challenge existing institutions. At this intermediate stage, as with the intergovernmental CSR field from the late 1970s to the 1980s, fields are neither small enough to be consensus-driven nor large and diverse enough for there to be a plurality of positions. As such, more powerful field actors can more easily divide existing groups of actors or dominate them to reshape the field according to their interests. In the most expansive fields, that have a diversity of actors with their corresponding dispositions, interests, and resources, no particular group of field actors will be able to effectively achieve consensus or dominance, making settlement and compromise the likely institutional outcome.

The intergovernmental CSR field from the late 1990s to the present, I argue, is a prime example of a field with an institutional character of settlement and compromise. Because of the diversity of actors and plurality of resources at their disposal, strategic collective action at this stage of global CSR development is often facilitated or blocked by opposing forces, especially in the context of the UN which does not represent any sort of centralized “world government” but where participant nation-states are formally equal parties. Although some research has suggested that the UN is dominated by certain powerful countries such as the United States (cf. Mertus 2004) that can transfer their authority into the intergovernmental CSR field, a careful consideration of the emergence of different resolutions, policies, and institutions within the UN reveals a much more variable picture characteristic of most intergovernmental fields in this current era (cf. Meyer 2010:11-12). Organizations within the UN, including non-state actors such as nongovernmental organizations and transnational corporations, have at their disposal a wide range of resources, political opportunities, and interpretive frames, with mobilization often resulting in settlement and compromise outcomes. Figure 3.2 below diagrams the argument I have discussed in this section.

In the following sections, I discuss how this argument applies to the three stages of the development of global CSR issues within the intergovernmental field. The institutional

emergence of global CSR can be characterized by a period of shared understanding in the early 1970s where developing countries mobilized around the idea of a New International Economic Order, using UNCTAD as a platform to push for countries to adopt a Code of Conduct on Transnational Corporations; followed by a period of domination in the late 1970s and 1980s where developed countries stalled the deliberations on a regulatory framework for corporations; and then lastly by a period of settlement and compromise in the late 1990s where institutional entrepreneurs such as Secretary-General Kofi Annan, Georg Kell, and John Ruggie introduced the UN Global Compact, a voluntary global CSR framework.

Figure 3.2
Institutional Emergence and Change in the Intergovernmental CSR Field, 1964 to Present



3.3 Data

The data I employ in this study consists of primary archival data from the United Nations as well as data from the UN's Intellectual History Project. I list the most relevant sources below.

- * Published research and reports conducted by UN offices including the two key reports by the UN Department of Economic and Social Affairs: "Multinational Corporations in World Development" (United Nations 1973), prepared to facilitate the appointed Group of Eminent Persons in their deliberations on the impact of transnational corporations, and "Multinational Corporations on Development and International Relations" (United Nations 1974), the resulting report from the Group of Eminent Persons.
- * The official periodical of the United Nations Centre on Transnational Corporations (UNCTC), *The CTC Reporter* (United Nations 1976-1990). This biannual periodical consists of 29 issues and was published between 1976 and 1990. It documents the various debates, points of view, and reports on activities of the UNCTC. I also examined the six published issues of *Transnational Corporations*, a referred journal published by the UN Department of Economic and Social Development between 1992 and 1993 after the demise of *The CTC Reporter*.
- * Volumes in the UN's Intellectual History Project, particularly *UN Voices* (Weiss et al. 2005), which includes complete transcripts of 73 interviews/oral histories of key UN figures and personnel including former Secretary-General Kofi Annan and former Assistant Secretary-General and prominent academic John Ruggie. In the same Intellectual History series, I also referred to Tagi Sagafi-Nejad's (2008) *The UN and Transnational Corporations*, a personal accounting of the development of UN-TNCs relationships written in collaboration with John H. Dunning, TNC expert, UNCTAD consultant, and member of the Group of Eminent Persons appointed by the Secretary General in 1972 to examine the impact of TNCs on world development.

Volumes in the UN Intellectual History Project are available as published manuscripts from Indiana University Press (the *UN Voices* interviews in their complete transcribed form are available on the accompanying CD-ROM) while UNCTC documents and periodicals are available on an UNCTAD online database devoted to the UNCTC.⁶ I read every single document and cross-checked the Intellectual History Project entries, especially Sagafi-Nejad's account, with entries in *The CTC Reporter* to confirm the

⁶ <http://unctc.unctad.org>

chronology of events as well as the attribution of quotes and points of view to specific individuals. Because *The CTC Reporter* ceased publication in 1990 and the UNCTC was dismantled in 1993, I had to compile information on years after 1993 from the interviews given in *UN Voices*, UNCTAD documents, the Global Compact's official website and documents, as well as other secondary sources. I note these other auxiliary sources in the main text.

3.4 The First Stage: Shared Understanding in the Intergovernmental CSR Field

Although the task of developing a Code of Conduct on Transnational Corporations was only formally announced in 1974 in a UN Department of Economic and Social Affairs report titled "The Impact of Multinational Corporations on Development and on International Relations" (United Nations 1974), the origins of calls for a new "moral regulation" of the international economy stem from the formation of the United Nations Conference on Trade and Development (UNCTAD) in 1964. As a permanent UN intergovernmental body, UNCTAD was established to facilitate the economic development of developing countries through trade and investment. Starting from the 1970s, the governments of the Group of 77 (G77) developing countries, in particular the Latin American countries, employed UNCTAD to advocate for a New International Economic Order (NIEO) (Gosovic and Ruggie 1976; Bhagwati 1977), a platform that included calls for the UN to consider an international framework to regulate the activities of transnational corporations. At this stage, the intergovernmental CSR field was nascent and comprised mainly governmental actors from developing countries as active field participants. Mobilizing around international corporate scandals, these actors used existing UN platforms as resources to advocate for the regulation of transnational corporations with a view that foreign investment should be more attuned to issues of distributive justice.

3.4.1 International Political Opportunities and the ITT Scandal

What precipitated the developing countries' call for this New International Economic Order? There were several international events that those developing countries mobilized around. First, there was a growing feeling among the governments of Latin American countries that there was an international division of labor between the developed and developing countries and that the benefits of international capitalism were a "zero sum" issue. This was aptly captured by the term *dependencia* and was the foundation of the dependency theories of Frank (1971) and Cardoso (Cardoso and Faletto 1979). In fact, Raúl Prebisch, one of the seminal writers in dependency theory (Prebisch 1950), was also the founding secretary-general of UNCTAD in 1964.

According to an interview with John Ruggie, this North-South divide was buttressed by the ideological differences between the United States and the Soviet Union (cf. Sagafi-Nejad 2008:73), with the Soviet Union often supporting Third World countries in key UN debates.⁷ The oil crises of the 1970s, in which the Arab members of the Organization of Petroleum Exporting Countries (OPEC) embargoed the supply of oil to the rest of the world, also led developing countries to believe it was possible to use the control of natural resources as leverage in negotiations.⁸ As a result, the G77 developing countries were able to mobilize more effectively around the NIEO platform due to these political opportunities offered by the Cold War context.

Second, there were specific scandals involving corporations that became high-profile international events. The singular event that many UN sources and documents cite as responsible for mobilization within the UN was the International Telephone and Telegraph (ITT) scandal in Chile. In 1974, American journalist Jack Anderson revealed that ITT executives had bribed American government officials and financed the Pinochet

⁷ *UN Voices*, "Transcript of Interview of John Ruggie by Thomas G. Weiss." New York, 10 April 2001, p. 41.

⁸ *Ibid.*

regime, resulting in the 1973 coup in Chile, this after an alleged involvement in a similar coup in Brazil in 1964.⁹ According to an editorial in *The CTC Reporter*,¹⁰

[The ITT-Chile affair] that prompted the establishment of the United States Senate Subcommittee on Multinational Corporations led, on 28 July 1972, to the unanimous adoption by the United Nations Economic and Social Council of resolution 1721 (LIII) which established the Group of Eminent Persons. The work of this Group, and the public hearings it conducted, together with an earlier study published by the United Nations Secretariat on the subject matter, focused international attention on transnational corporations and their activities.

In fact, this event had even affected domestic United States politics, spurring the United States government to conduct a broad investigation into the role of TNCs:¹¹

The public has become aware of the importance that TNCs have acquired. In the United States this awareness crystallized when, in 1971/72, questions were raised about whether transnationals were exporting jobs from the United States and thereby contributing to the country's deteriorating balance of payments. As a result transnationals became the object of widespread public discussion, which in turn led to extensive, governmental and non-governmental studies of the activities of these enterprises. Public interest was further sharpened when, in May 1972, the United States Senate Foreign Relations Committee voted to conduct an investigation into the activities of the International Telephone and Telegraph in Chile and, going beyond one particular case, to undertake a broad examination of the general role and impact of transnational corporations.

3.4.2 Employing the Organizational Resources of UN Bodies

What resources did the developing countries employ in order to advance their interests? The primary resource the G77 countries utilized at this stage was the UN's organizational resources, in particular the intergovernmental bodies of UNCTAD and the Economic and Social Council (ECOSOC). Both intergovernmental bodies had the staff and resources to

⁹ Jack Anderson, "ITT Sent Bugging Expert to Chile." *The Washington Post*, October 2, 1974, p. B15.

¹⁰ "Research on Transnational Corporations: The Development of a Field of Inquiry." *The CTC Reporter* No. 1, December, 1976, p. 18. This editorial was anonymous with no byline noted. I omit any reference to the authors of quotes in *The CTC Reporter* if none are provided in the documents. Although *The CTC Reporter* was initially indexed as having both volume and issue numbers, subsequent issues omitted volume numbers altogether and issues were published in plain numerical sequence. Therefore, my references to *The CTC Reporter* will cite their issue numbers.

¹¹ *Ibid.*, p. 18.

recommend UN resolutions, advance policy ideas and recommendations, and conduct research, as well as to set specific items on the agenda of the UN General Assembly. Were the G77 countries successful in pushing for the transnational corporations issue on the agenda of the UN? In other words, was their mobilization around international events and scandals able to make a successful case for the UN to take a more serious look at transnational corporations?

On July 28, 1972, the UN Economic and Social Council, in resolution 1721 (LIII), requested Secretary-General Kurt Waldheim of Austria to appoint a Group of Eminent Persons to examine the impact of transnational corporations on economic development (especially in developing countries) and international relations. The Group of Eminent Persons (GEP) consisted of 20 individuals from various countries and backgrounds, including two from the United States: US Senator Jacob Javits and J. Irwin Miller, chairman of Cummins Engine Co., Inc. (United Nations 1974). Raúl Prebisch was also a consultant to the GEP (United Nations 1974:19).

This UN resolution generated two crucial UN documents on transnational corporations. In 1973, as part of the Group of Eminent Persons' investigation into the issue, the UN Secretariat's Department of Economic and Social Affairs published the "Multinational Corporations in World Development" report, detailing the various aspects of TNC activity and impact in the world at the time (United Nations 1973). In its opening pages, the report states unambiguously that the issue of TNCs and their regulation was a topic of UN concern (United Nations 1973:1-2):

The political and social dimensions of the problem of multinational corporations are only too apparent. The United Nations present involvement in the subject was in fact prompted by incidents involving certain multinational corporations. The concern and excitement occasioned by those incidents testifies that the general public is no longer willing to stand by passively. The degree of uncertainty that exists regarding the way in which the power of the multinational corporations may be exercised and what the reactions and consequences are likely to be is no longer acceptable. Despite the considerable and transnational power which multinational corporations possess they, unlike governments, are not directly accountable for their policies and actions to a broadly based electorate. Nor, unlike purely national firms, are the multinational corporations subject to control

and regulation by a single authority which can aim at ensuring a maximum degree of harmony between their operations and the public interest. The question at issue, therefore, is whether a set of institutions and devices can be worked out which will guide the multinational corporations' exercise of power and introduce some form of accountability to the international community into their activities.

Following that, the Group of Eminent Persons published its own report, "The Impact of Multinational Corporations on Development and on International Relations" in 1974 (United Nations 1974). Although this seminal report notes the tensions between countries on the issue of TNCs, it documents a broad consensus on the impact of TNCs, including views such as the non-substitutability of private foreign investment for aid (1974:29), the need for developing countries to develop domestic mechanisms to monitor the distribution of investment benefits (1974:32), and the condemnation of any subversive political intervention from TNCs "directed towards the overthrow or substitution of a host country's Government or the fostering of international or international situations that stimulate conditions for such actions" (1974:46).

The other significant resource achievement of the push by developing countries to institutionalize TNC issues on the UN agenda, as recommended by ECOSOC and the GEP report, was the establishment of a "permanent machinery to deal with TNCs"¹² in the UN in December 1974. This "permanent machinery," the Commission on Transnational Corporations, was an advisory body of 48 elected members, including "12 from Africa, 11 from Asia, 10 from Latin America, 10 from developed market economies of Western Europe, North America and Oceania, and five from the socialist countries of Eastern Europe,"¹³ tasked with serving as the central forum within the UN for examining all issues related to transnational corporations. Another indication of the institutional emergence of the TNC issue was the concomitant establishment of the UN Centre on Transnational Corporations (UNCTC), under the UN Secretariat, as a research organization and clearing house for studies on the various aspects of TNC activity.

¹² "Chronology." *The CTC Reporter* No. 1, December, 1976, p. 2.

¹³ "The Commission on Transnational Corporations." *The CTC Reporter* No. 1, December, 1976, p. 3.

These activities led to a third organizational resource. In March 1976, the Commission held its second session in Lima, Peru, where it stated that a Code of Conduct on Transnational Corporations, a regulatory framework on the activities of TNCs, was to have the “highest priority” in its work.¹⁴ The Code of Conduct was salient for the institutional emergence of global CSR in two ways. First, the Code indicated a conscious attempt by global actors to establish a meaningful framework within which “rules” for regulating TNC behavior could be generated. Second, the Code later became a bitterly divisive issue within the Commission on Transnational Corporations. Nevertheless, at this stage, the discussion of a Code of Conduct reflected a shared understanding of the role and impact of TNCs. *The CTC Reporter* stated that,¹⁵

The emergence of transnational corporations as powerful actors on the world economic stage has been followed by a call for their accountability. Transnational corporation global strategies implemented in individual sovereign States remain beyond the effective reach of governmental authority. Hence, in recent years, demands have been raised in many quarters for a certain form of generally accepted international rules regarding the operation of transnational corporations. The quest for a new international economic order pursued particularly by developing countries has given further impetus to the effort.

Thus far, the institutional emergence of the intergovernmental CSR field depended on developing countries successfully mobilizing around political opportunities in the form of divisions within the UN and specific corporate scandals that achieved international attention. This resulted in the further mobilization of organizational resources in the UN, particularly the creation of institutional mechanisms—the Commission on TNCs, the UNCTC, and deliberations on the Code of Conduct for TNCs—that reflected a shared understanding of the importance of the regulation of TNCs to be of intergovernmental concern.

¹⁴ “In This Issue.” *The CTC Reporter* No. 1, December, 1976, p. 1.

¹⁵ “Towards a Code of Conduct.” *The CTC Reporter* No. 1, December, 1976, p. 10.

Figure 3.3
Plenary Session of the Commission on Transnational Corporations in Lima, Peru, 1976



Source: *The CTC Reporter* No. 1, December, 1976

3.4.3 The New International Economic Order and Distributive Justice

How else was this shared understanding of the TNC “issue” reflected in these events? In addition to specific opportunities and organizational resources, the prime actors among the developing countries were able to successfully push for the TNC issue by framing their interests in terms of distributive justice, collective rights, and the development of Third World countries, what they termed the New International Economic Order.

According to Philippe de Seynes, former UN Under-Secretary-General of Economic and Social Affairs,¹⁶

¹⁶ Philippe de Seynes, “Transnational Corporations in the Framework of a New International Economic Order.” *The CTC Reporter* No. 1, December, 1976, p. 15.

Very rapidly we became aware of major asymmetrical relationships affecting an important part of the world transactions, within which unrestricted openness created more polarities than natural harmony. . . . If a new paradigm is to emerge, it would of course have to include a number of elements even beyond the classical treatment of imperfect competition and oligopoly. It would have to cease to treat all actors as equal and to recognize diverse positions of power, and to identify power flows. . . . In fact, the decision of 1973 to create a focal point within the United Nations system for transnational corporations, must be viewed as a landmark in the development of the institutions needed for a New International Economic Order.

This early NIEO framing was also supported by references to dependency theory as well as an attempt to link TNCs with the more specific issue of foreign investment. The issue of foreign direct investment (FDI) was a crucial component in the developing countries' agenda because it was closely linked to how they framed the TNC issue in terms of national sovereignty and economic nationalism (Sagafi-Nejad 2008:22). According to this argument, TNC activity and FDI were potential problems for newly-independent countries striving for control over their natural resources. Recalling that the NIEO agenda was earlier encouraged by the mobilization of OPEC, several developing countries argued for their right to nationalize and appropriate whatever domestic assets that were owned by foreign corporations. According to Sagafi-Nejad (2008:22), between 1960 and 1978, "some 1,369 instances of nationalization of foreign assets were recorded, two-thirds of which occurred in the final six years." The GEP report expressed this shared understanding of the "conflict" between the economic power of TNCs and the political sovereignty of nation-states (United Nations 1974:59):

The capacity to make and enforce decisions is a fundamental issue for developing countries because multinational corporations can greatly affect the objectives of their national development plans through the control of strategic or key sectors of their economies, the control by the parent company of important decisions by the affiliate, and the impact of the affiliate on over-all monetary, financial and trade policies.

In many host countries, there is widespread concern over foreign control of key sectors of the economy. It is most keenly felt in developing countries, where multinational corporations often dominate the mining and manufacturing sectors. . . . There is no simple formula for allaying these anxieties. They are particularly acute when they reflect the search for a sense of national identity or the desire to reduce a country's dependence.

By 1977, the momentum generated by this shared understanding of the TNC issue also centered on another celebrated issue that came to a head in the 1980s: business divestment from South Africa. The issue of divestment from the apartheid regime in South Africa was already the subject of a UN resolution in 1962 that generated some measure of controversy and divided opinions between developed and developing countries. After the formation of the UNCTC, the consensus on the TNC issue propelled the UNCTC to begin research on the activities of TNCs in the southern African region. The African nations and developing countries submitted a resolution to the Commission which then stated that it was “[g]ravelly concerned over the continuing collaboration of transnational corporations with the racist minority régimes in southern Africa in contravention of United Nations resolutions.”¹⁷ The Commission also tasked the UNCTC to “collect and publicize information on the activities of transnational corporations which collaborate directly or indirectly with the racist minority régimes in southern Africa” and to “conduct further in-depth studies on the activities of transnational corporations, particularly in the banking and financial sectors, and on the social and cultural impact of those activities, as well as their employment practices in southern Africa.”¹⁸

These framing efforts and activities were successful insofar as there was an early consensus recognizing the potential for TNCs to contribute to economic development (United Nations 1974:28) as well as the potential negative effects of their activities in developing countries. TNCs were, shortly after the publication of the GEP report, firmly on the UN agenda, with (i) views informed by the NIEO/dependency theory perspective on world affairs, (ii) organizationally supported by UNCTAD, ECOSOC, the Commission on Transnational Corporations, and the UN Centre on Transnational Corporations, and (iii) work on a Code of Conduct on Transnational Corporations firmly under way. At this stage of the development of global corporate social responsibility, the intergovernmental CSR field was relatively confined to governmental actors from developing countries. Their strategies to push the TNC issue on to the UN agenda resulted in many changes at the global level. New UN commissions and organizations

¹⁷ “Conclusions and Recommendations of the Commission.” *The CTC Reporter* No. 2, June, 1977, p. 5.

¹⁸ *Ibid.*

were established to enact a Code of Conduct on Transnational Corporations and developing countries were able to create a “distributive justice” framing for their New International Economic Order platform. Advocates from developing countries were even successful at extending this framing to include other issues such as divestment from South Africa. The high degree of consensus in the intergovernmental CSR field at this stage, even among the few representatives from the UN and developed countries, resulted in the emergence of a global institution based on a shared understanding of the need to regulate the activities of transnational corporations.

3.5 The Second Stage: Domination in the Intergovernmental CSR Field

Despite the broad consensus and forward momentum of the first stage, the movement towards building an international agreement in the form of a Code of Conduct for transnational corporations was not sustained by the actors involved because of the active intervention of new actors in the intergovernmental CSR field. This led to a breakdown of communication between the developed and developing countries, the dismantling of the UNCTC (including the dismissal of its director, Peter Hansen), and the abandonment of any work towards the Code of Conduct by the 1990s. The very factors that enabled the first stage of institutional emergence, namely the Cold War-era divide within the UN and the multiple resources that the developing countries drew from the UN, ended up contributing to stalled deliberations and deeply divided opinions within the field. The counter-movement from developed countries, mainly the United States, used UN organizational procedures to delegitimize the work of the Commission on Transnational Corporations. Further complicating the solidarity between the G77 countries, several developing countries abandoned the idea of regulating transnational corporations and instead began supporting the use of foreign investment in their developmental strategies. These events allowed developed countries to dominate opposing groups and transform the intergovernmental CSR field to reflect their position that transnational corporations were essential to the development of Third World countries.

3.5.1 Using the UN's Organizational Resources to Stall Negotiations

Although there was an extensive shared understanding on the TNC issue from the late 1960s to the formation of the Commission on Transnational Corporations in 1974, there was a minority of dissenting views, noted in the third section of the GEP report, claiming the GEP report over-simplified the antagonism between TNCs and developing countries. For example, US Senator Jacob Javits, in his comments, noted that “the report contains a significant number of recommendations from which I must dissent” (United Nations 1974:104). Senator Javits went on to assert:

[S]ince many of the recommendations are concerned with exercising greater political control over multinational corporations without taking sufficient account of the economic realities—for example, why multinational corporations choose to invest in less-developed countries—the result is likely to be a suffocating surveillance of multinational corporation activities by the host country Government and discrimination against multinational corporations compared with indigenous private enterprise. Excessive regulation and control will actively discourage multinational corporation investment, and therefore deprive less-developed countries of capital and technology, which for all practical purposes, may well be unavailable in adequate amounts except from multinational corporations. This is clearly in the interest of neither the multinational corporations nor the developing countries.

Senator Javits' emphasis on “excessive regulation and control” reflected the basic divide between the developing and developed countries on the need for a Code of Conduct. Although various parties to the GEP deliberations on the impact of TNCs all believed that an international framework on TNC activity was a goal to be pursued, the main divide centered on the legal nature of such a framework. *The CTC Reporter* noted that:¹⁹

Developing countries maintained that the code should be mandatory and cover only the activities of transnational corporations. The socialist countries of eastern Europe supported a mandatory code covering privately owned transnational corporations. The major developed countries, on the other hand, were in favour of a voluntary code addressed to both governments and corporations.

¹⁹ “Towards a Code of Conduct.” *The CTC Reporter* No. 1, December, 1976, p. 10.

In the Commission's second session in March 1977, several expert advisers voiced their opinions. For example, according to J.D. Akuma, the secretary general of Organization of African Trade Union Unity,²⁰

All that I have proposed will work only if we have an effective code of conduct which is legally binding. In the absence of an internationally ratified code of conduct, we have known transnationals not only to have overlooked national legislations, but on some occasions they have even openly defied them. It is therefore imperative that we should have a binding code of conduct.

An Intergovernmental Working Group on a Code of Conduct had, by its first session in January 1977, already possessed a draft of a possible Code that included several basic formulations such as issues of ownership and control, the transfer of technology, and restrictive business practices²¹ but, even by the Autumn of 1979, fundamental issues such as the legal nature of the Code, its relationship to the sovereignty of states, and the language and terms to be used in the Code were not agreed upon. The chairman of the Commission, Professor Horst Heininger of the German Democratic Republic, acknowledged that the negotiating parties "did not realize at the outset the wide scope and numerous intricacies of the task."²²

Representatives of international business also voiced their concern with having a legally binding Code of Conduct for transnational corporations. For example, R.J. Blair of the International Chamber of Commerce argued that voluntary agreements such as the OECD's Guidelines for Multinational Enterprises were the most efficient and realistic frameworks,²³ a view echoed by Orville L. Freeman, president of Business International Corp., who also stated in an interview:²⁴

In part because it has been largely left out of the process and in part because of the often intemperate and highly critical attitudes of developing country representatives involved in United Nations activities—including the work on a

²⁰ J.D. Akuma, "The Importance of the Centre to Developing Countries." *The CTC Reporter* No. 2, June, 1977, p. 18.

²¹ "Transnational Corporations: Code of Conduct; Formulations by the Chairman." *The CTC Reporter* No. 6, April, 1979, pp. 4-8.

²² "The Code of Conduct: Towards Intensive Negotiations." *The CTC Reporter* No. 7, Autumn, 1979, p. 8.

²³ R.J. Blair, "Implementation of Codes of Conduct." *The CTC Reporter* No. 7, Autumn, 1979, p. 2.

²⁴ "Interview with Orville L. Freeman." *The CTC Reporter* No. 7, Autumn, 1979, p. 12.

Code of Conduct—the international business community views these activities with strong reservations and considerable suspicion. . . . Corporate concern about the Code is that ideological and political considerations and a strong animosity towards MNCs may result in a [sic] instrument that will restrict rather than promote companies’ abilities to contribute to development efforts.

In 1981, although the Working Group had made “substantial progress” on a draft Code, there remained fundamental disagreements on the implementation of the Code—the extent to which the Code should remain at a general level or contain detailed provisions—and crucial sections on nationalization, compensation, and jurisdiction were also not concluded. The Working Group petitioned for an extension of three sessions in order to complete the draft Code for review by the Commission on Transnational Corporations.²⁵

At this stage, the earlier mobilization by the developing countries was stalled by the very organizational apparatus that they initially relied on to bring the TNC issue on the UN agenda. Representatives of developed countries that were newly active in the intergovernmental CSR field were resistant to the Code of Conduct and used organizational procedures established by the Commission on Transnational Corporations to delay the completion of the Code of Conduct. They readily signaled their disagreements by “the traditional method of bracketing controversial words or sentences,”²⁶ resulting in stalled negotiations and the further postponement of the final draft of the Code.

3.5.2 The Cold War Divide and the “Politicization” of the Code of Conduct

Several representatives of developed countries also personally felt that the developing countries had politicized the TNC issue, relying on UNCTAD, the Commission on Transnational Corporations, and the UNCTC to advance their national interests. This

²⁵ “The Code of Conduct: Three Sessions Requested for Completion.” *The CTC Reporter* No. 10, Spring, 1981, pp. 6-7.

²⁶ “Negotiations on the Code of Conduct at a Turning Point.” *The CTC Reporter* No. 8, Spring, 1980, p. 4.

damaged the legitimacy of the Code of Conduct even as the UNCTC was attempting to be a neutral clearing house of information on TNCs with its research and information-gathering activities. In an interview conducted in 2000, Bernard T.G. Chidzero, the former Deputy Secretary General of UNCTAD remarked,²⁷

There was a phase in which the industrialized countries began to consider the UNCTAD secretariat as the secretariat of the G-77 [developing countries]. In other words, unlike the secretariat of, say, GATT, the UNCTAD secretariat was “left-wing,” supporters of the poor, and people were giving them the means or the opportunity to negotiate.

According to Sagafi-Nejad (2008:129),

On the political plane, neither the UNCTC nor UNCTAD was a favored institution in the view of several developed countries. The United States in particular had consistently opposed any effort to devise codes of conduct on TNCs and transfer of technology. The UNCTC’s absorption into UNCTAD suited Washington policymakers, who disliked what they perceived as the Centre’s distrust of the motives and workings of the private sector, despite the fact that it has an Advisory Committee on the private sector that had included some top executives of TNCs as participants.

Beginning in the early 1980s, the opposition of developed countries grew stronger, especially from countries like the United States, who thoroughly opposed the activities of the UNCTC and, by default, any sort of Code of Conduct for transnational corporations. The United States, at this stage, was typically cautious if not outright antagonistic towards the UN in general (Mertus 2004) and UNCTAD and the UNCTC were, to US representatives, the political platforms for anti-capitalist interests from the Third World. Seymour J. Rubin, executive director of the American Society of International Law, for example, remarked:²⁸

Some of the language of the New International Economic Order, like that of the Declaration of its establishment, speaks in terms of “restitution.” One dispassionate observer [the American international law scholar and UN aide, Oscar Schachter] has pointed out that “the broad and generalized demands of

²⁷ *UN Voices*, “Transcript of Interview of Bernard T.G. Chidzero by Thomas G. Weiss.” Harare, 11 May 2000, p. 65.

²⁸ “For a Balanced Code.” *The CTC Reporter* No. 12, Summer, 1982, p. 11.

poor countries . . . are often advanced as entitlements owed to them.” The essential element of perceived mutual advantage is not advanced by basing a code on assertions of guilt.

Business representatives also reiterated their opinion regarding the “politicization” of the Code of Conduct deliberations. Max Weisglas, head of the observer delegation of the International Chamber of Commerce, stated that:²⁹

The business community hopes that the essential purpose of the Code—to serve as an instrument for promoting world economic growth and well-being by enhancing a positive climate for international direct investment by transnational corporations—will not be lost in a process of purely political dialogue. Let practicability and realism prevail over ideological dreams which, though they may indeed serve their purpose sometimes, can never solve the real problems of development.

Although the Cold War divide initially aided the developing countries in pushing for the TNC issue in the UN, in terms of support from the Soviet Union and the Eastern Bloc countries, the United States now utilized this standoff as a means of retaliation against the developing countries and withdrew from the UNCTC. According to Sagafi-Nejad (2008:119):

During President Reagan’s second term, the US administration remained lukewarm (if not directly hostile) to the code. Indeed in 1986, after a decade of participation in the commission and in the UNCTC’s deliberations and activities, the US State Department declared that it intended to limit its participation in the UNCTC’s activities because the commission had “never given the Centre a clear mandate to include in its work the activities of state-owned enterprises from communist countries and MNCs from developing countries—a clear violation of the important UN principle of universality.” It also advised the US business community to “restrict its participation in the Centre’s work.”

Despite its antagonism towards the UN Centre on Transnational Corporations, the United States nevertheless wanted to remain engaged with Code of Conduct deliberations in order to influence its proceedings and outcomes. Sagafi-Nejad (2008:120) stated:

The United States wanted to remain engaged in the code negotiations so it would not lose control of the direction of the debate or its outcome. . . . Indeed the US

²⁹ “International Business and the United Nations Code.” *The CTC Reporter* No. 12, Summer, 1982, p. 18.

dislike of the code continued, and conservatives who served as US ambassadors to the UN during this period, including Jeanne Kirkpatrick and Alan Keyes, were determined to block its approval.

As a result of these deep-seated difference between the Western developed countries and the G77 developing countries, it was difficult for both parties to develop common frames that could encompass both points of view. The developing countries framed their calls for the moral regulation of the international economy in terms of a New International Economic Order in which national sovereignty should be protected by a legally-binding Code of Conduct on transnational corporations. The developed countries, on the other hand, framed the NIEO platform as a deliberate politicization of UN bodies like UNCTAD and the Commission on Transnational Corporations; they blocked the negotiations on the Code of Conduct by registering their disagreements with specific details of the draft Code and by disengaging from the UNCTC. By the tenth session of the Commission in April 1984, negotiations had all but slowed to a grinding halt. Ahmed Rhazaoul, vice-chairperson of the session, stated:³⁰

Underlying the discussions were tensions resulting from years of slow, inconclusive and at time acrimonious negotiations marred by lingering suspicions. Through it all, it was always difficult to draw the line between legitimate concerns over the interests of particular constituencies represented by the delegates and tensions created by misunderstandings, lack of trust or even personal animosities. . . . Judging by the overt behavior of the various groups, it was impossible to guess what their real intentions were. In such an atmosphere, mutual suspicions ultimately prevailed and the public showdown became inevitable. . . . And thus, the session ended in bitter disappointment as far as this matter was concerned.

³⁰ Ahmed Rhazaoul, "Highlights of the Tenth Session of the Commission on Transnational Corporations: A Personal View." *The CTC Reporter* No. 18, Autumn, 1984, p. 3.

Figure 3.4

Tenth Session of the Commission on Transnational Corporations, New York, 1984



Source: *The CTC Reporter* No. 18, Autumn, 1984

3.5.3 The Developed Countries Dominate the Code of Conduct Negotiations

How did this stalemate lead to the developed countries dominating the TNC issue in the UN? First, international and domestic events weakened the ability of developing countries to maintain their solidarity. The rapid increase in oil prices and world recession in the late 1970s led governments to focus on their domestic economies more than on international affairs. The debt crisis in Latin America that began with Mexico in 1982, in particular, was precipitated by a sharp decline (down 40 percent in 1982 from 1981) in transnational bank lending to developing countries, resulting in many Latin American governments having to deal with pressing domestic concerns such as restructuring commercial bank loans and other deflationary measures.³¹

Second, some developing countries themselves became more receptive to foreign direct investment from transnational corporations. These developing countries no longer saw

³¹ Ahmed Rhazaoul, "Highlights of the Tenth Session of the Commission on Transnational Corporations: A Personal View." *The CTC Reporter* No. 18, Autumn, 1984, p. 2.

the previous NIEO and *dependencia* framing as practical in attempting to achieve domestic economic development. In an interview, Stefan H. Robock, professor emeritus of international business at Columbia University, came to this conclusion:³²

The attitudes of the developing countries toward TNCs have indeed changed. In brief, the ideological debates of the late 1960s and early 1970s have given way to pragmatism in many countries. The foreign debt crisis has been a factor. In addition, the developing countries have become better equipped to evaluate the national benefits and costs and to negotiate with TNCs. Some of them now have their own TNCs. There is less fear of the TNCs, and many developing countries have learned how to use the TNCs to achieve national goals.

Among the East Asian economies, for example, Japan had emerged in the 1980s as a major source of investment in developing countries.³³ By 1987, China had also reversed its closed-door policy to become a major recipient of FDI, an “ideological shift towards pragmatism,” according to N.T. Wang, director of Columbia University’s China International Business Project.³⁴ The East Asian “Tiger” economies of Singapore, Hong Kong, Taiwan, and South Korea also spearheaded their rapid economic development through state-managed FDI (Ruggie 2003a:304),³⁵ suggesting that the “developmental state” (Johnson 1982; Amsden 1989; Evans 1995) framing of state-led capitalism posed a viable alternative to dependency theories. According to Sagafi-Nejad (2008:131):

It was not just western countries that were skeptical [of UNCTAD]; the more advanced developing countries, particularly the Asian big and small tigers, were more interested in acquiring foreign technology and capturing export markets than they were promoting Third World solidarity.

³² Interview with Stefan H. Robock, “The Role of TNCs in the World Economy: Present and Future.” *The CTC Reporter* No. 21, Spring, 1986, p. 50.

³³ “Changes in the Pattern of FDI: An Update.” *The CTC Reporter* No. 23, Spring, 1987, pp. 4-5. Anthony Sampson, “TNCs in the 1990s.” *The CTC Reporter* No. 25, Spring, 1988, p. 40.

Masataka Fujita, “The Rise of Japanese TNCs.” *The CTC Reporter* No. 26, Autumn, 1988, pp. 13-14, 20.

³⁴ N.T. Wang, “China’s Recent Experiences with TNCs.” *The CTC Reporter* No. 24, Autumn, 1987, p. 26. “Trends in FDI: The Case of China.” *The CTC Reporter* No. 26, Autumn, 1988, p. 4.

³⁵ “Restoring Development and the Role of TNCs.” *The CTC Reporter* No. 26, Autumn, 1988, pp. 15-20.

Research and reports by the UNCTC at this stage of the late 1980s even highlighted FDI opportunities and receptivity in the Soviet Union, including the role of export-processing zones³⁶ and joint ventures.³⁷

Third, as a result of the diminishing solidarity between developing countries and the lack of adequate frames to justify strong regulation of transnational corporations, the developed countries, in particular the United States, employed several organizational resources to dominate the TNC issue. United States opposition to the NIEO agenda in general and the Code of Conduct in particular reflected its general stance of antagonism towards the United Nations (cf. Mertus 2004). In May 1987, the US House of Representatives conducted a hearing on the status of the Code of Conduct where various individuals testified before the Subcommittee on Human Rights and International Organizations of the Committee on Foreign Affairs. In this hearing, Ambassador Alan Keyes, then-Assistant Secretary of State for International Organization Affairs summed up the US position as such:³⁸

The communist and many developing countries view the Code as closely tied to the new international economic order and the Charter of Economic Rights and Duties of States, both of which were opposed by the United States and several other developed countries. They see the Code as confirming their exclusive national jurisdiction over TNCs (without international law as a limiting factor), while at the same time establishing, if possible, international mandatory standards for TNC behavior. . . . This approach is not acceptable to the United States and other developed countries. Traditional United States foreign investment policy . . . is that, as a basic rule, market forces rather than government intervention should determine international capital flows . . .

I see little prospect for early agreement in the Commission on a comprehensive Code of Conduct. Key members of the developing countries and the Soviet bloc will have to demonstrate a willingness to make some basic policy changes before

³⁶ Nicolas Jéquier, "Free Economic Zones in the Soviet Union: A Tool for Economic Reform and a New Frontier for International Business." *The CTC Reporter* No. 28, Autumn, 1989, pp. 24-29.

Eugene Theroux, "Views of TNCs on Free Economic Zones in the Soviet Union." *The CTC Reporter* No. 28, Autumn, 1989, pp. 30-33.

³⁷ Stanislav Menshikov, "Joint Ventures in the USSR." *The CTC Reporter* No. 28, Autumn, 1989, pp. 38-39.

Alexei V. Bereznoy, "Joint Ventures and the Soviet Economic Reform." *The CTC Reporter* No. 28, Autumn, 1989, pp. 45-46.

³⁸ "Excerpts from the Testimony of Alan Keyes." *The CTC Reporter* No. 24, Autumn, 1987, p. 33.

there can be a reasonable hope for making progress on the Code. Recent negotiating sessions on the Code have made virtually no progress.

Reporting on the hearing, attorneys Daniel D. Bradlow and Judith C. Appelbaum of Reichler and Appelbaum believed that the United States administration's "rigid stance" in the negotiations stemmed from "a lack of faith in the United Nations."³⁹ Joel Davidow, an attorney and former US government official, stated that the US administration was unwilling to accept "victory" even when developing countries compromised.⁴⁰

It seems fairly clear to me . . . that in recent years the United States has not been a source of new text and new flexibility, and that it has also been the situation that outside experts, including United States business leaders, have offered compromises acceptable not only to the developing countries, but even to countries as conservative as Switzerland and the Federal Republic of Germany, but these have nevertheless been rejected by the United States as not even worthy of further discussion.

Furthermore, according to John Ruggie,⁴¹

Then Ronald Reagan came into office. He said, "What? You guys must be joking. I am not negotiating this [the New International Economic Order]. Forget it." Then [Margaret] Thatcher came along. And another few years down the road the Soviet Union collapsed. So there went the impetus.

Aside from blocking negotiations on the Code of Conduct, the United States administration also pressed for UN reform in the 1990s, targeting UN bodies and policies that it believed were hostile to its interests. One strategy that the United States adopted against the UN was to withhold its dues payments to the UN (Mertus 2004). In this period, Republican legislators voted to reduce the United States' financial commitment to the UN in order to push for UN reform, resulting in arrears amounting to more than \$1 billion (Luck 2003:42). In the subsequent fallout, one of the organizational "victims" was the UN Centre on Transnational Corporations. In the words of Georg Kell, executive head of the UN Global Compact, the Centre was put into "deep freeze" (Kell 2005:70),

³⁹ Daniel D. Bradlow and Judith C. Appelbaum, "Hearing on the Code." *The CTC Reporter* No. 24, Autumn, 1987, pp. 32-38.

⁴⁰ "Excerpts from the Testimony of Joel Davidow." *The CTC Reporter* No. 24, Autumn, 1987, p. 36.

⁴¹ *UN Voices*, "Transcript of Interview of John Ruggie by Thomas G. Weiss." New York, 10 April 2001, p. 41.

thus effectively ending any possibility of finalizing a Code of Conduct. Although the UNCTC had been a wellspring of information and research on TNCs for two decades, the United States pressured the newly-elected UN Secretary-General Boutros Boutros-Ghali to dismiss the UNCTC's director, Peter Hansen, dismantle the Centre, and have its operations in New York absorbed by UNCTAD in Geneva. Sagafi-Nejad (2008:121) recalls the event as such:

The UNCTC's research, capacity building, and policy activities were not enough to sustain the enterprise. In 1992, Secretary General Boutros-Ghali dismissed Peter Hansen. Hansen's efforts were not sufficient to soothe the new secretary-general or the US administration that had initially supported his appointment. The issue for the US administration was fairly simple: it felt that the UNCTC was hostile to TNCs and its residence in New York was not viable. Boutros-Ghali needed to hand the American government a few victories in its battle to restructure the UN, and the UNCTC became a sacrificial lamb.

Therefore, this second stage of the intergovernmental CSR field marked a radical shift from shared understanding to domination. As the field expanded to include the active participation of new actors like representatives from developed countries, field actors like the United States were able to employ the UN's organizational resources and their positions of authority within the UN to dismantle previous CSR efforts and to pressure existing field actors to abandon the Code of Conduct negotiations. Within the field, this resulted in perspectives on the moral regulation of the international economy ending in the early 1990s with the dominant view that economic globalization via TNCs and FDI did not result in *dependencia* but rather the triumph of market capitalism (and its state-led variant in East Asia). This view was buttressed by strategic action within the UN by developed countries, primarily the United States, to block the development of a Code of Conduct and to dismantle the organizational machinery necessary for any future UN action on TNCs. At this stage, the institutional outcome of domination was possible because UN actors and agencies were largely passive in the intergovernmental CSR field. Where they participated, it was merely to respond to pressures and threats of disengagement from developed countries.

3.6 The Third Stage: Settlement and Compromise in the Intergovernmental CSR Field

The period of domination by the developed countries, led by the United States, resulted in the total dismantling of all institutional structures and organizations that could have contributed to an international regulatory framework on transnational corporations. In its place, the TNC issue was redefined to emphasize the benefits of market capitalism, not unequal dependencies. By all accounts, the developing countries' New International Economic Order platform was dead in the water by the 1990s. Nevertheless, several factors led to the emergence of a new approach to corporate social responsibility in the UN. Recall that then-Secretary-General Kofi Annan's announcement of the UN Global Compact initiative in 1999 was surprising for several reasons, least of all the resurrection of an international framework on corporate behavior after two decades of bitter and divisive wrangling between developed and developing countries on the previous Code of Conduct.

In this third stage of the intergovernmental CSR field, the entry of UN agencies such as the UN Secretariat and the active participation of institutional entrepreneurs shifted the institutional character of the field towards a settlement and compromise outcome. These new actors created broad support within the field for a new global CSR framework through their interorganizational networks within the UN. Motivated by their perception that economic globalization had potential consequences in destabilizing international peace and security, UN actors were able to broach a compromise outcome by advocating a voluntary, as opposed to legally binding, governance framework for corporations.

Secretary-General Annan's UN Global Compact initiative was, however, a new sort of UN initiative that (i) bypassed the nation-state system of the UN in favor of direct engagement with corporations, (ii) depended on "networks" of organizations for its ideas and resources rather than adhering to the conventionally hierarchical nature of the UN, and (iii) was framed as a non-antagonistic, business-friendly learning forum for corporations.

Why was corporate responsibility back on the UN agenda? After all, with developed countries having resolutely defeated all attempts to build an intergovernmental mechanism to scrutinize and regulate transnational corporate behavior, it was more likely that *no* new institution would emerge. Yet, the UN Global Compact has grown to become the most widely endorsed CSR initiative, with thousands of corporations in various countries and industries promoting its ten principles on human rights, labor, the environment, and anti-corruption. Beginning with the United States vetoing the re-election of Boutros Boutros-Ghali and the subsequent election of Kofi Annan as the new Secretary-General of the UN in December 1996, several factors resulted in CSR being pushed back onto the UN agenda, among them global factors such as extensive economic globalization, a new round of organizational reforms in the UN, and the role of institutional entrepreneurs.

3.6.1 The New Economic Globalization as Political Opportunity

By 1999, UN officials were cognizant of new global problems highlighted by the disjuncture between economic development and institutional regulation. Compared to the previous two stages of the intergovernmental CSR field, UN actors did not frame this disjuncture in terms of organizational power (the foreign investment abilities of transnational corporations versus the national sovereignty of states) but rather in terms of networks and relations (the spread of free market structures versus social bonds and political compacts) (cf. Hendry 2001).⁴² In his speech at Davos announcing the UN Global Compact in 1999, Secretary-General Kofi Annan stated his reason for initiating a new CSR framework (United Nations 1999:1-2):

Globalization is a fact of life. But I believe we have underestimated its fragility. The problem is this. The spread of markets outpaces the ability of societies and

⁴² Hendry (2001), for example, address a parallel problem in the changing nature of business ethics. He notes that approaches to business ethics must take into account the shift in emphasis in the organization of business activity from bureaucracy (typified by twentieth-century Weberian scholarship) to market structures, where “the relationships between firms and their employees, and the relationships between employees, are increasingly governed, quite openly, by the rules of the market rather than by those of traditional moral obligation” (Hendry 2001:213).

their political systems to adjust to them, let alone to guide the course they take. History teaches us that such an imbalance between the economic, social and political realms can never be sustained for very long.

The industrialized countries learned that lesson in their bitter and costly encounter with the Great Depression. In order to restore social harmony and political stability, they adopted social safety nets and other measures, designed to limit economic volatility and compensate the victims of market failures. . . .

Our challenge today is to devise a similar compact on a global scale, to underpin the new global economy.

To some (Kell and Ruggie 1999; Kell 2005), the Secretary-General's remarks in January 1999 on the dangers of economic globalization and the need for a "compact on a global scale" were incredibly prescient: just ten months later, in November 1999, massive "anti-globalization" protesters were mobilized at the World Trade Organization (WTO) Ministerial Conference in Seattle, Washington (Smith 2002a). In an article for *Transnational Corporations*, the successor to *The CTC Reporter* after that periodical's demise, published just after the Seattle protests, Georg Kell and John Ruggie, both with the Executive Office of the United Nations Secretary-General, also emphasized that economic globalization was the main driver for considering a new framework of moral regulation for the global economy (Kell and Ruggie 1999:102):

Much has changed in the past half century to erode the efficacy of [the postwar compromise of embedded liberalism]. However, no factor has been as consequential as the expanding and intensifying process of globalization. At bottom, globalization has increasingly disconnected one single element—networks of production and finance—from what had been an overall system of institutional relations, and sent it off on its own spatial and temporal trajectory. . . . A key challenge for the international community, therefore, is to devise for the *global* economy the kind of institutional equilibrium that existed in the postwar *international* economic order.

Reflecting on the first five years of the UN Global Compact, Georg Kell, now executive head of the UN Global Compact Office, also stated how these disjunctures in the moral regulation of the global economy became reference points for UN action in the late 1990s (Kell 2005:71):

The emergence of the anti-globalization movement ahead of the 1999 World Trade Organization meeting and the Asian Financial Crisis of the late 1990s provided the background for the idea of the Compact. The insights that global markets must be embedded in a social consensus of shared values, that markets need an underpinning of laws and rules that transcend the imperative of economic efficiency, and that liberalization, itself the outcome of deliberate policy choices, must have social legitimacy to be sustainable over time all provided useful points of reference. . . . The idea that the UN could assert itself as a stabilizing force, while placing emphasis on market inclusion, seemed both fitting with the mission of the Organization and timely in light of the ongoing lack of leadership around trade, business and social issues.

These remarks by UN actors who played a seminal role in the development of the UN Global Compact suggest that, although corporations as *organizations* were still part of the CSR narrative, the UN started to focus more on the *processes* of global market liberalization and its decoupling from social institutions as the main motivation for contriving a new international CSR framework. In addition to these factors, the spotlighting of specific instances of corporate misconduct in the 1990s, for example the Nike-sweatshop and Unocal-Burma scandals, also provided momentum for civil society mobilization against transnational corporations (Smith 2002a, 2004, 2005).

3.6.2 Interorganizational Networks as Organizational Resource: Rapprochement with Business and Reaching Out to UN Bodies

These global factors and events, as stated by the UN actors involved, provided the macro opportunities for mobilization in the intergovernmental CSR field, although there were other more proximate factors that also facilitated the emergence of a new CSR framework. These proximate factors involved further organizational reforms within the UN. In 1996, the United States, as permanent member of the UN Security Council, vetoed the re-election of Boutros Boutros-Ghali, resulting in the appointment of Kofi Annan of Ghana to the position of Secretary-General by the UN General Assembly. Responding to repeated calls by the United States and other developed countries for organizational reform of the UN, Kofi Annan issued two reports to the General Assembly in 1997: “Strengthening of the United Nations System” in March (United Nations 1997a)

and “Renewing the United Nations: A Programme for Reform” in July (United Nations 1997b).

In his “selected experiences and reflections,” Georg Kell remarked that the UN was “a hierarchical bureaucracy poorly equipped to facilitate and support new initiatives” and that this period of reform provided a “space of innovation” for “an institutional experiment in network building that challenged the hierarchical boundaries of [the UN]” (Kell 2005:74-75). Taking advantage of these reforms, institutional entrepreneurs such as Annan were able to introduce new issues, emphasize previously neglected areas, and rely on different organizational resources to reframe the need for a new global CSR framework. In an interview, John Ruggie stated that the three items that were most important on Kofi Annan’s agenda in his first term as UN Secretary-General were “institutional reform,” “partnerships with non-state actors, and the Global Compact in particular,” and “the Millennium Summit report.”⁴³

Three institutional entrepreneurs that were now actively engaged within the intergovernmental CSR field were instrumental in pushing for this “space of innovation” to put the question of transnational corporations and CSR back on the UN agenda. Georg Kell was former head of UNCTAD’s New York office and became senior officer at the executive office of the UN Secretary-General in 1997. In that capacity, he was “responsible for fostering the cooperation with the private sector” (Kell 2005:69) and later assumed the position of executive head of the UN Global Compact. Before assuming the position of Assistant Secretary-General to Kofi Annan in 1997, John Ruggie was already an influential international relations specialist, best known for his 1982 article on “embedded liberalism” (Ruggie 1982). As Assistant Secretary-General, his constructivist approach to international relations also complemented the new Secretary-General’s orientation towards how norms and identities “come to shape interests and behavior.”⁴⁴ Both Kell and Ruggie also credit Kofi Annan as a driving force

⁴³ *UN Voices*, “Transcript of Interview of John Ruggie by Thomas G. Weiss.” New York, 10 April 2001, p. 18.

⁴⁴ *Ibid.*, p. 8.

in focusing the UN's attention on economic development as well as reaching out to the private sector. According to Kell (2005:71):

The leadership and pragmatism of Kofi Annan and his familiarity with business (he is the first Secretary-General with a business management degree) were instrumental in meeting these challenges [of building relationships between the UN and the private sector]. The Secretary-General supported efforts to prove that a strong UN was good for business in a world of growing interdependencies. . . . At the core of this renewal lay the vital understanding that markets by themselves were not an ideology, but rather a tool in the hands of societies. This view placed Kofi Annan above ideological debates and allowed him to focus on practical, real-world changes.

John Ruggie also remarked,⁴⁵

Well, the Secretary-General's instinctive desire to reach out to the private sector and to get them mobilized in support of UN goals was there from the beginning. He was a Sloan Fellow at MIT. He was there for a year with people from the private sector and has always had a fair amount to do with people in the private sector.

One of the first major changes in emphasis was the UN's focus on social and economic development. As an intergovernmental body, the United Nations was traditionally dominated by peace and security issues, with less attention to social and economic affairs. With this round of organizational reforms, most importantly through streamlining and merging various departments into a single Department of Economic and Social Affairs (United Nations 1997a:4-5, 1997b:24), Kofi Annan utilized the office of the Secretary-General to press more directly for attention to social and economic issues, resulting, for example, in the UN's Millennium Declaration and Millennium Development Goals. Responding to a question on the office of the Secretary-General's focus on economic and social issues, John Ruggie replied,⁴⁶

There are many reasons why it doesn't happen as often as it should. One is that Secretaries-General in the past have had little interest in economic issues. They haven't understood economic issues, and they haven't much cared about them,

⁴⁵ *UN Voices*, "Transcript of Interview of John Ruggie by Thomas G. Weiss." New York, 10 April 2001, p. 20.

⁴⁶ *Ibid.*, p. 17.

except politically or in a mushy moral way. This Secretary-General is different. Another difference is that we now have a deputy-secretary-general [Louise Fréchette], and the way in which the division of labor has worked out she has responsibility and a couple of posts related to development and financing for developing. So we have some capacity here. I have frequently weighed in as well. So this administration is somewhat different. . . . Frankly, in this administration, when we have needed to develop new policy initiatives in the economic and social area, they have come from this department or from outsiders.

Ruggie also noted that Kofi Annan was sensitive to the historical and economic divisions between different countries, saying, for example, that Annan was cautious that bringing social issues like human rights and the environment to a forum like the World Trade Organization would be “dangerous” because those concerns would “lend themselves too easily to becoming protectionist vehicles.”⁴⁷

The reframing of the United Nations’ role in globalization and economic and social development led Kofi Annan and colleagues to secure relationships with organizational actors that were outside the conventional ambit of the UN’s sphere of influence. Among plans for management reform, consolidating departments, and budget reform, Kofi Annan further emphasized that UN reform needed to incorporate non-state actors more extensively, including businesses (United Nations 1997b:68):

Of particular importance is the relationship of the United Nations and the organizations of the United Nations system with the business community. The impact of the private sector, in both developing and developed countries, is of growing importance, and it would be timely to develop better means of consultation between the United Nations and the business community. Such consultations would enable the concerns and interests of both sides to be more fully understood. The International Chamber of Commerce and the World Economic Forum have both taken the initiative to establish mechanisms for this purpose and encourage their use by other members of the United Nations family. The Secretary-General plans to utilize these mechanisms.

⁴⁷ *UN Voices*, “Transcript of Interview of John Ruggie by Thomas G. Weiss.” New York, 10 April 2001, p. 20.

In an interview, the former Secretary-General also stressed that engaging with non-state actors, especially those from outside the UN system, could help to bypass some of the traditional divisions between nation-states that were blocking negotiations:⁴⁸

I find that when you are dealing with issues where the member-states are divided and have very strong views, and very strong regional views, if you do the work inside, the discussions become so acrimonious that, however good a document is, sometimes you have problems. And in fact, they begin to look at who did the report, where do they come from, who influenced them. But if you bring it from outside—[for example] that Professor Weiss investigated it, this is a really, very good document that could help our discussions—they accept it.

With organizational reforms and institutional entrepreneurship, Kofi Annan, John Ruggie, and Georg Kell began formulating relationships with non-state actors in order to rejuvenate a United Nations framework for the regulation of global economic activity. In 1997, almost immediately after assuming the position of Secretary-General, Annan began meeting with members of the International Chamber of Commerce (ICC), the global business association that has permanent observer status in the UN, resulting in two joint statements issued in 1998 and 1999 on potential UN-business dialogue and partnerships (Kell and Ruggie 1999:105). According to Georg Kell, after Kofi Annan's "rapprochement with business," global business associations "began to view the UN as an important participant in the globalization debate and acknowledged its constructive contribution" (Kell 2005:71). Concurrently, Kofi Annan was also deciding whether to attend the World Economic Forum annual meeting in Davos in 1999 and part of his decision hinged upon if he could present "a major challenge to the business community" at Davos as Secretary-General of the United Nations.⁴⁹ This "major challenge," born out of early ideas and discussions in the Secretary-General's office,⁵⁰ led to the establishment of the UN Global Compact, a new voluntary CSR framework, backed by the "moral authority" of the UN Secretary-General, and was well-received by the corporate

⁴⁸ *UN Voices*, "Transcript of Interview of Kofi Annan by Thomas G. Weiss." New York, 29 April 2002, p. 18.

⁴⁹ *UN Voices*, "Transcript of Interview of John Ruggie by Thomas G. Weiss." New York, 10 April 2001, p. 20.

⁵⁰ *Ibid.*, p. 7.

community (Kell and Ruggie 1999:103). John Ruggie remarked, “The reaction [from Davos] was so positive that we were compelled to make a program out of it.”⁵¹

Wary of the high possibility of resurrecting divided opinions between member-states of the United Nations, as had previously been the case with the Code of Conduct on Transnational Corporations, the Secretary-General’s office decided to circumvent the member-state system altogether. Having secured the preliminary support of global business associations, Kofi Annan and John Ruggie worked, instead, to build support and foster relationships with other UN agencies to increase the capacity of the new UN Global Compact framework. In line with his reform proposals to streamline the administrative functions and hierarchies of the UN, Annan initiated the UN Global Compact as an “institutional experiment in network building” (Kell 2005:74-75), based in part on Ruggie’s previous experience with the UN Environment Programme (UNEP).⁵² According to Kell and Levin (2003:4), the networking idea originated with John Ruggie’s application of Rupert F. Chisolm’s (1998) “interorganizational networks” concept—the UN Global Compact was conceived as a learning forum that connected agencies laterally within the UN, and externally with corporations and civil society organizations. Figure 3.5 below presents Kell and Levin’s (2003:153) schematic of the UN Global Compact network structure.

As Kofi Annan and his colleagues predicted, the idea of the UN Global Compact was controversial among the governments of UN Member States (Kell 2005:75) because it bypassed the member-state system and appealed directly to private actors outside the intergovernmental field. Of their early networking efforts, John Ruggie stated:⁵³

Today we have a set of human rights principles and Mary Robinson [former president of Ireland and UN High Commissioner for Human Rights] is on board. She has to carry the ball on human rights. But, in fact Mary wasn’t fully on board at the beginning. She was under enormous pressure from human rights NGOs to attack companies, not to work with them. The ILO (International Labour

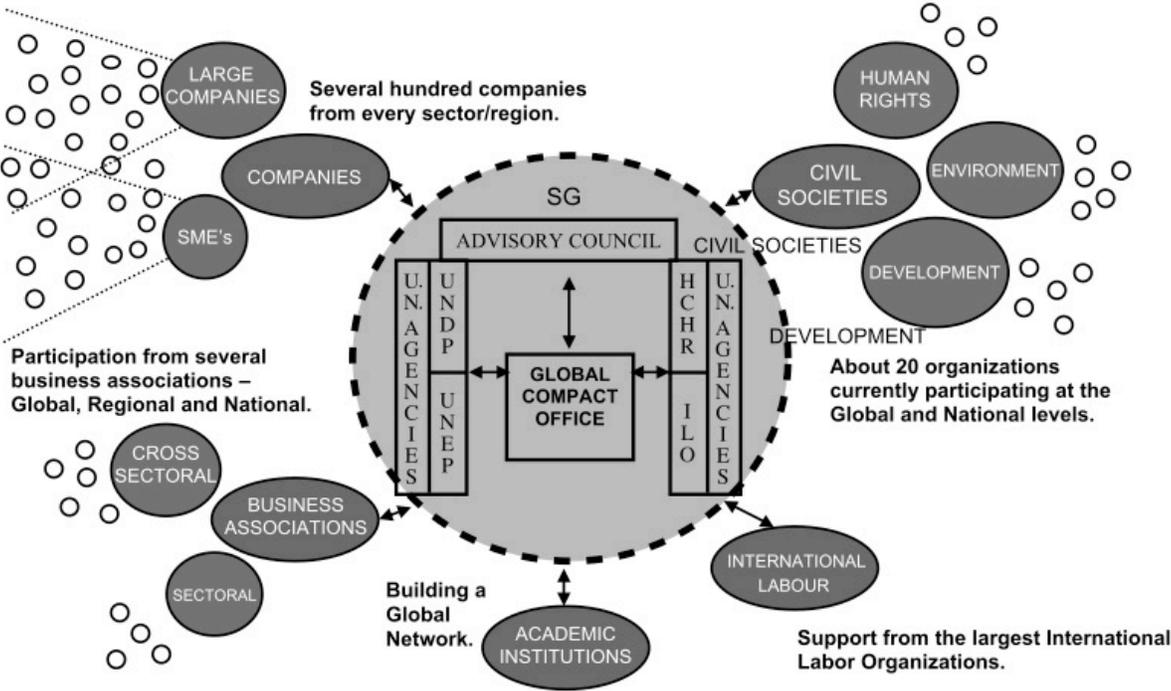
⁵¹ *UN Voices*, “Transcript of Interview of John Ruggie by Thomas G. Weiss.” New York, 10 April 2001, p. 21.

⁵² *Ibid.*, p. 12.

⁵³ *Ibid.*, p. 22.

Organization) was more or less on board although in the typical ILO tripartite fashion, which means you don't deal with business, you deal with business associations because that's what the ILO constitution says. UNEP was very excited because they had worked with companies in the energy and chemical industries in particular. They had the experience of the ozone protocol negotiations and so forth.

Figure 3.5
The Network Structure of the UN Global Compact



Source: Kell and Levin (2003:153)

Georg Kell also stated that the reason why interorganizational networking succeeded was because the UN agencies involved had incentives to support and promote a shared framework that consolidated human rights, labor, and environmental issues (Kell 2005:75). At this stage, the UN Global Compact Office became an “interagency network”

that included the Office of the High Commissioner for Human Rights (OHCHR), the ILO, the UNEP, and the UN Development Programme (UNDP).

Subsequently, the UN Global Compact was formally launched in July 2000. As its core were ten CSR principles, including human rights, environmental, and labor principles, that corporations could formally endorse if they chose to be participants in the Compact (Wynhoven and Senne 2004). The UN Global Compact was an entirely voluntary initiative—corporations could become members at their own volition without any compulsion from either governments, the UN, or civil society—and adherence to UN Global Compact principles was symbolic rather than legally-binding—there were no explicit penalties or sanctions if a corporate member was found to be lacking in any of the stated principles.

3.6.3 CSR as Business-Friendly and Non-Antagonistic: Doing Good is Good Business

Central to the way its architects framed the UN Global Compact, therefore, was its pragmatic, non-antagonistic, business-friendly nature. This stage of the intergovernmental CSR field can therefore be characterized as one of settlement and compromise (cf. Bartley 2007a). The Secretary-General and his colleagues had deliberately conceived of the UN Global Compact as a rapprochement with business while reintroducing the idea that economic development and extensive economic globalization had to be tempered by institutionalized norms that were globally accepted by countries all over the world. Although civil society organizations were—and still are—suspicious of the UN Global Compact’s direct links to corporations from its inception (Utting 2002), the initiative and its activities were designed to have direct input from bodies such as the UNEP and ILO as well as participation from global NGOs like Amnesty International and the Rainforest Alliance (Wynhoven and Senne 2004). In point of fact, as Georg Kell (2005:76) recalls, the Global Compact was also framed as being good business practice, even for corporations from developing countries:

At the same time, the Global Compact Office undertook major outreach efforts in key developing countries such as China, India, Brazil, and South Africa, where business executives welcomed the initiative as a non-threatening framework for modernization and access to the global economy. As this occurred, political suspicion was gradually replaced with cautious support. Indeed, business leaders from developing countries have embraced human rights, labor and environmental principles even in situations where their respective governments viewed them as Western impositions and used them as political bargaining chips. The pragmatic business community understood that adopting these principles was the key to climbing the ladder of value addition as a supplier to large companies or as an exporter to major consumer markets. In addition, as competition for foreign direct investment intensified, politicians increasingly discovered that social and environmental issues influenced the decision making of potential investors.

After its launch in 2000, the UN Global Compact became a stunning success for Kofi Annan and the executives of the UN Global Compact Office. Despite strong criticisms from civil society organizations of corporations using the framework to “bluewash” their misconduct (cf. Whitehouse 2003b; Deva 2006), corporate social responsibility was firmly back on the UN agenda. The UN Global Compact currently has more than 8,700 corporations who call themselves participants in more than 130 countries, and oversees a vast network of domestic offices that coordinate local learning and networking activities for corporations and their stakeholders.

Following from the emergence of the intergovernmental CSR field in the 1970s, where transnational corporations were framed as less-than-benign global actors, and the subsequent reaction in the second stage in the 1980s, where foreign investment was argued to be beneficial for economic development, this third stage of Kofi Annan and the Global Compact was characterized by attempts by these UN actors to broach a compromise between calls to regulate corporations and calls for global markets to operate freely for private corporate actors. Where previous UN actors were passive in the intergovernmental CSR field, their more active engagement in the 1990s resulted in the expansion of the field to include UN agencies and other non-state actors. The inclusion of these new actors and UN actors’ strategies in bypassing the state system and in negotiating directly with international business representatives resulted in the establishment of a new global CSR framework where previous efforts had failed. At this

stage, which extends to the current time period, the multiple positions of the various field actors and the diversity of resources available to them resulted in strategic action to avoid resurrecting divisive initiatives. Institutional entrepreneurs in the UN Secretariat established relationships with members of the international business community and forged networks between other UN agencies in their rapprochement efforts to promote a “doing good is good business” frame. The resulting UN Global Compact framework, however, reflected the settlement and compromise character of the current intergovernmental CSR field. Governmental actors did not adopt a shared understanding on the issue as some developing countries would clearly prefer more binding solutions while developed countries had no reason to oppose a voluntary and symbolic initiative. In any case, UN actors had reshaped the intergovernmental CSR field to bypass direct state conflict and to enact a CSR framework that was non-antagonistic to business interests.

Figure 3.6
Secretary-General Kofi Annan with Coca-Cola Chairman E. Neville Isdell, 2006



Source: www.unmultimedia.org

3.7 Conclusion

In this chapter, I have examined the historical trajectory of CSR at the global level by explaining institutional emergence and change in the intergovernmental CSR field. The intergovernmental CSR field began in the early 1970s with developing countries responding to global and domestic events and calling for the UN to enact a global framework to regulate transnational corporations. Although they were successful in shaping the intergovernmental CSR field to reflect the shared understanding that transnational corporate activity deserved more scrutiny from international organizations, these attempts were subsequently dismantled with the entry of new actors to the field. From the late 1970s to the early 1990s, developed countries, especially the United States, began to actively participate in the field, changing the relationship dynamics of all field actors. Actors from developed countries utilized the same UN organizational resources that were initially established to promote a Code of Conduct on Transnational Corporations as well as their positions of authority in other UN bodies to reshape and dominate the intergovernmental CSR field. From the 1990s onward, UN actors and agencies themselves became active field participants, utilizing their interorganizational networks to build a rapprochement between different field actors in order to establish a new voluntary global CSR framework, the UN Global Compact. These negotiation efforts again shifted the intergovernmental CSR field from one characterized by domination to one reflecting settlement and compromise.

To explain these instances of institutional emergence and change in the intergovernmental CSR field, I have proposed and demonstrated how external events and changes in the composition of the intergovernmental field have led to distinct institutional outcomes. Furthermore, I have shown that field expansion will more likely result in a particular type of institutional outcome—settlement and compromise—rather than previous alternatives—shared understanding or domination. My argument here is that as social fields expand, the entry of new actors with their own dispositions, interests, and resources changes existing relationships between field actors, making certain institutional outcomes more likely than others. Institutions of shared understanding will likely

characterize smaller fields with more homogenous field actors. On the other hand, fields of intermediate size and composition are constituted by a larger diversity of actors, allowing powerful actors with more resources and more salient interpretive frames to reshape the field, resulting in an institutional outcome of domination. In the most expansive fields, the multiplicity of actors, interests, dispositions, and resources in the field will make it difficult for field actors to establish either shared understandings or to dominate the field. In this scenario, field-level decision-making, negotiations, and competition will most likely result in an institutional outcome of settlement and compromise. The evolution of the intergovernmental CSR field I discuss in this chapter reflects these dynamics.

This chapter makes several contributions to the existing institutional, field, and social movement literatures. First, my argument connects institutional and field theories to show how social fields can be characterized by broader patterns of cultural rules and meanings. For field theory (Bourdieu 1985; Martin 2003; Emirbayer and Johnson 2008), cultural rules are immanent to social fields in the way field actors employ their cultural capital and fields are typically conceived only as domains of relational positions with no overarching institutional character. By showing how fields can generate institutional outcomes, I have shown how social fields can be distinguished not only based on their internal rules of competition but also their overall institutional characteristics (White 1992). Although field theorists have emphasized that social fields are characterized by stability (Bourdieu 1985; Fligstein and McAdam 2011), my argument proposes that field stability can also be further distinguished by its institutional outcome (Hoffman 1999), whether that outcome is shared understanding, domination, or settlement and compromise.

Second, my argument provides an explanation of how institutional emergence and change is connected to changes at the field level. Both institutional and field theories have grappled with explanations of change and my contribution here is to show that field-level change, through field expansion and the incorporation of new field actors, can have corresponding effects on institutional emergence and change. New institutional theory

(Powell and DiMaggio 1991) has the notion of organizational fields as a core theoretical construct but employs institutions as explanatory factors to account for field-level change (Emibayer and Johnson 2008). Reversing this causal imagery, I show how field-level changes, such as through changes in field-level relationships due to the addition of new field actors, can have institutional outcomes and that these outcomes change over time. While previous research has examined institutional outcomes (Hoffman 1999) and changing field compositions (Sauder 2008), my argument in this chapter has combined these insights to show the possibility of weighing the likelihood of institutional outcomes by comparing field and institutional change over time. In this regard, I have demonstrated how institutional change occurs in particular directions, conditional upon changes in the internal composition of fields.

Third, I have applied social movement theories of political opportunities, resource mobilization, and interpretive frames (McAdam et al. 1996; McAdam and Snow 1997) to a case study outside of conventional social movement theory's focus on challenges to centralized authority. My argument draws from recent attempts by scholars to extend social movement concepts to build a general theory of collective action (Armstrong and Bernstein 2008; Fligstein and McAdam 2011). In particular, I have shown how institutional and field change processes are effected through social movement-like strategies by actors within the strategic action field (Fligstein and McAdam 2011) of intergovernmental CSR and how this intergovernmental field is impacted by the multiple institutions (Armstrong and Bernstein 2008) it is connected to. I have demonstrated how the intergovernmental CSR field is a prime example of a strategic action field embedded in multiple institutions. The intergovernmental CSR field operates at the global level where it is not subject to any centralized world authority but yet field-level action is dependent on developments in various global and domestic spheres. As such, while powerful field actors can certainly dominate the intergovernmental CSR field, the way field actors respond to external events and the internal composition of the field can yield distinct institutional outcomes.

Future research that examines either institutional and field change or other strategic action fields can utilize the findings of my research. For example, to what extent does institutional change occur in a particular direction, with settlement and compromise characterizing expansive social fields? Can expansive social fields revert to institutional outcomes characterized by domination under other conditions or lead to alternative outcomes such as polarization, bifurcation, or stalemate? Results from the case of the intergovernmental CSR field may also not apply to social fields in domestic contexts that come under the direct influence of external actors, governments for instance, that wield considerable centralized authority to shape internal field characteristics. As countries begin to engage more substantively with corporate social responsibility concerns, it is likely that domestic CSR fields may develop and the evolution of those fields may come under government influence to reflect domestic issues and concerns rather than global norms promulgated by international organizations like the UN. In this case, the trajectory of domestic CSR fields may be determined by governmental fiat rather than the internal composition of the field. Powerful transnational corporations that have extensive operations in certain countries may also be able to dominate domestic CSR fields regardless of the presence of other field actors. Additional research can compare historical developments in other domestic CSR fields, such as significant cases like Shell in Nigeria or Unocal in Burma, to determine if other factors can lead to distinct institutional outcomes and how those outcomes change over time.

Additional research can also examine future developments in the intergovernmental CSR field. Although the UN Global Compact has been a successful CSR framework, reflecting the settlement and compromise outcome of the field since the 1990s, competing global CSR frameworks and mounting criticisms against the UN Global Compact will undoubtedly impact the way intergovernmental field actors refine their approaches to global CSR frameworks. Although the UN Global Compact recommends that its participating corporations use standardized and stricter reporting guidelines from other frameworks such as the Global Reporting Initiative, the emergence of alternative frameworks such as ISO's 26000 modules will likely push global CSR reporting in different directions. These developments suggest that the intergovernmental CSR field

will become an increasingly rationalized domain much like other fields centered on quality control, monitoring, and standardized procedures. As a result, it is also likely that the intergovernmental CSR field will come to rely more on nongovernmental and third party organizations to engage in these monitoring and certification processes. Future research can examine the extent to which these new actors' engagement in the intergovernmental CSR field will alter existing relationships between UN actors, corporations, and governments, thereby contributing to the transformation of the overarching institutional character of the field.

Intergovernmental fields on other global concerns have also developed in relation to other international organizations such as the World Trade Organization. These intergovernmental fields bear many similar characteristics to the relationship between the intergovernmental CSR field and the United Nations. Future research can examine the extent to which external events and internal field composition can explain how actors in those fields mobilize to create new institutions in their respective fields and the trajectory of change in institutional outcomes. Intergovernmental fields are important domains for sociological research because they feature prominently in actors' attempts to foster rules and frameworks to regulate activities in an increasingly integrated and isomorphic world society. The degree of social and economic integration between countries and the potential decoupling between global frameworks and their application in domestic contexts means that disjunctures between moral regulation and economic development will be increasingly magnified, spurring further collective action to create new institutions to ameliorate the negative effects of those disjunctures. The politics of global corporate governance and the institutional emergence of global CSR frameworks reflect these patterns.

Chapter 4

The Global Expansion of Corporate Social Responsibility: Cross-National Analyses of Global CSR Framework Diffusion and Its Impact on Corporate Commitment to CSR

4.1 The Widespread Adoption of Global CSR Frameworks

This chapter examines the cross-national diffusion of global corporate social responsibility frameworks and their impact on various levels of corporate commitment to CSR, employing the arguments and analyses previously presented in Lim and Tsutsui (2012).¹ Global CSR frameworks have their roots in the United Nations where, since the 1970s, the governments of various countries, nongovernmental organizations, and even UN agencies have debated the merits of enacting global governance frameworks for transnational corporations. As I detail in my previous chapter, debates in the intergovernmental field of CSR were long drawn and acrimonious, resulting in the “compromise” of voluntary CSR frameworks like the UN Global Compact in place of legally binding CSR frameworks. After the establishment of the UN Global Compact (UNGC) in 2000, the diffusion of the UNGC has been remarkable, with more than 8,700 corporate participants, many of them the world largest transnational corporations, in more than 130 countries across the world. The Global Reporting Initiative, a social disclosure reporting framework that also has origins in the UN, is also an increasingly popular avenue for corporations to engage with CSR, with more than 3,000 participating corporations in more than 60 countries. Because of these frameworks’ origins in the

¹ These arguments and analyses were developed together with Kiyoteru Tsutsui and it is with his kind generosity and permission that I present them in this chapter.

United Nations, many governments and nongovernmental organizations connected to international organizations also endorse these frameworks as means for corporations to engage with social and environmental concerns.

To account for the widespread adoption of these global CSR frameworks, I compare previous studies that employ either institutional or economic explanations to account for cross-national diffusion processes. As I note in the conclusion to Chapter 2, studies of globalization and transnational processes do not always compare institutional and economic effects directly and this makes it difficult to assess their relative merits. World society approaches (e.g., Frank, Hironaka, and Schofer 2000; Hafner-Burton and Tsutsui 2005; Drori, Jang, and Meyer 2006) argue that global institutional pressures significantly impact the practices of domestic actors but do not weigh those factors against cross-national economic pressures that may exercise the same effects. Likewise, studies that employ economic factors such as trade or foreign investment dependence (e.g., Dixon and Boswell 1996; Kentor 1998; Richards, Gelleny, and Sacko 2001; Kentor and Boswell 2003) do not consider the impact of global norms and institutions that world society theory (Meyer et al. 1997) has shown to have significant effects. Furthermore, cross-national research in sociology has tended to overlook the substantial differences between developed and developing countries in their analyses (see Beckfield 2003; Longhofer and Schofer 2010) with world society approaches making little distinction between types of countries and economic approaches focusing only on developing countries. I assess the merits of these approaches using the multi-causal framework of moral regulation I discussed in Chapter 2.

The widespread adoption of global CSR frameworks is puzzling for a number of reasons. First, CSR frameworks present uncertain costs for corporations. While submitting disclosure reports or endorsing CSR principles is not costly for many corporations, corporations that endorse CSR openly may come under more scrutiny from nongovernmental critics of corporate practices. Critics, for example, were quick to target Nestlé SA, one of the first transnational corporations that endorsed the UN Global Compact, pointing to the divergence between Nestlé's proclamations of good corporate

citizenship and its actual practices (Richter 2004). Second, the benefits of CSR or participating in CSR frameworks are just as uncertain. Considerable research has shown, for example, very little correlation between CSR practices and firm financial performance (Margolis and Walsh 2003) and the “market for virtue” (Vogel 2005) may not be as financially rewarding as many CSR advocates assume. Corporations engaging with CSR may be channeling resources to practices that do not contribute to their profits or returns to their shareholders. Third, global CSR frameworks like the UN Global Compact typically target a large range of corporations with broad CSR principles that may not be directly applicable to corporations’ actual operations compared to domestic or industry-level frameworks that corporations can employ to tackle specific CSR problems (Bartley 2007a, 2007b). Thus, global CSR frameworks may not even be practical for corporations that are sincere about improving their social and environmental practices. Fourth, global CSR frameworks may not be successful in achieving their stated goal of promoting more corporate disclosure on social and environmental issues, with framework commitment being notably uneven across countries. As I discuss later, not all corporations that commit to global CSR frameworks comply with the requirements of those frameworks. A substantial number of corporate participants in the UN Global Compact, for example, do not submit the disclosure reports that are required by the UN Global Compact Office. Furthermore, non-compliance appears to be more endemic in some countries compared to others. Given these observations, I pose two questions on the diffusion of CSR.

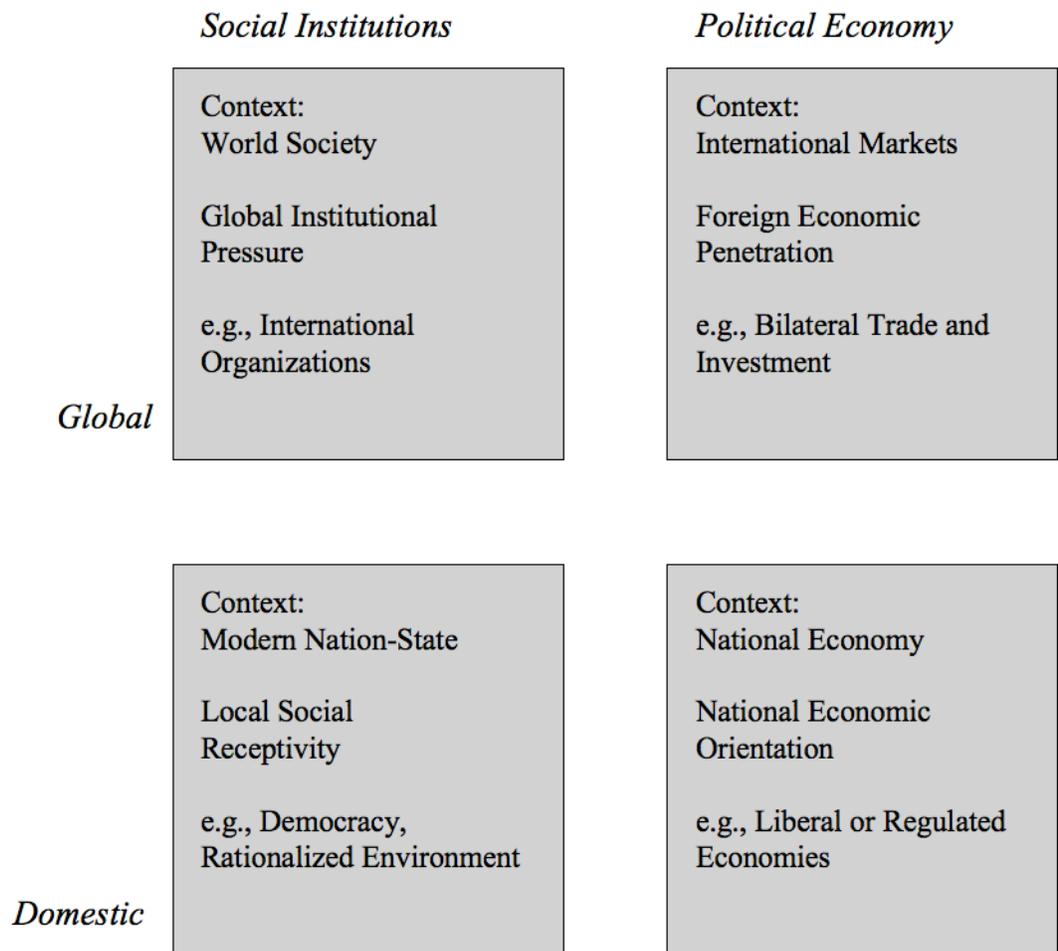
First, despite considerable obstacles, why have global CSR frameworks gained widespread popularity with many corporations across the world and why do some countries seem more conducive for these CSR frameworks? Existing research on CSR has accounted for the emergence of CSR frameworks (see Chapter 3 of this dissertation; Bartley 2007a; Sagafi-Nejad 2008) but there has been considerably less attention to the factors driving the subsequent *diffusion* of those frameworks across countries. In this chapter, I test competing explanations of cross-national diffusion to examine the factors that are driving many corporations and countries across the world to endorse global CSR frameworks. While current research on CSR predominantly uses firm-level factors to explain CSR adoption, their results are inconclusive when considered in toto (Margolis

and Walsh 2003). Instead, I argue that factors in a firm's external environment—specifically, the countries in which they operate—can better explain why CSR engagement is so widespread despite the uncertain costs and benefits to corporations. Recent studies of CSR are increasingly pointing to these external factors as significant determinants of why corporations engage in CSR (Hoffman 2001; Bartley 2007a, 2007b; Campbell 2007; Potoski and Prakash 2005; Prakash and Potoski 2006; Marquis, Glynn, and Davis 2007).

Second, why do some corporations engage with global CSR frameworks more substantively and why are corporations' CSR commitments more substantive in some countries compared to others? On the one hand, corporations in developing countries may not have the resources to align their practices with their stated commitment to CSR frameworks. Corporations in developing countries often respond to considerable external pressure by committing themselves to global CSR standards when, in actuality, they have few financial or organizational resources to meet the requirements of those standards. World society theory (Meyer et al. 1997; Meyer 2000; Meyer 2010), for example, argues that domestic actors seeking legitimacy in international society often rush to adopt global models and frameworks that they do not have the capacity to implement. The world society approach suggests that this decoupling between stated intent and actual practice is more endemic in developing countries where actors have fewer resources to successfully implement the models they have formally adopted. On the other hand, corporations in developed countries may choose to adopt CSR frameworks to appease their critics and stakeholders but do not intend to comply with framework requirements in order to maintain their current practices. Krasner (1999) and Brunsson (2002) have referred to this form of decoupling as “organized hypocrisy.” In this scenario, corporations in developed countries respond to pressures to demonstrate responsibility but decouple their commitments from practice, not for the lack of capacity or resources, but as a concerted attempt to deflect criticisms, appease their critics, and possibly to avoid further government regulation. Most critics of CSR (Smith 2010) argue that corporations are guilty of “organized hypocrisy” when they do not align their existing social and environmental practices to match their claims of being responsible corporate citizens.

Employing the theoretical framework of the moral regulation of the economy I have previously discussed, I argue that pressures on countries and corporations to adopt global CSR frameworks and the subsequent uneven corporate commitment to those frameworks stem from four possible channels in a firm’s external environment: global institutions, domestic social institutions, foreign economic penetration, and national economic orientation (see Figure 4.1).

Figure 4.1
Channels of Moral Regulation of the Economy for Global CSR Frameworks



Using cross-national time-series analyses of data from 99 countries, I show that global nongovernmental pressures have the most significant and consistent effects in driving the

cross-national diffusion of CSR while bilateral trade relationships encourage corporations' substantive commitment to CSR. Comparing patterns of CSR commitment between 27 developed and 72 developing countries, I show that corporations in developed countries respond to global pressures with organized hypocrisy while corporations in developing countries respond with more substantive commitment to CSR. I also explore more specific firm-level analyses of 2,354 corporations in extractive industries in 47 countries and find that firm size positively moderates global pressures for substantive CSR commitment.

4.2 Global Dimensions of CSR Frameworks

Definitions of corporate social responsibility that emphasize a corporation's external relationships and stakeholders have been consistent for the past four decades (Carroll 1999). Davis (1973:312), for example, sees CSR as "the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm" while Barnett (2007:801) defines CSR as "a discretionary allocation of corporate resources toward improving social welfare that serves as a means of enhancing relationships with key stakeholders." More recent definitions, however, point to the global dimensions of corporate social responsibility, where expectations of corporate behavior and stakeholder engagement go beyond nation-state borders. Davis, Whitman, and Zald (2008:32), for example, point to developments in global CSR where firms are now "responsible for actions far beyond their boundaries, including the actions of suppliers, distributors, alliance partners, and even sovereign nations." The growing legitimacy of global norms or expectations of corporate behavior in social and environmental issues has been highlighted by high profile cases of corporate abuses, several of which, like apparel companies' use of sweatshops in developing countries, reached international attention in the 1990s and were targeted by student movements in developed countries (Featherstone 2002).

As I examined in the previous chapter, efforts to promote and institutionalize global CSR norms began in the early 1970s with the United Nations establishing its Centre on Transnational Corporations in 1974. Other examples include the 1976 Organization for Economic Co-Operation and Development's (OECD) Guidelines for Multinational Enterprises and the 1977 International Labor Organization's (ILO) Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy. More recent efforts within the UN include the 2003 Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights. These attempts to construct global frameworks to regulate corporate behavior resulted, however, in voluntary codes rather than legally binding documents due to strong resistance from corporations and the governments of developed countries (Sikkink 1986; Hansen and Arenda 1991; Hedley 1999; Shamir 2004; Sagafi-Nejad 2008).

In recent decades, international governmental organizations and civil society activists have continued exerting pressure on corporations and governments to address what they perceived as the mounting social and environmental concerns that corporations were responsible for (Waddock 2009; Mayer and Gereffi 2010). Prominent corporations in various industries responded to these CSR advocates' continued campaigns by establishing industry-level self-regulation initiatives to appease their critics. Hoffman (1999), for example, describes how disruptive events such as Union Carbide's Bhopal chemical disaster in 1984 and the Exxon Valdez oil spill in 1989 pushed corporations in the US chemical industry to develop their Responsible Care Program (see also King and Lennox 2000). Baron (2003) and Bartley (2007a) also detail how corporations in the apparel industry responded to the publicizing of sweatshop labor in Southeast Asia by establishing the Fair Labor Association in 1998. Corporations have also responded to potential government regulation with self-regulation initiatives (Maxwell, Lyon, and Hackett 2000; Haufler 2001; Delmas and Terlaak 2002; Shamir 2004).

Nevertheless, despite the establishment of these self-regulatory measures, CSR advocates from both governmental and nongovernmental sectors continued to argue that national and industry frameworks were not sufficient to address social and environmental issues

that transcended those circumscribed domains (Ruggie 2003b). In the late 1990s, intergovernmental and nongovernmental actors resurrected their efforts to establish global CSR frameworks that were overseen by international organizations (Whitehouse 2003b; Shanahan and Khagram 2006; see Chapter 3), resulting in two of the most prominent global CSR frameworks today: the UN Global Compact and the Global Reporting Initiative. Due to the legacy of bitter debates and stalemate within the UN on the issue of corporate governance frameworks, these CSR frameworks, like their proposed predecessors, remained voluntary, self-reporting initiatives rather than legally binding codes (Sagafi-Nejad 2008).

4.3 The UN Global Compact and the Global Reporting Initiative

At the 1999 World Economic Forum, then-Secretary General Kofi Annan announced the UN's intention to launch a voluntary initiative for corporations to commit themselves to human rights, labor, and environmental principles (Wynhoven and Senne 2004). The UN Global Compact, formally launched in 2000, comprises ten CSR principles that represent widely sanctioned international norms (see Table 4.1). As described in its official mandate, the UNGC is a platform for interaction and learning among corporations and other relevant actors that are keen to promote the ten UNGC principles. Corporations interested in becoming participants in the UNGC were initially required only to submit affidavits of support endorsed by their chief executive officers (CEO). Run by a handful of officials, the UNGC does not engage in monitoring or certification of corporations' CSR activities, relying mainly on self-disclosure reports by corporations and voluntary monitoring by civil society groups.

In this chapter, I examine two types of participation in the UN Global Compact—government endorsement and corporate participation. First, although the UNGC's primary target is corporations, it also oversees country-level launch events that involve members of government, prominent corporations, UN agencies, civil society, trade unions, and the academy to promote corporate commitment to UNGC principles. While

the specific involvement of these various actors is different depending on the country, a UNGC launch often requires government actions to coordinate organizational support for the UN Global Compact framework. As such, I classify the UN Global Compact launch in a country as signifying *government endorsement* of the UNGC framework.² By the end of 2007, 68 countries had endorsed the UN Global Compact in the form of a UNGC launch.³

Table 4.1
The Ten Principles of the UN Global Compact

Area	Principle
<i>Human Rights</i>	1. Business should support and respect the protection of internationally proclaimed human rights; and
	2. Make sure that they are not complicit in human rights abuses.
<i>Labor Standards</i>	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	4. The elimination of all forms of forced and compulsory labor;
	5. The effective abolition of child labor; and
	6. The elimination of discrimination in respect of employment and occupation.
<i>Environment</i>	7. Businesses should support a precautionary approach to environmental challenges;
	8. Undertake initiatives to promote greater environmental responsibility; and
	9. Encourage the development and diffusion of environmentally friendly technologies.
<i>Anti-Corruption</i>	10. Businesses should work against all forms of corruption, including extortion and bribery.

Source: Wynhoven and Senne (2004)

² Following the launch of the UN Global Compact in a country, the UNGC Office also encourages involved parties to establish UNGC Local Networks, which are “clusters of participants who come together to advance the Global Compact and its principles at the local level” (UN Global Compact Office 2007:8) to further promote UNGC principles in a country. UNGC Local Networks are business-led but include engagement with multiple stakeholders such as “representatives of civil society, labour, academia, and/or government organizations” (UN Global Compact Office 2007:13).

³ See the UN Global Compact’s online database:
<http://www.unglobalcompact.org/NetworksAroundTheWorld/>.

Second, corporations participate in the UN Global Compact by sending a letter signed by their CEO to the UNGC Office. At the end of 2007, more than 4,000 corporations of different sizes and from different industries, from more than 100 countries had endorsed UNGC principles and were official participants in the framework. I use the number of corporate participants in the UNGC in a country as a measure of *baseline commitment* to CSR.

Immediately after the formal launch of the UN Global Compact, civil society actors criticized its voluntary nature and minimal reporting requirements and charged that corporations were merely using the UN's legitimacy to cover or "bluewash" their social and environmental practices. In the early 2000s, for example, social movement organizations mounted sustained criticisms of transnational corporations like Nestlé and Coca-Cola that were pioneering members of the UNGC, arguing that the UNGC was a symbolic tool for these corporations that did not require any concrete follow-up action (Corporate Europe Observatory 2000; Transnational Resource Action Center 2000). The UN Global Compact Office responded by instituting new requirements for corporate participants, now requiring UNGC members to submit annual Communications on Progress (COPs). COPs are self-disclosure reports that include a description of practical actions taken by corporations to implement the UNGC's ten CSR principles. By the end of 2007, the UNGC Office received more than 3,000 COPs. In 2005, under pressure from nongovernmental organizations, the UNGC Office also began identifying and delisting corporations that failed to comply with COP submission requirements in an attempt to encourage corporations to treat UNGC principles more seriously. In 2007, for example, the UNGC Office identified and delisted 404 non-complying corporations. I obtained data on non-complying corporations (i.e., corporations who made a baseline commitment but failed to submit the required COP report) from the UNGC Office and use this as a measure of *ceremonial commitment* to CSR, that is, the decoupling between formal commitment and actual practice.

In 1997, the United Nations Environment Program established the Global Reporting Initiative (GRI), now a nongovernmental organization that encourages corporations to

employ its Sustainability Reporting Guidelines to voluntarily disclose their economic, environmental, and social practices. There are currently more than 3,000 corporations than use GRI guidelines in their disclosure reporting. GRI guidelines are considerably more detailed, rigorous, and standardized compared to the relatively less onerous endorsement of the UN Global Compact and the varying quality of the UNGC's Communications on Progress. Table 4.2 lists the suggested performance indicators of the Sustainability Reporting Guidelines the GRI expects its participating organizations to include in their reports. Table 4.2 also includes an example of environmental indicators that corporations have to detail when they employ GRI guidelines. The GRI notes that corporations are not required to report on every single indicator but, as Table 4.2 shows, even those indicators that corporations do include are far more detailed and rigorous compared to endorsement of the UN Global Compact. I collected data on the number of corporations that employ the Sustainability Reporting Guidelines in each country from the GRI's online database.⁴ Despite being distinct entities, the UN Global Compact Office recommends that UNGC participants submit their Communications on Progress using GRI reporting guidelines, although there is no substantial overlap between the two frameworks since corporations using GRI guidelines do not have to be UNGC participants and vice versa.⁵ In contrast to baseline and ceremonial commitment to CSR represented by the UN Global Compact, I treat participation in the Global Reporting Initiative as a measure of *substantive commitment* to CSR, owing to its more onerous reporting requirements.

⁴ See the GRI's online database of reports:
<http://www.globalreporting.org/reporting/Pages/default.aspx>.

⁵ In my data, the correlation between COP submission and GRI reporting is .46.

Table 4.2
Global Reporting Initiative Sustainability Reporting Guidelines

Disclosure Standard	Performance Indicators
<i>Environmental</i>	Materials; Energy; Water; Biodiversity; Emissions, Effluents, and Waste; Products and Services; Compliance; Transport
<i>Human Rights</i>	Investment and Procurement Practices; Non-Discrimination; Freedom of Association/Collective Bargaining; Child Labor; Forced and Compulsory Labor; Security Practices; Indigenous Rights
<i>Labor Practices and Decent Work</i>	Employment; Labor/Management Relations; Occupational Health and Safety; Training and Education; Diversity and Equal Opportunity
<i>Society</i>	Community; Corruption; Public Policy; Anti-Competitive Behavior; Compliance
<i>Product Responsibility</i>	Customer Health and Safety; Product and Service Labeling; Marketing Communications; Customer Privacy; Compliance
<i>Economic</i>	Economic Performance; Market Presence; Indirect Economic Impact
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Example:	<i>Environmental disclosure standards</i>
<i>Materials</i>	EN1: Materials used by weight or volume
<i>Energy</i>	EN2: Percentage of materials used that are recycled input materials EN3: Direct energy consumption by primary energy source. EN4: Indirect energy consumption by primary source. EN5: Energy saved due to conservation and efficiency improvements. EN6: Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.
<i>Water</i>	EN7: Initiatives to reduce indirect energy consumption and reductions achieved. EN8: Total water withdrawal by source. EN9: Water sources significantly affected by withdrawal of water. EN10: Percentage and total volume of water recycled and reused.
<i>Biodiversity</i>	EN11: Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. EN12: Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. EN13: Habitats protected or restored. EN14: Strategies, current actions, and future plans for managing impacts on biodiversity. EN15: Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.
<i>Emissions, Effluents, and Waste</i>	EN16: Total direct and indirect greenhouse gas emissions by weight. EN17: Other relevant indirect greenhouse gas emissions by weight. EN18: Initiatives to reduce greenhouse gas emissions and reductions achieved. EN19: Emissions of ozone-depleting substances by weight. EN20: NO, SO, and other significant air emissions by type and weight. EN21: Total water discharge by quality and destination. EN22: Total weight of waste by type and disposal method. EN23: Total number and volume of significant spills. EN24: Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.
<i>Products and Services</i>	EN25: Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff. EN26: Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.
<i>Compliance</i>	EN27: Percentage of products sold and their packaging materials that are reclaimed by category. EN28: Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.
<i>Transport</i>	EN29: Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.
<i>Overall</i>	EN30: Total environmental protection expenditures and investments by type.

Source: www.globalreporting.org

Summarizing the various rates of participation in the UN Global Compact and the Global Reporting Initiative, Table 4.3 shows the top ten countries in terms of these three modes of CSR commitment. Figure 4.2 shows the annual cumulative distribution of UNGC launches (represented by bars) and the distribution of the three modes of corporate CSR commitment (represented by lines). Table 4.4 lists the years and countries in which UNGC launches have taken place. Figure 4.2 indicates the rapid uptake of global CSR frameworks by corporations and governments across the world since the introduction of the UN Global Compact in 2000 while Table 4.3 reveals the uneven levels of substantive and ceremonial commitment to global CSR frameworks across different countries. After discussing the relevant theoretical approaches to explaining cross-national diffusion processes, I present the results of my cross-national quantitative analyses of these patterns of CSR commitment, focusing on the channels through which corporations in a given country are pressured to commit to CSR.

Table 4.3
Top Ten Countries by Types of CSR Participation

<u>Baseline Commitment</u>		<u>Substantive Commitment</u>		<u>Ceremonial Commitment</u>	
UN Global Compact		Global Reporting		COP	
Participants		Initiative Participants		Non-Compliance	
France	472	Spain	347	France	129
Spain	323	USA	248	Argentina	90
Mexico	274	UK	151	Spain	44
Argentina	201	Japan	138	Brazil	44
Brazil	169	Netherlands	127	Bulgaria	40
China	140	South Africa	121	Italy	36
USA	136	Australia	110	Peru	35
India	131	Canada	97	USA	33
Italy	113	Germany	96	Mexico	33
Germany	102	Italy	84	Panama	31

Figure 4.2
Cumulative Count of UN Global Compact Launches in All Countries, 2000-2007

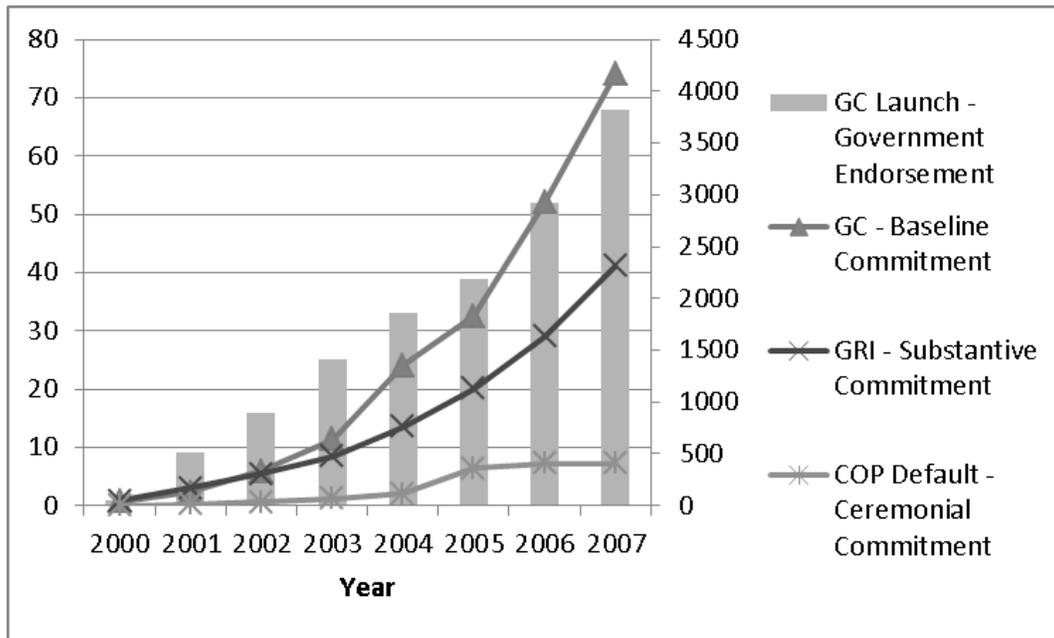


Table 4.4
UN Global Compact Launches by Year and Country

Year of UNGC Launch	Country
2000	India
2001	China, Denmark, Finland, Iceland, Norway, Poland, Russia, Sweden
2002	Cameroon, Germany, Ghana, Paraguay, Spain, Turkey, Zambia
2003	Brazil, Bulgaria, Japan, Malawi, Mozambique, Panama, South Africa, Sri Lanka, UK
2004	Argentina, Colombia, Egypt, France, Indonesia, Italy, Macedonia, Peru
2005	Bosnia, Kenya, Lithuania, Mexico, Pakistan, Singapore
2006	Armenia, Austria, Belarus, Bolivia, Cyprus, Dominican Republic, Georgia, Hungary, Moldova, Morocco, Netherlands, Switzerland, Ukraine
2007	Bahrain, Chile, Cote d'Ivoire, Croatia, Kuwait, Nigeria, Oman, Qatar, Saudi Arabia, Senegal, Serbia, Slovenia, South Korea, UAE, USA, Vietnam

4.4 Institutional and Political-Economy Approaches to Cross-National Diffusion: Theory and Hypotheses

In this section, I examine various approaches to explaining CSR adoption, argue for the validity of examining external pressures on CSR, and present hypotheses on how external pressures affect different modes of CSR commitment.

Research on CSR adoption overwhelmingly treats CSR as a property of the firm, especially in relation to a firm's financial performance (Pava and Krausz 1995), suggesting that CSR adoption is the outcome of factors internal to corporations. More recent studies also suggest that, instead of financial gains, firms adopt CSR to signal that they are responsible investment or trading partners in order to accrue further reputational and public relations benefits (W.H. Meyer 1996; Soysa and Oneal 1999; King 2008). In surveys of corporations, for example, CEOs often cited reputation as one of the more important reasons why they chose to engage with CSR (Googins et al. 2009; Lacy et al. 2010). Nevertheless, Margolis and Walsh (2003) and Vogel (2005) note that existing research on CSR has mixed results when it comes to linking CSR with firm-level factors—there is little correlation, for example, between CSR adoption and firm financial performance. Furthermore, CSR adoption may actually increase business costs and invite public scrutiny into firms' CSR practices, especially when firms do not abide by the CSR policies they have formally instituted (Smith 2010).

Firm-level explanations of CSR have clearly identified an important area of concern that many corporations today are cognizant of. While firm-level factors have yielded some insight into why and how corporations engage with CSR, however, I argue that focusing solely on internal firm factors does not account for the substantial developments in other domestic and global domains that have made CSR a prominent reality for corporations to begin with. With *The Economist* indicating, for example, that the CSR movement has already “won the battle of ideas,”⁶ corporations are now compelled to disclose their CSR practices in addition to standard financial reporting (Power 2007; King 2008), reflecting

⁶ “The Good Company.” *The Economist*, January 25, 2005.

the cognitively taken-for-granted nature of CSR engagement for many of the world's most prominent corporations today (Hoffman 1999:364). Therefore, I argue that attention to how factors in firms' external environments are changing the way corporations engage with social and environmental practices can shed light on the growing worldwide CSR movement, despite the contentious nature of CSR and its lack of tangible benefits for corporations.

In Chapter 2 of this dissertation, I discussed the various sociological theories that have conceptualized how external social forces shape economic behavior. Research in economic sociology and organizations also argue that these external forces can have dramatic effects on organizational behavior by showing how economic behavior is conditioned by the degree of its embeddedness in social relations (Granovetter 1985; Fligstein 1990, 1996; Mizruchi, Stearns, and Marquis 2006). Existing country-level comparisons, for example, also analyze the effects of broader social and economic institutions with attention to the influence of governments and nongovernmental actors on organizations at both national and global levels (Garcia-Johnson 2000; Guler, Guillén, and Macpherson 2002; Fourcade-Gourinchas and Babb 2002; Cashore, Auld, and Newsom 2004; Henisz, Zelner, and Guillén 2005; Prakash and Potoski 2006; Shanahan and Khagram 2006). From the moral regulation framework I introduce in Chapter 2, I derive institutional and economic explanations that explain the cross-national diffusion of global CSR frameworks, focusing on how they account for both government endorsement of as well as corporate commitment to CSR.

Table 4.5 presents the four possible channels through which moral regulation pressures are exerted on CSR adoption. Consistent with the theoretical framework derived in Chapter 2, I distinguish between global and domestic levels of analysis and institutional and political-economy channels of moral regulation. I examine institutional channels in the form of (i) institutional pressures on CSR in the global domain and (ii) domestic social institutions that shape the local social receptivity to CSR, and political-economy channels in the form of (iii) foreign economic penetration and (iv) national economic

systems. In each domain, I also present the respective hypotheses that I subsequently discuss and test with my quantitative analyses.

Table 4.5
Channels of Moral Regulation for the Adoption of Global CSR Frameworks

	<i>Social Institutions</i>	<i>Political Economy</i>
<i>Global</i>	<p>Global Institutional Pressure</p> <p>H1: The more a country is connected to international society, whether through governmental or nongovernmental linkages, the more likely its government and corporations will participate in global CSR frameworks.</p>	<p>Foreign Economic Penetration</p> <p>H3: Cross-national economic relations, through either short- or long-term transactions, exert pressure on governments and corporations in developing countries to participate in global CSR frameworks.</p>
<i>Domestic</i>	<p>Local Receptivity</p> <p>H2: The greater the legitimacy of CSR principles in a country and the more rationalized the business environment, the more likely its government and corporations will participate in global CSR frameworks.</p>	<p>National Economic System</p> <p>H4: The more liberal a national economic system, the more likely the government and corporations in a country will participate in global CSR frameworks.</p>

4.4.1 Institutional Channels: Global Institutional Pressure and Local Receptivity

Institutional theory in the sociology of organizations explains organizational behavior in terms of the social environment in which organizations operate. Studies employing the institutional approach show how coercive, mimetic, and normative forces in an organization's environment lead many organizations to adopt forms and policies that conform to the expectations or are considered legitimate in their organizational field (Meyer and Rowan 1977; DiMaggio and Powell 1983). World society theory applies this institutional insight to global and transnational processes, arguing that world cultural norms, via links to international organizations, condition the way domestic actors subscribe to internationally sanctioned models of organizational practice. Scholars in the world society tradition argue that these global institutional pressures result in an

increasing isomorphism among domestic actors as they strive to align their structures, behavior, and policies to conform to legitimate models in international society (Thomas et al. 1987; Meyer et al. 1997; Meyer 2000). For example, empirical studies using the world society approach demonstrate how global institutions have shaped domestic practices in the areas of human rights (Hafner-Burton and Tsutsui 2005), the environment (Frank, Hironaka, and Schofer 2000), governance strategies (Drori, Jang, and Meyer 2006), and accounting procedures (Jang 2006). Since human rights and environmental concerns are at the core of contemporary global CSR principles, I expect global institutional pressures to have similar effects in pushing governments and corporations to adopting global CSR frameworks.

I consider two possible channels through which global institutional pressures are exercised. First, global civil society actors are often carriers of global institutional norms and world society research has shown how domestic actors employ the norms and standards promoted by international nongovernmental organizations (INGOs) to leverage domestic political change (Smith 2002b; Tsutsui and Shin 2008; Soule 2009). In the case of corporate social responsibility, I expect INGO linkages to serve as channels for ideas about human rights, protection of the environment, and transparent governance that encourage domestic actors to endorse global CSR frameworks.

Second, intergovernmental organizations (IGOs) may also serve as channels of global norms and practices. Governments that have more connections to IGOs, for example, through the ratification of treaties sponsored by those organizations, are more likely to also establish domestic environments that are conducive to global norms (Risse, Ropp, and Sikkink 1999). IGOs exert pressure on governments and domestic actors in those environments through routine reporting mechanisms to ensure that domestic actors comply with treaty provisions. Of the four core issues that constitute major global CSR frameworks, three of them—human rights, labor rights, and environmental protection—have existing treaty mechanisms and protocols under the rubric of international organizations like the United Nations and the International Labor Organization (Frank et al. 2000; Schofer and Hironaka 2005; Wotipka and Tsutsui 2008; Abu Sharkh 2009). As

governments ratify more of these treaties, I expect IGO pressure to also increase the number of domestic adherents to global CSR frameworks. Table 4.6 lists the treaties I consider in the treatment of this channel of global institutional pressure.

Thus, the following hypothesis summarizes the effects of global institutional channels on global CSR framework participation:

Hypothesis 1: The more a country is connected to international society, whether through governmental or nongovernmental linkages, the more likely its government and corporations will participate in global CSR frameworks.

The extent to which global institutional pressures can impact the practices of domestic actors also depends on whether domestic social institutions are receptive to global norms (Frank et al. 2000). Domestic social environments, in which CSR is perceived as a legitimate practice, can be more conducive to government and corporate participation in global CSR frameworks. Given the progressive content of global CSR principles, I expect CSR to carry greater legitimacy in more developed democracies (cf. Welzel, Inglehart, and Klingemann 2003; Wejnert 2005) where citizens will be more receptive to social and environmental principles and are more likely to engage in collective action to hold businesses accountable for their practices (Vogel 1989). In countries where the UN Global Compact framework has been formally endorsed by the government or where there is already a considerable presence of corporations that participate in the UNGC, I also expect these factors to create greater awareness and legitimacy of CSR issues in those countries.

Table 4.6
Major International Human Rights, Environmental, and Labor Treaties in the Analyses

	Number of Country Ratifications (as of 2000)	Number of Country Ratifications (as of 2007)
<i>Human Rights</i>		
Convention on the Prevention and Punishment of the Crime of Genocide	123	133
International Convention on the Elimination of All Forms of Racial Discrimination	151	167
International Covenant on Economic, Social, and Cultural Rights	137	153
International Covenant on Civil and Political Rights	143	157
Convention on the Non-Applicability of Statutory Limitations to War Crimes and Crimes Against Humanity	42	49
International Convention on the Suppression and Punishment of the Crime of Apartheid	98	105
Convention on the Elimination of All Forms of Discrimination Against Women	162	182
Convention Against Torture and Other Cruel, Inhuman, or Degrading Treatment or Punishment	123	143
International Convention Against Apartheid in Sports	58	61
Convention on the Rights of the Child	184	187
International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families	15	37
Convention on the Rights of Persons with Disabilities	0	14
International Convention for the Protection of All Persons from Enforced Disappearance	0	2
<i>Environment</i>		
Convention on Long-Range Transboundary Air Pollution	46	51
Vienna Convention for the Protection of the Ozone Layer	171	184
Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal	139	166
Convention on Environmental Impact Assessment in a Transboundary Context	30	41
Convention on the Protection and Use of Transboundary Watercourses and International Lakes	31	35
Convention on the Transboundary Effects of Industrial Accidents	18	36
United Nations Framework Convention on Climate Change	179	186
Convention on Biological Diversity	173	183
United Nations Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa	165	186
Lusaka Agreement on Co-Operative Enforcement Operations Directed at Illegal Trade in Wild Fauna and Flora	6	7
Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters	9	40
Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade	12	115
Stockholm Convention on Persistent Organic Pollutants	0	146
<i>Labor</i>		
Convention Concerning Limiting the Hours of Work in Industrial Undertakings to Eight in the Day and Forty-Eight in the Week	51	51
Convention Concerning Forced or Compulsory Labor	155	169
Convention Concerning the Regulation of Hours of Work in Commerce and Offices	28	28
Convention Concerning Freedom of Association and Protection of the Right to Organize	133	146
Convention Concerning the Protection of Wages	92	94
Convention Concerning the Application of the Principles of the Right to Organize and Bargain Collectively	147	156
Convention Concerning Equal Remuneration of Men and Women Workers for Work of Equal Value	146	160
Convention Concerning Minimum Age for Admission to Employment	103	148
Convention Concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labor	55	162

Another factor in a country's domestic social environment that is conducive to the reception of global CSR norms is the degree of rationalization of the business environment (cf. Power 2007). Rationalized business environments are based on impersonal, rule-based governance institutions that facilitate transparent and predictable business operations and eschew corrupt practices. Countries with rationalized business environments have existing institutions that emphasize calculability and predictability in corporate decision-making and I argue that corporations in those countries will perceive CSR frameworks as legitimate means to enhance their risk and reputation management strategies. Corporations in these rationalized environments are also likely to have extensive experience with adopting new legitimated business strategies, such as the multidivisional form (Fligstein 1990), quality control (Strang and Jung 2009), and risk management methods (Power 2004) and are also likely to possess the cognitive, organizational, and financial resources to quickly adopt to new organizational fads. Thus, I expect countries with more transparent governments and rationalized business environments to be more likely to engage with global CSR frameworks.

Hypothesis 2: The greater the legitimacy of CSR principles in a country and the more rationalized the business environment, the more likely its government and corporations will participate in global CSR frameworks.

4.4.2 Political-Economy Channels: Foreign Economic Penetration and National Economic System

Political-economy theories explain how economic dependence and power relations shape organizational behavior. At the global level, political economists have argued that international economic relations, and the dependence relationships they engender, shape the subsequent actions of governments and organizations. The prime example of the political-economy approach as applied to international relations is Wallerstein's (1979) world systems theory that demonstrates through historical analysis how core countries dominate international economic transactions at the expense of peripheral countries that remain dependent on core countries for their development. Extensions of this approach

show how foreign capital and investment dependence negatively affects development in developing countries in the long run (Chase-Dunn 1975; Kentor 1998; Kentor and Boswell 2003; but see also Dixon and Boswell 1996; Firebaugh 1996; Alderson and Nelson 1999) and how global economic competition engenders a “race to the bottom” where transnational corporations invest in countries with lax human rights, labor, and environmental standards (Smith, Bolyard, and Ippolito 1999). Other political-economy studies also find that foreign economic factors such as trade (Mitchell and McCormick 1988; Smith and Weist (2005), foreign direct investment (W.H. Meyer 1996; Smith et al. 1999), and IMF structural adjustment policies (Franklin 1997; Abouhard and Cingranelli 2009) have negative effects on domestic development.

Recent research in the political economy tradition has also distinguished between the effects of short- and long-term economic dependence. Mosley and Uno (2007), for example, argue that foreign direct investment (FDI) and trade relationships have conceptually and empirically distinct effects on corporate behavior. They posit FDI as a long-term economic relationship, in which corporations transfer a considerable level of their production capacity to an overseas country on a semi-permanent basis in order to reduce the transaction costs of trade relations. As such, corporations select investment destinations cautiously and work to improve the sustainability of the host country’s business environment (Richards et al. 2001; Gallagher 2005), leading to better labor conditions in host countries. In contrast, corporations that engage in short-term transactions are more likely to rely on subcontracting relations with independent companies overseas that have lower production costs, resulting in the formation of trade relations. With short-term trade relations, corporations are less likely to scrutinize their subcontractors’ activities and, as a result, labor conditions are not likely to improve. Consequently, Mosley and Uno’s argument suggests that long-term investment relations may act as channels for CSR adoption because of more extensive business embeddedness in host countries while short-term trade relations may be weaker channels for CSR because they comprise only arm’s-length relationships.

On the other hand, Cao and Prakash (2011) have argued that short-term trade relations may in fact be more salient for improving organizational practices. In their study of the cross-national diffusion of ISO protocols, for example, they show that corporations in peripheral countries employ voluntary frameworks like the ISO 9000 quality standards as signals to attract economic partners from core countries that otherwise would not have information on organizations in peripheral countries (cf. Clougherty and Grajek 2008; Potoski and Prakash 2009). Trade partners in short-term relations are more likely to rely on these proxy signals because short-term transactions limit their capacity to collect more fine-grained information on their partners. Investors in long-term economic relations, on the other hand, are less likely to require these signals because they conduct more extensive screening before deciding on investment locations and because they subsequently have greater managerial and financial control to monitor their investees. Cao and Prakash's argument suggests that short-term trade relations are more likely to be channels of CSR pressure as CSR frameworks serve as signals of commitment to responsible business practices when corporations in core countries select business partners in periphery countries. In long-term investment relations, investors do not require these signals because they can exert more control on CSR practices through direct screening and monitoring.

Hypothesis 3: Cross-national economic relations, through either short- or long-term transactions, exert pressure on governments and corporations in developing countries to participate in global CSR frameworks.

At the national level, political economists have examined how a country's national economic environment, undergirded by domestic power structures, can determine organizational outcomes (Block 1977; Domhoff 1990). Studies pointing to the relationship between neoliberal economic policies and the rise of voluntary CSR frameworks (Sklair 2001; Kinderman 2009, 2012; Meyer 2010) highlight the effect of a country's national economic orientation on CSR practices. As such, countries with less regulated economies may have more corporations endorsing CSR frameworks as means of appeasing their critics and avoiding further government regulation. Countries with liberal market economies may also perceive voluntary CSR frameworks as more

legitimate avenues for promoting responsible corporate behavior rather than top-down, state-sanctioned initiatives that impose limits on corporations' ability to be competitive.

Hypothesis 4: The more liberal a national economic system, the more likely the government and corporations in a country will participate in global CSR frameworks.

4.4.3 Different Levels of CSR Commitment: Decoupling and Organized Hypocrisy as Responses to External Pressures

In the previous section, I discussed the different explanations of why some countries are more conducive to the reception of global CSR and why corporations in some countries are more likely to participate in global CSR frameworks. In this section, I examine explanations of why corporate commitment to CSR is uneven across countries, with some countries having more substantive patterns of commitment to CSR frameworks compared to others.

According to world society theory (Meyer et al. 1997; Meyer 2000), the decoupling between domestic actors' formal policies and actual practices is a prevalent phenomenon in international society—governments and organizations across the world adopt global models to conform to global expectations of domestic practice but they lack the capacity to implement those models successfully. Hafner-Burton and Tsutsui (2005), for example, examine how governments ratify human rights treaties but do not have the means to alter their actual practices to meet global human rights standards. In world society theory, decoupling is particularly endemic in developing countries, where actors lack the cognitive, organizational, and financial resources to implement adopted policies, resulting in commitment to global models being ceremonial rather than substantial. Since world society studies make institutional assumptions about organizational behavior (Thomas et al. 1987), they view commitment to global models as mimetic and normative processes where actors simply match their practices to the behavior of other similar organizations. As such, decoupling results from the lack of organizational capacity rather than any

concerted attempt to evade responsibility. The world society approach suggests that corporations in developing countries respond to CSR pressures by participating in global CSR frameworks but, not being cognizant of the concrete requirements, lack the capacity to comply with the requirements of those frameworks.

Hypothesis 5a: In developing countries, participation in global CSR frameworks will likely be ceremonial.

According to the political-economy approach, on the other hand, rich and powerful actors do not practice the global models that they promote to developing countries. In the world systems tradition, Chang (2002), for example, has shown how developed countries impose neoliberal reforms on developing countries while engaging in protectionist measures for their own domestic industries. Other studies have also argued that actors in developed countries advocate voluntary CSR initiatives rather than support legally binding frameworks for corporations in order to support the continued exploitation of low cost labor and natural resources in developing countries (Somers 2008; Smith 2010). As such, corporations that do not comply with CSR framework requirements reflect an “organized hypocrisy” (Krasner 1999), where actors in developed countries promote voluntary frameworks to other countries through their hegemonic positions in political and economic relations but do not alter their own domestic practices. The political-economy approach suggests that corporations in developed countries, that theoretically have the resources to implement CSR practices, respond to CSR pressures by advocating for voluntary measures but concertedly avoid the responsibility of their commitments.

Hypothesis 5b: In developed countries, participation in global CSR frameworks will likely be ceremonial.

Table 4.7 summarizes these hypotheses on differing levels of CSR commitment between developed and developing countries. In the quantitative analyses that follow, I test these hypotheses by weighing institutional and political-economy explanations of CSR commitment. As I discussed at the start of this chapter, the moral regulation framework I employ explicitly compares both approaches in order to assess their merits in explaining cross-national processes. While world society research has consistently demonstrated the

impact of global norms and institutions on domestic practices, it has not sufficiently explored the consequences of decoupling or potential differences between how actors in different regions of the world respond to institutional pressures. Likewise, political-economy research has tended to focus on developing countries, with little attention to how developed countries respond to global pressures. By comparing both approaches and the effects of global pressures on separate subsets of developed and developing countries, I address these concerns with results from my quantitative analyses.

Table 4.7
Institutional and Political-Economy Predictions of Ceremonial Commitment to Global CSR Frameworks

	Relationship between Stated Commitment and Actual Behavior	Primary Mechanism Driving Ceremonial Commitment	Hypotheses
<i>Institutional Factors</i>	Decoupling	Divergence between domestic resources and pressures to adopt legitimate global models; lack of capacity	H5a: In developing countries, participation in global CSR frameworks will likely be ceremonial.
<i>Political-Economy Factors</i>	Organized hypocrisy	Political and economic hegemony in international relations; lack of will	H5b: In developed countries, participation in global CSR frameworks will likely be ceremonial.

4.5 Data and Methods

I conducted multivariate time-series analyses of country-level data from the establishment of the UN Global Compact in 2000 to 2007. My data comprise a total of 99 countries in this time period with subsets of 27 developed countries and 72 developing countries. Table 4.8 lists the countries in my analyses.

Table 4.8
Countries in the Analyses (N = 99)

Argentina	Denmark*	Jamaica	Netherlands*	Spain*
Armenia	Ecuador	Japan*	New Zealand*	Sri Lanka
Australia*	Egypt	Jordan	Nigeria	Swaziland
Austria*	El Salvador	Kazakhstan	Norway*	Sweden*
Bahrain	Estonia	Kenya	Oman	Thailand
Bangladesh	Fiji	Kuwait	Pakistan	Trinidad and Tobago
Belgium*	Finland*	Kyrgyz Republic	Panama	Tunisia
Bolivia	France*	Latvia	Paraguay	Turkey*
Botswana	Georgia	Lebanon	Peru	Uganda
Brazil	Germany*	Lithuania	Philippines	Ukraine
Bulgaria	Ghana	Macedonia	Poland*	United Arab Emirates
Canada*	Greece*	Malawi	Portugal*	United Kingdom*
Chile	Guatemala	Malaysia	Romania	United States*
China	Guyana	Mauritius	Russian Federation	Uruguay
Colombia	Hungary*	Mexico*	Saudi Arabia	Uzbekistan
Costa Rica	India	Moldova	Singapore	Venezuela
Cote d'Ivoire	Indonesia	Mongolia	Slovak Republic*	Vietnam
Croatia	Ireland*	Morocco	Slovenia	Zambia
Cyprus	Israel	Namibia	South Africa	Zimbabwe
Czech Republic*	Italy*	Nepal	South Korea*	

* Countries included in analyses of OECD/developed countries

4.5.1 Dependent Variables

I use launch of the UN Global Compact in a country as an indicator of *government endorsement* of CSR and I code the year in which a launch event occurs. UN Global Compact launches are usually accompanied by domestic actors establishing a UNGC Local Network in that country. Because the UNGC's online database uses these terms interchangeably, I coded the year in which a Local Network was established in countries where no UNGC launch was given in the database. I also obtained data directly from the UN Global Compact Office on two measures of corporate participation in CSR: *baseline commitment* to CSR, the number of corporations in a country that are members of the UN Global Compact, and *ceremonial commitment* to CSR, the number of corporations that did not comply with their COP requirements.⁷ As an indicator of *substantive commitment*

⁷ For membership in the UN Global Compact, corporate subsidiaries that operate in other countries can and do become UNGC members independent of their parent companies. For example, Coca-Cola has more than

to CSR, I also obtained a third measure from the Global Reporting Initiative's online database, the number of corporations in a country that employed GRI reporting guidelines.

4.5.2 Independent Variables

For channels of global institutional pressure, I used the number of international nongovernmental organization memberships, available from the *Yearbook of International Organizations* (Union of International Associations 2000-2008),⁸ and the number of international human rights, environmental, and labor treaties ratified by a country, coded from the respective online databases of the United Nations and the International Labor Organization.⁹ I also used the number of UN Global Compact participants in other countries in the same region to examine regional pressure as channels of influence. I coded countries into six regions per the UNGC's classification: Africa, the Americas, Asia, Australasia, Europe, and the Middle East.

For local social receptivity to CSR, I used measures of democracy, public sector transparency, level of education, past UNGC participants in the country, and UNGC launch in the country. I obtained the democracy score (an autocracy-democracy scale) from the Polity IV Project's *Political Regime Characteristics and Transitions* online

300 bottling partners in the world but only 18 that bear the Coca-Cola name outside the United States are members of the UNGC. Likewise, 11 of these bottling partners have also adopted GRI guidelines. In my data, parent companies and subsidiaries are specified as separate and independent counts. Consistent with my argument, countries in which these subsidiaries are located have different institutional and economic conditions compared to other subsidiaries, that can be used to explain CSR participation in one country but not the other. This feature of the UNGC actually allows me to safely test if there are country-level dynamics that push certain corporations (including foreign subsidiaries) to participate in global CSR frameworks.

⁸ For the number of INGO memberships per country, I used Cluster I (Categories A-D) organizations as defined by the Union of International Associations' classification. Cluster I organizations include federations of international organizations, universal membership organizations, intercontinental membership organizations, and limited or regionally defined membership organizations and excludes, for example, internationally oriented national organizations and inactive or dissolved organizations. Using Cluster I organizations allows me to be specific about influences that originate from external rather than internal sources.

⁹ See <http://treaties.un.org/Pages/ParticipationStatus.aspx> and <http://www.ilo.org/ilolex/English/convdsp1.htm>.

database.¹⁰ I used the level of secondary school education as a measure of the capacity of citizens in a country to understand and interpret CSR principles and obtained this variable from the World Bank's (2008) *World Development Indicators*.¹¹ My transparency measure is from Transparency International's Corruption Perceptions Index.¹² The number of UNGC participants, which measures corporate peer pressure, and the launch of the UNGC in a country in the previous year, which indicates broader societal pressure, reflect the degree of legitimacy of CSR in a country.¹³

I use two indicators of foreign economic penetration: a given country's bilateral investment context and bilateral export context. Following recent advances by Prakash and Potoski (2006) and Greenhill, Mosley, and Prakash (2009), I constructed more precise bilateral measures of foreign direct investment and trade compared to measures used in previous studies.¹⁴ These more specific measures track how pressures to adopt CSR flow through economic ties and supply chains (Gereffi, Humphrey, and Sturgeon 2005; Bair 2008; Jiang 2008).

Bilateral investment context is the average of the number of UN Global Compact participants in the investment origin country, weighted by the proportion of inward FDI from a given origin country to the total level of inward FDI in the host country for each year:

¹⁰ See <http://systemicpeace.org/polity/polity4.htm>. The Polity IV Project's democracy score is based on five primary institutional characteristics: competitiveness of the process for chief executive selection, openness of that process to social groups, level of institutional constraints placed on the chief executive's decision-making authority, competitiveness of political participation, and degree to which binding rules govern political participation. The resulting index ranges from -10 (most autocratic) to 10 (most democratic).

¹¹ The level of secondary school enrollment measures the ratio of total enrollment, regardless of age, to the population of the age group that officially corresponds to the level of secondary school education.

¹² Transparency International's Corruption Perceptions Index (CPI) comprises an aggregate indicator of country experts' and business leaders' perceptions of corruption in the public sector. The Corruption Perceptions Index ranks countries annually on a scale from 0 (highly corrupt) to 10 (very clean) (Transparency International 2010).

¹³ In models predicting ceremonial commitment, I use past UN Global Compact participants as a control. Because only participating corporations are expected to submit reports, countries with a greater number of GC participants may have a greater number of corporations that fail to submit the required report. I control for this tendency with the past UNGC participants variable.

¹⁴ Using these more conventional measures of foreign economic penetration, I conducted alternative model specifications using general FDI and trade measures, portfolio investment, short-term debt, and total external debt (see, e.g., Kentor 1998; Richards et al. 2001; Kentor and Boswell 2003). Other key variables in these models showed largely similar results to my final analyses and were robust across models.

$$\sum_j \text{UNGC}_j * (\text{FDI}_{ij} / \text{Total FDI}_i)$$

where UNGC_j is the number of UNGC participants in each origin country j , FDI_{ij} is the stock of inward FDI from origin country j to country i , and Total FDI_i is the total stock of inward FDI in host country i from all origin countries.¹⁵ This measure reflects the idea that CSR adoption in a country is influenced specifically by the level of support for CSR in the home country from which that investment originates.

Bilateral export context is the average of the number of UN Global Compact participants in a country's export destinations, weighted by the proportion of exports to each destination to the total level of exports of a particular country in each year:

$$\sum_j \text{UNGC}_j * (\text{Exports}_{ij} / \text{Total Exports}_i)$$

where UNGC_j is the number of UNGC participants in each destination country j , Exports_{ij} is the volume of exports sent from country i to country j , and Total Exports_i is the total volume of exports sent from country i to all destinations.¹⁶ This measure reflects the idea that the level of support for CSR in importing countries influences exporting countries' CSR adoption practices.

As an indicator of a country's national economic system, I used a measure of a country's ruling political party platform and agenda with respect to economic policy, available from the World Bank's *Database of Political Institutions* (Beck et al. 2001). This indicator refers to the extent to which a country's government can be classified as right, center, or left oriented with regard to economic issues.¹⁷

¹⁵ Following Prakash and Potoski (2006), I use FDI stock rather than FDI inflows to reflect that investment decisions are long-term commitments rather than short-term decisions. I further specify inward FDI to be from OECD countries (which tend to have more institutionalized CSR standards and higher levels of investment in other countries). I obtained bilateral investment data from the UNCTAD (<http://unctadstat.unctad.org>) and OECD (<http://stats.oecd.org>) statistics databases. I divided this variable by 1,000 to facilitate interpretation of the resulting regression coefficients.

¹⁶ I obtained bilateral export data from the UNCTAD statistics database (<http://unctadstat.unctad.org>).

¹⁷ The "execrlc" measure in the *Database of Political Institutions* classifies party orientation to economic policy categorically: "left" for socialist, social-democratic agendas; "right" for parties with liberal

As control variables, I also used a country's total number of listed domestic companies and GDP per capita (constant 2000 US\$) from the World Bank's (2008) *World Development Indicators*. The former controls for the potential number of corporate participants in CSR frameworks and the latter for the size of a country's economy.

All independent variables in my models are time-varying annual variables and I lagged all independent variables by one year. I also performed natural logarithmic transformations of variables that had skewed distributions, adding a constant to variables where the lowest original values were either zero or negative. Table 4.9 lists the operationalization of these variables, Table 4.10 presents descriptive statistics, and Table 4.11 presents the correlation matrix for all variables in the analyses.¹⁸

4.5.3 Methods

I employed two distinct modeling techniques to reflect the different distributional characteristics of my dependent variables. First, I conducted an event history analysis of factors leading to government endorsement of the UN Global Compact, using the semiparametric Cox proportional hazards model to examine the time to launch of the UNGC in a country with a risk set of all countries in the world. After accounting for missing data, I obtained 449 country-year observations with a total of 99 countries in my dataset. In my analyses, I used robust variance estimation in place of standard calculations (Lin and Wei 1989) and clustered the data by country to address possible problems with autocorrelation (Beck and Katz 1995). My subset of developed countries includes 27 OECD countries with a total of 132 country-year observations. In models that examine a risk set of developing countries, my data consist of 317 country-year

economic agendas; and "center" for centrist parties (Keefer 2009:6). I coded these categories in the database as 1 (left), 2 (center), 3 (right).

¹⁸ Despite the high correlations between GDP per capita and both the CPI and education measures, variance inflation factors (VIF) do not suggest that multicollinearity is of significant concern. Mean VIF scores across all analyses are highest at 2.82 for the subset of developed countries while the highest individual VIF score was for the GDP per capita measure at 6.08 in the same subset. As such, I retained both CPI and education measures because excluding correlated variables may bias results for other variables (Greene 2003; Arcenaux and Huber 2007; O'Brien 2007).

observations with a total of 72 non-OECD countries.¹⁹ I conducted tests of the proportional hazard assumptions of my Cox model based on Schoenfeld residuals for the full sample of 99 countries ($\chi^2 = 8.93$, $\text{Prob} > \chi^2 = .709$), the subset of 27 developed countries ($\chi^2 = 12.48$, $\text{Prob} > \chi^2 = .408$), and the subset of 72 developing countries ($\chi^2 = 2.93$, $\text{Prob} > \chi^2 = .996$). These tests are not significant, suggesting that my models do not violate the proportionality assumption.

Second, I employed negative binomial regression analyses of the number of corporate participants in CSR frameworks because these dependent variables comprise overdispersed count data (Long 1997; Hilbe 2007). For these dependent variables, I also employed robust variance estimation and clustered the data by country. I obtained 431 country-year observations with a total of 99 countries in the overall analyses. There are 130 country-year observations for the subset of 27 developed countries and 301 country-year observations for the subset of 72 developing countries. To assess the model fit of these negative binomial regression models, I ran equivalent generalized linear models (GLM) and specified a logarithmic link function (family negative binomial) to obtain AIC and BIC statistics (Hilbe 2007). AIC and BIC statistics for all GLM (negative binomial) models were smaller in size compared to GLM (Poisson) models with the same variables, indicating that negative binomial models provided a better fit.

4.6 Results

Table 4.12 presents the event history analysis and negative binomial results for all 99 countries in the data. Tables 4.13 and 4.14 present results for the subsets of 27 developed countries and 72 developing countries, respectively. For the event history models, I report coefficients instead of hazard ratios.

¹⁹ My final sample of countries was determined largely by the available cross-national data. Including the total number of listed domestic companies measure reduced the number of countries in my dataset. Omitting this covariate increased the number of countries to 127 for all countries and 100 developing countries. The effects of my main covariates were similar in analyses without the companies measure.

Table 4.9
Variables in the Analyses

Variable	Source	Measure	Notes
1. Global Compact launch	UN Global Compact Office	Dichotomous measure of country-level adoption of the UN Global Compact	Lagged by one year when included as an independent variable
2. Global Compact participants	UN Global Compact Office	Number of corporate UN Global Compact participants in a given country	Lagged by one year when included as an independent variable
3. Global Reporting Initiative participants	Global Reporting Initiative	Number of corporate Global Reporting Initiative participants in a given country	
4. Global Compact COP defaults	UN Global Compact Office	Number of corporate UN Global Compact participants in a given country that have no submitted the requisite Communications on Progress (i.e. inactive or non-communicating corporations)	
5. Global Compact participants (by region)	UN Global Compact Office	Number of UN Global Compact participants in a given region of the world (Africa, Americas, Asia, Australasia, Europe, Middle East)	Divided by a constant to facilitate interpretation of resulting coefficient
6. Gross domestic product per capita	World Bank <i>World Development Indicators</i>	Per capita gross domestic product in a given country (constant, 2000 US\$)	Logged, lagged by one year
7. Listed domestic companies	World Bank <i>World Development Indicators</i>	Total number of listed domestic companies in a given country	Lagged by one year, divided by a constant to facilitate interpretation of resulting coefficient
8. INGO memberships	Union of International Associations	Number of membership in international nongovernmental organizations (Cluster I – Categories A-D)	Logged; lagged by one year
9. International treaties ratified	United Nations/International Labour Organization	Number of international human rights, environmental, and labor treaties ratified by a given country	Lagged by one year
10. Democracy	Polity IV Project	Index of democracy based on five key institutional characteristics of a given country, from -10 (most autocratic) to 10 (most democratic)	Lagged by one year
11. Transparency – Corruption Perceptions Index	Transparency International	Aggregate indicator of country experts' and business leaders' perception of corruption in the public sector of a given country on a scale of 0 (highly corrupt) to 10 (very clean)	Lagged by one year
12. Secondary School Enrollment (% gross)	World Bank <i>World Development Indicators</i>	Ratio of total enrollment, regardless of age, to the population of the age group that officially corresponds to the level of secondary school education	Lagged by one year
13. Bilateral investment context	UNCTAD OECD	Average of the number of UN Global Compact participants in the investment origin country, weighted by the proportion of inward FDI from a given origin country to the total level of inward FDI in the host country in each year	Lagged by one year, divided by a constant to facilitate interpretation of resulting coefficient
14. Bilateral export context	UNCTAD	Average of the number of UN Global Compact participants in a country's export destinations, weighted by the proportion of exports to each destination to the total level of exports of a particular country in each year	Logged, lagged by one year
15. Government orientation to economic policy	Database of Political Institutions	Measure of a government's ruling party orientation to economic policy in a given country, categorically coded as 1 (left), 2 (center), and 3 (right)	Lagged by one year

Table 4.10
Descriptive Statistics of Variables in the Analyses

Variables	Mean	SD	Min.	Max.
Global Compact Launch	.16	.37	0	1
Global Compact Participants	2.68	10.99	0	161
Global Reporting Initiative Participants	1.51	6.43	0	132
COP Defaults	.27	1.66	0	29
GDP per Capita (log)	7.62	1.58	4.39	10.90
Listed Domestic Companies/100	4.41	10.09	0	76.51
INGO Memberships (log)	6.24	1.14	-6.91	8.35
International Treaties Ratified	19.35	5.25	0	31
Global Compact Participants (by region)/100	3.10	4.70	0	19.34
Democracy	3.36	6.57	-10	10
Secondary School Enrollment (% gross)	71.92	31.49	5.18	161.66
Corruption Perceptions Index Score	4.28	2.25	.40	10
Past Global Compact Participants (by country)	2.73	11.11	0	161
Global Compact Launch	.16	.37	0	1
Bilateral Investment Context/1000	32.20	1005.23	-.08	38000
Bilateral Export Context	155.02	1506.71	.08	38699.70
Government Orientation to Economic Policy	1.92	.71	1	3

Table 4.11
Correlations of Covariates in the Analyses

Variables	1	2	3	4	5	6	7
1 GDP per capita (log)							
2 Listed domestic companies	0.17						
3 INGO memberships (log)	0.68	0.36					
4 International treaties ratified	0.03	-0.25	0.26				
5 Global Compact participants (by region)/100	0.15	-0.02	0.22	0.48			
6 Democracy	0.35	0.15	0.49	0.38	0.25		
7 Corruption Perceptions Index score	0.83	0.16	0.59	-0.04	0.05	0.31	
8 Secondary school enrollment (% gross)	0.73	0.08	0.56	0.27	0.24	0.38	0.64
9 Past Global Compact participants (by country)	0.10	0.17	0.22	0.13	0.23	0.09	0.05
10 Global Compact launch	-0.01	0.14	0.24	0.19	0.30	0.12	0.06
11 Bilateral investment context	-0.08	-0.05	-0.14	0.01	0.11	0.02	-0.09
12 Bilateral export context	-0.01	-0.06	-0.08	0.12	0.26	0.02	-0.09
13 Government orientation to economic policy	0.09	0.07	0.00	0.01	0.04	0.15	0.05

Variables	8	9	10	11	12
8 Secondary school enrollment (% gross)					
9 Global Compact participants	0.09				
10 Global Compact launch	0.01	0.36			
11 Bilateral investment context	0.01	0.01	0.04		
12 Bilateral export context	-0.05	0.07	0.17	0.01	
13 Government orientation to economic policy	-0.04	0.04	-0.02	-0.09	0.06

Table 4.12
Event History Analysis and Negative Binomial Regression of CSR Adoption, 99 Countries, 2000 to 2007

	Event History			
	Analysis	Negative Binomial Regression		
	Model 1:	Model 2:	Model 3:	Model 4:
	Government Endorsement	Baseline Commitment	Substantive Commitment	Ceremonial Commitment
	Global Compact Launch	Global Compact Participants	Global Reporting Initiative Participants	COP Non- Compliance
Control				
GDP per capita (log)	-1.685** (.565)	-.390 (.359)	-.163 (.300)	-.214 (.447)
Listed domestic companies	.008 (.015)	.016 (.014)	.022 (.013)	.021 (.011)
Global Institutional				
INGO memberships (log)	2.730** (.941)	1.429** (.476)	2.365*** (.534)	.586 (.572)
International treaties ratified	-.026 (.053)	-.060 (.045)	-.164** (.059)	-.066 (.052)
Global Compact participants (by region)	-.047 (.102)	.072 (.056)	.083 (.051)	.126 (.079)
Domestic Institutional				
Democracy	.062 (.044)	.041 (.027)	.063 (.054)	-.063 (.041)
Transparency: Corruption Perception Index	.358 (.185)	-.077 (.148)	.131 (.102)	-.109 (.182)
Secondary school enrollment (% gross)	.006 (.011)	.011 (.008)	.007 (.008)	.014 (.012)
Past Global Compact participants (by country)	.013 (.008)	.020 (.010)	.004 (.004)	.022 (.015)
Global Compact launch		1.700*** (.310)	.520 (.302)	1.868*** (.395)
Global Political-Economy				
Bilateral investment context	-.830 (1.030)	-.002 (.047)	-.018 (.062)	.009 (.028)
Bilateral export context	.008*** (.002)	.004 (.002)	.002** (.001)	.004 (.002)
Domestic Political-Economy				
Government orientation to economic policy	-.176 (.254)	.258 (.178)	-.070 (.141)	.462* (.221)
Constant				
		-8.260*** (1.867)	-15.32*** (2.407)	-5.803** (2.138)
<i>N</i> country-observations	449	431	431	431

Note: Robust standard errors in parentheses
* $p < .05$; ** $p < .01$; *** $p < .001$ (two-tailed tests)

Table 4.13
Event History Analysis and Negative Binomial Regression of CSR Adoption, 27 Developed Countries, 2000 to 2007

	Event History			
	Analysis	Negative Binomial Regression		
	Model 5: Government Endorsement	Model 6: Baseline Commitment	Model 7: Substantive Commitment	Model 8: Ceremonial Commitment
	Global Compact Launch	Global Compact Participants	Global Reporting Initiative Participants	COP Non- Compliance
Control				
GDP per capita (log)	-.063 (1.176)	.303 (.347)	.633 (.552)	-.099 (.574)
Listed domestic companies	.041 (.029)	.036*** (.008)	.048** (.015)	.052* (.022)
Global Institutional				
INGO memberships (log)	1.845 (1.419)	4.919*** (.600)	.642 (.884)	4.481* (1.824)
International treaties ratified	.129 (.111)	-.005 (.031)	-.020 (.060)	.016 (.086)
Global Compact participants (by region)	.130 (.281)	-.078 (.042)	.096 (.067)	-.040 (.112)
Domestic Institutional				
Democracy	-.993 (.730)	-1.293*** (.217)	.028 (.333)	-1.278*** (.346)
Transparency: Corruption Perception Index	.182 (.385)	.144 (.096)	.158 (.153)	.244 (.159)
Secondary school enrollment (% gross)	.013 (.018)	-.004 (.011)	.005 (.010)	.006 (.018)
Past Global Compact participants (by country)	-.010 (.012)	.000 (.004)	.008 (.005)	.000 (.007)
Global Compact launch		1.226*** (.279)	-.097 (.264)	1.372 (.735)
Global Political-Economy				
Bilateral investment context	13.900 (12.690)	-21.07** (6.570)	-7.842 (5.466)	6.906 (8.898)
Bilateral export context	-.009 (.015)	.023*** (.005)	.003 (.007)	.021* (.009)
Domestic Political-Economy				
Government orientation to economic policy	-.117 (.301)	.355*** (.084)	-.107 (.151)	.642** (.232)
Constant		-31.53*** (4.090)	-12.46* (5.261)	-3.29** (1.610)
<i>N</i> country-observations	132	130	130	130

Note: Robust standard errors in parentheses
* $p < .05$; ** $p < .01$; *** $p < .001$ (two-tailed tests)

Table 4.14
Event History Analysis and Negative Binomial Regression of CSR Adoption, 72 Developing Countries, 2000 to 2007

	Event History			
	Analysis	Negative Binomial Regression		
	Model 9: Government Endorsement	Model 10: Baseline Commitment	Model 11: Substantive Commitment	Model 12: Ceremonial Commitment
	Global Compact Launch	Global Compact Participants	Global Reporting Initiative Participants	COP Non- Compliance
Control				
GDP per capita (log)	-2.440** (.913)	-.348 (.430)	-.710 (.526)	.129 (.549)
Listed domestic companies	.013 (.020)	-.022 (.013)	-.032 (.025)	-.004 (.014)
Global Institutional				
INGO memberships (log)	2.515* (1.113)	1.657** (.510)	3.508* (1.439)	.991 (.667)
International treaties ratified	-.108 (.074)	-.094 (.055)	-.186* (.089)	-.084 (.069)
Global Compact participants (by region)	-.011 (.154)	.066 (.091)	.106 (.095)	.090 (.117)
Domestic Institutional				
Democracy	.085 (.056)	.049 (.027)	.088* (.044)	-.050 (.044)
Transparency: Corruption Perception Index	.560 (.451)	-.256 (.247)	.233 (.257)	-.343 (.300)
Secondary school enrollment (% gross)	.021 (.016)	.023* (.011)	.001 (.021)	.010 (.014)
Past Global Compact participants (by country)	.038** (.012)	.017 (.033)	-.019 (.014)	.029 (.034)
Global Compact launch		2.344*** (.432)	1.034* (.521)	2.184*** (.596)
Global Political-Economy				
Bilateral investment context	-2.621 (2.151)	-.009 (.052)	-.040 (.074)	.013 (.030)
Bilateral export context	.010** (.003)	.003 (.002)	.002* (.001)	.003 (.002)
Domestic Political-Economy				
Government orientation to economic policy	-.292 (.708)	.586* (.284)	-.286 (.316)	.607 (.321)
Constant		-1.28*** (2.928)	-18.32* (7.916)	-9.829*** (3.209)
<i>N</i> country-observations	317	301	301	301

Note: Robust standard errors in parentheses
* $p < .05$; ** $p < .01$; *** $p < .001$ (two-tailed tests)

4.6.1 Overall Findings for All Countries: Institutional Effects on Global CSR

Table 4.12 indicates that institutional pressures through nongovernmental channels have strong and consistent effects on CSR participation. INGO pressure has positive significant effects on government endorsement of the UN Global Compact, baseline commitment (UN Global Compact participation), and substantive commitment (Global Reporting Initiative participation) to CSR. INGO pressure is not significant for ceremonial commitment (non-compliance with the UNGC's COP requirement).

Notably, the INGO measure is the only variable that is positive and significant consistent across government endorsement, baseline commitment, and substantive commitment measures. This suggests that INGO channels are, on the whole, significant facilitators of global CSR norms.

The effects of treaty ratification are consistently negative on CSR framework participation although it is significant only for substantive commitment to CSR, suggesting that government links to global human rights, labor, and environmental norms do not encourage CSR framework adoption. Although these treaty effects do not support my hypothesis about international linkages, they are consistent with existing studies that show treaty ratification has little correlation with actual domestic practices, especially in the domain of human rights (Hathaway 2002; Hafner-Burton and Tsutsui 2005; Wotipka and Tsutsui 2008; Meyer 2010).

Overall, these results partially support Hypothesis 1 on the effects of global institutional pressure. They indicate that pressures for CSR engagement are facilitated strongly through international nongovernmental channels rather than governmental channels.

Table 4.12 also indicates that, at the domestic level, government endorsement of CSR (through UNGC launch events) has a significant positive effect on both baseline and ceremonial commitment to CSR. These results suggest that government endorsement of CSR plays a strong role in encouraging corporations in a country to adopt the UN Global

Compact but also leads to a greater likelihood of those corporations not complying with framework requirements. Therefore, domestic-level effects such as government endorsement play an important role in raising CSR awareness and participation but these effects may be temporary and ineffective in having corporations maintain their commitment to CSR. (See Chapter 5, where I discuss the domestic reception and implementation of CSR frameworks, for possible reasons why this may be the case.)

4.6.2 Overall Findings for All Countries: Political-Economy Effects on Global CSR

For global political-economy effects, Table 4.12 shows that a country's bilateral export context, the extent to which bilateral exports serve as channels for CSR pressure, is positive and significant for government endorsement of and substantive commitment to CSR. These results indicate that corporations in countries that export to countries with more UN Global Compact corporations are themselves more likely to also adopt CSR frameworks. This supports Cao and Prakash's (2011) argument that short-term, arm's-length economic transactions can encourage corporations to use CSR as a signaling strategy: not only does a country's bilateral export context encourage government endorsement of the UN Global Compact, it also encourages corporations to use more substantive frameworks like the Global Reporting Initiative. A country's bilateral investment context, on the other hand, does not have significant effects on CSR adoption and this suggests that long-term investment relations may be less important for demonstrating CSR through framework adoption.

At the domestic level, countries that have more liberal, less regulated national economic systems also seem to encourage ceremonial commitment to CSR. This result confirms arguments that link neoliberalism to the rise of the CSR movement and suggests that corporations in less regulated economies may not be complying with the requirements of CSR frameworks that they participate in. This result also suggests that levels of commitment to CSR are uneven across countries. Despite results showing that global factors such as nongovernmental pressures and trade relations encourage corporate

commitment to CSR, the effect of national economic systems indicates that CSR commitment may also depend heavily on the way national economies are regulated. As I discussed earlier, existing views on the way countries' economic orientations affect subsequent political and organizational behavior suggest that actors in richer countries may not always abide by the frameworks that they pressure other countries to adopt and this may account for the uneven levels of CSR commitment across countries. I examine the implications of this view by discussing the results I obtained from analyzing developed and developing countries separately.²⁰

4.6.3 Differences between Developed and Developing Countries: Institutional Effects

Table 4.13 presents results of my analysis of developed countries and Table 4.14 presents results for the subset of developing countries. In developed countries, INGO linkage has positive significant effects on baseline and ceremonial commitment to CSR but not on substantive commitment. By contrast, in developing countries, INGO linkages have positive significant effects across all types of CSR adoption except for ceremonial commitment to CSR. Treaty ratification has a negative significant effect on substantive CSR commitment in developing countries, again reflecting the divergence between governmental links to global institutions and the impact on corporate behavior.

Comparing Tables 4.13 and 4.14 also reveal differences in the impact of domestic-level factors. In developed countries, democracy discourages baseline and ceremonial CSR commitment, suggesting that, in more democratic developed countries, corporations may be cautious about participating in global CSR frameworks but, once they engage with those frameworks, they are less likely to not comply with framework requirements. On the other hand, in developing countries, democracy has a positive significant effect on

²⁰ In previous iterations of my analyses for the full sample of all 99 countries, I included an OECD dummy variable and interaction effects of each covariate (except the control variables) with the OECD dummy. I do not report these results here but they indicate statistically significant differences between developed and developing countries on CSR adoption.

substantive CSR commitment, suggesting that democratic governance in developing countries encourages corporations to engage in more onerous CSR reporting frameworks.

Looking at the effects of government endorsement of the UN Global Compact and existing presence of UNGC corporations, Table 4.14 indicates that the legitimacy of the UN Global Compact in developing countries has positive significant effects on baseline and substantive CSR commitment. However, noting that UNGC launch also encourages ceremonial CSR commitment, this suggests that corporations in developing countries are pressured to endorse CSR but do not have the capacity to comply with the requirements of the UNGC framework.

In developing countries, launch of the UN Global Compact has a positive significant effect on baseline CSR commitment but this effect of government endorsement does not encourage more substantive CSR commitment.

4.6.4 Differences between Developed and Developing Countries: Political-Economy Effects

Focusing on the effects of foreign economic penetration in developing countries, as presented in Table 4.14, my results show that bilateral investment context is not significant for any models. Bilateral export context, on the other hand, has positive significant effects on government endorsement and substantive CSR commitment. This supports Hypothesis 3 that short-term economic ties serve as channels to encourage CSR adoption and suggests that governments and corporations in developing countries are more concerned with signaling to their trade partners by adopting substantive CSR frameworks like the Global Reporting Initiative. In contrast, in developed countries, bilateral export context has positive significant effects on baseline and ceremonial CSR commitment, suggesting that short-term economic ties do not push corporations in developed countries to comply with CSR framework requirements.

Considering the effects that a country's national economic system has on CSR commitment, results from Tables 4.13 and 4.14 reveal that more liberal economies encourage baseline CSR commitment. However, it is only in developed countries that more liberal economies result in ceremonial CSR commitment. This suggests that corporations in developed countries with more liberal economic policies are likely to commit to CSR frameworks but not comply with their requirements.

Comparing political-economy effects between developed and developing countries suggests that corporations in developed countries engage in organized hypocrisy as a means of decoupling adopted models and actual practice, lending support to Hypothesis 5b.

4.7 Discussion

Table 4.15 below presents selected results from the preceding three sets of analyses to highlight the patterns of CSR commitment across both subsets of countries in my data. In this section, I discuss three observations following from these patterns.

First, as the results of my analyses indicate, global institutional pressures, especially through INGO channels, are strong drivers of the global expansion of corporate social responsibility. From the results for all countries in Table 4.15, countries that are more connected to global norms and institutions through INGO channels are more likely to have the type of social environment that encourages governments to endorse global CSR frameworks like the UN Global Compact and also corporations to commit substantively to CSR. Even after weighing the effects of cross-national economic channels or domestic factors, global nongovernmental channels are consistent in driving governments and corporations around the world to engage in CSR substantively, not only by endorsing frameworks like the UN Global Compact but also through using more onerous reporting standards of the Global Reporting Initiative.

Table 4.15
Selected Results from Event History and Negative Binomial Analyses, 2000-2007

	Event History Analysis		Negative Binomial Regression	
	Government Endorsement	Baseline Commitment	Substantive Commitment	Ceremonial Commitment
	Global Compact Launch	Global Compact Participants	Global Reporting Initiative Participants	COP Non-Compliance
<i>All Countries</i>				
Global Institutional				
INGO memberships (log)	2.730** (.941)	1.429** (.476)	2.365*** (.534)	.586 (.572)
Global Political-Economy				
Bilateral export context	.008*** (.002)	.004 (.002)	.002** (.001)	.004 (.002)
Domestic Political-Economy				
Government orientation to economic policy	-.176 (.254)	.258 (.178)	-.070 (.141)	.462* (.221)
<i>Developed Countries</i>				
Global Institutional				
INGO memberships (log)	1.845 (1.419)	4.919*** (.600)	.642 (.884)	4.481* (1.824)
Global Political-Economy				
Bilateral export context	-.009 (.015)	.023*** (.005)	.003 (.007)	.021* (.009)
Domestic Political-Economy				
Government orientation to economic policy	-.117 (.301)	.355*** (.084)	-.107 (.151)	.642** (.232)
<i>Developing Countries</i>				
Global Institutional				
INGO memberships (log)	2.515* (1.113)	1.657** (.510)	3.508* (1.439)	.991 (.667)
Global Political-Economy				
Bilateral export context	.010** (.003)	.003 (.002)	.002* (.001)	.003 (.002)
Domestic Political-Economy				
Government orientation to economic policy	-.292 (.708)	.586* (.284)	-.286 (.316)	.607 (.321)

Note: Robust standard errors in parentheses
* $p < .05$; ** $p < .01$; *** $p < .001$ (two-tailed tests)

This suggests that the global expansion of corporate social responsibility conforms to patterns that world society theory has examined with other cross-national diffusion processes involving various progressive issues such as human rights and the environment (Meyer 2010). Thus, because global CSR frameworks have human rights and environmental concerns at their core, pressures through international nongovernmental

channels serve equally well to facilitate organizational actors' CSR adoption across countries. Theoretically, this influence of global norms and institutions on the diffusion of CSR frameworks also lends weight to the core world society argument discussed previously in this chapter as well as in more detail in Chapter 2. According to that argument, the architects of post-war international organizations sought to introduce new models of nation-state behavior to curb the destructive tendencies of national governments culminating in the Second World War. Aided by the proliferation of international nongovernmental organizations that served as channels of global norms, many new nation-states adopted similar structures and policies that conformed to global expectations, despite widely varying domestic contexts (Meyer 2007). My results suggest that the global expansion of corporate social responsibility falls within this ambit of the institutionalization of world culture. As corporate activities expand extensively across nation-state boundaries through trade and investment relations, observers have raised concerns about the potentially negative impact of those activities on domestic human rights, labor, and environmental standards (Sagafi-Nejad 2008). Responding to these concerns, international organizations like the United Nations and the Global Reporting Initiative, amongst others, have sought to enact global CSR frameworks that articulate the boundaries of corporate behavior in relation to world progressive norms. Consequently, corporations, as organizational actors whose identities and practices are open to environmental influences, come to adopt CSR norms as part of their engagement with stakeholders and the wider society, despite much variation in capacity or intention to put those norms into practice.

Second, the results of my analyses also indicate that other factors are also significant in driving the global expansion of corporate social responsibility and some of these factors are in fact pushing levels of CSR commitment in different directions. Table 4.15 shows that bilateral trade relations can serve as channels for CSR pressure, encouraging corporations to engage in substantive CSR commitment. Arguments by Prakash and Potoski (2006) and Greenhill, Mosley, and Prakash (2009) suggest that corporations in countries that have more extensive bilateral trade relations with other countries use CSR adoption as means of signaling responsible practices. That a country's bilateral export

context is a significant factor for *substantive* CSR commitment in developing countries indicates that corporations in the developing world are cognizant of global CSR norms and are engaging with CSR by employing more onerous reporting standards.

Furthermore, the significance of foreign economic penetration as channels of global norms challenges the world society notion that cross-national diffusion processes are driven solely through institutional channels. Global institutional pressures may exercise strong effects on “non-economic” actors such as nation-states and organizations in governmental, civil, and non-profit arenas that depend heavily on public endorsement and financing or where outward displays of legitimacy are easily decoupled from actual practice. Corporations, on the other hand, are organizations whose immediate survival *also* depends on how they overcome cost and resource constraints and how well they serve the interests of their shareholders. Corporate actions towards balancing CSR pressures and survival are therefore also circumscribed by economic factors in their environment. The case of global CSR is thus a useful test of directly comparing institutional and economic explanations of transnational processes. While the institutionalization of world culture may appear to account for striking similarities among organizational practices across the world, a direct comparison with economic factors also reveals that the type of organization—in this case, organizations that engage in production and exchange activities for profit—matters in the reception of global norms.

Third, Table 4.15 also reveals striking differences in levels of CSR commitment between developed and developing regions of the world, indicating that there may in fact be “two worlds” of corporate social responsibility. Corporations in developed and developing countries respond differently to global and domestic pressures to demonstrate corporate social responsibility. In developed countries, corporations respond to institutional and economic pressures by committing to voluntary CSR frameworks like the UN Global Compact but do not subsequently comply with the requirements those frameworks. Corporations in developing countries, on the other hand, are responding to global pressures by making substantive CSR commitments. This suggests that the pattern of global institutional effects on CSR found in my analyses of CSR adoption in all countries

may in fact reflect only CSR commitment in *developing* countries. That is to say, pressures to adopt CSR that flow through international governmental channels may only be encouraging substantive CSR commitment among corporations in developing countries.

That CSR commitment among corporations in developed countries is only ceremonial lends weight to arguments by scholars that have identified patterns of “organized hypocrisy” in international relations (Krasner 1999) and the suspicion of critics that CSR may be a way for corporations to avoid changing their actual human rights and environmental practices (Oshionebo 2009; Smith 2010). Although my quantitative results do not allow me to definitively conclude that corporations in the developed world are deliberately using global CSR frameworks to “bluewash” their practices, they do indicate that “organized hypocrisy”—ceremonial CSR commitment as a response to global pressures—is endemic in the developed world. In the early development of global CSR frameworks I discussed in Chapter 3, it was actors from developed countries, after all, who stalled negotiations in the UN to develop global corporate governance frameworks and suggested voluntary initiatives as alternatives to legally binding frameworks. Subsequently, as corporations in developing countries respond substantively to global institutions that were first enacted by core countries in the world system, corporations in those core countries have only responded with ceremonial commitment. Despite global institutional pressures having a broad impact in increasing rates of CSR framework adoption around the world, regardless of regional differences or actual compliance with framework requirements (cf. Meyer 2010), the actual differences in levels of CSR commitment between developed and developing countries are reflective of enduring inequalities in the world polity (Wallerstein 1979; Beckfield 2003).

4.8 Further Specifications: Institutional and Political-Economy Effects on CSR-Sensitive Industries

In this section, I extend the previous arguments and findings to consider institutional and political-economy effects on CSR-sensitive industries. CSR-sensitive industries consist of firms that receive immense scrutiny from critics and civil society organizations primarily because they deal with non-renewable resources (Hoffman 1999, 2001). Vogel (2005:144), for example, describes how Royal Dutch Shell's plans to dispose of the Brent Spar platform in the mid-1990s, followed by highly publicized conflicts between Shell subsidiaries and the Ogoni people in Nigeria (Oshionebo 2009), led to much public awareness of corporations in extractive industries and human rights and environmental concerns, even prompting other natural resource corporations to give more attention to those concerns. Bartley (2007a) also points to similar controversies in the apparel industry, leading prominent apparel companies like Nike to engage in collective action to devise industry-level frameworks. Since I have found country-level and cross-national factors to be significant predictors of general corporate participation in global CSR frameworks, it follows that these factors may have more specific industry-level effects, especially for corporations in CSR-sensitive industries. As critics and scholars observe, these are industries whose practices come under the most intense external scrutiny and they therefore may be more likely to respond to external pressure by participating in global CSR frameworks. To that end, I conduct two additional sets of analyses. First, I conduct cross-national analyses of UN Global Compact adoption among firms in CSR-sensitive industries. Second, I focus on specific firm-level analyses of corporations in extractive industries.

4.8.1 Cross-National Analyses of CSR Adoption in CSR-Sensitive Industries

From the same cross-national dataset I utilized, including data I obtained from the UN Global Compact Office, I selected corporate participants in the UN Global Compact that belonged to the metals and mining, oil and gas, paper and forest, apparel and textiles,

agriculture, and chemical sectors to determine the effects of cross-national and country-level factors on those corporations adopting the UNGC framework. I employed negative binomial regression, clustering by country and with robust variance estimation, on 494 country-year observations for all 99 countries, 155 country-year observations for 27 developed countries, and 339 country-year observations for 72 developing countries. Table 4.16 presents the results of these analyses.

Table 4.16
Negative Binomial Regression of UN Global Compact Adoption, CSR-Sensitive Industries, 2000 to 2007

	Model 13: All Countries	Model 14: Developed Countries	Model 15: Developing Countries
<i>Control</i>			
GDP per capita (log)	-.418 (.287)	-.227 (.381)	-.467 (.567)
Listed domestic companies	.024 (.013)	.058** (.020)	-.016 (.018)
<i>Global Institutional</i>			
INGO memberships (log)	.801 (.481)	1.978* (.981)	1.476* (.737)
International treaties ratified	-.082 (.043)	.056 (.063)	-.144 (.074)
Global Compact participants (by region)	.091* (.046)	-.007 (.097)	.073 (.092)
<i>Domestic Institutional</i>			
Democracy	.029 (.033)	-1.026** (.384)	.063 (.033)
Transparency: Corruption Perception Index	-.031 (.126)	.323 (.184)	-.187 (.335)
Secondary school enrollment (% gross)	.016 (.010)	-.002 (.010)	.022 (.013)
Past Global Compact participants (by country)	.015** (.005)	.002 (.005)	.001 (.017)
Global Compact launch	1.695*** (.362)	.749 (.464)	2.421*** (.544)
<i>Global Political-Economy</i>			
Bilateral investment context	-1.595 (1.593)	-435.6** (143.500)	-1.405 (1.180)
Bilateral export context	.000 (.001)	.011 (.009)	.000 (.001)
<i>Domestic Political-Economy</i>			
Government orientation to economic policy	.122 (.205)	.510*** (.147)	.124 (.304)
Constant	-5.083* (2.137)	-1.400 (6.998)	-8.101* (3.430)
<i>N</i> country-observations	494	155	339

Note: Robust standard errors in parentheses
* $p < .05$; ** $p < .01$; *** $p < .001$ (two-tailed tests)

Across all countries, it appears that global factors, whether institutional or political-economy, have few significant effects on UNGC adoption among corporations in CSR-sensitive industries. The only exception is the number of UN Global Compact participants in the region, suggesting some amount of regional pressure among corporations that pushes firms in CSR-sensitive industries to endorse the UN Global Compact. Among domestic factors, the number of existing UNGC corporations and government endorsement of the UNGC also have positive and significant effects on CSR-sensitive corporations' adoption of the UN Global Compact framework. These results suggest that, considering the entire sample of 99 countries, the legitimacy of the UN Global Compact in a country and its surrounding region exert strong pressures on corporations in CSR-sensitive industries to also engage in, or at least demonstrate attention to, CSR.

Comparing the subsets of developed and developing countries, Table 4.16 shows that in these two regions of the world, global nongovernmental channels have a positive and significant effect on CSR-sensitive corporations' adoption of the UN Global Compact. Government endorsement of the UNGC appears to encourage more CSR-sensitive corporations to adopt the UNGC in developing countries but not in developed countries. Interestingly, bilateral investment context makes it less likely for CSR-sensitive corporations in developed countries to adopt the UNGC framework. This supports Cao and Prakash's (2011) argument that long-term investment relationships do not require overt demonstrations of CSR participation because investors can exercise more screening and managerial oversight over corporate practices. Among developed countries, those with more liberal economies also encourage CSR-sensitive corporations to participate in the UN Global Compact, indicating further support for Hypothesis 4 that corporations may be employing CSR as a bulwark against potential government regulation.

Overall, these analyses of CSR adoption among corporations in CSR-sensitive industries suggest that, despite strong global institutional pressure, different regional dynamics work to push those corporations into demonstrating support for CSR. Government endorsement of CSR appears more salient for CSR-sensitive corporations in developing

countries while those corporations in developed countries are more affected by political-economy influences.

4.8.2 Firm-Level Analyses of Corporations in Extractive Industries

I also conducted a second set of analyses on corporations in CSR-sensitive industries by focusing specifically on corporations in extractive industries to determine whether internal firm factors may also account for CSR adoption, in particular, substantive CSR commitment. Firms in extractive industries are perhaps the most heavily criticized and scrutinized corporations when it comes to CSR practices (Vogel 2005) and previous research has shown, for example, that firms in the chemical industry respond to external events and pressures with different institutional outcomes (Hoffman 1999, 2001).

The firm-centered paradigm in CSR research (cf. Pava and Krausz 1995) considers the importance of internal firm characteristics on predicting whether corporations adopt particular CSR practices. McGuire, Sundgren, and Schneeweis (1988), for example, find a positive relationship between a firm's return on assets and its CSR reputation while Patten (1990) found no relationship between market-based returns and firms that signed the Global Sullivan Principles. Pava and Krausz (1995) find that firms engaged in CSR if they could afford to but that they forfeited any financial advantage to CSR endorsement in the long run. Kacperczyk (2008) examines shareholder and stakeholder explanations of CSR and finds that stronger takeover protection leads firms to attend to the concerns of non-shareholding stakeholders.

As such, I consider if internal firm characteristics can explain substantive CSR commitment by corporations in extractive industries by weighing those factors against some of the environmental factors I discussed previously. In particular, I consider the effects of internal firm factors such as size, number of shareholders, and financial performance. Corporations that are larger in size may receive more external attention and scrutiny of their practices (Cormier and Magnan 2003; Ginsberg, Hasan, and Tucci

2011:178) and may be more likely to respond by engaging with global CSR frameworks. Corporations that are more financially successful may also be able to afford to adopt CSR frameworks without much cost and resource constraint (Pava and Krausz 1995). Corporations facing multiple external constituencies may not be able to adequately respond to pressures from those constituencies efficiently (cf. Jensen 2002). Therefore, corporations with fewer shareholders may be more likely to engage with CSR to appease their critics instead of demonstrating fiduciary responsibility to their shareholders. These factors suggest that internal firm characteristics, rather than environmental factors at the global or national levels, will make it more likely for firms to adopt global CSR frameworks.

Hypothesis 6a: Internal firm factors such as greater size, fewer number of shareholders, or greater financial performance will lead corporations to engage in substantive CSR commitment.

Furthermore, research in CSR and corporate environmental disclosure suggests that large corporations are more visible in the countries they operate in and are likely to receive extensive scrutiny from their stakeholders and external observers (Alnajjar 2000; Berthelot, Cormier, and Magnan 2003). Larger corporations, especially those that are transnational in scope, are also likely targets for considerable pressure through global institutional and economic channels (Smith 2010) to improve their CSR practices. Therefore, the size of the corporation will likely positively moderate the effects of global institutional and economic pressures to engage in CSR (Marquis and Toffel 2011).

Hypothesis 6b: Corporate size will positively moderate the relationship between global pressures and substantive CSR commitment.

I test these hypotheses by weighing them against my previous hypotheses on institutional and political-economy factors, at both global and domestic levels, in explaining corporations' substantive CSR commitment—measured by whether they have submitted a Global Reporting Initiative disclosure report.

For this analysis, my dataset consisted of a total of 2,354 firms in extractive industries over 47 countries in 283 country-year observations from 2000 to 2007. I included firms from metal mining, coal mining, oil and gas extraction, and non-metal minerals industries as they are listed according to their two-digit SIC codes²¹ in the *Worldscope Global* database (Thomson Financial 1999-2006). I located these firms in the Global Reporting Initiative database to ascertain if they submitted disclosure reports to the GRI for each year from 2000 to 2007. In the analyses, the internal firm factors I included were size (measured by the total sales in millions of US dollars), financial performance (measured by a firm's return on assets), and the number of shareholders.²² For external global and domestic factors, I included the number of INGO memberships in a country as a measure of a country's global institutional linkages, bilateral export context as a measure of foreign economic penetration, transparency of the national environment for businesses as a measure of domestic social receptivity, and government orientation to economic policy as a measure of a country's national economic system. Descriptions of these measures were presented earlier in Table 4.9. To gauge the moderating effect of corporate size, I also included two cross-level interaction terms that capture how corporate size moderates global institutional nongovernmental pressure and bilateral trade pressure.

To account for both firm-level and environmental factors, I conducted multi-level mixed-effects logistic regression (Raudenbush and Bryk 2002) in my analyses of extractive corporations' Global Reporting Initiative disclosure report submission. Figure 4.3 presents the three-level nested structure of the data with individual firm observations (Level 1) clustered within country observations for each year (Level 2), then clustered within countries (Level 3). All independent variables were lagged by a period of one year. Table 4.17 presents descriptive statistics of the variables in the analyses and Table 4.18 lists the correlations among the independent variables. Mean VIF was 1.71 with the highest VIF statistic at 3.45. Table 4.19 lists the 47 countries in the analyses and Table 4.20 presents results of my multi-level mixed-effects logistic regression analyses.

²¹ The corresponding two-digit SIC codes are 10, 12, 13, and 14, respectively.

²² I divided each of these three measures by a constant to facilitate interpretation of the resulting regression coefficients.

Figure 4.3
 Nested Structure of Data in Multi-Level Logistic Regression of Firms in Extractive Industries

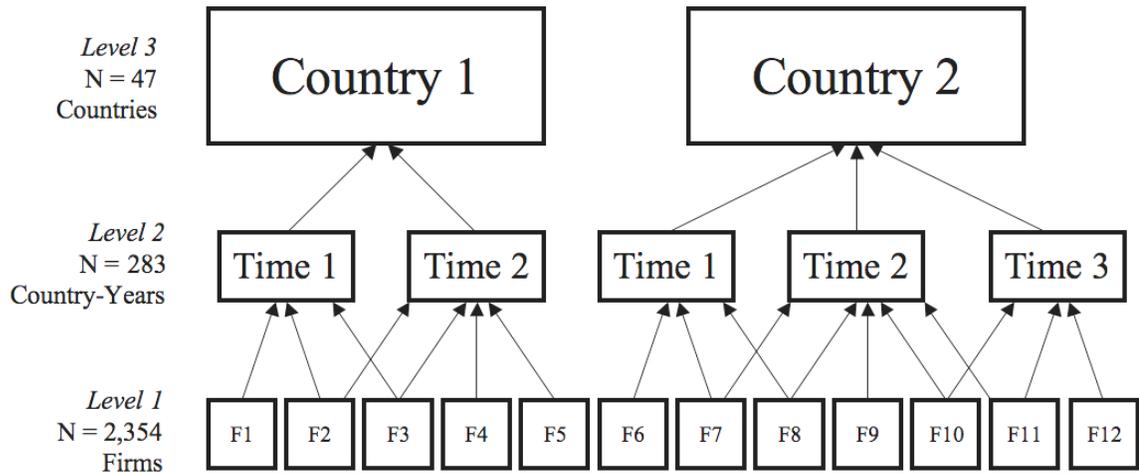


Table 4.17
 Descriptive Statistics of Variables in Analyses of Firms in Extractive Industries

Variables	Mean	S.D.	Min.	Max.
<i>Firm-Level Factors</i>				
Sales/1,000,000	.60	3.79	0	170
Number of Shareholders/1,000,000	.11	8.91	0	750
Return on Assets/1,000,000	-.00	.01	-.74	.05
<i>Domestic Factors</i>				
GDP per capita/1,000,000	.02	.01	.00	.05
Corruption Perceptions Index Score	7.64	1.95	1.7	10
Government Orientation to Economic Policy	1.83	.93	1	3
<i>Global Factors</i>				
INGO Memberships (log)	7.80	.30	5.21	8.35
Bilateral Export Context	32.50	25.25	.36	232.71

Table 4.18
Correlations of Covariates in the Analyses of Firms in Extractive Industries

Variables	1	2	3	4	5	6	7
1 Sales/1,000,000							
2 Number of shareholders/1,000,000	0.01						
3 Return on assets/1,000,000	0.00	0.00					
4 GDP per capita/1,000,000	0.01	-0.03	-0.01				
5 Corruption Perceptions Index score	-0.09	-0.04	-0.01	0.73			
6 Government orientation to economic policy	0.02	0.00	0.02	0.04	0.08		
7 INGO memberships (log)	0.02	-0.01	-0.01	0.77	0.61	-0.11	
8 Bilateral export context	-0.03	-0.02	-0.02	0.17	0.12	-0.12	0.25

Table 4.19
Countries in the Analyses of Firms in Extractive Industries (N = 47)

Argentina	France	Jordan	Philippines	Switzerland
Australia	Germany	Luxembourg	Poland	Thailand
Belgium	Ghana	Malaysia	Russia	Turkey
Brazil	Greece	Mexico	Singapore	United Kingdom
Canada	India	Morocco	Slovakia	United States
Chile	Indonesia	Netherlands	Slovenia	Venezuela
China	Ireland	New Zealand	South Africa	Zimbabwe
Colombia	Israel	Norway	South Korea	
Czech Republic	Italy	Pakistan	Spain	
Finland	Japan	Peru	Sweden	

Table 4.20
Multi-Level Mixed-Effects Logistic Regression of Substantive CSR Commitment of Firms in Extractive Industries, 2000 to 2007

	Model 16	Model 17	Model 18	Model 19
Fixed Effect				
<i>Internal Firm Factors</i>				
Sales	.068*** (.019)	-2.00* (.824)	.022 (.027)	-1.182 (1.008)
Number of shareholders	-.002 (.041)	-.002 (.042)	-.002 (.042)	-.002 (.043)
Return on assets	35.476 (93.266)	35.293 (95.669)	35.992 (96.456)	35.705 (96.892)
<i>Domestic Factors</i>				
GDP per capita	-15.076 (37.810)	-8.946 (37.861)	-8.974 (37.857)	-7.829 (37.239)
Transparency: Corruption Perception Index	-.027 (.120)	-.042 (.120)	-.033 (.121)	-.044 (.120)
Government orientation to economic policy	.006 (.208)	.021 (.210)	.019 (.213)	.019 (.212)
<i>Global Factors</i>				
INGO memberships (log)	3.313* (1.311)	2.772* (1.324)	3.130* (1.331)	2.775* (1.317)
Bilateral export context	.011* (.005)	.010* (.005)	.007 (.006)	.008 (.005)
<i>Cross-Level Interaction Terms</i>				
Sales x INGO memberships (log)		.261* (.104)		.154 (.129)
Sales x Bilateral export context			.002* (.001)	.001 (.001)
Constant	-30.849** (9.985)	-26.650** (10.094)	-29.437** (10.133)	26.591** (10.042)
Random Effect				
	<i>S.D. estimate</i>	<i>S.D. estimate</i>	<i>S.D. estimate</i>	<i>S.D. estimate</i>
Country (intercept)	1.140 (.344)	1.156 (.353)	1.145 (.348)	1.122 (.346)
Country-year (intercept)	.538 (.248)	.498 (.254)	.596 (.269)	.564 (.269)

Note: Standard errors in parentheses
* $p < .05$; ** $p < .01$; *** $p < .001$ (two-tailed tests)

From Table 4.20, Model 16, without any interaction terms, shows that a corporation's size (i.e., sales) has a positive significant effect on its likelihood to demonstrate substantive CSR commitment (i.e., submit a GRI disclosure report) although this effect either becomes negative or loses significance when cross-level interaction terms are added (Models 17-19). Extractive corporations' number of shareholders has consistently negative effects on substantive CSR commitment and financial performance (i.e., return on assets) has consistently positive effects on substantive CSR commitment though

neither factor reaches significance in these multi-level models. Global institutional pressure through nongovernmental channels has positive significant effects on extractive corporations' substantive CSR commitment across all models, suggesting that countries with more linkages to global norms also have the type of environment that encourages its extractive corporations to consider CSR seriously. A country's bilateral export context is also positive and significant on extractive corporations' substantive CSR commitment in Models 16 and 17.

In Models 17 and 18, the cross-level interaction terms have positive and significant effects on extractive corporations' substantive CSR commitment, indicating that, all other factors equal, the size of a corporation positively moderates the relationship between global institutional and economic pressures and substantive CSR commitment. These findings support Hypothesis 6b and suggest that larger extractive corporations embedded in countries with more global institutional or bilateral trade linkages are more likely to demonstrate substantive CSR commitment by submitting GRI disclosure reports.

Overall, the results of these multi-level mixed-effects logistic regression analyses reveal that global nongovernmental channels have a consistently positive and significant effect on extractive corporations' substantive CSR commitment, controlling for firm-level factors. Cross-level interactions also indicate that the size of extractive corporations, which according to previous studies make those corporations more publicly visible and open to external scrutiny, also positively moderates global institutional and bilateral trade pressures on substantive CSR commitment.

4.8.3 Discussion

In this section, I have considered the influence of institutional and political-economy factors, at both global and domestic levels, on corporations in what I have termed CSR-sensitive industries, industries that consistently receive the most criticism and scrutiny of their practices. Scholars like Vogel (2005) argue that the "market for virtue" may not be

sufficient to financially sustain corporations' engagement with CSR although Vogel does acknowledge that firms in extractive industries generate a fair amount of controversy that ignites mobilization around civil regulation efforts (Vogel 2005:163). My results in this section suggest that the overall influence of global institutional and political-economy effects on global CSR frameworks also apply to corporations in CSR-sensitive industries, leading those corporations to either participate in the UN Global Compact or to offer disclosure reports using Global Reporting Initiative guidelines. Combined, the effects of these factors indicate that even though there may be little financial incentive to engage with CSR, powerful factors in a firm's external environment, either through nongovernmental or bilateral trade channels, are pushing corporations in CSR-sensitive industries to demonstrate commitment to responsible practices.

Among UN Global Compact corporations in sensitive industries in developed countries, the national economic system of the country in which they operate appears to be a stronger influence on CSR adoption, with more liberal economies encouraging more of those corporations to participate in the UNGC framework. This confirms the overall analyses I discussed in previous sections and lends weight to scholars' observations that corporations may be demonstrating support for CSR in order to avoid further government regulation. On the other hand, in developing countries, it is government endorsement of the UN Global Compact that encourages corporations in sensitive industries to participate in the UNGC framework. These cross-national analyses again confirm my previous overall findings about differences between the two regions of the world as well the historical evidence I discuss in Chapter 3 where the governments of developed countries were hesitant to support CSR initiatives while those of developing countries were more proactive about having broad frameworks to address the consequences of corporations' activities.

In my firm-level analyses of corporations in extractive industries, I have also shown how country-level and cross-national environments have significant influence on those corporations' substantive CSR commitment, even when controlling for internal firm characteristics. It is likely, as my previous country-level analyses suggest, that these

external environments consist of multiple channels that facilitate global CSR pressures, especially on corporations in industries that are most visibly engaged in what critics perceive to be the most damaging human rights and environmental practices. In this regard, I have found global nongovernmental channels to have the strongest and most consistent influence in pushing corporations to demonstrate commitment to CSR. Nevertheless, using multi-level methods to weigh internal firm factors and external influences, I have also found that internal characteristics such as size of the firm, which increases corporations' public visibility, can also work to positively moderate the effects of those external factors on CSR commitment.

4.9 Conclusion

This chapter has examined the global expansion of corporate social responsibility by exploring two questions on the cross-national diffusion of global CSR frameworks. First, why do some countries have the type of social and economic environments that make the reception of global CSR frameworks more conducive for corporations? Second, why are levels of corporate commitment to global CSR frameworks uneven across countries? Employing my moral regulation of the economy framework, I compared institutional and economic explanations at both global and domestic levels to account for the cross-national diffusion of global CSR frameworks and the uneven levels of corporate commitment to those frameworks. My results highlight four main findings. First, international nongovernmental channels drive the global expansion of CSR due mainly to the close relationship that CSR shares with world institutional norms like human rights and the environment. Corporations embedded in countries with more extensive links to global institutions are more likely to adopt global CSR frameworks and substantively commit to those frameworks. Second, short-term economic channels like trade relations also account for CSR adoption due to corporations, especially in developing countries, employing global CSR frameworks as signaling mechanisms to their potential trade partners. Corporations embedded in developing countries with more extensive bilateral trade links are more likely to adopt global CSR frameworks. This challenges the world

society approach's assertion that cross-national diffusion processes are driven mainly through institutional channels because corporations are organizations that also have to consider significant cost and resource constraints for their survival. Third, ceremonial CSR commitment is more endemic in developed countries, suggesting a pattern of organized hypocrisy in CSR in the developed world. This confirms previous political-economy arguments and conforms to historical accounts of the development of global CSR frameworks where actors in developed countries advocated against having legally binding governance frameworks. Fourth, in firm-level analyses, I have found that corporations in extractive industries are also significantly influenced by external global environments to engage in substantive CSR commitment, even when controlling for internal firm characteristics. Nevertheless, internal firm factors such as size of the corporation may positively moderate global influences on CSR engagement. Larger corporations, because they are more publicly visible, may be more likely to be subject to global pressures to address CSR concerns.

My analyses in this chapter are not without shortcomings. The difficulties inherent in compiling consistent and reliable cross-national data, especially firm-level data across a wide number of countries, preclude the inclusion of more direct measures of other factors that potentially impact corporations' decisions to endorse CSR frameworks, such as more specific stakeholder relationships or industry-level dynamics (e.g., exposure to consumer and public pressure or the existence of industry level frameworks) or the characteristics of key CSR practitioners and business elites within corporations (e.g., type and place of education and demographic spread of MBA degree holders). Future research can examine these factors in analyses that more extensively accounts for industry, corporate, or individual characteristics, bearing in mind the institutional, economic, global, and domestic environments I have highlighted. Future research can also examine alternative CSR initiatives and measures of CSR commitment to determine the extent to which voluntary CSR frameworks leads to actual changes in CSR practices.

Overall, this chapter provides evidence to show that corporate social responsibility has truly moved "from heresy to dogma" (Hoffman 2001) on a global scale. If one considers

the number of corporations that participate in global CSR frameworks to the total number of corporations in the world, CSR would of course look like a dismal proposition. Nevertheless, as the world's largest transnational corporations endorse these frameworks with much attention from governments and international organizations, corporate social responsibility has definitively moved out from within firm boundaries, industry-level concerns, and domestic arenas and into the global institutional domain. Despite few tangible financial benefits to CSR (Margolis and Walsh 2003) or any sustainable "market for virtue" (Vogel 2005), global institutional and economic forces in corporations' external environments have powerful effects in shaping how those corporations engage with their stakeholders. Given the trajectory of how other global progressive movements have diffused across countries (Frank et al. 2000; Hafner-Burton and Tsutsui 2005), I argue it is likely that institutional and economic channels will serve as channels to further pressure corporations to engage with global CSR frameworks, despite much ceremonial commitment and cross-national variation in corporations' actual capacity to meet external expectations of responsible corporate behavior.

In this chapter, I have also shown the utility of the moral regulation framework by incorporating both institutional and political-economy approaches. Both institutional and political-economy arguments have compelling explanations of cross-national processes but my findings suggest that more careful specification of the conditions under which their arguments hold (Weber, Davis, and Lounsbury 2009) can provide a more comprehensive understanding of the effect of global forces on organizational behavior. Despite global institutional factors being effective channels of CSR pressure, for example, short-term economic relationships, especially in developing countries, have also encouraged corporations to engage with CSR concerns by participating in global frameworks. While critics may be skeptical of the effects of foreign economic penetration, short-term trade relations may in fact be encouraging corporations to commit to CSR substantively. Firm characteristics, such as size of the corporation, may also moderate these global institutional and economic channels of CSR pressure.

While my findings show strong support for the global institutionalization of corporate social responsibility, I have also shown that the world society approach to cross-national isomorphism can conceal different channels of influence on different regions of the world (Longhofer and Schofer 2010) as well as the different effects of governmental and nongovernmental channels in driving the diffusion of global norms (Jang and Luo 2000; Tsutsui 2004). Comparing both institutional and political-economy approaches on the issue of decoupling also suggests that, in the case of global CSR, ceremonial commitment stems more from organized hypocrisy, due to the responses from corporations in the developed world, rather than the lack of organizations' capacities to abide by the promises of their CSR commitments.

Nevertheless, this chapter reveals that global institutional channels have a strong and consistent impact on encouraging corporations to engage with CSR concerns and on promoting the growing legitimacy of CSR principles across the world. In that regard, I suggest that future developments in global corporate social responsibility will reflect previous patterns in global human rights, where international nongovernmental actors, through the diffusion of human rights treaties, have leveraged governmental commitment to human rights norms to improve actual domestic human rights practices (Hafner-Burton and Tsutsui 2005). Although corporations may be given to shallow and ceremonial commitment to these principles, their growing participation in global CSR frameworks can serve to further establish the taken-for-grantedness of CSR norms, standards, and disclosure practices. This institutionalization of CSR principles across countries may subsequently pressure more corporations to bring their actions in line with global expectations of corporate citizenship.

Chapter 5

Decoupling and Recoupling in Corporate Social Responsibility: A Case Study of the Reception of Global CSR in the Republic of Singapore

5.1 Introduction

This chapter examines how global ideas and frameworks of corporate social responsibility are received and implemented in a domestic national context. Explanations of globalization and cross-national diffusion emphasize breadth (i.e., the spread of practices) rather than depth (i.e., the domestic implementation of those practices) and the extent to which domestic actors integrate global norms is problematic: actors face multiple obstacles in receiving, translating, and implementing global ideas and frameworks. Domestic actors must overcome, for example, ideas that may be “foreign” to local organizational practices and culture, resource constraints in implementing those ideas, as well as established institutions that already provide a stable regulation of society-economy relationships. Existing accounts of the reception of global ideas, such as notions of *vernacularization* (Levitt and Merry 2009) appreciate some of these obstacles but argue that global ideas are either (i) resisted and rejected or otherwise (ii) modified to adapt to domestic conditions. These accounts, however, are relatively weak on explaining the potential of *decoupling* (Meyer et al. 1997)—where global ideas are neither rejected nor modified but formally adopted without much corresponding link to actual practice—and its consequences for subsequent organizational action.

In this chapter, I discuss how various CSR practitioners—government officials and agencies, corporations, civil society organizations—shape the introduction of corporate

social responsibility and global CSR frameworks to fit the developmental state context of the Republic of Singapore. I argue that this moral regulation framework of corporate social responsibility must take into account the potential—indeed likelihood—that external pressures on domestic actors to adopt CSR practices will not result in a tight coupling between stated policy and actual practice. Moral regulation, as exercised by external actors through either institutional or economic channels, may meet its limits when domestic implementation occurs at great distances from the source of external pressures and if domestic conditions do not allow for effective implementation of global norms and practices. I employ fieldwork and interview data to elaborate on the “receptor sites” concept in the world society literature and to show how receptor sites can aid scholars in understanding how global institutional models are received and implemented in domestic contexts. I contribute to world society theory by showing how receptor sites themselves have the potential to be decoupled from one another (*lateral decoupling*) and from concrete practice (*vertical decoupling*). I propose the following arguments.

First, existing accounts of globalization offer two processes by which global ideas impact domestic practice—global ideas are either resisted and rejected or they are adapted and transformed to suit domestic contexts. From the perspective of world society theory, I argue that a third possibility is more likely—global ideas are formally adopted by domestic actors but are not adapted to domestic conditions. Instead, global ideas are only loosely coupled to domestic practices. Domestic actors engage in decoupling processes in order to meet the potentially contradictory expectations of external pressures and internal organizational needs and constraints.

Second, countries have *multiple receptor sites* that can facilitate the reception of global CSR ideas. While existing studies in world society theory focus only on the role of professional associations as receptor sites, I argue that government actors and corporations themselves, by virtue of their connections to international organizations, parent companies, and trade and investment partners, also serve as receptor sites for global CSR. As CSR ideas and frameworks gain salience across countries, state and

corporate actors cease to be reactive agents in the moral regulation process and, instead, can potentially serve to be proactive transmitters of global CSR norms.

Third, actors in multiple receptor sites have potentially competing interests and orientations towards CSR. The degree of conflict between these interests and orientations determines the extent to which there is a *lateral decoupling* between receptor sites. Lateral decoupling describes a set of obstacles to the implementation of global norms that occurs prior to the conventional decoupling processes that world society scholars examine (what I refer to as vertical decoupling or the loose coupling of formal policies and actual practices *within* organizations rather than between them).

Fourth, lateral and vertical decoupling processes generate a substantial amount of uncertainty that corporations have to reconcile. Decoupling processes do not simply cease with organizations adopting formal CSR policies and not integrating them with actual practices. In line with new institutional arguments, I argue that corporations, by virtue of their openness to external environmental influence, are pressured to engage in *recoupling* efforts—strategies to minimize uncertainty by connecting global CSR ideas and existing practices within the firm.

In the following sections, I discuss my contribution to theories of globalization by expanding on notions of decoupling and receptor sites and demonstrate how my approach to these concerns applies to the implementation of global CSR frameworks in my case study of the Republic of Singapore. Following that, I examine how organizations in multiple receptor sites serve as facilitators of global CSR ideas, how competing interests between actors in different receptor sites results in lateral decoupling, and how corporations engage in recoupling efforts to minimize uncertainties generated by decoupling processes.

5.2 Decoupling and Transnational Processes

Institutional scholars have employed the novel concept of decoupling to describe empirical instances where formal organizational policies diverge, sometimes substantially, from actual organizational practices (Meyer and Rowan 1977). For example, Dalton's (1959) study of a Midwest American chemical plant famously described how actual work practices and relationships in the plant differed significantly from its formal organizational chart of delegated responsibilities. Why do organizations engage in decoupling? Meyer and Rowan (1977) argue that organizations adopt formal policies and rationalized structures ceremonially because these policies and structures reflect the accepted and taken-for-granted understandings of organizations' constituents and the wider society on how organizations should structure and perform their activities. According to this argument, organizations seek the approval of external actors since they depend on those actors for crucial resources. Since organizations are embedded in these wider social environments, they seek legitimacy from external actors by adopting structures and policies that are sanctioned in those environments (DiMaggio and Powell 1983). Institutional scholars argue that legitimacy sanctions from external actors may be so crucial to organizational survival that organizations conform to legitimacy pressures even at the expense of less efficient organizational outcomes (Meyer and Rowan 1977:355-356). Examples of decoupling from institutional research include the diffusion of the multidivisional corporate form (Fligstein 1990) and trends in corporate downsizing (McKinley, Sanchez, and Schick 1995) despite no explicit benefits to organizations from doing so.

5.2.1 Decoupling and Globalization

Since the 1980s, Meyer and his colleagues have applied this notion of decoupling to global and transnational processes. In the world society variant of new institutional theory (Thomas et al. 1987; Meyer et al. 1997; Meyer 2000), nation-states seek to appear as legitimate entities in the world polity by formally adopting structures and policies that

conform to global norms of statehood. Examples include the inculcation of mass education (Ramirez and Meyer 1980), the ratification of international human rights treaties (Hafner-Burton and Tsutsui 2005), ethnic minority mobilization (Tsutsui 2004), and the advancement of environmental protection within nation-state borders (Schofer and Hironaka 2005). Nation-states, however, may be unable or unwilling (Krasner 1999) to implement those structures and policies, which are subsequently decoupled from domestic practice. Meyer et al. (1997) reference a crucial study on the persistence of “weak states” on the African subcontinent, where devastating geographical, political, and economic instabilities have not resulted in severe jurisdictional changes (Jackson and Rosberg 1982).

Why are discussions of decoupling significant to the debate on how global ideas and practices are received domestically? Existing accounts of global and transnational processes typically emphasize one of two ways in which global ideas are practiced in domestic contexts. On the one hand, global ideas and norms are resisted and rejected even before they are formally adopted. Smith and Johnston (2002) and Aronowitz and Gautney (2003) both contain multiple accounts of how domestic actors and social movements challenge global ideas and practices including trade liberalization, structural adjustment policies, anti-dam movements, and international financial institutions. On the other hand, globalization scholars more frequently suggest that global ideas and norms are altered to suit varying domestic conditions. Levitt and Merry (2009) suggest the term “vernacularization” to describe this process in their study of how global ideas of women’s rights were appropriated and adopted in four countries.¹ Concepts like vernacularization appreciate the formidable obstacles to globalization by emphasizing how global ideas are often altered and transformed by domestic actors in order to overcome local resistance and to fit varying local contexts. Nevertheless, these approaches are weak in explaining instances of decoupling, where policies and structures emanating from global sources such as the United Nations or other international organizations are neither resisted nor transformed but formally adopted—at times without

¹ See also Robertson’s (1995) conceptual discussion of “glocalization” processes for a refinement of the global-local dichotomy in studies of globalization.

much conscious deliberation—without strong links to domestic practice (Meyer, Boli-Bennett, and Chase-Dunn 1975).

To be sure, there are sufficient examples in global and transnational sociology that demonstrate the prevalence of vernacularization processes (Featherstone, Lash, and Robertson 1995), where global ideas are adapted to suit local contexts and practices. Nevertheless, these processes presuppose that domestic actors are often free to voluntarily pick and choose the types of global norms and frameworks they would like to adapt to suit local circumstances without much external constraint. As the world society approach shows, however, the growing institutional integration of countries across the world creates a world polity environment, where international norms such as the protection of human rights and the environment—and, indeed, corporate social responsibility—exercise powerful moral and normative constraints on domestic actors. Thus, domestic actors may not be able to react to global ideas as voluntaristically as previous studies suggest but instead face powerful pressures to conform to global norms and institutions that emanate from international sources and organizations. In this scenario, domestic actors may not have sufficient resources or political will to effectively implement global models to suit widely varying local conditions. Thus, domestic actors may resort to decoupling strategies to demonstrate legitimacy to external actors as well as to preserve the domestic status quo (Krasner 1999).

I argue that decoupling is a powerful concept to elucidate how countries and corporations across the world have championed the practice of CSR by adopting global voluntary frameworks but have subsequently not coupled CSR framework requirements tightly with actual organizational practice. According to vernacularization explanations, governments and corporations tailor global frameworks to fit domestic needs and conditions. Yet, this does not explain why those actors have increasingly adopted *similar* frameworks, such as the UN Global Compact and Global Reporting Initiative frameworks, as demonstrated in my previous chapter, and why these frameworks have gained increasing salience across countries and corporations of different types, sizes, and political and economic dispositions. After all, governments and corporations could well

develop their own CSR practices without heeding pressures to adopt global CSR frameworks. UNGC and GRI guidelines (and even more rigorous frameworks like ISO's recent 26000 initiative) and their associated social reports are freely available on their respective organizations' internet websites and widely distributed literature. Domestic organizations have great latitude to employ these easily available framework guidelines to adapt to local conditions, should they be interested in CSR practices, without necessarily becoming members of those guidelines' source organizations (cf. Cao and Prakash 2011:114).

Why then do governments and corporations formally endorse these global CSR frameworks and how tightly coupled are these frameworks with actual CSR practices? The world society approach's attention to external pressures and, more specifically, the potential of decoupling can help explain these questions. Thus, governments of nation-states may want to demonstrate that they have the type of country-level environments that encourage responsible corporate behavior by endorsing global CSR frameworks but lack the resources or will to ensure that their corporations abide by framework requirements. As a result of various institutional and economic pressures, corporations too may want to indicate that they are responsible corporate citizens but adopt global CSR frameworks only to appease their stakeholders with no corresponding follow up in concrete actions to improve CSR practices.

5.2.2 Receptor Sites as Facilitators of Moral Regulation

Employing the world society approach, Frank, Hironaka, and Schofer (2000) and Frank, Haradinge, and Wosick-Correa (2009) have used the concept of "receptor sites" to theorize how global models of environmental protection and rape law reform are received in domestic contexts. According to Frank et al. (2000:103):

We conceptualize receptor sites as social structures with the capacity to receive, decode, and transmit information from the outside (here, world society) to local actors (here, nation-states). Without external stimuli, receptor sites remain

inactive. . . . The idea of the “receptor site” is uncommon in the social sciences: Here, we mean it to correspond fairly directly to the common usage in biology, where it refers to an organ or structure that, upon receiving specific stimuli from its environment, generates nerve impulses conveying information about that environment.

Receptor sites, as employed by world society scholars, are thus the types of domestic social institutions that are capable of receiving, decoding, and transmitting global norms and institutions, such that those norms and institutions are implemented in domestic contexts. More specifically, Frank et al. (2000) use the presence of professional associations within countries as prime examples of receptor sites. In their study on the cross-national proliferation of environmental protection treaties, for example, they focus on the capacity of environmental associations to indicate the degree to which countries are more likely to “environmentalize” than others. This is consonant with the general theoretical approach in the world society tradition that views professional associations and international nongovernmental organizations as powerful carriers of global norms (Meyer et al. 1997; Boli and Thomas 1997).

As applied to corporate social responsibility, corresponding receptor sites for CSR include CSR associations or nongovernmental organizations that focus specifically on CSR issues. These nongovernmental CSR practitioners may be responsible, for example, for providing consulting services to corporations interested in implementing CSR programs, for raising awareness of CSR issues such as human rights, labor, or environmental concerns, or for providing channels through which corporations can engage with local community concerns. Such receptor sites act as prominent institutions that facilitate the moral regulation of corporations’ economic activity. Vogel (2005:170), for example, argues that a robust civil society is crucial to the development of domestic corporate social responsibility. As I discuss later in this chapter, CSR Asia, a Hong Kong-based social enterprise that promotes corporate social responsibility issues in the Asia-Pacific region, is a prime example of such a CSR organization that serves as a receptor site for global CSR in Singapore.

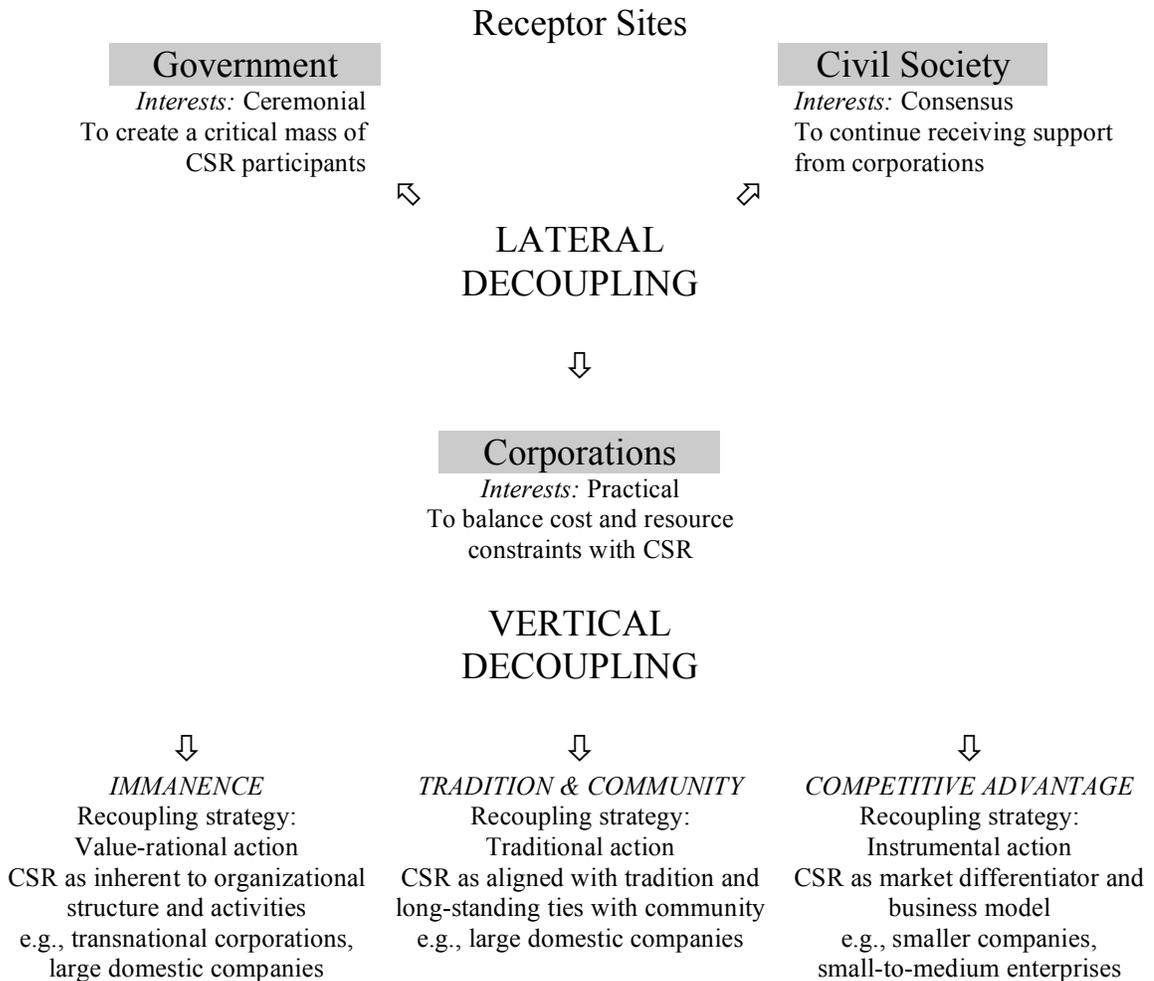
Although the receptor sites concept is a useful tool for world society scholars to specify the conditions under which certain countries are more likely to adopt global models and frameworks, the exclusive focus on professional associations neglects other powerful actors that can serve as alternative, not to say competing, receptor sites in domestic contexts. *Other domestic actors such as government agencies and corporations themselves are also prominent receptor sites for global norms and practices.* Conceiving of government and corporate actors as alternative receptor sites does not necessarily contradict the core assumptions of world society theory. In one of the foundational expositions of the theory, for example, Meyer et al. (1997) discuss how the governments of nation-states were active facilitators of global norms and institutions in the post-World War II era, incorporating many standard features of educational, macroeconomic, and social policies derived from intergovernmental organizations like the UN. As opposed to perspectives that view the state as an obstacle to globalization, governmental actors do indeed serve as powerful agents of global forces (Weiss 1998). In the case of Singapore, as I demonstrate later, government actors such as prominent politicians and government agencies were key in first promoting the UN Global Compact to corporations and civil society organizations in Singapore.

Furthermore, the existence of multiple receptor sites in a country suggests that the domestic reception of global models is more complicated than acknowledged by Frank et al. (2000) and the world society approach. Since global ideas may impact domestic practices through multiple channels, rather than simply through the single channel of professional associations, the degree to which different types of receptor sites are consonant in their modes of reception will have tremendous impact on whether global models are effectively translated and implemented in domestic contexts. It is, in fact, more likely that these different receptor sites will work at odds with another given that local actors may have different and competing interests in the moral regulation of corporate behavior. For example, government agencies interested in promoting CSR may be more attentive to creating a critical mass of corporate participants in CSR frameworks in order to increase the perceived legitimacy of those frameworks. This may result in ceremonial and symbolic activities, targeted at large transnational and domestic

corporations, neglecting the particular CSR needs of corporations, especially small-to-medium enterprises (SMEs). On the other hand, nongovernmental organizations, such as nonprofit CSR consulting organizations, may see CSR frameworks as symbolic rather than practical tools for stakeholder management. As such, they may be less willing to cooperate with government efforts to promote CSR and in favor of their own programs for CSR practices. Large transnational and domestic organizations may have disposable resources for either creating their own CSR divisions or hiring CSR consultants and thus may be less likely to participate in government-endorsed frameworks, unless they have strong ties to government actors. Furthermore, transnational subsidiaries themselves may already have readily-available CSR guidelines from their parent companies. Conversely, small-to-medium enterprises may want to engage in CSR practices but are cautious about investing scarce resources in CSR consulting services that could otherwise be channeled into their financial bottom line. At the same time, CSR frameworks may be less attractive to SMEs because they may perceive those frameworks as largely symbolic and catered to larger businesses.

With (i) the idea of multiple receptor sites and (ii) the potential that multiple receptor sites may not cohere in receiving, decoding, and transmitting global ideas in domestic contexts, I make a distinction between “lateral decoupling” and the standard account of decoupling discussed in new institutional theory, which I term “vertical decoupling.” *Lateral decoupling* occurs when multiple receptor sites act as relatively discrete destinations for the reception of global norms and practices and where these sites do not facilitate reception in complementary ways due to competing interests or dispositions. *Vertical decoupling* involves the loose coupling of formal policy and actual practice inherent in the organizational field of each receptor site due to organizations balancing external pressures to signal legitimacy and internal pressures of efficient operational practice. Figure 5.1 diagrams and summarizes these forms of decoupling and their consequences.

Figure 5.1
 CSR Receptor Sites, Decoupling, and Corporate Recoupling Strategies



5.2.3 The Consequences of Decoupling

The concept of decoupling, as employed by new institutional scholars, evokes a striking imagery of organizations as remarkably open to capture by environmental influences, to the extent that organizations are driven to mythologize their goals and activities to conform to external expectations, even at the expense of efficiency and internal operational requirements. In a sense, decoupling almost seems like a viable strategy for corporations, and even states, to appease their critics and stakeholders while pretending that all is normal on the home front (Krasner 1999; Brunsson 2002). Nevertheless, critics

of new institutional theory were quick to point out that decoupling was not the last word on how organizations adjudicate competing external and internal pressures (Perrow 1985; Hall 1992). Would decoupling not have consequences? How is it possible, for example, that organizations—not to mention nation-states—can continue functioning with such extensive decoupling between stated purposes and actual practices? Even if critics concede that myth and ceremony play important roles in shoring up the legitimacy of corporations, would market pressures not eventually drive inefficient corporations out of business? Would critics of corporations not be able to see through the “public relations” of corporate citizenship to unearth corporations’ less than stellar record on social and environmental practices? The example of Nestlé, which I mention in the introduction to this dissertation, is a case in point. Upon becoming one of the first prominent transnational corporations to participate in the UN Global Compact in 2001, Nestlé’s bid for corporate citizenship was *immediately* criticized by NGOs that had for decades campaigned against its marketing of breast milk substitutes in developing countries (Richter 2004).

Meyer himself has been agnostic about responses to the decoupling concept, stating for example that, “One should not be too cynical about decoupling” (Meyer et al. 1997:155). In his own reflections on institutional and world society theory, Meyer (2009:51) reiterated that,

Realists have the greatest difficulty with the decoupling idea. They imagine that social structural rules arise because powerful political and economic actors want them in place, and want them implemented. If this doesn’t happen, someone is cheating, or someone is asleep, and in any case great long-run stresses must be resolved.

Nevertheless, to dismiss the consequences of decoupling is simultaneously to deny the fundamental premise of new institutional theory that organizations are “open systems” (Powell and DiMaggio 1991; Davis and Powell 1992; Scott 1995) constituted by ongoing environmental influences. Seen in this light, I argue that organizations’ decoupling efforts will not be immune from further external pressure and scrutiny: the greater the disparity between organizational goals and actual practices, the more likely it is that organizations

will perceive external pressures for further changes to *recouple* formal policy with actual practice.

Meyer has also unambiguously acknowledged that the inconsistencies resulting from decoupling can act as triggers for further conflict, mobilization, and change (Meyer et al. 1997:168; Meyer 2000:244, 2009:56). Few world society scholars, however, have examined the consequences of decoupling in this regard. One notable exception is Hafner-Burton and Tsutsui's (2005) study of the cross-national diffusion of international human rights treaties where they argue that states that supported human rights only ceremonially faced a "paradox of empty promises": international nongovernmental organizations, as carriers of global human rights norms, were subsequently cognizant of the disparity between empty state claims and actual domestic human rights practices, resulting in additional pressure to improve states' human rights records.

In a similar fashion, I argue that, at the organizational field level, lateral and vertical decoupling generates substantial organizational uncertainty for CSR practitioners. Because global CSR norms, as encapsulated in CSR frameworks, are typically couched in vague and general terms, and because there may be substantial differences in the way different CSR practitioners approach the moral regulation of corporate behavior, organizational actors that engage with CSR are constantly faced with the problem of how to reconcile existing and future practices with CSR norms. One possible response, as I show in my analysis of CSR practitioners in Singapore, is for organizations to engage in recoupling efforts, although recoupling may take different forms depending on the type of organization under consideration.² Corporations' recoupling strategies depend on how they perceive their existing practices aligning with adopted CSR norms. I distinguish three recoupling strategies based on three of Weber's (1947) types of social action: (i)

² I distinguish recoupling from vernacularization processes. In recoupling strategies, actors do not adapt received ideas to fit domestic contexts. Instead, actors contrive domestic practices to fit received ideas. This is consistent with new institutional and world society theory's emphasis on how external influences shape domestic practices and has close parallels to Cohen, March, and Olsen's "garbage can" model of organizational choice where, among other practices, organizations offer "solutions looking for issues to which they might be an answer" (1972:1).

value-rational action (immanence), (ii) traditional action (tradition and community), and (iii) instrumental-rational action (competitive advantage).³

5.3 Case Selection: Why Singapore?

I examine the reception and implementation of global CSR with a case study of corporations, government actors, and nongovernmental organizations in the Republic of Singapore. In many ways, Singapore may seem an outlier among nation-states because of the combined characteristics of its small size, mixture of democratic and authoritarian governance, and high level of per capita wealth. Nevertheless, I argue that the following features of Singapore's political economy make it an ideal-typical case study not only of the reception of global norms and the extent to which global norms impact domestic practice but also to serve as a template for comparison with other countries.

First, Singapore's brand of "state capitalism" (Chua 2010), where the government actively intervenes in the macroeconomic planning of a free market economy, is not an exception among many nation-states. While state intervention in the economy is surely a matter of degree, the United Nations and many other intergovernmental organizations have placed a strong emphasis on the role of the state in setting macroeconomic and development policies (Jolly et al. 2004:88-96) and this applies broadly to all countries in the world, most of which were founded only recently in the post-World War II era. In this regard, countries like the United States and the United Kingdom are the exceptions. The strong Singapore state serves as a potential receptor site for global CSR ideas and practices and is ideal for examining the extent to which the state acts as a barrier or facilitator of global norms vis-à-vis other receptor sites. Although other state experiments in the economy have not always borne fruit, Singapore's enduring success in translating state policy to economic success should not only *not* disqualify it as an ideal case but

³ These recoupling strategies encompass both discursive as well as practical means to link CSR practices to adopted global CSR norms. Although corporations may justify their various approaches to CSR discursively by emphasizing organizational values, tradition, or competitive advantage, these approaches are usually accompanied by actual changes in CSR practices. I demonstrate some of these changes in CSR practice when I present my interview data.

should in fact serve as a true test of whether state capacity in macroeconomic planning correlates with the moral regulation of corporate behavior.

Second, according to several indexes, Singapore is the one of the “most global” countries in the world (see for example *Foreign Policy* 2003-2007), with a high degree foreign economic penetration. According to *Foreign Policy*’s 2007 Globalization Index, which ranks Singapore as the world’s most global country, Singapore ranks particularly high on trade (1) and foreign direct investment (5) (see Table 5.1) (see also Koh et al. 2002; Peebles and Wilson 2002; Blomqvist 2005; Phelps 2007). These economic characteristics make Singapore ideal for examining if those channels are central to facilitating the external moral regulation of corporate behavior. Singapore’s institutional integration into world society, however, is lower compared to other countries, ranking lower on international organizations (42) and treaty ratification (40), according to the Globalization Index. These features suggest that the Singapore government may be resistant to external institutional pressures, especially given the state’s authoritarian stance on its particular brand of communitarian ideology (Chua 1995, 2005) in resisting “Western values.” Furthermore, the level of CSR-engagement in Singapore is low despite its embeddedness in cross-national economic activity (Tan 2011). This suggests the Singapore case is an ideal test for world society theory’s assumption that global norms are powerful shapers of domestic practices.

Third, despite its small size, but because of its high degree of foreign economic penetration, Singapore offers a comprehensive range of corporations, ranging from transnational corporations, regional companies, domestic firms, to small-to-medium enterprises, for researchers interested in comparing organizational practice across different types of corporations. Singapore’s small geographical size, transportation infrastructure, and English-speaking population make field research more amenable by reducing the barriers of access to respondents.

I discuss the characteristics of Singapore’s political economy in more detail in a following section below.

Table 5.1
Globalization Index 2007 Rankings

	Singapore	Hong Kong*	Netherlands	Switzerland	Ireland	Denmark	United States	Canada	Jordan	Estonia	Sweden	Britain	Australia	Austria	Belgium	New Zealand	Norway	Finland	Czech Republic	Slovenia	Israel	Germany	Malaysia	Hungary	France	Croatia	Bulgaria	Japan	Spain	Panama	Portugal	Slovakia	Ghana	
2007 GI Rankings	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	
Change from 2006	0	N/A	4	-2	-1	-1	-4	-2	N/A	N/A	-1	0	-5	-5	N/A	-5	-3	-5	-3	-3	-6	-4	-4	-4	-2	-4	N/A	0	-4	-9	-7	-6	N/A	
Dimension	Economic	2	1	4	11	6	5	71	34	10	3	15	18	26	20	7	57	35	38	12	23	25	45	9	14	31	24	13	70	40	8	54	16	42
	Personal	3	1	16	2	4	13	40	11	5	10	19	21	39	8	7	23	27	36	6	17	12	34	20	26	29	9	31	65	30	55	24	54	15
	Technological	15	17	6	7	13	5	1	2	50	21	8	9	3	14	22	4	11	10	29	23	19	16	31	28	24	30	40	12	25	37	27	32	69
	Political	40	71	8	28	5	7	51	13	1	25	10	6	41	4	16	34	26	27	32	12	50	19	63	14	3	39	33	15	18	43	9	24	2
Economic Integration	Trade	1	2	16	22	8	26	71	42	9	5	27	53	67	18	4	51	41	33	11	15	28	36	3	14	58	19	13	69	52	12	45	6	25
	FDI	5	1	2	8	6	4	69	25	10	3	13	12	14	26	9	52	27	36	15	44	22	50	29	20	18	30	16	66	28	7	54	31	60
Personal Contact	Telephone	2	1	9	4	3	10	13	5	29	31	15	16	11	14	6	7	22	28	35	21	8	18	33	32	23	17	40	47	26	43	25	37	57
	Travel	6	2	13	7	5	16	40	24	32	3	12	15	36	4	18	27	19	17	1	8	31	25	11	10	14	9	26	51	23	45	20	41	66
	Remittances and Personal Transfers	60	43	34	5	11	24	66	67	1	22	45	41	62	33	14	64	44	57	25	26	17	59	19	40	49	12	20	69	39	47	27	52	3
Technological Connectivity	Internet Users	25	16	2	15	27	13	8	6	47	14	1	19	3	17	20	5	9	12	32	11	34	22	23	29	21	28	37	7	24	60	31	26	68
	Internet Hosts	12	14	2	16	22	3	1	15	54	21	8	18	5	7	30	9	6	4	24	27	17	25	43	20	23	37	36	11	32	49	19	31	69
	Secure Servers	13	18	11	5	8	7	1	2	49	20	9	6	4	16	19	3	10	12	30	22	17	14	39	32	23	29	42	15	21	24	25	37	67
Political Engagement	International Organizations	42	71	5	42	13	5	1	2	56	13	29	5	42	13	5	42	29	13	13	13	56	5	42	13	2	42	29	29	5	56	5	13	42
	U.N. Peacekeeping	14	71	19	11	2	13	26	18	1	44	7	10	24	3	16	28	21	15	48	22	9	12	53	38	8	55	54	4	23	62	20	30	5
	Treaties	40	71	14	40	14	14	68	14	1	14	14	14	40	14	40	14	14	40	14	14	68	40	55	1	14	1	1	14	14	1	14	1	14
	Government Transfers	56	57	10	18	32	19	46	36	3	6	21	26	45	9	8	31	30	23	12	13	15	20	51	11	16	27	24	54	25	35	14	65	4
2006 GI Rankings	1	N/A	7	2	4	5	3	6	N/A	N/A	10	12	8	9	N/A	11	14	13	16	17	15	18	19	20	23	22	N/A	28	25	21	24	26	N/A	

*Due to their unique political status, Hong Kong and Taiwan cannot sign most international treaties or contribute to U.N. peacekeeping.

Source: *Foreign Policy* (2007:70)

5.4 Data and Method

In order to examine these various decoupling mechanisms and recoupling strategies in the reception, implementation, and practice of global CSR frameworks, I conducted fieldwork and interviews with CSR practitioners in various corporations, government agencies, and nongovernmental organizations in the Republic of Singapore. I define CSR practitioners as those individuals in organizations whose delegated responsibility, political and economic interests, or personal motivation is to promote, integrate, and implement the ideas and practices of corporate social responsibility in business firms. I

focused primarily on how these practitioners adopted and implemented the UN Global Compact framework although I also gave significant consideration to other CSR frameworks and practices that those practitioners engaged with.

I conducted preliminary fieldwork in the summer of 2009 and administered the bulk of my interviews with CSR practitioners in the summer of 2010. In 2009, I arranged for interviews with respondents in the Singapore Compact (the UN Global Compact's "focal point" in Singapore), the Singapore Exchange (a major investment holding company that oversees securities and derivatives trading), and CSR Asia (a Hong Kong-based nongovernmental social enterprise that offers CSR consulting services). These interviews were administered in July 2009. Prior to the summer of 2010, I contacted potential interview respondents in all 44 corporations in Singapore that were participants in the UN Global Compact (the total population of corporate UNGC participants as of summer 2010). Of those corporations, 22 agreed to be interviewed and I administered interviews with their representatives in July and August 2010. During this period, I also conducted interviews with representatives of two corporations that indicated interest in engaging with CSR issues but were not members of the UNGC, a follow up interview with the Singapore Compact, and interviews with a member of the Cabinet of Singapore (the executive branch of its government), a representative from a government ministry, and a nongovernmental social enterprise that was a member of the UNGC.

In total, I conducted 31 formal structured interviews, most lasting approximately one hour, with an appropriate amount of time outside of structured questions for respondents to elaborate on their answers and explain their CSR strategies and practices. Table 5.2 lists my interview respondents and Table 5.3 presents the list of questions I prepared as a basis for my structured interviews.

Table 5.2
List of Respondents

Interview No.	Organization	Respondent	Date
<i>Government</i>			
1.	Prime Minister's Office	- Lim Boon Heng Minister	July 18-26, 2010
2.	Singapore Compact	- Thomas Thomas Executive Director - Kim Minju Executive, Research and Publications	July 21, 2009
3.	Singapore Compact	- Kim Minju Executive, Research and Publications	July 26, 2010
4.	Ministry of Manpower	- Ong Bee Lee Director, Corporate Planning	August 2, 2010
<i>Transnational Corporations</i>			
5.	Universal Banking*	- Elizabeth Tang* Manager, Corporate Affairs	July 8, 2010
6.	Citibank	- Cheryl Chen Manager, Corporate Affairs	July 9, 2010
7.	Nightingale Group*	- Narayanan Subramanian* Head, Human Resources	July 12, 2010
8.	Conergy	- Michelle Gozum Director, Marketing	July 14, 2010
9.	Shell	- Mavis Kuek General Manager, External Affairs	August 2, 2010
10.	ST Microelectronics	- Iris Lo Senior Section Manager, International Communication and Sustainable Excellence - Benny Lim Director, Planning/IE/CIP/HU and Suppliers Management	August 6, 2010
11.	Holcim	- Devina Raditya Project Manager, Sustainable Development	August 10, 2010

* These organizations and respondents have chosen to remain anonymous and I refer to them with pseudonyms.

Table 5.2 (cont.)
List of Respondents

Interview No.	Organization	Respondent	Date
	<i>Regional/ Domestic Corporations</i>		
12.	OCBC Bank	- Koh Ching Ching Head, Group Corporate Communications - Isabella Chia Vice President, Group Corporate Communications	July 5, 2010
13.	Wilmar International	- Jocelyn Ang Executive, Corporate Social Responsibility	July 7, 2010
14.	Coastal Developments*	- Brenda Lee* Head, Corporate Communications - Beatrice Chua* Senior Manager, Environment Health and Safety	July 7, 2010
15.	Senoko Energy	- Kwong Kok Chan General Manager, Corporate Service	July 14, 2010
16.	Hyflux	- Lung Wen Zheng PA to Chief Executive Officer	July 23, 2010
17.	Delilah Foods	- Leonard Koh General Manager, Retail Development	July 27, 2010
18.	United Overseas Bank	- Christine Lee Vice President, Group Communications Division	July 28, 2010
19.	Temasek Oil*	- Justine Lee* Executive, Investor Relations and Communications	July 29, 2010
20.	NTUC Income	- Tan Suee Chieh Chief Executive Officer	August 3, 2010
21.	Maybank	- Corrinne Tan Manager, Corporate Social Responsibility	August 11, 2010

* These organizations and respondents have chosen to remain anonymous and I refer to them with pseudonyms.

Table 5.2 (cont.)
List of Respondents

Interview No.	Organization	Respondent	Date
<i>Small-to-Medium Enterprises</i>			
22.	Winpac Paper	- Genevieve Chua Managing Director	July 6, 2010
23.	Sin Hwa Dee	- Jocelyn Chng Managing Director	July 8, 2010
24.	Cyberville	- Paul Liew Manager, Special Projects	July 3, 2010
25.	HSR	- Patrick Liew Chief Executive Officer - Lau Hoong Yip Manager, Corporate Social Mission	July 3, 2010
26.	Jason Electronics	- Felix Surya Management Support Executive	July 15, 2010
27.	Origin Exterminators	- Gregory Street General Manager	July 19, 2010
28.	NTUC Thrift	- Daniel Tseng Chief Executive Officer	July 23, 2010
<i>Civil Society/ Nongovernmental Organizations</i>			
29.	CSR Asia	- Marie Morice Director	July 9, 2009
30.	Bizlink	- Alvin Lim Chief Executive Officer - Rebecca Tan Senior Manager	July 20, 2010
<i>Other</i>			
31.	Singapore Exchange	- Yeo Lian Sim Head, Risk Management and Regulation	August 5, 2009

Table 5.3
Structured Interview Questions

1. Please describe the main economic activities that your organization engages in.
 2. Which of these activities are directly related to the practice of CSR (e.g. to stakeholders, human rights, labor, the environment)?
 3. What is the relationship between CSR and profit-making in your organization?
 4. What factors led to your organization joining the Global Compact (e.g. internal factors, profit, other organizations, government regulation, press/media, NGO pressure)?
 5. What types of issues did your organization consider before a CSR program was instituted (e.g. cost, legitimacy of framework, legal status of framework, specificity to organizational goals)?
 6. Does your organization participate in any other CSR framework? If so, please describe them (e.g. global/domestic/industry, voluntary/legally-binding).
 7. What role do stakeholders play in your organization's CSR practices?
 8. Does your organization interact with state/international/nongovernmental organizations when practicing CSR? Why or why not?
 9. When practicing CSR, are there issues that are specific to the Singapore context?
 10. Are there specific forms of CSR that are more prevalent than others (e.g. environmental sustainability over labor rights)?
 11. What obstacles does your organization face in implementing CSR (e.g. cost, vague principles, not enough support)?
 12. Do you feel that your organization has successfully implemented the Global Compact principles? Why or why not?
 13. If your organization required assistance in implementing CSR, would it seek assistance from within the organization or from other organizations (e.g. state agencies, NGOs, other corporations)?
 14. What does your organization hope to achieve by adopting and implementing the Global Compact?
 15. What future CSR plans does your organization have?
-

5.5 Political Economy of the Republic of Singapore

The Republic of Singapore is a city-state of approximately 5 million inhabitants in Southeast Asia, specifically the southern tip of the Malayan peninsula. At 274 square miles, it is slightly larger than El Paso, Texas but smaller than Lexington, Kentucky. Established by Sir Stamford Raffles and the East India Company in 1819 as a British trading port, Singapore was a British colony until its occupation by Imperial Japanese forces during World War II (1942-1945), repossession by the British (1945-1963), and a brief merger with the Federation of Malaysia (1963-1965) (Turnbull 2009).

Figure 5.2
Singapore in Southeast Asia



Source: Abshire (2011:15)

The People's Action Party (PAP), a social-democratic political party led initially by a British-educated elite, has dominated Singapore politics ever since self-government in 1959 and independence in 1965, and constitutes Singapore's virtual one-party government. The Singapore state's blend of authoritarian and democratic governance (Rodan 2005), communitarian ideology (Chua 1995), export-led economic development (Huff 1994), multiculturalism (Purushotam 2000), and technological advancement (Lim 2002) has led commentators to dub the city-state variously as "Singapore Inc." (Low and Johnston 2001), "the only successful Leninist experience in history" (Castells and Ince 2003:108), "the air-conditioned nation" (George 2000), and "Disneyland with the death penalty" (Gibson 1993).

Singapore's political economy can be briefly summarized as strong state involvement in macroeconomic planning (Rodan 1989) and tripartite (state-capital-labor) governance (Tan 1999), with an emphasis on capital accumulation through export-oriented industrialization, foreign direct investment (Huff 1995; Peebles and Wilson 2002), government-linked corporations, and sovereign wealth fund investment. The Singapore state's intended outcome of this strictly-controlled developmental strategy is the redistribution of wealth through generous housing, education, and healthcare subsidies—"side payments" in the form of goods and services that are perceived as valuable to the ruling party's "coalition partners" (Doner, Ritchie, and Slater 2005:338).

As a developmental state that is sensitive to broad coalitional commitments, scarce resource endowments, and severe security threats (Doner et al. 2005:329), the Singapore government has attempted to "soften" its political hegemony and the social impact of rapid economic growth with an emphasis on civic culture (Lee 2002), a communitarian ideology of family and community over individual interests (Chua 1995), and "compassionate meritocracy" (Saw 2008). At the grassroots level, civic culture and communitarianism are promoted through a variety of parapolitical institutions, voluntary ethnic associations, and voluntary welfare organizations (Hill and Lian 1995). Notably, the Singapore government has also promoted the need for "social assistance" through corporate citizenship and philanthropy (Saw 2008:3). It is in this regard that I discuss

corporate social responsibility and the moral regulation of corporate behavior in Singapore.

5.5.1 Corporate Social Responsibility in Singapore

Research on corporate responsibility in Singapore is scarce. Majority of studies deal with social reporting and disclosure of some form (Low, Koh, and Yeo 1985; Foo and Tan 1988; Andrew et al. 1989; Teoh et al. 1998; Tsang 1998; Newson and Deegan 2002; Chapple and Moon 2005) and suggest that CSR in Singapore is still in its infancy, where social disclosures are not mandatory and therefore low compared to other developed countries like the United States or United Kingdom. Other more general reviews (Lim-Lum 2004; Ong 2008; Tan 2011) and studies of philanthropy (Saw 2008) point to two main observations: (i) the predominance of the Singapore government in setting the domestic agenda for CSR and (ii) the appropriateness of current CSR ideas and values with the communitarian values of Singapore society and its consensus-focused polity.

The UN Global Compact was formally launched in Singapore in 2005 with government endorsement and the establishment of its “focal point” and local network, the Singapore Compact. By contrast, far “less global” countries such as India, China, Poland, Cameroon, Ghana, and Zambia had formally endorsed the UNGC much earlier.⁴ The first corporation in Singapore to participate in the UNGC, SIHS Pte Ltd, became a member of the framework also in 2005. At the time of my fieldwork in the summer of 2010, only 44 corporations were UNGC members. That number has increased modestly to 59 in March 2012.⁵ According to a 2008 survey of a cross-section of corporations in Singapore conducted by Singapore’s Ministry of Trade and Industry and the Singapore Compact (Ministry of Trade and Industry 2008; Thomas 2009:10), only 27% of corporations surveyed were aware of and practiced CSR and mostly in the form of philanthropy and

⁴ See the UN Global Compact’s online database that describes various formal launches across the world: <http://www.unglobalcompact.org/NetworksAroundTheWorld/index.html>.

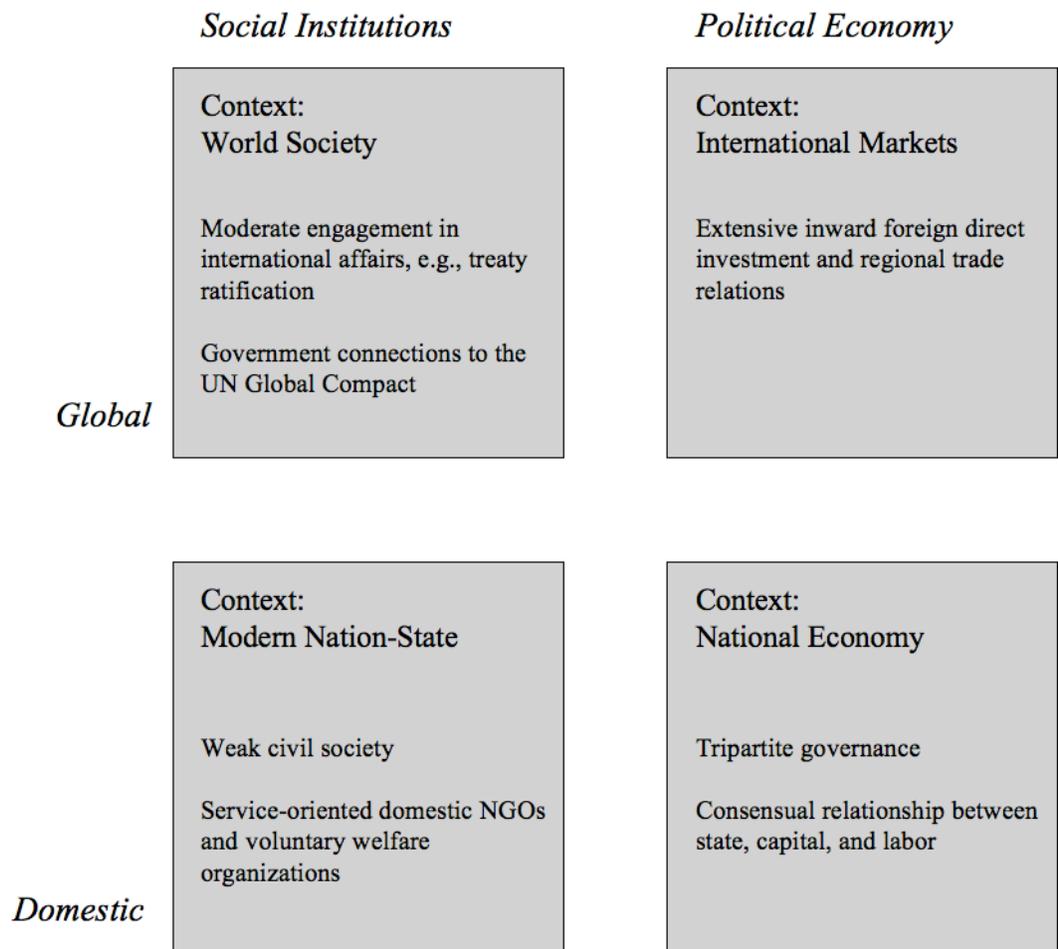
⁵ The UNGC’s online database also has detailed descriptions of corporations and other organizations in each country that are members: <http://www.unglobalcompact.org/ParticipantsAndStakeholders/index.html>.

volunteerism, while 13% of corporations were aware of but did not practice any form of CSR; the remaining 60% of corporations were not even aware of the term “CSR.” Tan (2011:6) summarizes the state of CSR in Singapore as such:

The presence, profile, and prominence of CSR in Singapore are ambivalent at best. Many local companies still regard CSR with much wariness or indifference. Unsurprisingly, the limited CSR efforts in Singapore are generic and lack the contextualization to local needs and conditions. Singapore-based businesses tend to view CSR as a compliance issue, rather than as a way of doing business.

Taken together, these studies and observations raise important puzzles about CSR in Singapore that they do not resolve adequately. Ong (2008:1) notes, for example, that the CSR context in Singapore is shaped by “pervasive government presence in all aspects of society including the private sector” and “companies in Singapore face top down collaborative pressure to adopt CSR practices that is distinct from the European and North American experience.” Similarly, Tan (2011:44) argues that “CSR is valued and promoted as being in accord with Singapore’s political values” and, as such, is “culturally appropriate to Singapore” and “in sync with the overall governance philosophy here in Singapore.” Yet, if there is strong state capacity to implement CSR frameworks and a socio-cultural framework that is receptive to CSR ideas and values, why is CSR in Singapore “ambivalent at best”? Should CSR practices and adoption of CSR frameworks like the UNGC not be ubiquitous and taken-for-granted in Singapore? Clearly, explanations that focus solely on state capacity, governance philosophies, and cultural appropriateness only go halfway in accounting for the reception and implementation of CSR in Singapore. In the following sections, I demonstrate how different organizations can act as discrete receptor sites for global CSR practices, how their competing interests can result in potential lateral decoupling in the moral regulation of corporations, and how vertical decoupling within organizations results in actors attempting to recouple their current practices in response to global CSR ideas.

Figure 5.3
Moral Regulation Factors Impacting CSR in Singapore



5.6 State Actors, Corporations, and Nongovernmental Organizations as Receptor Sites

As I argued earlier, countries can have multiple and discrete receptor sites for receiving global ideas and practices. Although nongovernmental organizations and professional associations are important carriers of global norms (Boli and Thomas 1997; Frank et al. 2000), governments and corporations, being embedded in different global networks and institutions, also serve as effective conduits for global models and frameworks. In this section, I examine the reception of global CSR ideas and practices as they are received through multiple receptor sites in Singapore, focusing on state actors, nongovernmental

organizations, and corporations. I focus on specific actors and organizations that were either key to introducing global CSR ideas to the Singapore context or representative examples of how those organizations facilitated global CSR ideas through their domestic practices. Figure 5.3 above summarizes the various sources of moral regulation in Singapore. These are the various institutional and political economy factors, including the strength of receptor sites, which influence or impede the reception of global CSR frameworks.

5.6.1 State Actors as Receptor Sites

Given the Singapore government's political hegemony in various social and economic aspects of the Singapore polity (Chua 1995), it is not surprising that the government and its various agencies are prime receptor sites for global ideas and practices. While the Singapore government has been cautious about the importation of "Western values" and cultural practices since Singapore's independence (Tamney 1996), Singapore's governmental, economic, and social institutions reflect its status as both a former British colony as well as a newly founded nation-state. For example, early in its development in 1961, the newly established Singapore government consulted with international organizations and economic experts in order to construct industrialization and economic development programs for its fledgling economy (United Nations 1963). As a new independent nation-state, Singapore fits the developmental trajectory of the hypothetical example described by Meyer et al. (1997:145) where an "unknown society were 'discovered' on a previously unknown island," quickly integrating itself into world society by adopting various global institutions and models that are sanctioned by international organizational actors.

Global CSR models, such as the UN Global Compact framework, were first introduced into Singapore via governmental channels. Lim Boon Heng,⁶ a former Member of Parliament and Minister in the Prime Minister's Office, was primarily responsible for alerting state agencies to the potential of integrating corporate social responsibility concerns into government functions in the National Tripartite Initiative in 2004 (Tan 2011:34). His dual role as Cabinet Minister and Secretary General of the National Trades Union Congress (NTUC) also reflects the Singapore state's emphasis on tripartite governance, where macroeconomic planning and industrial relations are based on consensus-driven negotiations between the government, employers, and labor (Tan 1999). As such, the Singapore state acts as a receptor site for global CSR practices by aligning CSR ideas with traditional trade union concerns. As Mr. Lim recounts:

I was serving then as Secretary General of the National Trades Union Congress. It was my responsibility to keep abreast of international developments, and one of the things that caught my eye was corporate social responsibility.

As a dominant force in regulating the economy, the Singapore government also emphasizes CSR as a form of moral regulation of corporate behavior, in line with its tripartite governance approach and communitarian and consensus-based ideology. Thus, according to Mr. Lim:

Trade unions, while focused on workers' rights and workers' interests, have an interest in corporations acting responsibly. I had also been very uncomfortable with the swing in economic thinking—that the company's sole motive is to maximize profit for shareholders. I had always believed that a company exists for the benefit of society, and everyone should share in the success of the company.

As we believe in working together in tripartite co-operation for mutual benefit, I then mooted the idea of forming a society to promote the concept of corporate social responsibility with government and employers. That was how the Singapore Compact for Social Responsibility came about. Funding support for the society came from the National Trades Union Congress and the Singapore National Employers' Federation. The Singapore Business Federation provided office space.

⁶ Interview 1. July 18-26, 2010. Please see Table 5.2 for a list of all corresponding respondents and interviews. I present respondents with Chinese Mandarin names in their traditional form, with family names (i.e. "Lim") preceding their given names (i.e. "Boon Heng").

Then we came to know about UN Secretary General Kofi Annan's promotion of the UN Social Compact [sic]. The officers of the Singapore Compact then promoted the UN Social Compact [sic] to companies operating in Singapore.

Mr. Lim's efforts to introduce a systematic governmental approach to CSR resulted in the formation of the Singapore Compact for Corporate Social Responsibility in 2007.

Although the Singapore Compact classifies itself variously as a "national society" and nongovernmental organization, I include it in this discussion as a state actor because of the close ties it shares with members of the government and other government agencies. Thomas Thomas, the Singapore Compact's executive director, for example, was previously a labor union leader and member of the National Trades Union Congress' Central Committee. The Singapore Compact is also routinely staffed by a rotating group of personnel from various departments within the NTUC. The Singapore Compact is also closely connected, and shares personnel, with the business associations like the Singapore National Employers Federation and the Singapore Business Federation.

The Singapore Compact serves as the UN Global Compact's "focal point" or local network in Singapore. As discussed in the previous chapter, UNGC Local Networks are domestic organizations that promote the UNGC framework and its principles and facilitate corporate efforts in engaging with the UNGC by conducting workshops, seminars, and consulting services (UN Global Compact Office 2007). As such, the Singapore Compact is a receptor site for global CSR practices because it is a direct conduit between the UNGC Office and corporations in Singapore. Kim Minju, a research and publications executive at the Singapore Compact, said in an interview:⁷

What happens is we are a UN Global Compact country network, the focal point. But [corporations] don't have to be our members, Singapore Compact members, to sign on for the Global Compact. But we do get the data on who joins the Global Compact. So, once we see this data or Company "A" join the Global Compact, we are going to talk to them, "Congratulations, we can assist you with handling your CSR journey" and encourage them to really be a part of Singapore Compact.

⁷ Interview 3. July 26, 2010.

The Singapore Compact also actively shapes the moral regulation of corporate behavior by concretizing global CSR norms through practical programs and activities. According to Ms. Kim:

So, once [corporations] sign up for Singapore Compact membership, they are entitled to all these seminars and workshops and conferences and publications. So, that's how it works and for the UNGC signatories themselves, we help them draft the COP, communications on progress.

Yes, we get plenty of calls asking how to really start CSR: "This is what I believe in but where do I start?" Then, we help them engage with our consultants and consultant network. I mean, Singapore Compact has made a platform of stakeholders so we engage with the consultants and encourage them to attend the workshops because that's when they meet other people who are just starting with their CSR journey and you can share your experiences and challenges as well. It really gives you the opportunity to identify your stakeholders and that gives you an idea of where to really start and what kind of people you have to work into first.

Thus, government actors and domestic organizations closely linked to state agencies can serve as receptor sites for global CSR ideas and practices. In cases such as the National Trades Union Congress and the Singapore Compact, government actors link global institutions with domestic practices by serving as direct conduits to the UN Global Compact. As organizations, they are also able to marshal crucial organizational and human resources to promote CSR ideas and aid corporations in implementing CSR practices.

5.6.2 Corporations as Receptor Sites

Corporations themselves can also serve as receptor sites for global CSR practices through various means. Subsidiaries of transnational corporations, for example, may simply import the CSR frameworks, practices, and standards of their parent companies into the domestic context. Otherwise, corporations, including regional, domestic, and small-to-medium enterprises, may receive global CSR ideas through their peers and other global sources. As I discuss in my previous chapter on the cross-national diffusion of global

CSR frameworks, corporations across the world have rapidly adopted CSR norms and ideas by participating in global CSR frameworks like the UN Global Compact. Either by responding to external pressures or internal needs, and through both global frameworks as well as internally generated CSR practices, corporations have become proactive participants in shaping the moral regulation of the economy and can serve as “transmitters” of CSR norms.

Corporations, especially transnational corporations, are key drivers of Singapore’s economic development because the Singapore economy is heavily dependent on foreign direct investment (Peebles and Wilson 2002). Despite cultural and organizational differences, subsidiaries of transnational corporations and foreign companies operating in Singapore have acted as carriers of organizational practices and managerial norms with adaptation to domestic contexts (Lim 1993). In the case of CSR, adoption of the UN Global Compact framework or other CSR standards is relatively unproblematic as subsidiary companies in Singapore are simply subject to administrative fiat by their parent companies. This conforms to what DiMaggio and Powell (1983:151) termed “coercive isomorphism”:

As conglomerate corporations increase in size and scope, standard performance criteria are not necessarily imposed on subsidiaries, but it is common for subsidiaries to be subject to standardized reporting mechanisms. Subsidiaries must adopt accounting practices, performance evaluations, and budgetary plans that are compatible with the policies of the parent corporation.

Although these transnational subsidiaries are typically given some flexibility in executing CSR practices, abiding by the dictates of their parent corporation is one means by which global CSR norms are transmitted to domestic contexts. Thus, transnational corporations’ practices may have significant impact on setting domestic CSR standards or expectations of how corporations should relate to their stakeholders. At Universal Banking, a global financial services company headquartered in the United Kingdom, for example, Ms. Elizabeth Teng, a manager of corporate affairs, highlighted the bank’s many global

community programs in CSR, including HIV awareness, sight restoration, and other fundraising efforts.⁸

What we have is, from London, they come up with global programs that the rest of the countries will actually take on as well.

Most of our initiatives always come from, you know, globally.

On Universal Banking Singapore's adoption of the UN Global Compact, Ms. Teng reiterated:

Everything is done centrally and then it's rolled out to the markets. I think, to me, it's better because then everybody has a focus. . . . And then now people know that, look, as a bank, you are more unified, you are "one." I think that's more the strategy, to operate centrally and then disseminate.

Large domestic Singapore companies, such as Coastal Developments, a real estate property developer, that have long-standing ties with the local community and philanthropic projects, also serve as receptor sites for global CSR practices by linking global CSR ideas with existing practices and promoting CSR norms to other corporations in the country. According to Coastal Developments' Brenda Lee, head of corporate communications:⁹

We joined [the UN Global Compact] because we were actively . . . we are one of the founding committee members of the Singapore Compact. We sit on the committee and, during the inauguration or the early stages of the Singapore Compact, we managed to get a group of companies to come together to sign on to the Global Compact. . . . We were already very convicted in this area and we were happy to join like-minded organizations who further the case, or no, not just for the cause, but also to have a better understanding of other top leaders in this area [of CSR].

Even small-to-medium enterprises in Singapore, that have lesser resources and capacity to engage with CSR to begin with, can be enterprising about connecting their own existing corporate philosophies and practices with global CSR norms. When I asked Mr. Patrick Liew, the chief executive officer of HSR International Realtors, a real estate SME

⁸ Interview 5. July 8, 2010.

⁹ Interview 14. July 7, 2010.

in Singapore, whether the Singapore Compact had encouraged HSR to adopt the UN Global Compact, he replied:¹⁰

Nobody called us. I was just saying we believe in CSR and so when we heard that there's a movement called Singapore Compact that's promoting CSR, we ourselves joined Singapore Compact. Then, through Singapore Compact, we heard about this Global Compact movement, then, we also decided to join the Global Compact.

When [the UN Global Compact] came to Singapore, we were already one of the companies that had activities promoting CSR way before we knew there was such a word called "CSR." So [the UN Global Compact representatives] mentioned this global movement of all companies all over the world, that's how we, since we're already in CSR, we believe in CSR, we will support the global movement.

As CSR issues become more salient, whether because of the promotion efforts of international organizations like the UN or through domestic or industry-level associations, corporations themselves have become less passive in reacting to pressures to become socially responsible and have, instead, become proactive in engaging with and promoting CSR as their own brand of moral regulation.¹¹ In the domestic reception of global CSR ideas and practices, corporations also serve as discrete and important receptor sites.

5.6.3 Civil Society and Nongovernmental Organizations as Receptor Sites

As studies in the world society approach have established, nongovernmental organizations are perhaps the most significant carriers of global norms and practices (Boli and Thomas 1997). In their study of the diffusion of environmental treaties, for example, Frank et al. (2000) emphasize the importance of domestic environmental associations as receptor sites for global environmental ideas. Vogel (2005:170) also argues more specifically that the reception of CSR ideas and practices needs a robust domestic civil sphere. Civil society and nongovernmental organizations have sufficient autonomy from

¹⁰ Interview 25. July 3, 2010.

¹¹ "The Good Company." *The Economist*, January 25, 2005.

both state and corporate interests to exercise moral regulation on domestic organizations and raise awareness on global CSR issues such as environmental degradation, the use of sweatshop labor in developing countries, and human rights abuses by corporations.

As I discuss in more detail later, however, Singapore does not have a robust civil sphere (Koh and Ooi 2004). Although civil associations and nongovernmental organizations have operated in Singapore since its independence, the majority of civil, associational, and grassroots organizations were either heavily regulated and circumscribed or their equivalent functions subsumed under parapolitical institutions under the direct purview of state actors and agencies (Rodan 2005).¹² Ethnic associations, voluntary welfare organizations, and charitable organizations that fall outside of direct state control tend to be the *recipients* of corporate and government largesse rather than their critics. One example is Bizlink Centre, a non-profit organization I interviewed that provides employment services by connecting individuals with disabilities to potential employers.¹³ According to its chief executive officer, Mr. Alvin Lim, Bizlink provides this social service in its capacity as a non-profit organization and does not act as a corporate watchdog or critic. Nevertheless, since the 1990s, the Singapore government, under then-Prime Minister Goh Chok Tong, pursued a more open and “consultational” approach to governance, resulting in a moderate relaxation of state control and surveillance of civil society organizations (Koh and Ooi 2004).

Aside from the Singapore Compact, which is directly connected to government actors, the most significant nongovernmental CSR organization in Singapore is CSR Asia, a Hong Kong-based “social enterprise” that focuses on the promotion of social and environmental concerns and offers consulting services to corporations interested in engaging with CSR. CSR Asia established an office in Singapore in 2005 and is staffed by a handful of executives, researchers, and consultants. One way in which CSR Asia acts as a receptor site for global CSR practices is by monitoring corporations’ CSR practices in Singapore, specifically the extent of social and environmental disclosure, in

¹² These parapolitical institutions include community centers, community development councils, and town councils, all organizations that are directly governed by state agencies.

¹³ Interview 30. July 20, 2010.

relation to CSR standards in other countries. Ms. Marie Morice, a CSR Asia director, told me:¹⁴

What we've been experiencing [in Singapore] is the fact that there's a big disclosure gap. So, it might not mean that companies are actually not doing anything, as far as we know, they might. Obviously, we can't do an actual survey of every single company and know that they are doing anything in CSR. We feel that there's quite a lot happening, it's just that they're not communicating about it, whether it's at the local, regional, or global level. And that's the kind of the gap that we're trying to fill. A good example is what we've done in research last year that we've made a mark on something that's called a different barometer system. We keep looking at . . . CSR disclosure based on public information on the internet. We can go and survey companies based on their websites, based on their CSR reports. And looking at the top 20 listed companies in four different markets—Hong Kong, Singapore, Thailand, and Malaysia—the result is that Singapore is last.

But also, within Singapore, we then ranked the different Singapore companies. . . . The first thing was identifying the leaders of CSR, which are really about 10 companies that we've worked here, or not just worked with ourselves, but these are [the companies] that are proactive in CSR. . . . And being able to then approach companies . . . and say your main competitors or your peers are thinking about [CSR] and maybe you could think about it as well. . . . And a lot of the work we do is when we start looking at a company that would be a benchmark for them. It's actually for that reason, to be able to chase them, "This is what your peers are doing in Singapore, in the region, and at the international level."

Ms. Morice also emphasized that CSR Asia offered consulting services for companies in Singapore that were interested in engaging in CSR practices. Besides benchmarking services, CSR Asia also aids corporations in identifying their stakeholders. By means of a questionnaire based on Global Reporting Initiative guidelines, CSR Asia uses this stakeholder-identification exercise to help corporations incorporate social and environmental disclosures in their annual reports.

Compared to state and corporate receptor sites, there are fewer civil society and nongovernmental organizations in Singapore that serve as receptor sites for global CSR frameworks. Aside from the Singapore Compact, for example, there are only five NGOs

¹⁴ Interview 29. July 9, 2009.

in Singapore that are participants of the UN Global Compact¹⁵ and it not immediately clear how many of these organizations perform the type of sustained advocacy work that is common with NGOs and corporate watchdogs in the United States or Europe. Given the infancy of CSR in Singapore and tripartite governance being the primary platform for the moral regulation of corporate behavior, it is therefore not surprising that the civil sphere is not as active as a receptor site for global CSR practices. Nevertheless, organizations like CSR Asia, with their attention to CSR issues and promotion of global reporting standards, have begun to approximate the type of conduit for global CSR frameworks that conforms to world society scholars' conception of receptor sites.

In the following section on lateral decoupling, I further explore the efficacy of nongovernmental organizations in relation to government actors and corporations in linking global CSR ideas to actual practice. I explain how their competing interests and positions in relation to the moral regulation of the economy generate a lateral decoupling of receptor sites, resulting in diffuse boundaries for CSR definitions and practices.

5.7 Lateral Decoupling and the Implementation of Global CSR

Given Singapore's high degree of embeddedness in global economic networks, strong state capacity to intervene in the economy, significant transnational corporate penetration, and existence of multiple receptor sites, why are global CSR ideas not more tightly coupled to domestic practice? Scholars using the world society approach to examine global and transnational processes have generated important concepts to understand important empirical phenomena that are left unexplained by other theories of globalization in two ways. First, decoupling describes instances where global models and frameworks are neither rejected nor transformed but formally adopted but with little connection to actual domestic implementation. Second, receptor sites are domestic social institutions, such as professional associations or nongovernmental organizations, which

¹⁵ See the UN Global Compact's online database for non-business participants in Singapore: <http://www.unglobalcompact.org/ParticipantsAndStakeholders/index.html>.

are capable of receiving and translating those global models. There have thus far been few attempts within the world society approach to examine how both of these concepts work together to explain why decoupling functions as it does in domestic contexts. I propose that there are multiple and discrete receptor sites in a country that receive global models. The reception of global models, however, can potentially be decoupled from domestic practice because multiple receptor sites have competing interests and positions and may not cohere in their understandings and implementation of those models.

I examine this process of *lateral decoupling* in the reception of global CSR frameworks among government actors, corporations, and nongovernmental organizations. From my interview data, I focus on how these various organizations perceive whether their CSR efforts are either aided or hindered by interactions with one another. I discuss both (i) the extent of lateral decoupling (the degree to which organizations cohere or not in their approach to CSR) and (ii) substantive issues in lateral decoupling (issue areas in which organizational approaches to CSR do not cohere).

5.7.1 Government Actors and the Legitimacy of CSR

As a receptor site for global CSR ideas, government actors in Singapore approach global CSR as a symbolic and ceremonial issue. This does not indicate, however, that government actors are not interested in implementing CSR as concrete organizational practice. Rather, Singapore's stringent regulatory environment for business, because of its low level of corruption and tripartite governance approach, does not strictly "require" additional CSR practices emanating from global sources. In a 2009 interview I conducted with the Singapore Exchange,¹⁶ for example, I asked Ms. Yeo Lian Sim, the head of risk management and regulation, why the Singapore Exchange did not require or encourage social and environmental disclosures for its listed companies, compared to exchanges in

¹⁶ Interview 31. August 5, 2009.

Malaysia, Taiwan, or China.¹⁷ Ms. Yeo replied simply that the Singapore Exchange already had extremely stringent risk management criteria in assessing its listed companies that far exceeded any existing CSR framework or disclosure and reporting guidelines.¹⁸ In an interview with Ms. Devina Raditya, project manager of sustainable development at Holcim, a Swiss-based cement and aggregates supplier, I asked her about Singapore's regulatory environment for the construction industry. According to Ms. Raditya:¹⁹

Yes. Very, very stringent. I mean, I come from another country and I happened to take a bunch of contractors and developers from Indonesia and paid a visit to a construction site here and they were very amazed. Because there you can see that nobody's actually working at the site. So, it involves less people and the site is very, very clean. . . . And we also had a visit from our corporate headquarters, from Holcim Switzerland, and they said that the construction industry is actually too good to be true in Singapore because it's even better than the standard that Switzerland has. Here, construction is very busy but yet we're still able to maintain all that needs to be there: the cleanliness, the productivity, the efficiency, the regulations.

Other corporate respondents also reiterated the fact of Singapore's stringent regulatory environment in their respective industries and transparency of public administration. According to Ms. Kim Minju at the Singapore Compact, "I mean, it is a regulated economy, you don't see so much bribery and corruption here in Singapore. We don't have child labor here; environment-wise, as well, I think is not too bad."²⁰ Compounded with the Singapore government's existing tripartite approach to governance, where relationships between business and labor are mediated and regulated by state agencies, this suggests that the Singapore environment for global CSR practices is less tied to domestic needs than organizations' needs to demonstrate legitimacy to external actors. Thus, government actors' interests in promoting global CSR practices and frameworks, at least at this early stage, lie less with employing global frameworks to alter actual

¹⁷ CSR Asia's Marie Morice pointed out this fact to me in my interview with her. Interview 20. July 9, 2009.

¹⁸ A year later, in August 2010, Singapore Exchange announced that they would be encouraging more of its listed companies to engage in sustainability reporting, suggesting Global Reporting Initiative guidelines as a possible standardized framework. See Singapore Exchange's policy statement and reporting guidelines, dated August 28, 2010 at:

http://www.sgx.com/wps/wcm/connect/cp_en/site/regulation/public_consultation.

¹⁹ Interview 11. August 10, 2010.

²⁰ Interview 3. July 26, 2010.

corporate practices and more with establishing the legitimacy of global CSR through ceremonial and symbolic activities.

As I noted earlier, Mr. Lim Boon Heng, then a minister with the Prime Minister's Office, first introduced the UN Global Compact framework in Singapore in his role as the Secretary General of the National Trades Union Congress. Once this global connection was established, state-sanctioned CSR practitioners' interest was to increase the perceived legitimacy of the UNGC framework in Singapore by creating a critical mass of corporate participants. Thus, for example, Singapore Compact, when it was founded in 2005, began contacting prominent transnational, government-linked, and domestic corporations in Singapore, according to Mr. Lim, "reaching out to those [corporations] who were already more forward looking, to create a momentum."²¹ The Singapore Compact has also engaged in activities such as an annual "CSR awards" summit, beginning in 2010, recognizing corporations in Singapore for their CSR practices (Figure 5.4), as well as publishing case studies of notable corporations' CSR activities (Wong 2009), in their efforts to establish the legitimacy of the UN Global Compact and global CSR norms in Singapore.

The Singapore Compact also attempts to increase UN Global Compact membership in Singapore and promotes the legitimacy of the UNGC framework by convincing corporations that their existing practices already qualify as corporate social responsibility practices. In both my interviews with the Singapore Compact,²² Ms. Kim believed that many corporations in Singapore were already engaging in some form of CSR even if those corporations were not aware of global CSR practices and it was part of the Singapore Compact's efforts to get Singapore corporations to align those existing practices with global expectations. Speaking of small-to-medium enterprises, for example, Ms. Kim remarked:²³

²¹ Interview 1. July 18-26, 2010.

²² Interview 2. July 21, 2009.

Interview 3. July 26, 2010.

²³ Interview 3. July 26, 2010.

I think [SMEs] wouldn't now call this "CSR" but the fundamental way of doing their own business has been based on that responsible relationship [with employees]. So, in that sense, I think in practice you will see a lot of good practices, in my opinion. But in terms of that social angle, I'm pretty confident that they do have a sort of ethics and it doesn't have to be—you don't have to call it "CSR"—it can be business ethics or, in Chinese terms, all these family ethics and principles, I think that's embedded [in CSR].

Figure 5.4
Award Winners at the 2011 Singapore Compact CSR Summit



Source: www.csrsingapore.org

The Singapore Compact's symbolic efforts have raised the profile of global CSR in Singapore moderately and have made an impact on how corporations in Singapore approach CSR issues. Many corporations in Singapore that are UNGC members, like Hyflux,²⁴ an environmental solutions company, and Jason,²⁵ a marine electronics company, first became involved by engaging in Singapore Compact activities. Speaking

²⁴ Interview 16. July 23, 2010. Hyflux's chief executive officer, Ms. Olivia Lum, is currently the president of the Singapore Compact.

²⁵ Interview 26. July 15, 2010.

of the support provided by the Singapore Compact, Mr. Felix Surya, a management support executive with Jason told me.²⁶

Alright, some companies I have spoken to say, “Now it’s good because, actually, we don’t really know how to do this, right? You know, we have some volunteering, sometimes we have recycling stuff, but we are interested in doing CSR but we don’t really know how to do it.” In fact, the workshops and seminars that were brought by the Singapore Compact, they are really hitting the nail on the head. They just bring in a speaker from UNESCO [United Nations Educational, Scientific and Cultural Organization] or ILO [International Labour Organisation] and they bring, really, this space for human rights that we are looking at. And, recently, they have this workshop for greenhouse [gas emissions]—it’s not applicable to us but we will be moving forward with these greenhouse gas emissions, carbon footprint—I guess it is something that’s really important for all these manufacturers.

Nevertheless, despite the Singapore Compact’s efforts at shoring up the legitimacy of global CSR standards in Singapore, several corporations, especially SMEs, felt those efforts targeted only large transnational and domestic companies. This is where, I argue, one aspect of lateral decoupling occurs among multiple receptor sites. Because government-linked organizations like the Singapore Compact are focused on expanding the critical mass of participants in highly visible frameworks such as the UN Global Compact to promote the legitimacy of global CSR norms, they tend to appeal directly to large transnational and domestic corporations that have the resources and types of existing CSR practices that are readily in line with those frameworks’ requirements. The apparent objective of such efforts is to have prominent corporations endorse the UN Global Compact to raise awareness of global CSR ideas. Smaller companies, on the other hand, may want to explore CSR strategies by participating in the UN Global Compact but feel that the framework only caters to large corporations that already have more substantial experience with CSR. For example, according to HSR’s Mr. Patrick Liew:²⁷

The true matter is that ever since the Global Compact came and gave this talk, we joined them. Our obligation is every year we will send a report to them.²⁸ We have been religiously sending a report to them [but] they have never

²⁶ Interview 26. July 15, 2010.

²⁷ Interview 25. July 3, 2010.

²⁸ Mr. Liew was referring to the required Communication on Progress that all UNGC corporations must submit on an annual basis.

acknowledged receipt. We don't know what they do with our report. So there was no value addition from their end, so to say.

[The Singapore Compact] have not approached us. We've come and joined them but there's no major correspondence . . . I don't remember any correspondence with them. And there's no real value added from their end.

The companies [the Singapore Compact] call upon to present [at their CSR seminars] are usually the ones that are major companies. So, they get Coastal Developments to present. Of course, that comes with their skills in business and the resources they have, they get a lot more things than companies like us.

Like I said, I'm a bit disappointed because [the Singapore Compact] seems to recognize the bigger companies. And rightfully so if they rub shoulders with the bigger companies. I think if you recognize the need in the remaining companies, large enterprises have only a small impact but, by and large, the rest of us are SMEs. You should really recognize a few SMEs and then get them to pave the way and share their business models [in relation to CSR]. I don't think they even know we exist.

Lateral decoupling between government actors and corporations also occurs because the UN Global Compact and its Communication on Progress framework may not address how SMEs approach CSR. According to Mr. Paul Liew, a manager of special projects at Cyberville, an information technology solutions provider:²⁹

I think, ultimately, [the UN Global Compact] doesn't do what it needs to do. For us SMEs, we have little to reference how people do [CSR]. Often what is published, for big major companies, it's easy to publish. But, I think from smaller companies' perspectives, it's a little difficult. We can only do so much and be creative that much. Someone who has really done a lot more and could give directions, guidance, kind of like mentoring, I think that would help.

The Singapore Compact's Kim Minju also acknowledged this potential for lateral decoupling between CSR practitioners like the Singapore Compact and smaller businesses:³⁰

I think they are struggling even to understand what CSR is. Since this is just me, a foreigner talking, and based on my observations, a lot of SME owners are Chinese. They make up a large portion of business ownership. And for corporate

²⁹ Interview 24. July 3, 2010.

³⁰ Interview 3. July 26, 2010.

social responsibility, even if you translate that into Chinese, the term itself is a bit distant from . . . I mean, it's a foreign word, you see. The concept of CSR came from the western world where there was a struggle, the civil society movement, there was a consumer movement, and all these factors. So, [the Chinese business owners] may not be familiar with the term itself. So, when you need to say CSR, I think they will associate CSR with philanthropy, charity, something that needs further financial resources or maybe even someone to write about their own activities, so that requires more manpower.

In answer to my question about how successful the Singapore Compact has been in encouraging more corporations in Singapore to adopt the UNGC framework, Ms. Kim remarked:

It is slow. It is slow but also because companies—not all companies see the importance of signing on for the Global Compact. Yes, it's one thing to believe in these values but companies may have different reasons now. They don't see much value if [they] sign on. "I believe in the same values anyway so is it compulsory?" So, these are questions they may have, for companies who are uncomfortable. And you have the broad principles, that might be the reason. In the past, we've tried to have seminars or talks by someone from UNGC, talking about the principles and what the benefits are. So, we're trying but it is not as fast as we could have hoped. But at least there's a gradual increase.

Recognizing these obstacles, Ms. Kim also highlighted that the Singapore Compact would shift its focus to include more SMEs in its case studies and to encourage more SMEs to promote their own CSR activities.

5.7.2 Corporations and the Practical Logic of CSR

From the perspective of state CSR practitioners like the Singapore Compact, the most pressing concern is promoting the legitimacy of global CSR ideas, for example, by encouraging more corporations in Singapore to adopt the ten principles of the UN Global Compact or employ Global Reporting Initiative guidelines. Although the Singapore Compact has been moderately successful in creating awareness on global CSR issues among its network of UNGC participants, its "legitimacy approach" may not cohere with corporations that approach CSR with a different, more "practical" logic. Most of the large

transnational and domestic corporations I interviewed have existing practices that already fall within the broad parameters of the ten UNGC principles. As such, adopting the UNGC framework and being a part of the global CSR “momentum” in Singapore does not pose much difficulty. Other corporations and SMEs that are only beginning to explore how to integrate CSR into their activities, however, are less certain that global CSR ideas, as promoted by the Singapore Compact, can be effectively or practically implemented, despite their UNGC membership.

Although these corporations are aware that global CSR ideas and frameworks are salient in the Singapore context, they approach CSR with a practical logic that asks if CSR can work specifically for their activities rather than as a tool for advertising, public relations, or organizational legitimacy. In other words, these companies are cognizant that CSR can bring reputational and legitimacy gains but are also aware that they have to balance CSR adoption with operational costs. In my interview with Coastal Developments’ Brenda Lee, for example, she remarked that her company had to balance public relations with investor attention to specific CSR practices:³¹

In some instances, it’s good to have generic statements. But in instances where we’ve already gone into a sustainability reporting framework, our investors or our stakeholders who are reading this would expect that the company is doing more. So, in that sense, we can’t just be doing a generic declaration on the surface that we embrace human rights or without actually citing concrete examples of performance or achievements or at least indications that we are moving in that direction. And of course we have been championing CSR so we have to always be alert as to what’s next, what would the global community expect of a responsible corporation.

On the issue of cost, Ms. Justine Lee, an investor relations executive with Temasek Oil, a Singapore company that produces and refines petroleum, said:³²

We are sometimes afraid to do a bit more CSR because the management keeps thinking it costs a lot of money. Like maybe you already have to overhaul your entire operations or something like that. Or every time we use studies because—I don’t think the studies are always necessary, sometimes we don’t want to get into

³¹ Interview 14. July 7, 2010.

³² Interview 19. July 29, 2010.

academics—but sometimes we don't really know what to do. So, we think we don't really have a choice but to do all these studies which will cost money and sometimes it's hard to justify. I mean, why spend the \$8,000 on a study when you can just donate that \$8,000 to charity? So, sometimes when they mention CSR, they get very worried like it is going to cost a lot of money.

Although Temasek Oil had engaged CSR Asia's consulting services in order to explore its CSR options, it has not become a member of the UN Global Compact. Another company exploring CSR engagement that I interviewed was Maybank, a Malaysia-based banking and financial corporation. Ms. Corrine Tan, Maybank's CSR manager, who also raised the issue of balancing cost with CSR, spoke specifically of middle management resistance to CSR integration because of cost and resource concerns:³³

Actually, I think senior management could see quite clearly why [the need for CSR] but it was more middle management [that was resistant]. The [employees] on the ground are actually very enthusiastic, they just love participating in anything that's organized. It's great, it's done out of loyalty and also love for the community. The top management know the strategic reasons why we should do it but I guess the middle management are the ones who are responsible for P&Ls [profit and loss statements], they also question why resources are being channeled to this or is it going to take up our staff's time. So, I guess the resistance was more from them.

Resource constraints are most acute for smaller companies that want to balance cost and CSR considerations. For example, according to Jason Marine Electronics' Felix Surya:³⁴

We don't have the big bucks like the huge banks, all these huge multinationals that operate in Singapore, to do elaborate advertising, print pamphlets, glossy pamphlets to show what they are doing. But we do still try and we try to do it in small ways. But, you know, one of the common challenges today, as they say, is really cost.

In my interviews, many respondents mentioned ISO's 26000 (Social Responsibility) guidelines as setting a possible CSR standard for corporations in Singapore. When Cyberville's Paul Liew discussed the ISO standard, he remarked:³⁵

³³ Interview 21. August 11, 2010.

³⁴ Interview 26. July 15, 2010.

³⁵ Interview 24. July 3, 2010.

Even if they do come up with ISO 26000, we're not even sure . . . I'm doubtful that small companies can achieve it. I wouldn't say that I'm not looking forward to it, neither am I excited with it. To me, a lot of time, they are just bureaucracy and a lot of documentation. Those are costs wasted. I mean, you get a summary of this and that. Yes, indirectly you actually contribute to the economy but, at the same time, that money can be better spent somewhere else. So, I believe my CEO would agree with on that because a lot of these things are simply bureaucracy.

On CSR activities and environmental reporting, Mr. Gregory Street, general manager of Origin, a pest control company, also highlighted cost and resource constraints for SMEs such as his company:³⁶

We don't actually have a budget for CSR research and we're not doing . . . we don't have it like a balance sheet of what we've done. But, yes, it limits what you can do and lots of times if companies are looking for sponsorship and we can't really help since we don't have a big budget to sponsor CSR events. But what we will then try to do is offer manpower or something within our scope. Even our promotion, we create our report, it's all done in-house. We don't have the budget to get people in to create that. Because I believe this is a challenge for SMEs because, for environmental reporting anyway, there's not many SMEs that do it.

Even larger corporations recognized that operational constraints made it difficult for smaller companies to effectively integrate, implement, and promote CSR. Universal Banking's Elizabeth Tang remarked:³⁷

I think with the [multinational corporations], the international companies, it's okay because from the headquarters they have that [push for CSR]. But the SMEs, I think it would be a little difficult because your focus would always be in business first. I think that's always crucial because, if you don't, how do you then survive? Then, CSR would be like a second part of [their business]. It does take a backseat for them.

Aside from the issue of cost and resource constraints, there is another important reason, according to this "practical" approach to CSR, why corporations may want to *avoid* CSR or at least avoid engaging with CSR in too public a fashion. In previous chapters, I have previously discussed how external actors and pressures are pushing corporations to engage with global CSR frameworks. Corporations may respond by adopting CSR

³⁶ Interview 27. July 19, 2010.

³⁷ Interview 5. July 8, 2010.

because they perceive it to be the legitimate course of action even if CSR adoption is loosely coupled with their actual activities. Seen another way, critics have also argued that corporations are adopting CSR not so much for legitimacy reasons but are employing CSR as advertising and public relations. From my interviews, however, a few corporations have expressed reservations about CSR, not because they fail to perceive it as “the right thing to do” but because they are cautious that CSR engagement would raise their public profile or invite more scrutiny into their operations.

Thus, corporations may respond to CSR as moral regulation by balancing the need to respond to external pressures with keeping a low public profile. When I asked Temasek Oil’s Justine Lee, for example, why the company did not want to participate in the UN Global Compact despite having explored its CSR options, she replied:³⁸

I mean, we all want to talk a little bit about [CSR]. Of course, we don’t want to be seen like we’re not doing anything. . . . It’s like, if you talk more about it, you’d be, you know, scrutinized somewhat. And then we’re afraid of being labeled as “greenwashing” or those sorts of things. I don’t know how well Coastal Developments is doing but they seem to be doing really good so if they have all these things to back them up then they can go out and say as much as they want. I mean, we’re not going to keep reporting, like if you say to commit, there’s no point of talking that much about it as well. And, for most companies, how can they commit to something like that? Operationally, you can’t really make predictions.

We can go and sign any of these compacts or whatever but we don’t want to be audited. We are not sure which organizations we want to commit to or even which things to commit to. Then we will be audited and I don’t think we want that or we are ready for that.

Later in my interview with Temasek Oil, Ms. Lee also revealed that PetroChina, China’s largest oil producer, was in the process of acquiring Temasek Oil and the company was given instructions to suspend their CSR engagement activities.

Thus, another aspect of corporations’ practical orientation to CSR is the cautious manner through which they approach CSR engagement. Contrary to CSR critics’ expectations

³⁸ Interview 19. July 29, 2010.

that corporations may employ CSR as advertising or public relations, Temasek Oil's view suggests that corporations, especially those in the extractive industries or sectors that are more heavily scrutinized by external actors, may choose to avoid making their CSR activities explicit for fear of inviting negative publicity or additional scrutiny of their CSR commitments. Although corporations such as Temasek Oil may perceive the pressure to engage with CSR as a legitimacy issue, they are also wary that the "costs" of legitimacy may bring unwarranted attention if they are subsequently unable or unwilling to fulfill their CSR promises.

In contrast to government actors that want to promote the legitimacy of global CSR ideas through creating a critical mass of corporate engagement and generating publicity on CSR issues, corporations may face conflicting pressures in their "practical" approach to CSR engagement. In my interviews with these corporations in Singapore, many highlighted their community and environmental efforts, for example, but these were restricted to either transnational corporations or large domestic companies that already had existing activities that fell within the broad rubric of "corporate citizenship." In most of these instances, corporations already had internal mechanisms and budgets set apart for CSR activities. For companies that were smaller operations, were in sensitive industries, or just beginning to explore CSR concerns, however, the practical issues of cost, resource constraints, or potential scrutiny were significant reasons that indicate why there is a lateral decoupling between state actors and corporations in their respective approaches to CSR.

5.7.3 Nongovernmental Organizations and the Civil Regulation of Corporations

In the previous chapter, I discussed how pressure from international nongovernmental organizations (INGOs) was crucial to the cross-national diffusion of global CSR frameworks. In fact, I demonstrated how, especially in developing countries, corporations responded to INGO pressure with more substantive CSR commitment. Nongovernmental organizations, as theorized by world scholars, are key carriers of global norms such as

ideas of human rights and the environment and serve to connect domestic actors to global frameworks and models. As world society research has demonstrated, countries that are more connected to global models through nongovernmental channels are more likely to adopt globally sanctioned models and practices. At the domestic level, too, NGOs play an important role in facilitating these global norms as receptor sites and scrutinizing domestic actors' practices.

In the case of global CSR practices, nongovernmental actors may use global CSR standards to pressure corporations to improve their social and environmental practices. Existing research, for example, shows how social movement organizations have impacted corporate attention to CSR issues (King 2008; Soule 2009). Referring to nongovernmental pressure as a form of "civil regulation," Vogel (2005:170) argued, "Not only is CSR not a substitute for effective government, but the effectiveness of much civil regulation depends on a strong and well-functioning public sphere. This is particularly true when it comes to corporate commitments to avoid corruption and respect human rights." I argue that the lateral decoupling of CSR receptor sites in Singapore, especially the divergence between state and corporate interests in CSR engagement, stems from the weakness of the nongovernmental CSR sphere in Singapore to bridge those divergent interests.

Because of traditional state hegemony in many aspects of the civil sphere (Chua 1995), Singapore has a characteristically weak nongovernmental field. The Singapore government has routinely curbed and tightly regulated nongovernmental organizations, even to the extent of barring entry to specific human rights INGOs. For example, women's movements that have successfully mobilized in comparable countries, such as Hong Kong, remain weak in Singapore (Lim 2009). Challenging the "Western" liberal notion of civil society, state actors and politicians in Singapore have promoted their own variant of "civic society" and tripartite governance as alternatives (Lee 2002).

All the corporations I interviewed did not identify NGOs or the domestic civil sphere as potential sources of pressure to engage in CSR. Temasek Oil's Justine Lee told me:³⁹

I think NGOs here are not that active. We don't see or hear much of them so we don't get them criticizing us. There's really no need to react, to do something, to be proactive. But also when we look at news coverage whenever the media talks about CSR in Singapore, it's always about the charities. From the public's view, they don't think "this company does a lot of CSR," they just look at the list of charities I donate money to.

According to Cyberville's Paul Liew:⁴⁰

If you think about it, Singapore is probably one of the country that doesn't have NGOs based here. The real reason is also because we are so well run, we are so well protected that we protect our citizens as well as companies.

In fact, when I asked the Singapore Compact's Kim Minju about the lack of any contention between domestic NGOs and corporations in Singapore, her perhaps overstated remark was:⁴¹

Because we don't have local NGOs here. You don't have Greenpeace, you don't have Amnesty International. What you see is something like WWF [World Wildlife Fund]. WWF is a great NGO but it—no one says it's corporate-friendly—but you have different relationships. Where with Greenpeace, they previously hammered Golden Agri on the palm oil industry. So, you don't have the NGOs, I'm just saying that you don't see as many in Singapore. In Singapore, you don't have such strong bottom up pressure so you don't see perhaps fast movement or impetus towards a company's practice on CSR. But then again that doesn't mean that companies are irresponsible, it's just a different pattern.

When I spoke with Coastal Developments' Brenda Lee, for example, I asked about their non-antagonistic relationship with NGOs in Singapore, she said:⁴²

Culturally, in Singapore, that's how it works.

It's not that [CSR] is not applicable. But it's really not as acute in Asia. I should not speak about Asia, just in Singapore. In Singapore, our culture, we work in a

³⁹ Interview 19. July 29, 2010.

⁴⁰ Interview 24. July 3, 2010.

⁴¹ Interview 3. July 26, 2010.

⁴² Interview 14. July 7, 2010.

very collaborative, polite, very consultative kind of environment, and that's why you see there's harmony between companies and NGOs and the government and all that. Whereas in other countries, maybe there's greater friction because there is greater voice, there are greater rights issues, rights meaning you know like NGOs saying, "I believe in this . . ." and "as a company you have the right to this." Therefore, that causes friction. And here in Singapore there tends to be a consultative environment. That would be what you can term "stakeholder engagement." But perhaps that stakeholder engagement would not be the same kind of stakeholder engagement as would be defined in, say, a European country, where stakeholder engagement means constantly addressing lobby groups. You are constantly engaging them, you are constantly trying to address them in some way or form because of the immense pressure that they may be putting. But that doesn't happen here simply because we are just not as vocal. And the culture has been such that it tends to be consultative.

Coastal Developments was one of the first domestic corporations to engage in CSR activities in a public fashion (Wong 2009) and many of the other corporations I interviewed, including the Singapore Compact, mentioned Coastal Developments as a leader in the domestic CSR movement. As a corporate pioneer in the domestic CSR field, Coastal Developments' relationship with NGOs reflects the non-antagonistic pattern of the civil regulation of corporations in Singapore.

In fact, several corporations even remarked that NGOs in Singapore were not only *not* antagonistic towards them but, instead, were the recipients and beneficiaries of corporate donations. Responding to my question about interaction with NGOs, HSR's Patrick Liew said, "We raise funds for these many charities and NGOs, basically."⁴³ Likewise, in my interview at OCBC Bank, a prominent domestic financial services corporation that has extensive charitable activities, Ms. Koh Ching Ching, the head of group corporate communications remarked, "You know, there are some NGOs—the sad reality is that they just ask for money."⁴⁴ Universal Banking's Elizabeth Tang also said, "I think we work quite closely together, the NGOs, those that I've worked with. They're always appreciative of any help you give them."⁴⁵ When I asked Ms. Genevieve Chua, managing director of Winpac, a domestic paper company, about whether her company relied on

⁴³ Interview 25. July 3, 2010.

⁴⁴ Interview 12. July 5, 2010.

⁴⁵ Interview 5. July 8, 2010.

help from NGOs with activities such as recycling, she said, “We support the NGOs, in fact, not the other way round.”⁴⁶ Ms. Chua was referring to how Winpac donated paper and offered print services for NGO activities.

These comments and observations suggest that, for CSR in the Singapore context, NGOs’ interests, including those of non-profit organizations and charitable and voluntary welfare associations, was to maintain a consensual relationship with corporations in order to receive resources to execute their community services, an approach that diverges from the legitimacy approach of government actors or the practical orientation of corporations.

To what extent does the moral regulation of corporate behavior in Singapore depend on its nongovernmental sphere? The lack of independent corporate “watchdogs” or organizations that scrutinize corporations and government policy on business has obviously not resulted in a dearth of CSR practices. As I discuss in previous sections, state actors and state-linked organizations like the Singapore Compact have raised the profile and awareness of CSR issues among corporations in Singapore. The Singapore Compact has also played key roles in encouraging domestic corporations to participate in the UN Global Compact and offering seminars and workshops for corporations interested in engaging with CSR issues. The Singapore government’s tripartite governance approach has also successfully smoothed over business-employee relations, resulting in a consensus-based approach to industrial relations. Nongovernmental actors who engage in community-based work such as charitable activities routinely rely on corporations to support their efforts financially. Despite the existence of these practices, however, *weak nongovernmental action has resulted in a lateral decoupling between government and corporate approaches to CSR*. While governmental efforts in CSR emphasize its symbolic and ceremonial aspects, corporations in Singapore approach CSR with a practical orientation where they attempt to balance external CSR pressure and internal operational requirements. A nongovernmental CSR sphere that is autonomous from both ceremonial and practical approaches to CSR, then, can potentially serve to bridge both state and corporate orientations to CSR engagement.

⁴⁶ Interview 22. July 6, 2010.

How has the relative absence of nongovernmental CSR practitioners led to the lateral decoupling of CSR receptor sites in Singapore? Nongovernmental CSR practitioners, when they are domestically active, are potential actors that can bridge organizations' legitimacy and practical interests. CSR Asia, a Hong Kong-based social enterprise that focuses on CSR advocacy and consulting services to corporations, is one among the few organizations in Singapore that qualifies as a nongovernmental CSR practitioner. According to Ms. Marie Morice, CSR Asia encourages corporations in Singapore not only to participate in frameworks like the UNGC but also to engage in more substantial social and environmental reporting.⁴⁷

The Global Compact is really just a matter of signing up for those principles so it's an accessible way to come into CSR. It's great and it's an inspiration to other companies. But when you sign up to the Global Compact, you are in fact signing up to a charter that support all kinds of industry that may be drastically different in how you actually do your CSR. But the GRI is kind of the next step so you can start reporting on what you're doing and it goes back to implementing practical solutions. So, you start doing some stakeholder engagement and working internally to define the issues that are going to apply to CSR.

Ms. Morice emphasized that one of the crucial aspects of CSR is for corporations to identify their specific stakeholders instead of merely signing on to CSR frameworks with broad principles. Thus, in encouraging corporations to take social and environmental disclosure seriously, Ms. Morice argued, NGOs like CSR Asia help corporations to both identify their stakeholders as well as CSR concerns that pertain specifically to them in the process. Notably, both CSR Asia and the Singapore Compact's Kim Minju agree that many corporations in Singapore were already engaging in practices that fall within the parameters of global CSR norms and should engage in reporting and disclosure efforts to highlight those practices.

As a non-profit organization that offers CSR seminars and consulting services tailored to corporations, CSR Asia functions less as a lobby or activist group and is closer to the type of professional associations described by world society scholars that spread global norms through rationalized means, procedures, and standardized models (Meyer 2010).

⁴⁷ Interview 29. July 9, 2009.

This suggests that nongovernmental CSR practitioners, in addition to serving as critics of corporations, can mitigate the lateral decoupling between government actors and corporations by encouraging corporations to participate in government efforts to promote global CSR while simultaneously employing global CSR standards to evaluate their own internal practices.

Figure 5.5
CSR Asia's 2011 Sustainability Disclosure Forum in Singapore



Source: www.csr-asia.com

The relative absence of these nongovernmental CSR practitioners in Singapore, however, has resulted in a divergence between actors in those respective CSR receptor sites, leading to both a moderate level of CSR activity, far below what one would expect of a country like Singapore that is embedded in extensive cross-national economic activity, as well as diffuse approaches to CSR in Singapore. In the following section, I examine how this lateral decoupling of CSR receptor sites has engendered organizational uncertainty for corporations in Singapore. Although these corporations are aware of external CSR pressures, the broad and currently vague notion of CSR has subsequently resulted in a *vertical decoupling* of global CSR norms and actual CSR practice.

5.8 Vertical Decoupling and Resulting Recoupling Efforts

Lateral decoupling between CSR receptor sites is a matter of degree. In Singapore, actors in different receptor sites agree that global CSR standards and frameworks like the UN Global Compact are beginning to have an impact on domestic practices. Although the organizations I interviewed were all either involved in the UNGC framework or engaged with CSR practices, however, they clearly approached CSR with very different orientations. The previous section of this chapter examines these different orientations to CSR and argues that the weakness of the nongovernmental CSR field in Singapore further exacerbates the lateral decoupling between different receptor sites for CSR in Singapore. In this section, I examine how lateral decoupling results in uncertainty for corporations engaging in CSR practices. I argue that corporations respond to uncertainty by *recoupling* efforts—corporations respond to vague and diffuse notions of CSR practice by connecting existing interests and practices to their commitment to global CSR norms.

5.8.1 Lateral Decoupling and Organizational Uncertainty

Previously, I introduced the concept of lateral decoupling as a means of expanding on world society scholars' use of "decoupling" and "receptor sites" concepts in describing how global norms are received in domestic contexts and how those norms are subsequently decoupled from domestic practice. In this section, I further expand on this notion and argue that lateral decoupling between CSR receptor sites—where actors in multiple sites have different interests and orientations to CSR that do not cohere—generates significant uncertainty for organizations in Singapore that engage in CSR practices. When actors in different receptor sites approach the practice of CSR with competing interests and orientations, this lateral decoupling results in broad and vague notions of what CSR is supposed to entail for corporations. Should corporations in Singapore simply participate in the CSR "movement" promoted by government actors by endorsing global CSR frameworks and presenting themselves as legitimate corporate

citizens? Or should corporations ignore those pressures and focus on their practical resource constraints, perhaps reinforcing whatever existing philanthropic and charitable activities they might already be practicing? Otherwise, should corporations incur the cost of consulting with CSR NGOs in order to identify their specific stakeholders and establish more stringent disclosure standards?

Thus, lateral decoupling generates significant uncertainty for corporations where there are no clear standards or indications of how they should engage in CSR practices. CSR Asia's Marie Morice remarked:⁴⁸

Actually, my main comment is that there isn't really a standard so everyone's got their own interpretation of what CSR might be. . . . I mean, maybe with ISO 26000 coming up, things will change although it is voluntary and not a certifiable standard as such. At least it will provide a broader framework for companies to start thinking about what their CSR needs are for a start.

One prominent aspect of uncertainty pertaining to CSR that I discuss in more detail later in this section is the variety of activities that corporations in Singapore present as CSR activities. Most of the corporations I interviewed were members of the UN Global Compact framework, which requires its member corporations to endorse broad human rights, labor, and environmental principles, and the CSR practices we discussed ranged anywhere from donations to charitable organizations, organizing community events like marathons or elderly home visits, employee welfare, "green buildings," occupational health and safety, and supply chain management. Likewise, CSR practitioners in these corporations were placed in a variety of departments within their organizations, with half being corporate affairs and corporate communications executives and the rest comprising a mixture of general management executives with various organizational responsibilities. The uncertainty resulting from these diffuse notions of CSR and organizational responsibility has led to much confusion about what activities qualified as CSR or which individuals and departments were responsible for CSR practices. For example, one of my respondents, whose company was then a UN Global Compact member, was totally unfamiliar with the framework. At Delilah Foods, a Hong Kong-based food and beverage

⁴⁸ Interview 29. July 9, 2010.

retailer that has extensive operations throughout East Asia, I spoke with Mr. Leonard Koh, a general manager of retail development, who was responsible for overseeing the company's many philanthropic and CSR activities. When I asked, however, what organizational decisions had led his company to participate in the UN Global Compact, he told me he had never heard of the UN Global Compact, despite Delilah Foods being a member since 2007, three years before I conducted the interview.⁴⁹ In another example, in my interview with Jason Marine's Felix Surya, who has been proactive in helming his company's CSR program, enquired what other companies in Singapore were doing for CSR practices and asked if I had any suggestions of what he could incorporate in his company.⁵⁰

Corporations were also wary of the uncertainty surrounding the applicability of CSR standards across different contexts and whether those standards were fairly applied in different countries. My interview, for example, with ST Microelectronics, a Geneva-based electronics and semiconductor manufacturer, was particularly instructive in this respect. Speaking of the uncertainty of how global standards apply to ST's balancing of cost and CSR, Mr. Benny Lim, director of planning and suppliers management said:⁵¹

There's always a trade off whether the company, in the economic sense, whether they want to go full out and be "more CSR" or whether they have to balance at some point because you cannot make [CSR] a lot better in every way because the payback is never there. Those people pledging for [CSR], it's because of government subsidies in Germany and Spain [for environmental technologies]. So, in the economic sense, this means the corporation is trying to meet CSR as well as make a profit for the shareholder. If the company is making a loss, all this would just be empty talk.

Elaborating on global CSR standards and how this affected his company as a Singapore subsidiary of ST Microelectronics, Mr. Lim also spoke extensively about how the uncertainty surrounding global standards would result in outcomes potentially unfair for developing countries:

⁴⁹ Interview 17. July 27, 2010.

⁵⁰ Interview 26. July 15, 2010.

⁵¹ Interview 10. August 6, 2010.

There must be a balance somewhere and also at the country level. I think it's unfair for developed countries to penalize the developing countries or underdeveloped countries. It's unfair. You've already destroyed the world then now you ask, "Hey, guys, let's behave." You know, I'm not sure sometimes. We can do this thing on paper that appears to be right but I say, "Is it fair? Are you doing the same measurements?"

That's why the US, as of today, has not signed the Kyoto Protocol. We can continue to talk but the US did not sign. So, Obama tried to do something but I'm not sure it will help because then you just ship all your dirty operations to China and then you blame [the Chinese]. Sometimes, I do receive this type of thing. In Europe, they ban a substance and then they move it to me. Then, they say one year later, "Hey, you are not complying." I say, "What? I didn't know. I've just finished the product transfer but now I am the scapegoat for noncompliance."

Smaller companies were especially vocal about CSR uncertainties in relation to the lack of standards and cost. Speaking of ISO's 26000 guidelines as a possible standard that corporations in Singapore could aspire to, Cyberville's Paul Liew said:⁵²

At the end of the day, I think that there are just too many issues, especially the gap between larger companies and SMEs. The framework may not apply to the standards and requirements [that are relevant to SMEs]. It may ultimately be only for the big companies. So, definitely, that would be an issue and you would probably only see the top 10% of companies in the world doing CSR. The rest of the 90% may not be because the framework does not cater for that. . . . If everyone, I'm sure the government, if they do adopt the ISO 26000, whatever tenders that they throw out, they may put that as a requirement. That would definitely exclude a lot of companies not because they cannot meet the requirements but simply because the framework does not cater to them. So, from a business perspective, there's where it could be a problem.

HSR's Patrick Liew, whose company provides extensive employee welfare facilities,⁵³ spoke of the uncertainty surrounding the relationship between CSR practices and the economic sustainability of the corporation:⁵⁴

⁵² Interview 24. July 3, 2010.

⁵³ On company premises, HSR has a "lifestyle" hub that includes their own valet, facial bar and spa, hairdressing studio, childcare and child enrichment center, photography studio, restaurant, karaoke, gymnasium, and games center. Mr. Liew also oversees an organization that provides humanitarian aid and charitable services to countries in the Asian region.

⁵⁴ Interview 25. July 3, 2010.

In a perfect world, I would have sorted it all out. In the real world, I am struggling with this. At one extreme, the traditional viewpoint of business bureaucracy is creating profits, the bottom line. At the other extreme, people are now saying, “Business should be responsible, to look after people, the planet, serving a higher purpose.” So, we’re caught in between. I wish I could tell you, in the real world, I’ve sorted it out. But, no. And then there are days when I say, “What are we spending all this money for?” But then again there are days when I say, “I should be doing this because I’m human and that’s my obligation.” Of course, the question you people are interested in, whether doing all this [CSR] will help me earn more money, improve my business, and add to my bottom line, the reality is: I don’t see that. I can try to convince myself that maybe we do but, really, there is no direct correlation at this point in time. Maybe there’s a point in the near future where it may come but at this point in time we don’t see the correlation.

These comments suggest that corporations in Singapore are impacted by the uncertainty generated by the lateral decoupling of CSR receptor sites. The lack of cohesion between governmental, corporate, and NGO approaches to CSR standards and practices has resulted in corporations, even companies that have already committed themselves to CSR frameworks like the UN Global Compact, question the applicability of CSR across various dimensions of their operations as well as the prospect of having consistent country-level CSR standards.

5.8.2 Corporations and Recoupling Strategies

How do corporations respond to these uncertainties generated by lateral decoupling? New institutional and world society theory suggests that corporations respond by decoupling formal CSR adoption from actual internal practices—what I refer to as *vertical decoupling*. Decoupling is certainly one strategy that corporations in Singapore employ to respond to both external pressures and internal needs. About half of the respondents I interviewed, especially from the transnational corporations and large domestic firms, were not the individuals directly responsible for integrating the UNGC framework principles into company operations or for drafting the required annual Communications on Progress to the UNGC Office, nor were they able to readily identify those that were directly responsible. In some cases, respondents were either not even aware of the UN

Global Compact framework that their company was a member of, which was the case with Delilah Foods, or they did not offer clear explanations about how UNGC principles, specifically, were directly related to their corporate activities.

This does not suggest, however, that these corporations were irresponsible organizations or that they did not engage in CSR practices. On the contrary, many of my respondents went to great lengths to detail the many philanthropic and charitable activities they supported and participated in as well as the many social and environmental standards that they had either implemented or were in the process of developing. What I observed was simply that those corporations had responded to external pressures or encouragement through governmental actors like the Singapore Compact by committing to the UN Global Compact framework but that this commitment was only loosely coupled to their many existing CSR practices. Furthermore, from my interviews, I noted that corporations' efforts did not merely cease with vertical decoupling—many of the companies I interviewed, in fact, engaged in further *recoupling* efforts to align their current social and environmental practices in line with their commitment to global CSR ideas.

I argue that corporations' recoupling strategies are responses to uncertainty generated by both lateral and vertical decoupling. When state, corporate, and NGO approaches to CSR do not cohere, this generates vague and diffuse notions of what constitutes CSR standards or practices. Compounded by pressures to demonstrate good corporate citizenship, companies in Singapore may adopt frameworks like the UN Global Compact and only subsequently reconsider their existing practices in light of framework adoption. Why would corporations even bother with recoupling efforts if they can merely stop by just decoupling formal adoption from actual practice? I suggest that corporations in Singapore are cognizant, and perhaps overly cautious, of the consequences of not complying with their commitment to CSR, even if standards and norms are currently vague and diffuse. Several respondents I interviewed mentioned investor, media, and public scrutiny as possible factors why they were concerned with how they were perceived as adherents to

CSR norms. According to Ms. Christine Lee, vice president of group communications of the United Overseas Bank, for example:⁵⁵

[CSR] shouldn't be as much as it is of a branding tool, it should not. Branding should not be the foremost goal of any initiative because, basically, it's just not good practice. People are smarter than that, you know. It will basically blow up in your face one day when they realize that it's not altruistic, truly altruistic. So, I caution my bosses when there seems to be a grey line between what is a commercial decision versus really what is really good to do.

Furthermore, corporations also engaged in recoupling efforts according to strategies that aligned with their respective organizational identities and existing CSR practices. In order to identify these recoupling strategies, I asked my respondents about whether their companies faced challenges either in balancing cost and profit considerations with CSR practices or in implementing global CSR standards and how their organizations deliberated on those obstacles. In the following sections, I examine three prominent recoupling strategies—immanence, community and tradition, and competitive advantage—that corporations employ to both reduce the uncertainty generated by decoupling as well as connect existing practices with adopted global norms. Note that recoupling strategies do not necessarily have to work effectively—corporations may not actually be reducing the extent of vertical decoupling they experience, only that they perceive recoupling efforts as strategies in line with how CSR adoption “fits” with organizational needs, practices, and identity.

5.8.3 Immanence: Recoupling as Value-Rational Action

One strategy that corporations employ to connect existing CSR practices to adopted norms and standards is by justifying corporate social responsibility as *immanent* to their existing practices and organizational structure. I see justifications of immanence as a form of value-rational action, described by Weber (1947:115) as “rational orientation to an absolute value.” In this scenario, corporations view their CSR practices as either

⁵⁵ Interview 18. July 28, 2010.

integral to their daily operational activities or otherwise inherent in their organizational values. Corporate social responsibility is neither pursued as a means to further profit nor as an appeal to long-standing practices but perceived as a goal to be achieved in and of itself.

Although several corporations of different types engaged in this form of recoupling, I found through my interviews that transnational corporations and large regional and domestic companies in Singapore were more likely to employ the immanence justification in response to the uncertainty of vague and diffuse CSR standards. One prevalent means through which these corporations respond to uncertainty resulting from decoupling was to *minimize* the disjuncture between CSR and its applicability to their organizations. Responding to questions on how they deliberated on potential obstacles to reconciling CSR practices with internal operational requirements, respondents would often describe their existing CSR practices in great detail and connect those practices to their core organizational identity and values. In fact, those respondents would often use phrases like “it’s in our DNA” in association with CSR, suggesting that corporate social responsibility was an object of value in itself. For example, according to Ms. Michelle Gozum, director of marketing at Conergy, a Hamburg-based solar energy corporation:⁵⁶

By shifting to renewable [energy], for us, is more than just a CSR component. It’s part of our business, it’s part of our DNA as a company. Even our plant in Germany, the rooftop has, obviously all our [solar] panels. We get a big fraction of our electricity requirements through our panels. So, that’s why for us, it’s a little easier to be more environmentally conscious because it’s really the heart of what we do.

And I think, because we are a German company, it’s, you know, engineering—everything is tweaked to perfection. And I think that’s why, I think it was not difficult for management to sign up for the principles of the Global Compact because this large step is part of the company’s DNA. Be it because we are a German company, where we like to be a high performer, we are very efficient in our processes, and the company deals with employees very fairly.

⁵⁶ Interview 8. July 14, 2010.

At Holcim, Ms. Raditya answered my question on reconciling CSR with business practices by referring to an “organizational values and strategy” chart. She told me:⁵⁷

What is the relationship between CSR and profit-making in the organization? Basically, CSR is one of the key pillars in value-creation. So, this is our “strategy house” and at the bottom is basically the people—what really matters. So, this is the base and that’s why we put a lot effort on people development and CSR, if you notice, is one of the five pillars, also with the environment and marketing and cost management and HR. And these pillars build up the functional areas of the business of product and geographical diversification, local management, global standards. We are actually aiming for this. We are not only making profits—we actually believe in values.

Large domestic businesses, like OCBC Bank, that have a significant presence in the Southeast Asian region, also use the perspective of immanence when describing their CSR practices. OCBC Bank’s Ms. Koh told me:

I guess for us, at the bank, we have always made this effort that we do not sell products that the customers don’t want or don’t need. And that, I’d say is a culture so it’s beyond [the Global Compact]. So, when [the Monetary Authority of Singapore] deals with it as an industry, it came up with rules, like fair-dealing rules. Instead of adopting it—most banks adopted it as a compliance requirement and asked the compliance department to handle it and make sure they don’t complain—we made it a deliberate intention to not pack it under compliance but pack it as culture-building. When we look at it, I think good business practice is beyond the letter of the law. And that’s why it’s important that we inculcate that and build that into the DNA of the organization.

When I asked Ms. Koh if OCBC Bank had encountered difficulties balancing cost considerations and CSR practices, she gave me an example of occasions when the bank refused to introduce high-risk high-yield bonds to their customers even though it was a prevalent practice in the banking industry, and elaborated:

No. Why? Because, as a bank, I think that integrity and fair dealing have always been something that is part of our DNA. So, in a sense, it’s not “Let’s forget about values, let’s forget about what we always believe in and just shoot for profit.” So, I think it’s not [contradictory], we don’t have a struggle.

⁵⁷ Interview 11. August 10, 2010.

Likewise, when I asked Coastal Developments' Ms. Lee about what her company's considerations were in deciding to participate in CSR frameworks and whether there were challenges they encountered in the process, she replied:⁵⁸

No. I think because, as I've said, it's quite ingrained in the organizational culture. I think we've come so far in this journey where we actually end up having to ask what's next and because we need to keep progressing as an organization. We have to look at what are the best practices out there that we can either adopt or implement with the view to improve. So, some of the CSR frameworks and methodologies are quite aligned with our corporate vision and I suppose that they gain traction globally.

From my interviews, I found that smaller companies were less likely to apply the immanence approach to their recoupling efforts, with the exception of the real estate SME, HSR. As I quoted earlier, HSR's chief executive officer, Patrick Liew, was uncertain if adopting CSR practices brought any tangible benefits to his business but he remained convinced that CSR practices were valued in themselves because of his religious beliefs.⁵⁹

To what extent do these corporations' views reflect a "sincere" value-rational effort to align their existing practices to adopted CSR norms? After all, such expressions of corporate values may simply be public relations efforts to generate public goodwill or future profits. I suggest the following argument. Corporations do not necessarily have to use immanence justifications in their recoupling efforts as respondents in other companies offered alternative justifications in the forms of traditional or instrumental-rational action. Why, then, did these corporations, especially transnational subsidiaries and larger domestic corporations, engage in recoupling efforts by emphasizing corporate values and identities rather than offer other justifications? My respondents' perspectives and the types of companies they represented suggest that corporations that have more substantial resources to engage with CSR, whether it is human and financial resources or a dedicated department and budget for CSR activities, have more autonomy from having to balance cost constraints and pressures for CSR engagement. This allows those

⁵⁸ Interview 14. July 7, 2010.

⁵⁹ Interview 25. July 3, 2010.

corporations more freedom to articulate their recoupling efforts in the value-rational terms of immanence. The uncertainty resulting from the loose coupling of CSR standards and actual practice was less of a concern for these corporations as they already had existing CSR practices and the resources to explore other CSR opportunities. In other words, freed from resource constraints, these corporations were able to focus on how their organizational values and identities aligned with CSR norms, rather than have to justify their existing practices by other means.

5.8.4 Community and Tradition: Recoupling as Traditional Action

A second recoupling strategy that corporations employed to reduce the extent of uncertainty generated by decoupling is through emphasizing how CSR norms were compatible with their focus on *community and tradition*. Corporations' justifications of community and tradition, for example in descriptions of the legacy of their founders or ties with the local community, suggest more than what Weber (1947:115) referred to simply as "habituation of long practice" but are closer otherwise to what Weber referred to elsewhere as action oriented towards the "sanctity of tradition" (Weber 1947:131).⁶⁰ In this regard, corporations justify CSR practices as commensurate with their adherence to the tradition of their founders and top executives' moral orientations or to their long-standing ties with the local community.

My fieldwork and interviews suggest that domestic corporations, especially the large Singapore companies that have long-standing ties in the country and region, are more likely to invoke reasons of community and tradition as a means of connecting to the broad CSR standards that they have adopted. Respondents of domestic companies would frequently cite their ties to the Singapore community as a strong factor in engaging with CSR practices. Although respondents from these companies would also discuss strategic

⁶⁰ Parsons (1949:647) notes that Weber's reference to "sanctity" in relation to the traditional basis of legitimate order suggests a *normative* aspect to traditional action that is closer to "the attitude of moral obligation found to be so central to Durkheim's thought." I concur with this assessment, given Weber's lack of extensive discussion of traditional social action, and use "traditional action" in the manner which Parsons interprets Weber on this point.

reasons for corporate citizenship, they would routinely couple those reasons with descriptions of company engagement in the local community. From the interviews I conducted, I also found that respondents from domestic companies were especially sensitized to community concerns because of recent corruption scandals in prominent charitable organizations in Singapore. Many respondents referenced the National Kidney Foundation (NKF), a charitable organization that provides kidney dialysis programs, whose board and management were accused of misappropriating donated funds in 2005,⁶¹ as representing a landmark case in publicizing issues of CSR and organizational legitimacy in Singapore. Subsequently, respondents from companies that routinely supported charitable and welfare organizations remarked that CSR issues were now at the forefront in their decision-making as they had to reevaluate their screening criteria and support for those organizations.

Domestic companies in Singapore have a long-standing tradition of donating to charitable causes, supporting voluntary welfare organizations, and organizing and sponsoring community events like fundraising marathons (Saw 2008). Furthermore, some of these corporations were founded as family-run organizations with deep roots in pre-war Singapore's Chinese community where their founders were often community leaders and philanthropists. The United Overseas Bank (UOB), for example, is a financial and banking corporation that was founded in Singapore in 1935 by Chinese business individuals. To this day, the family of UOB's first chairman, Wee Kiang Cheng, remains its largest shareholder. According to Ms. Christine Lee, UOB's vice president of group communications:⁶²

UOB is a local company and I feel that, actually, the local companies can do more to demonstrate to the rest of the community that, in the first place, they shouldn't be looking at [multinational corporations] to sustain these [CSR] practices. As a local company, if you are not talking about really giving back to the community that you are making your money from, then you really should do something about it.

⁶¹ Siva Arasu, "The NKF Saga." *The Straits Times* (July 17, 2005).

⁶² Interview 18. July 28, 2010.

Another prominent example of connecting CSR to community and tradition was Singapore's largest domestic bank, OCBC Bank, which was founded in 1932, also by Chinese business individuals. When I asked OCBC's Ms. Koh Ching Ching about the origin of the bank's CSR practices, she emphasized that the bank's CSR activities were rooted in company tradition long before CSR was a business fad:⁶³

If you look back and look at our founders—Mr. Lee Kong Chian and also associated with Mr. Tan Kah Kee, and if you look at Tan Chin Suan—they have always been philanthropists in this part of the world: Singapore, Malaysia, Indonesia, China. So people see that it's believable that OCBC has always been helping businesses, helping individuals.

Coastal Developments, the real estate developer that other respondents acknowledged as a leader in the domestic CSR field, also has a strong family presence in its top management since its acquisition by a local financial group in the 1970s. Ms. Brenda Lee referenced her company's existing environmental activities—for example, integrating “green” technologies into their property developments—as an attempt to build on the traditional philanthropic activities of its forefathers:⁶⁴

You know, traditionally, we are a Singapore-based company. I suppose our forefathers, they tend to have a very traditional view of giving back to the community. That was right from the beginning with our founder. So, during the early days of Singapore, I think you'll find some of these early forefathers doing their part for the community and a lot of that tends to be very philanthropy-driven. But I think over the years things have evolved to beyond just donations and philanthropy. Maybe in the last decade or so, when the new generation took over, I think there was this realization by our top management that [Coastal Developments] could do more in the area of community than just philanthropy.

Ms. Lee referred to how Coastal Developments' managing director, and son of its founder, was “one of the strong drivers of CSR” in the company, with many “personal and social and community convictions” alongside his interests in environmental sustainability.

⁶³ Interview 12. July 5, 2010.

⁶⁴ Interview 14. July 7, 2010.

NTUC Income, one of Singapore's largest insurance companies, also references community and tradition in its recoupling efforts but with an emphasis on its embeddedness in its labor union tradition. As a co-operative and social enterprise, NTUC Income is one of the business arms of the government-established National Trades Union Congress. When I asked Mr. Tan Suee Chieh, NTUC Income's chief executive officer, about the relationship between CSR and his organization's core activities, he said:⁶⁵

Our history was really to help the underprivileged and the poor who aren't able to get insurance, to sell insurance to them. So we make insurance affordable, that was our history. So for the first thirty years, I believe the business is one of social enterprise, a co-operative enterprise. The co-op structure was what was set up and NTUC was the labor movement that eventually became big and successful. I think, even at that time, there was a need to raise funds for workers or union-related activities. But I think in the last ten to twelve years, we have also supported causes beyond the workers, like the arts—we are a distinguished patron of the arts—we support sports like football, we support children's dance groups, and we support children's charities of different types. I think, from motivation from my predecessors, I largely felt that we should do good with the surplus that we have beyond the issues related to trade union workers.

Mr. Tan, however, admitted that NTUC Income's adoption of the UN Global Compact was something he inherited from his predecessor—he made very few references to the UNGC framework but, instead, emphasized his organization's "unified CSR program" and many community projects. As an example of the company's integrity, Mr. Tan mentioned his company's intention to fully honor all insurance claims from damages wrought by recent torrential flash floods in Singapore's central shopping district just two weeks before my interview with him (Figure 5.6).

⁶⁵ Interview 20. August 3, 2010.

Figure 5.6
NTUC Income Advertisement

**You can be sure
of one thing
with us – someone
will pay for this.**



Insurance is made different at NTUC Income. That's why we've always got you covered, even knee-deep in a flash flood. So you won't have to worry about footing the bill, when you set foot on dry ground again.

To find out more, call us at 98 INCOME/6788 1333.

ntuc
income
made different

Source: *The Straits Times*, June 17, 2010

Delilah Foods' Mr. Leonard Koh also emphasized his company's community embeddedness and tradition in our discussion of the role of CSR practices in Delilah Foods. Although Delilah Foods is based in Hong Kong, its reputation in Singapore is better known through its ownership of Singapore's oldest supermarket chain that has been a major presence since its establishment as a foods importer at the beginning of the

twentieth century in Singapore. Speaking of Delilah Foods' experience with CSR, Mr. Koh told me.⁶⁶

We have been around here close to 107 years so we are very much part of the community as we are part of nation-building. Since 1903, I think. As a result of that and being such an old institution, an established institution in Singapore, we thought there's a lot we could actually do in terms of, not just simply being a commercial entity in Singapore, but more to the effect of being a caring institution. I think we ought to show ourselves in this respect. But this is more than something that has just started because, over the years, we have been involved in activities that relate in part to CSR.

Elaborating on Delilah Foods' contribution to national issues in Singapore, Mr. Koh also described the various community and social programs that his company supported:

We're looking at racial harmony, community bonding, social graciousness, we're talking about unity, we're talking about neighborliness, and we've very much been a part of these activities over the years. And why do we see a need to do all this? It's just that we've been in the country for such a long time. We've always been seen in some respect to be an overseas operator but I think the crux of the whole matter is that, because we've been around since 1903, we are very much a part of the local institutions.

Despite unfamiliarity with his company's UN Global Compact participation, Mr. Koh cited an impressive litany of CSR and community activities, many of which were devised in partnership with government agencies, underscoring Delilah Foods' institutional longevity as the basis for its community-based approach to CSR.

Domestic business' embeddedness in the local community was, thus, a key factor in corporations' recoupling efforts to justify existing practices in light of emerging CSR norms in Singapore. Domestic companies in Singapore have an extensive tradition of such civic-mindedness and have employed that tradition as a platform from which to begin examining new CSR practices that stem from global sources. Although CSR scholars and practitioners often stress that corporate social responsibility is distinct from philanthropy and traditional contributions to the local community, the conflation of philanthropy and CSR is not an unexpected outcome given the vague definitions and

⁶⁶ Interview 17. July 27, 2010.

broad applicability of the term to business' social and environmental practices. Nevertheless, despite corporate justifications of traditional action as the foundation for their CSR practices, my respondents' views suggest that traditional action also has the potential to sensitize corporations to newer global CSR expectations and standards.

5.8.5 Competitive Advantage: Recoupling as Instrumental-Rational Action

A third recoupling strategy that companies employed to circumvent the uncertainty of vague definitions and the broad applicability of CSR standards was to perceive corporate social responsibility as integral to their *competitive advantage*. I argue that justifications of competitive advantage stem from an instrumental-rational orientation to action, described by Weber (1947:115) as “rational orientation to a system of discrete individual ends, that is through expectations as to the behavior of objects in the external situation and of other human individuals, making use of these expectations as ‘conditions’ or ‘means’ for the successful attainment of the actor’s own rationally chosen ends.” Corporations that approach CSR engagement as a means to achieve competitive advantage explicitly state that their CSR activities will distinguish themselves from their competitors and potentially contribute to their profits.

The companies I interviewed did not offer competitive advantage as the sole factor for CSR engagement. Many respondents also stated personal values and convictions, community relations, and external pressures as reasons for CSR adoption. Nevertheless, these companies perceived CSR practices as a means of “adding value” to their products over and above products offered by their competitors. Respondents in this category perceived their potential customers as discerning consumers that were seeking products and services that were produced and rendered responsibly. Overall, I found that small-to-medium enterprises were more likely to use competitive advantage justifications as responses to the uncertainty generated by decoupling. Smaller companies face extreme cost and resource constraints and many of them do not have the latitude to set aside dedicated budgets for CSR activities or to examine the CSR implications of each link in

their business operations. Although SMEs do not face the same degree of public scrutiny as larger companies, many respondents I interviewed also revealed perceived pressures to engage in new CSR practices, especially practices that were environmentally friendly. As such, smaller companies face the uncertainty of not having explicit standards of CSR or standards that were sensitive to smaller companies' needs despite pressures to engage in CSR. I argue that SMEs use competitive advantage justifications—the perception that CSR will make their businesses more competitive or efficient—as means of recoupling CSR practices to CSR norms.

In my interview with Mr. Gregory Street, general manager of Origin Exterminators, a small pest control services provider, for example, I asked how CSR concerns were related specifically to companies like his. Mr. Street noted that extermination companies had to be particularly careful with the chemicals they used in their operations:⁶⁷

Obviously, what we do does have an impact and certainly if you're not careful with the chemicals you use, then you can affect non-target organisms—dragonflies, butterflies, all that. And also it was a way for us to try and differentiate ourselves. The pest control market is very competitive, there are more than 200 companies currently in Singapore. So, if you want to stand out, you really need either to have superb service or have some differentiator, and environmental concern was one thing we used for differentiating.

But that also carried on even with the decision to expand our CSR activities. You may not be aware but, a couple of years ago, there was a lot of negative press about pest control companies. There were six firms that were caught colluding on price. Obviously, we weren't one of them. So, everyone gets tarred with the same brush and we wanted to say, "No, not everyone is like that." So that was also my key towards stepping up our efforts.

Mr. Street also acknowledged, however, the substantial cost barriers when it came to actually implementing CSR practices and reporting on CSR activities. When I asked if participating in the UN Global Compact had offered any specific advantages to Origin, he said:

I don't know whether it has given us any specific advantage. But what I was talking about earlier as a means to differentiate ourselves, that's been useful. And

⁶⁷ Interview 27. July 19, 2010.

obviously the whole list of rules, these principles that we agreed with. But then also it did provide us with, not a structure, but something we can align ourselves to. Because we are looking to continually improve, when we signed up and we saw the [ten principles of the UNGC], it was a good opportunity for us to review our practice in terms of, you know, when a technician joins us, do we make clear about the lack of discrimination and all the rest of it? So, that actually led us to create a staff handbook so that we could be very transparent. In that regard, I would say it's been useful because we've been able to align ourselves to that.

Companies using competitive advantage justifications also routinely perceive CSR practices as forms of investment rather than costs. In my interview with Winpac's managing director, Ms. Genevieve Chua,⁶⁸ she emphasized how her company, a paper products merchant and supplier, was extensively involved in environmental solutions such as recycling and offering recycled paper products to its customers as alternatives to regular paper. Ms. Chua noted, for example, that Winpac was an environmental pioneer in the paper industry and the first corporation in Singapore to be certified by the Forest Stewardship Council (FSC). When I asked Ms. Chua about how Winpac balanced the cost of these activities with their resource constraints, she noted that public opinion was more receptive to costlier but greener products and this could be a potential source of investment for the company:

I would really like to say this: it's an investment and not really so much of a cost.

Just like FSC itself is a huge industry—it's about US\$20 billion around the world. It's not so big yet in Singapore but has been growing. So, as I've said, being part of a group actually has benefits, on a group level. As a sort of future investment, we look at new divisions or products overseas and staff training and all that. So it is a very important thing, environmental health and safety.

Likewise, HSR's Patrick Liew discussed his plans to incorporate CSR in HSR's organizational profile in the lead up to publicly listing his company on the Singapore Exchange. He emphasized how he intended to promote CSR practices as an integral part of his corporation's business operations in order, for example, to appeal to potential shareholders.⁶⁹

⁶⁸ Interview 22. July 6, 2010.

⁶⁹ Interview 25. July 3, 2010.

I know that [CSR] is part of my business model. It means if you buy my shares, you buy my service in my current business model. My current business model already has this. It's not something where I suddenly decide to do something or cut money on doing it. When you buy a share in my company, you believe in my business model, you also believe in what I'm doing.

When I asked the Singapore Compact's Kim Minju about the state of SME participation with the Singapore Compact, she told me that the Singapore Compact was currently doing more outreach programs to involve SMEs in CSR activities. At the time, Ms. Kim was also involved in writing case studies of SMEs in Singapore that had notable CSR practices. Of those case studies, she remarked on how SMEs had the potential to integrate CSR as part of their business strategies in order to overcome the resource obstacles and cost constraints that larger companies did not face when engaging with CSR practices:⁷⁰

I am actually in the process of writing two SME stories and it's really compelling. They are in very different industries. One has started documenting their practices back in 2006 so they are more or less established. Scale-wise, they are more or less smaller but it is amazing the way they put CSR into their business strategy and try to differentiate themselves in the market. The other one is quite different. They have so many interesting stories about the way they give back to their staff for working [long] hours. They've even converted a part of their factory into dormitories for foreign workers. And these are the things that you don't think will happen in SMEs but it happens.

Despite using competitive advantage as a recoupling strategy, however, several respondents from SMEs also had doubts about whether closely aligning CSR with their business models would ultimately yield tangible results. Like HSR's Patrick Liew, Cyberville's Paul Liew was unsure if CSR practices were necessarily something that SMEs could really afford to engage in. Despite investing heavily in, for example, in employee welfare, waste reduction, and introducing more efficient electricity consumption, Mr. Liew told me:⁷¹

At this point, having been a CSR member, there isn't much impact from the business perspective. I mean, in marketing much later, we can say that we are [responsible] but I don't think many of our clients or prospective clients actually would favor us more than any others. Obviously, they will say in their evaluation,

⁷⁰ Interview 3. July 26, 2010.

⁷¹ Interview 24. July July 3, 2010.

yes, this company is more aware in this respect, so that shows you are honest and you do whatever is right. But that may not be the major criteria. It does give us a slight advantage but not a lot at this point.

Mr. Liew's personal observation concurs with many existing studies that show little correlation between CSR and financial performance (cf. Margolis and Walsh 2003) despite the prevalent mantra in CSR circles that "doing good is good for business." Nevertheless, competitive advantage justifications were factors that at least more than a few SME respondents cited as means to integrate CSR into their companies and SMEs were more likely to cite these justifications compared to larger transnational or domestic corporations.

Because smaller companies face cost and resource constraints to a greater degree than larger corporations, where there is considerable financial and organizational latitude to engage in CSR, SME decisions to integrate CSR practices are not perceived solely in value-rational or traditional terms. For the SME respondents that proposed an instrumental-rational view of CSR, they regarded CSR as integral to their business models, as potential generator of "value" to their products and services, or as key to distinguishing themselves from their competitors. This was the primary justification in their efforts to balance pressures for CSR adoption and what they perceived to be the uneasy fit between current global CSR norms and small business operations.

5.9 Conclusion

In this chapter, I have demonstrated how research on the reception and implementation of CSR in a case study of organizations in the Republic of Singapore can contribute to theories of globalization and cross-national processes. First, I argued that research on how global ideas impact domestic practices should take into account the potential of decoupling. Existing explanations typically describe this process as one of either the rejection of global ideas or the adaptation of those ideas to fit domestic contexts. I apply the *decoupling* concept from institutional and world society theory to highlight a third

possibility: the formal adoption of global ideas but with only loose coupling to actual domestic practices. I highlight this process by examining the endorsement of the UN Global Compact and its adoption by corporations in Singapore.

Second, I expand on institutional and world society conceptions of decoupling and receptor sites by introducing the potential of lateral decoupling between domestic receptor sites of global norms and ideas. The world society approach, for example, conceives of professional associations as prime *receptor sites* for global models and frameworks. In this chapter, I demonstrated how other organizational fields, that include state actors as well as corporations, also serve as effective receptor sites for global CSR frameworks. Both state actors and corporations have ties to international organizations and can thus act as facilitators of global CSR standards. Furthermore, I also argued that competing interests and orientations between state, corporate, and nongovernmental actors regarding the practice of CSR resulted in a *lateral decoupling* between those receptor sites. From my interviews with CSR practitioners in Singapore, I showed how lateral decoupling generated considerable uncertainty about the status of CSR norms and the broad applicability of CSR frameworks and standards to corporations in Singapore.

Third, in response to standard institutional accounts of the *vertical decoupling* process, I argued that the consequences of decoupling do not cease with organizational actors merely disconnecting formal policies with actual practice. I demonstrated how the uncertainty generated by decoupling processes and the degree of openness of corporations to ongoing environmental influences have prompted corporations to engage in *recoupling* efforts. Evidence from my fieldwork and interviews demonstrates that corporations engage in recoupling strategies in order to minimize the uncertainty resulting from having to balance external pressures for CSR adoption with internal needs such as organizational values and identities and cost and resource constraints. I show how the type of recoupling efforts that corporations engage in depends on how they balance those pressures and constraints. Transnational corporations and large domestic companies in Singapore are relatively free from resource constraints and were more likely to emphasize value-rational *immanence* strategies to connect existing practices with adopted

norms. Domestic corporations, especially those with long-standing ties to the local community, on the other hand, were more likely to stress *traditional and community* efforts in the process of engaging with CSR practices. Finally, smaller companies and small-to-medium enterprises, that are most conscious of cost considerations and resource constraints, were more likely to justify CSR engagement as instrumental-rational *competitive advantage* strategies.

One of my aims in this chapter was also to demonstrate how factors at the country-level can have dramatic impact on channeling global CSR ideas and how those channels can be obstructed and distorted by institutional and economic factors as well conflicting interests and positions between organizational actors. Future research can examine if the factors I have identified in this chapter can explain differences within countries of the implementation of multiple CSR frameworks. Throughout this dissertation, I have compared CSR frameworks of different levels of stringency. Frameworks like the UN Global Compact are relatively cost-free for corporations to participate in while frameworks like the Global Reporting Initiative or ISO's new 26000 modules are more onerous in their reporting requirements. More research needs to be done on how these frameworks compare in their applicability to various actors in domestic contexts. My findings suggest, for example, that government actors are more likely to favor ceremonial approaches to CSR that require fewer sacrifices from corporations in order to avoid more regulation of corporations. Civil society actors, on the other hand, are more likely to insist on more onerous CSR frameworks, pressuring corporations to consistently disclose their social and environmental practices. As a result, corporations, caught between these two poles while having to consider their cost and resource constraints, are likely to perceive CSR as vague and inapplicable, as an obstacle rather than a responsibility to the wider society. To a large extent, reducing the degree of lateral decoupling can ameliorate the uncertainty regarding CSR that corporations face. Further comparative work on different CSR frameworks can explore the future direction of global CSR norms and standards.

As CSR ideas and practices become more salient across more corporations in countries all over the world, future research can also examine how the country-level factors and implementation processes I have discussed in this chapter compare to CSR adoption and implementation in other countries. Obviously, the matrix of state, corporate, and civil society interests will vary considerably across countries and cross-country case studies will help to test some of institutional and world society theory's assumptions about cross-national diffusion and decoupling processes. In that regard, my discussion of multiple receptor sites, lateral decoupling, and recoupling efforts can help to adjudicate evidence about CSR implementation from other case studies. As developing countries' economic activities become more embedded in cross-national processes, global actors will likely push for more changes in those economies to hold corporations accountable to global standards of human rights, labor, and the environment. Further comparative work in this area can examine the extent to which decoupling and recoupling processes work in different countries to either hinder or improve corporations' social and environmental practices.

Chapter 6

Virtue from Markets?

Reflecting on the Moral Regulation of the Economy and Future Developments in Global Corporate Social Responsibility

6.1 Reflections on the Moral Regulation of the Economy

The arguments I have presented in this dissertation demonstrate that corporate social responsibility in today's globalizing world is no longer the sole province of the corporation or the local communities in which corporations operate. From its emergence, cross-national diffusion, through to its implementation in domestic contexts, CSR has been debated, shaped, and pushed in all manner of trajectories by a wide variety of actors. Corporations remain central to CSR, undoubtedly, but the preceding chapters of this dissertation reveal that CSR is as much a product of changes in corporations' external environments as it is a practical concern for corporations balancing stakeholder pressures and their cost and resource constraints.

From previous sociological approaches to society-economy relationships, I derived an analytic framework that specifies four possible sociological domains from which events, channels, and factors can dramatically alter how social actors perceive and respond to the behavior of corporations. When social actors respond to disjunctures between these domains with calls to regulate corporate behavior, they engage in a form of moral regulation of the economy whereby they attempt to shape the institutions that govern macro society-economy relationships. Global CSR frameworks, I have argued throughout this dissertation, are a prime example and result of these moral regulation activities. The

analytic framework I present is rooted in sociological theories that have extensively analyzed the relationship between social institutions and political economy factors. This dissertation has integrated their insights to derive a multi-causal and multi-level framework from which to understand some of the broader social forces at play when social actors, including corporations themselves, call for the regulation of economic activity.

In my examination of the historical evolution of the intergovernmental CSR field, I showed that events in institutional and economic domains at both global and domestic levels first prompted global actors to raise the question of the regulation of corporations. Despite the recent emergence of global CSR frameworks like the UN Global Compact and the Global Reporting Initiative, I have shown how global CSR concerns go as far back as the 1960s with calls by developing countries to regulate the actions of transnational corporations. I have also demonstrated how field and social movement theories can aid the understanding of institutional emergence and change. Responding to events in broader external environments, field-level action, such as the mobilization of governments and UN actors, resulted in distinct institutional outcomes and changes in the intergovernmental CSR field.

In my quantitative analyses of the cross-national diffusion of global CSR frameworks, I demonstrated how the country-level environments in which corporations are embedded can help explain the global expansion of CSR. The diffusion of global CSR frameworks is widespread across many corporations and countries and global institutional channels such as international nongovernmental linkages have contributed to this cross-national convergence in endorsement of global CSR principles. My findings also revealed that global economic channels, such as bilateral trade relations, also serve as conduits for CSR pressure, and that corporations in developed and developing countries have different approaches to CSR commitment. These additional findings suggest that accounts of cross-national diffusion can benefit from explicitly weighing both institutional and economic explanations.

Finally, in my study of the reception of global CSR frameworks in domestic contexts, I showed how national-level factors shape the implementation of global CSR ideas in a case study of CSR practitioners in the Republic of Singapore. Although a country may have multiple receptor sites to facilitate the transfer of global ideas and practices, the extent to which these receptor sites cohere in their approach to global CSR affects how corporations perceive the utility and applicability of global CSR frameworks. In the case of Singapore, there is extensive lateral decoupling between state, corporate, and civil society approaches to CSR, resulting in considerable organizational uncertainty for corporations that engage in CSR. Corporations respond to this uncertainty with various recoupling strategies that depend on how they reconcile their existing practices and organizational identities with CSR standards.

In sum, approaching the global expansion of CSR from the perspective of the moral regulation of the economy has enabled me to account for various aspects of the emergence, diffusion, and reception of global CSR frameworks that may not be adequately explained from a firm-level perspective. Seen at the micro level, corporate social responsibility appears to be about firms managing their costs and reputations. At the macro level, however, corporate social responsibility is the product of powerful institutional and economic forces at both global and domestic levels that shape how corporations and other social actors perceive the legitimacy of corporate practices to begin with.

6.2 Institutional Theory and the Dynamism of Social Institutions

Throughout this dissertation, I have found the arguments of new institutional and world society theories to be powerful tools in explaining the worldwide convergence of corporate social responsibility through global CSR frameworks. By constantly engaging with various aspects of institutional theory in the studies presented in this dissertation, I have also sought to critique and refine some of institutional theory's key assumptions and propositions. The arguments and findings I present in this dissertation reveal that social

institutions are dynamic entities that are subject to change due to social actors' mobilization efforts, political economy of the world system, and decoupling and recoupling processes. In this section, I argue that institutional theory's main oversight is a lack of attention to this dynamism inherent in social institutions. I focus on world society theory and I show how a critique and refinement of the theory can provide a more robust framework that accounts for institutional change, inequality, and decoupling. Despite broad institutional isomorphism and stability in the world polity, there are still many important social processes that occur within the umbrella of social institutions that institutional theory can encompass with some refinement and extension of its core assumptions.

One persistent critique of institutional theory is that it lacks the tools and concepts to explain *institutional change* (Abbott 1992; Hirsch and Lounsbury 1997). Institutions are, by definition, persistent and taken-for-granted (Jepperson 1991) so criticisms of not explaining change may be a moot point. Why, then, should world society theory be concerned with issues of institutional change? One key assumption of institutional theory is that social institutions are "higher order" levels of social reality that are external to and coercive of "lower order" social phenomena. If institutional change occurs, the effects on the behavior of lower order social actors can be dramatic as Meyer (2010) himself documents in his survey of the rise of the nation-state as a legitimate global actor. Furthermore, institutions do undergo considerable transformation even within relatively short spans of time. My examination of changes within the intergovernmental CSR field, for example, reveals changes in patterns of cultural rules that stipulate the relationship between corporations and countries, resulting in distinct institutional outcomes over a period of three decades. Scholars within the new institutional tradition have also documented institutional change at the level of the organizational field (Hoffman 1999; Scott et al. 2000).

What these arguments, including arguments I make in this dissertation, suggest is that institutional theories require a more robust account of lower order social action and how that action can push for the emergence of new institutions. One fruitful way of

conceptualizing lower order social action that can lead to institutional change, as I argue in my chapter on the intergovernmental CSR field, is by more explicitly linking social institutions to notions of “strategic action fields” (Fligstein and McAdam 2011) where field actors often employ social movement-like strategies to compete and dominate particular social domains. Social movement theories (McAdam et al. 2001; Armstrong and Bernstein 2008) have already presented well-researched mechanisms of social mobilization that can specify field-level action. Field-level mobilization can have dramatic effects on higher order cultural patterns especially in fields where prominent actors are responsible for constructing broad frameworks that encompass the behavior of organizations around the world. In the case of the intergovernmental CSR field, I showed how field change determined the current shape and content of global CSR frameworks. Therefore, future institutional research can continue to examine if field-level change correlates with institutional change at the broader level. Incidentally, institutional theories can also contribute to understandings of social fields by specifying the outcomes of field-level action. Field theories (Bourdieu 1985; Martin 2003) often focus on the internal properties of fields, competition within fields, and field stability without asking if fields can be distinguished from one another without reference to internal field characteristics. Institutional theory suggests that even structurally similar fields can have different cultural properties and outcomes.

Another possible criticism of institutional theory, especially of world society arguments, is that it does not sufficiently consider factors in the *political economy* of the world system that emphasize the primacy of economic relationships (Wallerstein 1979) or the inequality in cross-national relationships (Beckfield 2003) across countries. Again, this criticism may be a moot point because Meyer’s world society theory was derived, in part, as a riposte to Wallerstein’s world-systems approach (see, for example, Meyer’s [1982] review of the second volume of Wallerstein’s [1980] *The Modern World-System*). In world society theory (Meyer et al. 1997; Meyer 2000), domestic needs and conditions and inequalities between countries do not explain the relatively consolidated and stable institutionalization of progressive norms at the global level, at least since after the Second World War. Furthermore, these global norms come to shape countries’ domestic practices

regardless of their local needs and conditions, as in the spread of environmental (Frank et al. 2000) and human rights (Hafner-Burton and Tsutsui 2005) norms. Nevertheless, the institutionalization of world culture may also obscure considerable differences between different regions of the world despite their shared institutions. Considerable inequalities exist, for example, even in networks of international organizations between the developed and developing worlds (Beckfield 2003) and developed countries often pressure other countries to adopt measures that they themselves do not abide by (Chang 2002).

In this dissertation, I have proposed that studies of global and transnational processes should be cognizant of these differing patterns that exist between the isomorphic world society of norms and institutions and the unequal world system of domination and hegemony. World society scholars have only casually referenced work in world-systems analysis (Frank 1999; Meyer 2010) while world-systems scholars have not engaged with world society theory in any way. As I suggest in this dissertation, a more explicit dialog between the two schools can produce insights into these differing “worlds” and, more specifically, the consequences that ensue when there are contradictions between institutional and economic domains. My findings, for example, suggest that these contradictions can result in further pressures to alter existing institutions. In empirical research, scholars can test, for example, whether foreign economic relations can serve as channels to improve corporations’ practices (Prakash and Potoski 2006), conditional upon global institutional linkages, or with more explicit comparisons of how institutional effects impact different regions of the world (Longhofer and Schofer 2010). Despite the far-reaching implications of the institutionalization of world culture, global norms may have deep resonance only in specific regions of the world, though not always in the regions that we would expect (as the pattern of organized hypocrisy among corporations in developed countries suggests). Direct comparisons of world society and world-systems arguments can help define the limits of institutional theory.

Critics have also pointed to institutional theory’s casual treatment of the *consequences of decoupling* (Perrow 1985; Hall 1992), suggesting that it is precisely decoupling outcomes that should be examined closely. I have shown in my study on the reception of global

CSR ideas, however, that decoupling can be a useful concept to explain why domestic actors may neither resist nor adapt global ideas but formally adopt them without much connection to actual practices. Research in organizations (Brunsson 2002) and international relations (Krasner 1999) have also effectively employed the decoupling imagery. In fact, in their foundational article, Meyer et al. (1997:167) have also theorized that decoupling can serve as a source of further change and dynamism in world society. Nevertheless, Meyer (2009, 2010) has seemed reluctant to further explore the specific consequences of decoupling since decoupling processes do not seem to result in the delegitimizing of world culture and global norms: specific nation-state actors, for example, may not implement human rights or women's education policies but human rights treaty ratification (Hafner-Burton and Tsutsui 2005) and women's participation in higher education (Ramirez and Wotipka 2001) around the world increase anyway.

Despite those observations, I have argued in this dissertation that overlooking decoupling outcomes is inconsistent with the fundamental premise in institutional theory that organizations (or nation-states in world society theory) are open systems consistently penetrated by environmental influences. If organizations employ decoupling as a strategy to maintain outward appearances while protecting their internal activities, it seems unlikely that those appearances can be kept up for long without subsequent scrutiny from external actors. In the case of corporate social responsibility, this may even be exacerbated as corporations come under intense scrutiny for their CSR promises. In cross-national processes, for example, Hafner-Burton and Tsutsui (2005) document how nongovernmental actors pressure non-complying governments to improve their human rights practices. Furthermore, I have also argued that decoupling can generate considerable uncertainty even for complying organizations, prompting them to look for recoupling strategies to mitigate the consequences of decoupling. Since examining the outcomes of decoupling is entirely consistent with institutional theory's key assumptions, future institutional research can examine decoupling processes in more detail to explain how those processes lead to further dynamism in social institutions.

These extensions and critiques of institutional theory can enable future institutional research to overcome some of the shortcomings in the theory's account of change, political economy factors, and decoupling. With more scholarly attention to these issues, institutional and world society research can develop broader frameworks that capture both isomorphic and dynamic aspects of institutions.

6.3 Future Developments in Global Corporate Social Responsibility

Corporate social responsibility has clearly become an institution in modern societies, not only as it pertains to specific corporate practices, but also as a broad framework within which social actors debate the legitimacy of corporate activity and its social and environmental consequences. This dissertation has examined the development of CSR as a global institution, from the emergence of corporate governance frameworks in intergovernmental forums to the subsequent impact of those frameworks on corporations and other organizational actors across many countries. As many observers have emphasized (Davis, Whitman, and Zald 2008), CSR concerns are now considerably cross-national in scope and not confined to domestic needs and contexts. Future developments in corporate social responsibility will continue to reflect these cross-national dimensions.

First, CSR will become an increasingly *rationalized* institution, subject to quantification, standardization, and certification (cf. Meyer 1994, 2009:55; Drori et al. 2006). The rationalization process will likely stem from international nongovernmental organizations that offer consulting and certification services to corporations interested in engaging with CSR practices (Baden 2010:97). Civil society organizations will continue to scrutinize corporate practices but their adversarial positions may be overtaken by NGOs that help corporations engage with CSR both within and outside of intergovernmental bodies. International organizations like ISO and the Global Reporting Initiative have already started to offer more rigorous disclosure mechanisms. Existing industry-level frameworks that are more stringent, especially environmental initiatives that already contain

measurable standards, will serve as models for future global CSR frameworks (Leipziger 2003; Moratis and Cochius 2011).

According to world society theory, the rationalization of global models reflects social actors' belief in universalistic principles and scientifically articulated systems of control (Strang and Meyer 1993; Meyer 2000) and frameworks embodying these principles will see rapid cross-national diffusion. CSR practitioners and advocates currently conceptualize global CSR initiatives as risk management strategies to bring CSR concerns in line with business interests (Kyle and Ruggie 2005), pushing CSR away from "altruistic" or philanthropic considerations towards further integration into everyday business practices. To that extent, corporate social responsibility is fast converging with other quality assurance certification systems that present quantifiable standards that corporations can measure their practices against. Although world society studies suggest that such initiatives will see rapid adoption across organizations around the world, it still remains an open question as to how applicable these new rationalized CSR standards will be to a broad constituency of corporations. Although these standards are typically freely available to interested organizations (Cao and Prakash 2011), actual auditing and certification will present considerable cost, for example, to smaller corporations.

Future research can examine the types of corporations that adopt these rationalized CSR standards, weighing internal and external pressures for adoption, and compare rates of adoption to that of other more declaratory CSR frameworks. As the rate of adoption increases in a particular organizational field or country, it is also likely that related domestic human rights and environmental practices may improve due to the spillover effects of corporate engagement in CSR. Research can examine the subsequent impact of these rationalized standards on internal firm factors as well as in the more general human rights and environmental fields in which corporations are embedded.

Second, questions will continue to surround the *governance mechanisms* of global corporate social responsibility. Most, if not all, existing CSR frameworks today are not legally binding and do not have explicit sanctions for non-complying corporations. As

such, CSR developments will reflect reputational “club” benefits (cf. Potoski and Prakash 2005) and positive reinforcement mechanisms rather than conventional top-down approaches to the regulation of corporations. Although governments, as with the UN Global Compact, will continue to endorse CSR initiatives for a variety of reasons, it is unlikely that governments, given the history of global CSR frameworks at the intergovernmental level, will intervene directly in the content and direction of CSR. Government endorsement of CSR will, as I have shown in this dissertation, create environments that are more conducive for corporations to improve their social and environmental practices but government measures will likely be carried out through ceremonial and symbolic rather than legal channels.

As such, the shape and content of CSR may increasingly reflect market mechanisms (Hendry 2001; Davis 2009; Krippner 2011) rather than state, organizational, or social interests. Previous research has suggested that the evolution of corporate social responsibility and the rise of neoliberal economic governance is not a coincidence (Kinderman 2009, 2012). Some of the results of my cross-national analyses have also shown that liberal economies encourage CSR adoption (although in these cases commitment may be ceremonial rather than substantive). Future research along these lines can continue to examine, in both quantitative and case studies, the ways in which countries’ economic policies make it more likely that CSR measures will remain voluntary or whether those measures will translate into more legally binding regulations for corporations. Particularly, scholars can examine if CSR measures in neoliberal economic contexts lead to better CSR practices regardless of state intervention or whether CSR will remain a product of organized hypocrisy.

Another likely governance mechanism is the continuing pressure exerted by “civil regulation” (Vogel 2005). Although Vogel uses civil regulation to refer to any form of CSR pressure outside of government regulation, I have found global civil society channels particularly effective in diffusing CSR ideas. This is particularly pertinent to global CSR concerns because, as world society theory indicates, there is no centralized world authority that dictates global rules by fiat. Civil regulation will continue to play a

prominent role in CSR as nongovernmental channels serve to diffuse and promote standards of responsible corporate behavior. Nevertheless, it is uncertain if civil society actors will continue to scrutinize corporate behavior from an adversarial position or if they will develop more professional relationships with corporations in order to facilitate third party monitoring and certification (cf. Winston 2002; Doh and Guay 2006). Existing studies (Vogel 2005; Bartley 2007a) suggest that civil society actors will become closely involved with corporations and, in the process, contribute to developing settlement and compromise solutions for voluntary CSR initiatives. Many new CSR NGOs, like the CSR Asia organization I interviewed, provide consulting services for corporations, either on a profit or non-profit basis. If my lateral decoupling argument in Chapter 5 applies to other national contexts, this suggests that nongovernmental involvement can serve to connect government and corporate approaches to CSR (Doh and Guay 2006). Additional research can study the development of this nongovernmental CSR field, its relationship with governments and corporations, and the degree of consensus or conflict in the field regarding the appropriate governance mechanisms in CSR.

Third, with the increasing institutionalization of corporate social responsibility standards across countries, there is also the likelihood that corporations will continue to respond to external CSR pressures by *decoupling* adopted CSR policies with actual practice. It is unlikely, as world society theory predicts, that the growing convergence of CSR norms will be accompanied by a uniform improvement in corporations' social and environmental practices. As corporations face considerable pressure to demonstrate corporate citizenship, many will respond by adopting global CSR frameworks regardless of their capacity or will to fulfill the principles of those frameworks (cf. O'Rourke 2004). In previous chapters, for example, I have demonstrated that levels of CSR commitment are uneven across different regions of the world despite widespread endorsement of global CSR principles.

Although world society approaches do not anticipate decoupling to be a significant obstacle to the diffusion of global norms, critics of corporate social responsibility emphasize that it is precisely decoupling that is the major problem with global CSR

frameworks (Smith 2010), especially when there are few sanctions on non-complying corporations. In this regard, decoupling reflects not merely corporations' lack of capacity to fulfill their CSR commitments but a deliberate attempt to mislead their stakeholders. Nongovernmental and bilateral trade channels will continue to facilitate the diffusion of global CSR norms but the overall convergence in global CSR may obscure the different ways in which corporations in different regions of the world respond to CSR pressures. Additional research can study the factors that push decoupling to be more endemic in specific industries or countries compared to others.

To what extent will decoupling have consequences for the future direction of CSR? I have argued that it is likely that external observers, either governments or civil society actors, will continue to monitor decoupling in corporate approaches to CSR, targeting prominent corporations that publicly demonstrate corporate citizenship but do not enforce CSR principles in practice. Decoupling will provoke further controversy and may ignite more calls for corporations to adhere to their CSR commitments. Although unlikely, governments may respond by instituting more regulations for corporations in areas of public concern. Otherwise, civil society organizations will rely on naming-and-shaming strategies to highlight decoupling to concerned shareholders and members of the public. These responses will result in further dynamism in the field of CSR and corporations' decoupling strategies may have the unintended consequence of actually leading to more responsible corporate behavior. Future research can examine if the extent of decoupling in an organizational field or country correlates with subsequent improvement in CSR practices. Another possibility is that pervasive decoupling may delegitimize the CSR movement in the long run, leading corporations and other organizational actors to abandon voluntary CSR efforts. In this scenario, civil regulation efforts will have failed to improve corporate behavior and, given the possibility of future corporate scandals in the areas of human rights and the environment, prompt governments to intervene by setting legally binding limits on corporate behavior. Cross-country comparisons can be particularly useful in this case to determine the factors that result in direct state management of crises that have origins with egregious or negligent corporate behavior.

6.4 Virtue from Markets?

At the outset of this dissertation, I posed the puzzle of the global expansion of corporate social responsibility. Why have corporations across the world engaged with CSR issues by adopting global CSR frameworks despite few tangible benefits from doing so? Why are some countries more conducive for CSR and why are there cross-national patterns in CSR commitment? Through studies that examine the emergence, diffusion, and reception of global CSR frameworks, this dissertation has demonstrated the global origins and determinants of global CSR frameworks by connecting corporations' CSR practices to changes in the wider social and economic environment that create pressures for the moral regulation of the economy.

Corporate social responsibility will continue to be a controversial issue as long as it is seen only within the strict confines of corporations' financial interests. Business skeptics will defend a corporation's right to serve its own financial interests within the boundaries of the law while social activists will see those same financial interests as the root cause of corporations using CSR to whitewash their misdeeds. Both perspectives are correct, of course. Corporations need to protect their financial interests if they want to survive and prosper and corporations have committed, and will continue to commit, human rights and environmental abuses if left unchecked. Nevertheless, corporate social responsibility emerges from and exists in a social context that encompasses more than just corporations' financial interests. This dissertation has shown how powerful institutional and economic forces in a firm's environment can shape the content and direction of CSR despite not having financial benefits for corporations or improvements in actual corporate practices.

These larger forces of moral regulation, including the efforts of non-business entities like governments and nongovernmental organizations, may be prompted by economic events but their responses are not bound by the balance sheets of corporations. In that regard, actors like international nongovernmental organizations are "irresponsible" (Lechner and Boli 2005:123) in the sense that they push for the spread of global progressive norms

without heeding the consequences of their actions. Likewise, from a moral regulation perspective, corporations are “irresponsible” not only because they commit human rights and environmental abuses but also because they respond to those moral pressures by supporting CSR principles without regard for their capacity or will to abide by those principles. It is the causes and consequences of these moral regulation efforts, and how they have resulted in the global expansion of corporate social responsibility, that this dissertation has attempted to explain.

If all that the moral regulation of the economy produces is “irresponsible” behavior, this then raises the question: What is the point of corporate social responsibility if it does not make money for corporations or improve their social and environmental practices? In this dissertation, I have argued that there *are* consequences to the spread of CSR ideas and practices. As corporate social responsibility becomes further entrenched as a social institution, even corporations that do not see the need to engage with CSR ideas will come under increasing coercive, normative, or cognitive pressures to take CSR seriously. Governments and civil society actors will also continue to use CSR standards to judge corporate practices as will corporations themselves with their trading partners or with countries they invest in. As the gap between corporate commitment and CSR principles widens, social actors will invest more energy in moral regulation efforts, resulting in continued dynamism in the CSR field. All these CSR processes, I argue, will grow from strength to strength regardless of any financial returns to corporations. Existing research has revealed that some of these patterns are already taken for granted at the industry level (Hoffman 1999; Bartley 2007a) and the findings of this dissertation indicate that these same CSR pressures have become truly transnational in scope.

At recent as five decades ago, international observers were skeptical that international human rights treaties, for example, would change much in governments’ actual human rights practices. What the global institutionalization of human rights has demonstrated, however, is that this growing attention to human rights concerns has in fact altered many governments’ approach to domestic human rights issues (Hafner-Burton and Tsutsui 2005). Paradoxically, governments’ empty promises to uphold human rights have led to

actual improvements in human rights practices. The global expansion of corporate social responsibility that I examine in this dissertation suggests that the development of global CSR concerns will reflect this pattern as well.

In *The Market for Virtue*, David Vogel (2005) calls for corporations to further engage in civil regulation efforts despite his observation that the market for virtue is far more limited in scope than CSR advocates would like to believe. From an economic or firm-centered perspective, Vogel's recommendation may be overly optimistic since there is little financial incentive for corporations to engage in CSR to begin with, much less for corporations to be a party to government and civil regulation efforts. From the moral regulation perspective, on the other hand, the lack of a market for virtue will not impede the global expansion of corporate social responsibility. As CSR efforts continue to expand around the world and penetrate the domestic practices of many corporations, external institutional and economic factors will instead generate further moral pressures on corporations and social actors to seek virtue from markets.

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