Transforming Identities: Defining Corporate Social Responsibility in the European Union

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Abstract:
Given the immense power wielded by corporations in our world today, their role in our societies has become a crucial consideration in recent decades. How we perceive corporate responsibility towards society and the environment will determine how we tackle global challenges such as the financial crisis, global warming, or human rights enforcement. However, the definition of what that corporate social responsibility (CSR) should be has been intensely debated (Dahlsrud, 2006: 2). This is perhaps due to inevitable paradoxes in its aims and implementation, that is, where 'contradictory interpretations' of a situation appear to be true depending on the perspective taken (Stone, 2002:1). In 2001, the European Commission launched a policy of promoting CSR as something companies do "on a voluntary basis" (EU COM, 2001: 1). By 2011, the Commission adapted CSR to be defined as "the responsibility of enterprises for their impacts on society" (EU COM 2011: 6). This reflects a transformation of CSR from a form of voluntary private philanthropy, to an integral part of corporate citizenship.

This paper sets out to examine the European Commission's policy for promoting CSR in the EU between 2001 and 2011, asking the question of what led to this transformation in its definition. First, the various problems that gave birth to the idea of CSR are laid out, along with a discussion of how it has come to be promoted as national or European policy. Then, we analyse the explicit and implicit aims of EU policy-makers had in making their choices, as given in Commission memoranda and publications, as well as the work of CSR scholars. Third, we proceed to evaluate to what extent the policies in place from 2001 to 2011 have been effective at achieving their intended goals, based on a compilation of published reports, while exploring how these policy tools are aimed at transforming the identities of corporations (Ruggie, 2009: 5), so that they truly comply with these norms. All in all, it emerges that the European Union is in fact becoming a 'pole of excellence' (European Commission COM2006: 1) for CSR, as it aspires to be. It becomes evident that as a powerful network of EU, national, and civil society organizations set out to "embed" (Ruggie, 2009: 5) markets in a framework of regulatory requirements and CSR expectations, the duties of responsible corporate citizenship becomes the norm rather than the exception. Finally, we draw conclusions as to the future of CSR globally, the EU´s influence in that field, and the enormous implications this debate will have on a range of issues: business transparency, sustainability, climate change, fair trade, and upholding human rights norms. Despite heavy criticism and scepticism from various quarters, it is clear that CSR has a key role to play as part of the solution to many of these global problems. This makes the understanding of the transformation of corporate identities a crucial field for further research.

Introduction

To say that firms and corporations play a significant role in our economic and political life would be a gross understatement of their impact. It is self-evident that these creatures of the private sphere influence our lives immeasurably in that they “undertake” central “organizational tasks of economic life” (Lindblom and Woodhouse, 1992: 9), and as such, their role in society has always been a fierce key battleground of political debate and ideological posturing. It is therefore entirely unsurprising that every single article on Corporate Social Responsibility (CSR) one comes across inevitably opens with the disclaimer that the concept is “contested”, and its definition is “uncertain” (Matten and Moon, 2008: 405, Dahlsrud, 2006: 2, for example). The reasons for this state of affairs will soon be unfurled here, but in order for t to be understood holistically, CSR ought to be analysed within the context of “paradox” and “ambiguity” (Stone, 2002. March, 1994) in the policy arena. Here, both causes and goals vary sharply based on the policy frames and narratives provided by the policy-makers, the logics of choice and appropriateness (March, 1992: 57) are at loggerheads, cultural “embeddedness” of organizations (Pierson, 2000: 262. Matte and Moon, 2008: 408) and identity formation all come into play as sensitive factors.

Two key concepts that must be defined at the outset are those of policy “paradox” and policy “framing”. The first entails an apparently “impossible situation” where “contradictory interpretations” of a situation can be seen to be true from different perspectives, depending on the views policy makers choose to adopt (Stone, 2002: 1). Paradoxes in the perception of policy problems and solutions occur under the condition of political “ambiguity” which entails “a lack of clarity or consistency in reality, causality or intentionality” (March, 1994: 157). “Framing” of these problems and solutions is what decision makers do in order to navigate through ambiguity, where they “adopt a paradigm in order to tell themselves what perspective to take of a problem” (ibd.: 14). Frames, essentially, are “modes of organizing problems” (Parsons, 1994: 32). These concepts will form the underlying thread running through this paper, as key ontological assumptions about politics and policy. The formation of organisational identity, that is “what is central, enduring, and distinctive about” it (Albert and Whetten, 1985: 264, to take one definition), occurs within that environment.

The implementation of this policy by the European Union (EU) brings with it a set of goals and constraints that is unique, and therefore makes this exploration that much more intriguing. As an initial step, let us adopt a working definition of CSR as a

> *“a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis.”*

Essentially it is an element of “entrepreneurial culture” (European Commission, COM2006: 5 and 2).

It is true that other types of policy maybe more clear-cut, or create more of a zero-sum game in terms of the choices they entail. But to shirk the evaluation of CSR promotion because of its supposed “immeasurability” (Gjolberg, 2009: 10) would betray reckless intellectual cowardice and professional irresponsibility. As it happens, there is already in existence enough empirical 'measures' for such an evaluation to be valuable, but its elusive essence makes it ideal to study through the lenses of paradox and ambiguity in policy making. This paper aims to examine the policy of promoting CSR, as undertaken by the European Commission between 2001 and 2011, and among the varied set of policies, focus specifically on the policy instruments of "joining, reporting, partnering" (Moon, 2004: 21), with a reference, along these lines, to the policy on CSR in supply chains and in Small and Medium Sized Enterprises (SMEs). We shall first outline the causes of the problems that gave birth to CSR in general, and brought its promotion to governments, and the EU specifically, as policy, and the motives and reasons of the policy makers. Then, we will account for the explicit and implicit aims the EU policy-makers had in making their choices, as given in their own words and by inference. Then, we proceed to evaluate to what extent the policies in place since 2001 have been effective at achieving the intended goals, with special attention to unintended consequences and constraints encountered in implementation. By introducing the concept of identity construction of corporations in response to such policies, it possible to explain the change in the EU definition of CSR at the end of 2011 (Commission Memo/11/730, 2011: 2). It seems that implementing CSR policy through influencing organisational identity is a promising European policy tool. Given the complex sequential nature of the evaluation, a theoretical framework for the analysis will be presented at every juncture.

<u>**The Problem and its Causes**</u>

The nature of the problems CSR aims to solve is as multifaceted as CSR itself. Once again, the manner in which one chooses to frame the central problem determines the type of solution one sees CSR to be. All in all, three different interlinked problems could be summarized from the literature: an ethical-social problem, a political problem, and an economic problem. When defining these problems, we must keep in mind that they are to be seen from the perspective of European Union institutions – and specifically the European Commission, whose "mission", vis-a-vis the various Member States, is

> *"[…] to promote the general interest of the European Union by presenting proposals for European law, by overseeing the correct implementation of treaties, and by carrying out common policies and managing funds."* (Governance Statement of the European Commission, 2007: 2)

This in itself should provide enough of a frame of reference for considering the problems at hand. The policy arena itself will be analysed at greater detail in a later section.

The primary consideration that has given rise to CSR as a concept has been the immense power wielded by corporations in today's world, and the variety of negative externalities (that is, effects not directly accounted for by the market price system) that are accompanied by it (Vogel, 2005: 4, Kobrin, 2002: 26). The conduct of corporations, in some contexts, produced severe environmental damages, human rights violations, or regulatory deficits. One well known examples of this would be the destructive conduct of Shell (a European company) in Nigeria, where because of years of oil leaks that have been left untreated,

> *"People living in the Niger Delta have to drink, cook with and wash in polluted water. They eat fish contaminated with oil and other toxins – if they are lucky enough to be able to still find fish. The land they farm on is being destroyed. After oil spills the air they breathe smells of oil, gas and*

other pollutants." (Amnesty International, 2009: para 4)

This, of course, is a problem which should be regulated domestically by the Nigerian government (or any other national government that allows such operations take place on its territory). However, given that the Nigerian government is unwilling or unable to regulate Shell or other large companies, the demand is for Shell to refrain from causing damage, or compensate for the damage it has cause *voluntarily* (ibid.).

Other types of violations may include violations of the human rights of employees of a variety of factories, that are located either in Europe, or elsewhere, but make up a part of the supply chain of a European company. An example of this may be the production of 'worn out' jeans that came into fashion some years ago. The production involves blasting the fabric with silica particles, the inhalation of which causes workers in India or Turkey severe and often fatal lung damage (The Guardian, 2010). Public outcry that erupted upon the revelation of this practice led to many calls for garment manufacturers to stop using this production method, given that local governments were not requiring them too. Likewise, public pressure was brought to bare on European cloths retailers to stop selling these jeans (Hazards.org, 2011: para 1).

Sugar cane production, that very mundane household product, is another poignant example. Workers on sugar cane plantations in Nicaragua and El Salvador, who work twelve hour shifts in high temperatures (against state law) tend to suffer from chronic dehydration, and have no other work available to them. This dehydration, as far as scientists can tell, eventually leads to fatal kidney failure, leaving entire communities without breadwinners. Much of this sugar is exported to Europe and the United States (Glaser, 2011). Such sugar, produced under inhumane and illegal conditions is used for cake and tea retailed and consumed by ordinary European citizens.

Many more such examples can be given from almost any manufacturing industry, whether it is a European company that flouts national regulations, or European SMEs that purchase such products through their supply chains, there is no question that European companies are implicated either directly or indirectly. As such, CSR emerged out of a "growing interest in making global capitalism more humane" (Vogel, 2005: 9). However, the ethical problem is not just one of tragedy in developing countries. Corporations can also create job losses, environmental damage, or create poor working conditions within the EU, and where regulation fails (as we shall see), there is a need to mitigate such damages (Memo/11/730, European Commission, 2011: 3).

Another significant ethical element is environmental in nature – sustainable development and " the fight against climate change" (Eurostat Report, 2011: 34). Sustainable development is defined as "meeting the needs of present generations without jeopardizing the ability of futures generations to meet their own needs" (ibid), which includes economic performance that aims to curb the effects of climate change or other environmental hazards through applying agricultural practices that pollute less, and using technology that emits less green house gases. So much has been written and said about global warming in popular media that for the sake of space, I will take its impacts as common knowledge. However, it is important to acknowledge that CSR policy, as implemented by the Commission is seen to be an integral part of the attempt to promote sustainable development in the EU (European Commission, COM2006: 10. Steurer, 2010: 5).

So far, all that has been presented above are ethical concerns that grow out of problematic conduct of corporations. However those in themselves would be solved if effective legislation were to be put in place to regulate these practices. However, the regulation of corporate conduct, especially in the international sphere, has proven to be an insurmountable challenge over the years. Vogel lucidly summarizes the problem thus:

> "*Because of their global scope and influence, [...] multinational businesses can no longer be effectively monitored or controlled by national governments. […] critics see very little effective international regulation. Civil regulation represents an effort to fill the gap between the law and the market."* (Vogel, 2005: 8)

The complexity and cost of directly regulating such anti-environmental and inhumane practices, as described above, across boarders and continents, prove an immense challenge. This, historically, has been intertwined with political strife and the rise to power of the neo-liberal public choice paradigm.

Essentially, what policy-makers began to see in the decades since the 1980s are growing policy and regulatory "gaps" that emerged in the extent governments could enforce conduct on companies, which brought about a political crisis of governance. Moon (2004) provides an emphatically clear account of the these public breakdowns, beginning in 1970s Britain, heralding the failure of the post-war consensus of the welfare state. With the government clashing mercilessly with trade unions, strikes ongoing and frequent, millions unemployed in various traditional industries, economic slumps, inner city decay, and raging riots, "perceptions" emerged that "the government was overloaded and losing legitimacy as a result of an inability to resolve such issues as industrial relations, price and income policies, inflation, […] productivity and public debt" (ibid. 6). Public governance seemed to be at "breaking point", leading the Secretary of State for Environment at the time to proclaim defeat, and say that "we (in government) do not have the money,. We do not have the expertise" (ibid. 8).

This abdication seems rather startling in itself, but it did not occur in a political or discursive void. This coincided with what has been termed "the hollowing out of the state", as part of the implementation of neo-liberal ideology, which was characterized, broadly by the "privatization and limiting the scope and forms of public intervention" by the (UK) government, and the "loss of functions by central and local government department to alternative service delivery systems" (Rhodes, 1994: 138, note that he writes himself that this terminology is controversial. I borrow it to illustrate the argument more vividly). Incidentally, the same process, through a separate group of political ideas led to the "loss of functions by […] the government to European Union institutions" (ibid.: 139). Although this trend began in the UK, it soon spread to the European continent, with a similar gradual wave of privatization (ibid. Moon, 2004: 4). On the continent, however, this approach took a different, somewhat more optimistic twist.

The "policy gaps" that resulted from this "hollowing out" of public powers led to increased participation for civil society as stakeholders. These interest groups come in the form of powerful Non-Governmental Organizations (NGOs), that have become increasingly active in the European policy making process, and are now able to exert significant political power (Doh and Guay, 2006: 51-52). Steurer (2010: 3) adds that "[...] CSR efforts emerged neither because of legal requirements, nor were they completely voluntary, but rather because of increasing stakeholder demands and pressures." It is important to understand that this applies to European Union and government bodies as well as it does to companies implementing their own CSR initiatives. Studies have shown that “most European level public-interest groups […] are funded in part by the EU, and they have a good record of influencing EU level policy” (Doh and Guay, 2006: 52). Thus, we can see that civil society stakeholders have stepped into the breach left open by national governments' abdication, the market, and the supranational democratic “deficit” (Scharpf, 2007: 5) up at the EU level. As such they are an integral part of the political landscape that gives rise to CSR public policy measures.

The final problem element, is the one that is cited by the Commission as the central consideration for engaging with CSR, and that is “the competitiveness of the European economy” (European Commission, COM2006: 2). In very simple terms, there is a belief here, which has not been proven to date, that the adoption of socially responsible practices will somehow lead to “economic growth, and more and better jobs” (ibid). This policy aim of economic growth should not necessarily be seen as a problem in the same light as the ethical-sustainable, or political considerations we saw previously, in the sense of it being a continuous perpetual target in economic policy. However, maintaining a competitive economy vis-a-vis, for example, the BRIC counties (Brazil, Russia, India, China) is a serious geo-political consideration, which is so frequently discussed it has become self-explanatory, much like global warming or sustainable development. However, as we shall see, this particular policy prong is also the most vulnerable to critique on empirical grounds. Given all of the discussion here of various problems connected to CSR, it is rather telling that the European Commission's “communication to the European parliament and the Council” outlining policy on CSR is called “Implementing the Partnership for Growth and Jobs”. It to calls upon businesses to “demonstrate commitment to sustainable development, economic growth and better jobs”, and simply takes as self-evident the direct connection between CSR and economic stimulus. The Commission defines the economic problem facing Europe as “global competition and an ageing populating” (European Commission, COM2006: 2-3). I shall leave out a detailed account of Europe's demographic ageing problem or of competition from other parts of the world, as it would detract from the aim of the essay. It is clear, however, that the Commission is necessarily concerned with tackling these issues, given their mandate, and the economic nature of the EU.

Causes in Context

All of the above problems, with their various aspects, take place simultaneously and exert political pressure on decision-makers suspended in a condition of ambiguous preferences, choices, and estimated consequences. “Decision makers face serious limitations in attention, memory, comprehension, and communication,” writes March (1994: 9), and these cognitive shortfalls in themselves, if we recognize them and admit their existence (embarrassing as that may be for our decision makers) completely transform our understanding of the decision-making process. Decision-makers, as well as analysts and audiences, find it analytically impossible to present any infinite amount of details that a problem may be formed out of. They tend to “edit” problems, that is

“[...] *simplify problems before entering into a choice process, using relatively small number of cues* *and combining them in a simple manner. Complex problems or situations are simplified."* (ibid.: 12) Alternatively, decision-makers may apply heuristics, in that they "recognize patterns in the situations they face and apply rules of appropriate behaviour to those situations (ibid: 13). Any of this editing of information, or pattern recognition is crucial to the process, but it happens in accordance to certain preconceived paradigms – deeply held beliefs, superstitions, reasoning patterns – that actors carry with them . Does one enter the discourse with a conviction that human beings are intrinsically free and rational beings, or does one believe that all of our actions are pre-determined, and are affected by original sin? Is the market a highly effective and just method of resource distribution, or does it lie at the core of system of class oppression? These different frames of reference to held truths will determine which facts are edited in or out of one's debate. This emerges beautifully if one so much as examines they manner in which I laid out the problems above. I begin by putting great emphasis on human rights abuses, and lay the blame rather blatantly at the door of the corporations who have caused the abuse. In doing so, I have already identified a causal connection between the suffering of Nigerian or Nicaraguan people, and the (supposedly conscious and intentional) policy of these corporations, who, it is implied in the analysis, are at a dereliction of their duties towards human rights and ethical norms. I have edited out the information that may confuse this thesis, by for example, failing to mention that Shell personnel who arrive to maintain pipelines are often shot at by rebel groups (hypothetically), or that the link between kidney failure and chronic dehydration has not yet been scientifically proven, so that there is no clear evidence sugar cane work is the cause of the epidemic in Central America (Glaser, 2011). For example, I do not blame the pain and suffering of these people on the break down of the rule of law in these respective countries (although I acknowledge it is a factor), but rather, I choose, in my narrative, to present the corporations as antagonists. This probably results from a pattern I have learnt to recognize after learning of many examples of corporate abuse, and I decide to prioritize this factor over others I happen to believe that the rational choice market system bares considerable flaws in reasoning. I also tend to dismiss the significance of the economic competitiveness argument for the policy problem, and prefer to focus on the "hollowing out of the state."

In framing the problem in this particular way, there are a few cause narratives that emerge. If we refer to Stone's (2002) work here, we can clearly see that in this case as in many others "struggles over casual definitions of problems […] are contests over basic structures of social organization" and about "assignment of responsibility and burdens for reform" (205). In her categorization of cause narratives that are commonly used, the ones described here, and especially the ethical, environmental and political concerns are "historical causes" (ibid, 196), and that they

> *"Show that the cause of the problem is so complex that only a large scale policy changes at the social level can alter the cause" (ibid, 204).*

Looking at the cases made by David Vogel, on the one hand, with the quote above, and John Ruggie on the other, who will shall refer to later, we see that their proclaimed narrative is exactly that which Stone describes – one of a complex historical cause which requires a large scale response. In the following section we shall examine what the EU's response has been.

Remaining steadfastly within Stone's framework of analysis, we see that the general policy goals here can be seen as falling within the categories of equity, security, and efficiency. There are however, certain obvious paradoxes which inevitably emerge once we define these goals, as all of these concepts, according to Stone, are "continuously constructed" (Stone, 2002: 37).

The case for equity, that is, "treating likes alike" (ibid.) here is rather clear: there are damages done to stakeholders (the impoverished peoples of the Niger Delta, for example), which need to be prevented, there are damages to the environment which then form a threat to all of us (such as climate change), so that it can be seen as unjust for companies' destructive action to impose on the citizenry at large. So long as we see corporations as agents with a significant impact and therefore some kind of communitarian obligation. However, there is an alternative view to the role of corporations in society, a strict libertarian one which holds, in the words of Milton Friedman

> "*"The business of business is to maximise profits, to earn a good return on capital invested […] no more and no less. To go further […] is to make what amounts to an ideological stand with someone else's money."* (Friedman, quote in Robins, 2005: 99)

If we adopt, for a moment, strict norms of procedural justice as criteria for equity, then we shall soon see that if only from a point of view of positive law, this is a very powerful argument. If the owner of a company, which is purely her property, wishes to maximize her profits, who are we to tell her otherwise? It would be, according to Friedman or Hayek, pure tyrannical socialism to expect anything else from an entrepreneur.

There is another paradox of equity: as we have seen, a process of the state abdicating certain areas of responsibility (Moon, 2004. Rhodes, 1994), CSR is called upon to make corporations fill the gap. However, several scholars have been quick to point out that it is the elected government who's role it is to take social initatives – corporations, on the other hand, are unelected, and therefore do not have the political legitimacy to tackle social issues (Jackson and Apostolakou, 2009: 373). If we accept this argument, then, and governments were to do so as well, they would be forced to abandon any hope of promoting CSR, and simply introduce more legislation and regulations.

The element of security, defined by Stone (2002: 37) as "satisfaction of minimum human needs" flows directly from the same concerns as described above: if corporations are not responsible, they may harm us, our communities, even the very world we live in, not to mention the harm to the fundamental quality of life of many of those in distant developing countries. Especially with regards to climate change and sustainable development, although there are "multiple ways of defining need" (Stone, 2002: 98), it seems rather clear that very important ones (not being sunk in rising see water) are at stake here.

As far as efficiency is concerned, defined as "getting the most output from a given input" (Stone, 2002: 37), the Commission, in their 2006 communiqué, as in many documents, frames its objective of economic growth in light of sustainable development, and thus CSR practices seem to be a valuable means of ensuring the "right" type of growth. As far as the notion of CSR being good for business is concerned, Vogel (2005: 171) , on his part, recommends exactly this, and warns that pinning unrealistically high-hopes on the CSR is inappropriate, as there has never been any real evidence of it leading to higher profits over all. It must work in combination with national regulations. The extension of this argument we shall see later, but for now it suffices to note that although economic efficiency is declared to be the primary goal of the commission, it is in fact framed very strictly by the goals equity and security. In fact, one could almost say that while efficiency is the declared goal, the ethical one is the underlying motive. More of this will become clear as we outline the identity-defining objectives of CSR policy.

In this context, the European Commission writes that "CSR can play a key role in contributing to sustainable development while enhancing Europe's innovative potential and competitiveness" (European Commission, COM2006: 3). Accepting the the warning provided by Vogel and the like, they do qualify their intent with CSR, saying that

> *"CSR practices are not a panacea and can not on their own be expected to deliver these outcomes. They are not a substitute for public policy, but they can contribute to a number of public policy objectives."* (ibid: 4)

They then go on to define these objectives comprehensively, and for the sake of consistency I shall include them here. They are:

"– more integrated labour markets and higher levels of social inclusion, as enterprises actively seek to recruit more people from disadvantaged groups;

– investment in skills development, life-long learning and employability, which are needed to remain competitive in the global knowledge economy and to cope with the ageing of the working population in Europe;

– improvements in public health, as a result of voluntary initiatives by enterprises in areas such as the marketing and labelling of food and non-toxic chemicals;

– better innovation performance, especially with regard to innovations that address societal problems, as a result of more intensive interaction with external stakeholders and the creation of working environments more conducive to innovation;

– a more rational use of natural resources and reduced levels of pollution, notably thanks to investments in eco-innovation and to the voluntary adoption of environmental management systems and labelling;

– a more positive image of business and entrepreneurs in society, potentially helping to cultivate more favourable attitudes towards entrepreneurship;

– greater respect for human rights, environmental protection and core labour standards, especially in developing countries;

– poverty reduction and progress towards the Millennium Development Goals." (ibid.)

Certainly, all of the problems that were described here are addressed with the general goals firmly in mind. It is also interesting to acknowledge that this policy solution of CSR fits perfectly with the "garbage can" model of decision-making, as it is defined by March (1994: 198-200). Where the most pragmatic solution to a problem is one that is most proximate to its cause and location in time and space, it is rather obvious that the solution to problems caused by corporations directly. However, the high hopes hanging on

CSR, as contained in this wide variety of objectives and aims may reflect what Stone identified as "people with pet solutions looking for problems that need solutions," but this criticism may unfold later.

In understanding how and why a policy choice is made, it is important to be reminded of the applications of power that available to the policy-maker. In his seminal typology of the exertion of power within organizations, Amitai Etzioni distinguished three "types" of power:

> *"Coercive power rests on the application, or threat of application of physical sanctions [...] remunerative power is based on control over material resources and rewards of allocations [of such resources]. Normative power rests on the allocation and manipulation of symbolic rewards and deprivations trough [...] influence over the distribution of 'acceptance' and 'positive response'"* (Etzioni, 1969: 61-62)

Vedung (2007: 21) then reformulates this typology into the metaphor of "carrots" (rewards), "sticks" (sanctions) and "sermons" (distribution of information). Albareda, Lozano and Ysa (2007: 392), along with an entire cohort of contemporary CSR public policy scholars have identified four types of policy measures governments may take in order to promote CSR. These are:

> *"Mandatory (legislation), facilitating (guidelines on content), partnering (engagement in multi- ` stakeholder processes, and endorsing tools (publicity)."*

These are used by the government in order to manage "institutional uncertainty" and "strategic uncertainty" (ibid.).

Table I, borrowed from Steurer (2010: 9), shows the variety of available tools a government (or in this case, the European Commission) has available to it in order to encourage CSR. The Commission selected several approaches altogether, and in the following section we will outline that choice.

Table 1: Themes and instruments of public policies on CSR: a matrix typology

Instruments	Themes: 1. Raise awareness and build capacities for CSR	2. Improve disclosure and transparency	3. Foster Socially Responsible Investment (SRI)	4. Lead by example, e.g. in ○ Public procurement; ○ Applying SRI; ○ Applying (C)SR management tools
a) Legal	○ Legal/constitutional acts that indicate commitments to SD and/or CSR	○ Laws on CSR reporting ○ Disclosure laws for pension funds	○ Laws prohibiting certain investments ○ Laws on SRI in pension funds	○ Laws enabling SPP/GPP ○ Laws on SRI in government funds
b) Economic	○ Subsidies/grants/export credits related to CSR activities ○ Tax breaks for corporate charity or payroll giving to CSOs	○ Awards for CSR reports	○ Tax incentives for savers and investors ○ Subsidies	[Indirectly, most initiatives in this column aim to provide economic incentives for CSR]
c) Informational	○ Research and educational activities (including conferences, seminars, and trainings) ○ Information resources (brochures, websites, and study reports) ○ Guidelines and codes of conduct ○ Campaigns	○ Guidelines on CSR reporting ○ Information on CSR reporting	○ Information on SRI (brochures and websites) ○ SRI guidelines and standards	○ Provide information on SRI, SPP, etc. to government agencies (guidelines, brochures, and websites) ○ Publish reports on the Social Responsibility of government bodies
d) Partnering	○ Networks and partnerships (strategic or charitable) ○ Voluntary/negotiated agreements	○ CSR contact points ○ Multi-stakeholder forums (e.g. GRI)	○ Networks and partnerships on SRI	○ Network of public procurers
e) Hybrid	○ Centres, platforms, contact points and programmes for CSR (informational & partnering)	○ Product or company labels (informational & economic)	○ Pension funds applying and promoting SRI (partnering, informational, and economic)	○ Action plans on SPP/GPP ○ Action plans on SR in government (all instruments)
	○ Multi-stakeholder initiatives, including the (co-)development of management or reporting tools (EMAS, ISO26000, and GRI) (informational, partnering, and/or economic) ○ CSR awards and "naming-and-shaming" with blacklists (informational and economic)			
	○ Co-ordination of CSR policies, e.g. with government strategies and action plans			

Policy outline

Although the EU employs a very wide variety of CSR policies, a full evaluation of all of them would require a lengthy report (and of those there are many). To suit the scope of this paper, we shall here focus on certain initiatives that fall under the category of "*joining, reporting, partnering"* (Moon. 2004: 21), which have been implemented in 2001 and adjusted in 2004, and then once again in 2006 and 2011. For reference, ´policy instruments´are defined here as "tools of governance. (…) the relatively limited means or methods by which governments effect their policies" (Steurner, 2010: 7).

"Joining" entails encouraging companies around the EU to sign up to the variety of CSR codes that have been promulgated around the world, in particular, the United Nations Global Compact on CSR and Human Rights (Ruggie, 2011). Signing up to such a code entails committing to a list of standards with regards to environmental and humanitarian standards, wages and so on. In fact, this is the core of CSR – a clear commitment on behalf of firms to a clear set of criteria with regards to what they will do or refrain from doing. This is then reported to the public. This is the type of "self regulation" that CSR aims to achieve. Although the Commission did not see fit to formulate a specific EU CSR code, it chose to promote the UN Compact, as well as a variety of other codes in a variety of industries, such as the Global Reporting

Initiative's, or several others that are industry-specific. This was decided simply because it was seen that these codes were exhaustive as they were, and promoting them would mean aligning European companies with practices in the rest of the world, and the EU would certainly like to see itself as a world leader in the fields of sustainability, CSR and human rights. (European Multi-Stakeholder Forum Report, 2004: 3. European Commission, COM2006: 4). The Commission therefore would like to encourage Member States to provide incentives to companies who sign up to CSR codes. Having said this, there are certain European initiatives – the Eco Management Audit Scheme (EMAS), allows firms who choose to comply with a set of norms register and be assessed and audited as to their environmental impact (EMAS Report, 2011). Compliance of companies with all or any of these initiatives is a key indicator for the progress of CSR across the continent.

"Partnering" involves working with companies directly, and joining between companies, stakeholders (consumers, trade unions etc.) and the EU itself, as reported here:

> *"In 2002, the European Commission announced its intention to establish the Forum with the aim of promoting CSR through raising the level of understanding of CSR, and fostering a dialogue between the business community, trade unions, civil society organisations and other stakeholders."* (Ibid, 2004: 1)

Four years later, the Commission went on to establish the European Alliance on CSR, which would mean a "wider partnership" between many different firms of various sizes and across industries. Although, like the Multi-stakeholder Forum, it is "not a legal instrument", it is intended for sharing information and best practice, and creating widespread commitment. Thus, the more companies sign up for the Alliance and the Forum, the better, and the more successful the policy outcome is.

"Reporting" involves a 'hard law' regulation, in contrast with the other measures' 'soft law' content. In 2003, the Commission issued the "Accounts Modernisation Directive" (also known as Directive 2003/51/EC), which amended all previous directives on "the annual and consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings", coming into force on April 1st 2005. The Directive applies to all "medium and large" companies, and especially those listed on any stock exchanges, and it requires that these companies include in all of their annual reports not only their financial indicators, but also "non-financial" information, such as environmental impact, social impact, and employee relations. Article 9 of the Directive's preamble reads:

> *"The annual report [...] are important elements of financial reporting. Enhancement, in line with current best practice, of the existing requirement for these to present a fair review of the development of the business and of its position, in a manner consistent with the size and complexity of the business, is necessary to promote greater consistency and give additional guidance concerning the information a 'fair review' is expected to contain. The information should not be restricted to the financial aspects of the company's business. It is expected that, where appropriate, this should lead to an analysis of environmental and social aspects necessary for an understanding of the company's development, performance or position."* (European Commission, 2003/51/EC)

The reasoning contained in these words is extremely powerful, which is why I chose to quote from the preamble, and not the body of the Directive, and as such designed to have a large-scale impact. What this lays down is the essential right of each and every consumer or investor in the world to be able to look up a company´s annual report, which is on the public record, and see for themselves what the company´s environmental or social impact is (at least as far as the company divulges). They can then decide on that basis whether or not to purchase a share or a product from the company. This Directive then, puts CSR concerns on par with financial considerations, and thus brings a powerful new element into the market. It essentially corrects for a piece of information that price does not transmit, and thus, it attempts to correct a grave negative externality. Furthermore, the Directive puts company directors under the same legal obligation to report non-financial elements as financial ones. That means that any board of directors that fails to report, or falsely reports CSR information may be sued by investors or other stakeholders, and may even be prosecuted for fraud, in exactly the same way they would be if they misreported financial information. This comes to try and prevent ´cooking the books´ on environmental matters. (Trucost Report, 2005: 1)

These are the specific policies policies that we will evaluate in greater depth below. However, before they are evaluated, one must have in mind the underlying assumptions that drive them, particularly the concept of identity construction in international relations, which was borrowed from institutional sociology, and then returned to it through CSR.

Organisational Identity

In order to understand the true aims of CSR policy, one must understand the ideas of those who conceived them, and here most of the credit must go to John Ruggie, who until 2011 was "Special Representative of the Secretary General on the issue of human rights and transnational corporations and other business enterprises." He brought with him a powerful constructivist institutional view into the fields of CSR and human rights. He contends that

> *"There is no magic in the marketplace (...) for markets to work optimally they must have adequate institutional underpinnings and be embedded in the broader values of social community"*

(A/HRC/11/13, 2009: 5)

In that context, he discusses actors' identity construction process (although he discusses mostly the identity of states, this is as relevant to the identity of companies), and introduces the concept of "collective intentionality". This intentionality is a shared social understanding of "I intend only as part of our intending." Phenomena such as sovereignty, money, or human rights depends on this shared intentionality in order to function, which draws on "established inter-subjective frameworks of understanding that include a shared narrative about the conditions that had made the regime necessary" (Ruggie, 1998: 869). "World-wide models define […] agendas for local action" (Melish and Meidinger, 2011: 4), and therefore, Ruggie's agenda with the UN Global Compact, rather than a set of hard law, is "internationally organized processes of socialization and persuasion" that will gradually impart upon global markets the ethical norms that are needed. Some critics accuse Ruggie of being ´too soft´´ and leaving too much to "normative power", which is seen as a naïve approach to take. However, Ruggie sees that self-regulation entails companies going beyond the minimum, and as such, unlike Vogel, he does not conceive of CSR as being simply a “market for virtue” (Vogel, 2005), but rather a matter of creating ethical and identity defining norms that corporations will gradually adopt through habit, social dictum, and group-think. This corresponds directly to March´s description of the “logic of appropriateness” and rule following based on identities (March, 1993: 90-95). Although some may well sneer at the apparent naïve vagueness embedded here, but it does have a lofty goal. In connection to the work done by Stone and March in defining the policy arena as a place full of ambiguity, Ruggie is the perfect policy-actor, who attempts to strategically redefine concepts and narratives in his area.

Naturally, identity as such is difficult to define, quantify, and measure, which may lead to the impact of the policy to be left unclear. This has been subject to vibrant debate in organisational behaviour literature (Balmer, 2008), which political scientists and policy scholars could draw on. Whether we begin at a definition of the identity as “what is central, enduring, and distinctive about” it (Albert and Whetten, 1985: 264), which has been a prominent approach, or an assumption that organisational identity is always unstable and adapting (Gioia and Schultz, 2000: 63), will impact on the manner in which the concepts could be operationalized for research. Alternatively, one could choose the managers of an organisation as the most prominent exponents of its identity, and attempt to determine the impact various stakeholders have on that identity formation (Scott and Lane, 2000: 44). Although it is beyond the scope of this present paper to carry out such an evaluation, the impact of CSR norms and expectations by various stakeholders on the identity of corporations has not been explored in literature yet. The hypothesis posed here is that expectations of an identity change by stakeholders based on CSR norms would lead to transformation in corporate manager’s perceptions and thus to organisational identity change, leading to more effective and honest implementation of CSR practices. This may even lead to an emergence of a distinctively European corporate identity.

Evaluation of Policy Implementation

When evaluating the CSR policies that have been in place, our criteria should be pragmatic: the question of ´has CSR achieved its goals?´ in general, is very broad, and is one that many books have tried to answer. Rather, we should ask, on the one hand, whether the Commission been successful at promoting CSR around Europe, and on the other hand, what the apparent shortfalls of the policy, versus the evident benefits. Both questions are difficult enough to answer, but answering them allows one to identify some of the core paradoxical problems within CSR that make the results of its implementation more difficult to predict than may at first be considered.

Because CSR itself is essentially a peaceful and somewhat ethereal phenomenon, its implementation may be less piquant, and produce less conflict than others. However, under the surface, there are currents either way.

Let us begin with some figures and statistics. In 2011, the Commission reported its progress since 2006 thus:

“The number of EU enterprises that have signed up to the ten CSR principles of the United Nations Global Compact has risen from 600 in 2006 to over 1900 in 2011.

- *The number of organisations with sites registered under the Environmental Management and Audit Scheme (EMAS) has risen from 3,300 in 2006 to over 4,600 in 2011.*
- *The number of EU companies signing transnational company agreements with global or European workers' organisations, covering issues such as labour standards, rose from 79 in 2006 to over 140 in 2011.*
- *The Business Social Compliance Initiative, a European, business-driven initiative for companies to improve working conditions in their supply-chains, has increased its membership from 69 in 2007 to over 700 in 2011.*
- *The number of European enterprises publishing sustainability reports according to the guidelines of the Global Reporting Initiative rose from 270 in 2006 to over 850 in 2011.*"

It is clear here that the numbers are on the rise, and that may suggest a certain degree of success, but when we consider that there are approximately 23 million companies registered throughout the EU (Jenkins, 2009: 22), we realize that several thousand here or there appears much like a drop in the ocean. Or is it? Since its founding in 2006, 230 companies have signed up to join the Alliance. When one begins to scroll through the list of members it is easy to spot large companies such as Air France – KLM or Banco Santender. As one gets lower down the list, the "usual suspects" begin to appear – those who have been under attack for unethical action, and have sign up to salvage what they have: British Petroleum, British-American Tobacco, Coca Cola, Shell, Nestlé, Pfizer, Johnson & Johnson, and the list goes on (csreurope.org, 2012). On the one hand, the size of these companies, some of whose annual revenues is equal to the national products of states, means that their joining the Alliance will have a significant impact (in theory), or at least more so that if an SME were to join. However, some of these names does raise the suspicion of "green washing" (Streurer, 2010: 12), attempting to protect one´s abuses by donning a cover of righteous CSR. In this sense, CSR certainly does provide a "perverse incentive", and this we shall get to later.

In the meantime, it is important to note that the Accounts Modernisation Directive, since its promulgation, has been adopted in all 25 Member States of the EU, which in itself is an impressive feat (Knopf et al., 2011: 26). This means that any medium or large company, and all those who are enlisted in stock markets must report the environmental and social benefit or harm that they bring. But the same question remains – is there a strong enough inducement for them to report accurately?

In the meantime, hundreds of different CSR initiatives rose throughout Europe. Many governments, have opened their own Multi-Stakeholder Forums, such as the Dutch, British, Belgian, French, Irish, and Germans. The EU evaluated this development, in 2011 as "still a new concept" but that this "may help spread" CSR to "similar supply chains" (ibid.: 24). There are endless other facts that could be cited here, graphs plotted, or reports quoted. However, for the sake of brevity, I have provided the necessary information in order to progress to a higher level of analysis.

Is it effective and efficient?

When attempting to measure the impact or implementation of CSR, a "soft law", voluntary set of norms, one is suddenly confronted with a rather perplexing set of difficulties – not only does one need to compare a variety of definitions of CSR (at least 37, according to Dahlsurd, 2006) working in parallel across a wide range of diverse industries, one must also factor in differences in culture and political systems across Member States (and differences in regulation styles applies here to as much as in ordinary regulation, see Van Waarden, 1999), and on top of all of that, one must attempt to discern whether companies who claim to be ´green´ and ´ethical´ are being truthful, or whether they are "green washing". In fact, attempting to measure the success of CSR has been so befuddling to scholars that I has been "the failing discipline" (Blowfield, quoted in Gjoberg, 2009: 11), and declared "immeasurable" (ibid: 10). However, enthusiasm for the ideals of CSR, seemingly, has proped up an overwhelming amount of research, and although results never seem to be conclusive, conclusions have been drawn by scholars and policy-makers alike. Before looking at certain specific studies that have been carried out, we must identify many of the factors that determine the effectiveness of CSR – that is, defining efficiency, determining a cost benefit analysis, accounting for industry and cultural differences, perverse incentives, moral hazards and path dependencies. All these play a role in the implementation of CSR policy. We will first tackle the ethical and environmental policy goals, which are more complex, and only at the end proceed to the economic policy goal.

Efficiency is defined by Stone simply as "maximum output for input invested" (2002: 37), but despite this misleadingly comfortable definition, she adds, that "trying to measure efficiency is like trying to pull yourself out of quicksand without a rope" (ibid: 65). To define efficiency one must need to define units of measure, define effectiveness, and then attempt to carry out a cost benefit analysis. Effectiveness in CSR implementation would be measured by two indicators, based on the questions that were formulated above: first, how many companies, in terms of share of GDP, for example, have committed to the various CSR codes that are available. Then we must see, although this is near to impossible to do on too large a scale, to what extent companies´ CSR commitments are actually met. Then, in order to agree on how efficiently this was achieved, one must look at how much was invested in promoting the policy.

Given that CSR policy entails either delegating regulatory power to private actors, or persuading private actors to go beyond regulations, it is rather obvious that the bureaucratic workload and investment involved is not all that high. In this case, there simply are no "lavish programmes (…) administered by modestly paid bureaucrats working on out of date equipment in cramped offices" (Wilson, 1989: 119). This administration is happily and whole-heatedly delegated to the companies, to the delight of government administrators, who then talk enthusiastically about ´partnering with the private sector´. As a result, the amounts that are invested in CSR, either at a European level or at national levels are very modest indeed. The Commission spent 400,000 Euros on launching the Multi-Stakeholder Forum, which was seen as a generous investment. During a review of about seven European reports from between 2004 and 2011, carried out here, out of the the variety CSR promotion initiatives of national level, the most expensive that was encountered was a Dutch multi-stakeholder forum in which four million Euros were invested (Eurostat, 2011: 27), with parallel amount being anywhere between 400,000 Euros to one million (ibid).

It appears then, that given the investment in the policy is so low, every company that signs up provides a victory, and particularly a very large company. The impact of a company like IKEA, for example, promulgating a very detailed policy on human rights and CSR which is then followed, is enormous, and has positive effects throughout the world (CSReurope.org, December 2009). The cost of increasing reporting requirements for companies may be a little higher, although this has come into an existing framework of the relations between stockholders, stakeholders and executive boards, who are legally liable before their principles. Thus, the legal costs incurred in the presumed increase in the number of claims as a result of the new policy would be marginal, and probably negligible.

In terms of bureaucratic constraints then, there are not too many. Wilson defines three typical bureaucratic constraints as

> *"1) Cannot lawfully retain and devote to private benefit (...) the earnings of the organization. 2) cannot allocate factors of production in accordance to preferences of the organisation´s administrators 3) Must serve goals not of the organization´s own choosing."* (Wilson, 1989: 115)

Given that there is no bureaucratic body as such, these constraints do not apply to CSR, at large.

The problem of perverse incentives, however, may greatly increase the occurrence of unintended negative outcomes. Stone (2002) aptly describes an absurd lexicon of "perverse incentives" and their consequences. During Soviet times, she says, when cloth manufacturers were given quotas in metres of cloth, they manufactured thin long strips in order to meet their targets (299). CSR, if viewed and used cynically, may well contain the same danger of perverse incentive. A perverse incentive can therefore be understood as an incentive which induces an actor to behave in the opposite manner to what was intended (ibid.). A moral hazard, in turn, is defined as the tendency to take undue risks as the cost that will be incurred as a result of the action will be borne by another actor, where an agreement was already made. A perverse incentive could lead to a moral hazard. Thus, once a company, like Shell, has committed and publicly proclaimed an elaborate CSR programme, where it invests 2% of its profit in sustainable energy, and founds a variety of charitable development foundations, this is in fact an insurance policy for it – it has defended its reputation against those critics who have attacked its destructive policy in Nigeria and elsewhere. It can now cut costs further in these battered areas, refrain from fulfilling CSR goals where it really matters, and thus increase its profits significantly. In fact, in 2004, Shell was accused of doing just that, and media uproar followed. (*The Economist*, 2004). This practice has been termed "green-washing" by CSR critics and scholars (Steurer, 2010: 4). Some harsh criticism of CSR on this point sounds like this:

> "*"[CSR results only in B]olstering a company's public image; avoiding regulation; gaining legitimacy and access to markets and decision makers; and shifting the ground towards privatisation of public functions."* (Corporate Watch Report, 2006: 3)

This phenomenon emerges out of what is perhaps the greatest constraint of law as an instrument of social change, as identified by Roscoe Pound, which is that "law (…) deals only with the outside, and not the inside of men and things (…) law cannot attempt to control attitudes and beliefs" (Cotterrell, 1984: 55). This is the core reason why CSR is implemented to begin with – because regulation would be too costly and impractical. However, especially when regulation is voluntary, abuse is bound to happen so long as internal attitudes are incongruent with external commitments.

Another such constraint on the effectiveness of any CSR promotion is that of limits of the market.

Illustrating this constraint of CSR is the declared aim of “Market for Virtue” by David Vogel (2005). Without delving into too much into the details, his argument follows a clear line: implementing CSR practices means higher costs for corporations throughout their supply and delivery chain. Given the obvious profit motive corporations run on, they will very soon pass of much of these costs onto their consumers. Therefore CSR products will cost more than ordinary products, and consumers will only consume such products if the value the virtue that has gone into it. Thus there is a clear market for virtue, and the limit of CSR practices depends on the size of this market. The conclusion is that CSR must work in tandem with hard-law regulations (171). Although Vogel does not engage with public policy which aims at CSR promotion, the constraint he outlines remains even when policy is deployed.

This is where the genius of Ruggie´s idea of embedding CSR comes into play. By attempting to make CSR a prevalent ethical norm that becomes an integral part of the organizational identity of corporations, the constraints of both the “green washing” phenomenon, and the “market for virtue” are circumvented, as all stakeholders, as well as the company boards themselves, in an ideal world, honestly believe in faithful execution of CSR. Until that day comes, there will always be critical journalists and policy makers, who will be there to peel back the mask off of corporations such as Shell and others (Miller and Sklair, 2010).

The main constraint in the Commission's work specifically, is that of European decision-making on the whole, where the interests of many different Member States must be taken into account. Although through “supranational” policy making (Scharpf, 2001: 7), the Commission is able to impose its will on the States, within the Commission balance must also be struck, although here “it is possible for policy choices to violate the will of national governments” (ibid). This can often create a severe legitimacy problem in what the Commission does. However, the fact that the Accounts Modernisation Directive was very quickly adopted by all Member States, and that there has never been any objection of any sort to CSR policy, due to its soft nature, and the generally agreeable and benign goals of economic growth and sustainability (what politician would avoid more jobs or sustainability if it comes at no cost or obligation?), this has not been a constraint in this case, and so an analysis of EU decision-making constraints in general will have to kept for different occasion.

Cultural differences between countries also play a significant role in CSR definition and implementation. The field of “varieties of capitalism” in economic sociology has expanded heavily into the study of CSR and its impact. Matten and Moon (2005) have led the way here with their seminal article on “explicit” and “implicit” CSR, possibly the most important contribution to the evaluation of CSR over the last decade or two (as far as I could tell). They adopt the framework of varieties of capitalism as it was proposed by Hall and Soskice in 2001, which distinguishes between “coordinated market economies” (CMEs) and liberal market economies (LMEs). Broadly speaking, CMEs are corporatist or statist countries where the government takes an active interest in coordinating markets and industry as well as public policy – these are generally West European countries such as Germany, the Netherlands or Scandinavian states. LMEs, very broadly, are countries where the free market dominates the economy and governments do not coordinate the economy, and policy gaps are left open for the market to solve. These are generally Anglo-Saxon countries with the US and UK in the lead. Moon and Matten therefore establish that LMEs tend to have an “explicit” approach to CSR, where companies proclaim their CSR policy openly, and the policy usually translates into positive actions such as investment in the community, or other philathropic chritable actions. In CMEs, they claim, tend to understand CSR as being part of their corporatist institutional structure, and entails a certain ethical code of conduct which may be “implicit”, but is maintained out of social duty – this includes refraining from pollution, discrimination, human rights violations, and maintaining healthy employee relations or paying higher wages than required. It does not, however, culturally entail charitable investments, seeing as governments subsidize most of what could be donated to (this is strongest in Scandinavian countries, incidentally).

Research by Albareda, Lozano and Ysa (2007) broadly verifies and builds on these conclusions, and adds several more specific categories, which I will not elaborate on here. We clearly see that CSR means wildly different things in different countries, and this must be taken into account when attempting to harmonize practices. This is a very similar to the process of harmonization of regulatory styles throughout the EU, which also depends on countries being either corporatist or market dominated, universalist or particularistic, etc. (Van Waarden, 1999). In fact, such divergent regulatory styles would probably have a unique impact on CSR implementation, and this would probably be an ideal area to expand research on, following in the footsteps of Matten and Moon.

Research that was carried out in order to attempt to measure the extent of CSR practices in various countries (Gjoberg, 2009, aptly named “Measuring the Immeasurable”) took the top 100 companies in Western countries and measured their CSR performance according to various codes and criteria (very roughly summarized). The author chose to exclude philanthropy from CSR base don the claim that it was a category onto itself. The results would rather encourage the European Commission: Western European countries, were generally far ahead of the rest of the Western world, with the United States trailing in the back. It contrasted “soft” CSR commitments, which generally involve public declarations and reporting, and “hard” CSR commitments, which include compliance with strict standards of CSR. Generally, West- and North European countries, such as Scandinavia, or the UK are leaders in the latter category, while Latin and Mediterranean countries such as France and Spain emphasize the former. This could mean several things at once: firstly, the CSR is indeed become culturally embedded, with each country adjusting its CSR implementation to it national political and economic cultural norms. Secondly, that a type of harmonization is in fact happening, and that countries have harmonized in blocks. Lastly, it seems to suggest that the EU policy is on the whole consistently effective in promoting CSR in all of the EU 15 (some of the more recent Members are still lagging behind). This seems to be optimistic (ibid: 19).

The last constraint that I'll address is that of varieties in industry. The RARE Report (2007) carried out on behalf of the Commission, compared CSR in the oil, fishing, banks and automotive industries, and found vehemently divergent results. Each industry has different priorities and practices, where in some there is prevalent “green washing” and in other much less so. Both Vogel (2005: 51-53 among many) and Sklair and Miller (2010: 17-19) agree that only corporations who are in industries that make them vulnerable to criticism from the public will truly engage with CSR, and this seems to be backed up by research. Here, the perverse incentive of moral hazard is alive and well.

As for the economic goal of competitiveness – the question is much easier to answer. A study carried out on behalf of the Commission by the University of Vienna in 2008, concluded without much pomp or circumstance that CSR promotes competitiveness in markets only in as far as consumers are willing to buy ethical goods (Does CSR Pay Off? 2008: 11). This essentially empirically vindicates Vogel in the contention his book was designed to make. But, as he writes that

> *"The effort to demonstrate through statistical analyses that [CSR] pays may be not only fruitless but also pointless and unnecessary, because such studies purport to hold [CSR] to a standard to which no other business activity is subject. It is, for example, highly unlikely that there is a positive correlation between advertising expenditures and corporate profitability [...] Yet no one would dispute that there is a business case for advertising"* (2005: 33)

Although the Commission's goal should have been much less fantastical to begin with, and made less of the economic aim, growth is a unifying objective all stakeholders can agree on, and so if this is used as an excuse to promote other more lofty ethical goals – so be it. In the polis, this is the manner in which policy is defined – through ambiguous terms.

Policy Reform

The Commission re-evaluated its CSR policy in 2011, with the result being that CSR has moved much closer to regulation, with the LME-style voluntary elements being excluded, and much more emphasis put on the CME-style cultural embedding of strict norms. In October of 2011, the Commission provided a new definition of CSR saying that

> *"The Commission has put forward a simpler definition of CSR as "the responsibility of enterprises `for their impact on society"* (European Commission, MEMO/11/730, 2011: 1)

This short and basic definition is powerful, and takes in a variety of lessons. It completes an identity shift for corporations. No longer atomistic agents who will "voluntarily" mitigate their externalities if they are so inclined. They now bare proper moral "responsibility" towards "society" at large, which could be at any scale and any extent. This definition opens the doors to much higher levels of commitment to CSR, greater integration with hard-law regulation, and a further embedding of corporations into social fabric as responsible agents. This step may tend to mitigate the market and informational constraints described above.

Conclusions

In a plenary meeting in 2010, the European Multi-Stakeholder Forum concluded that on the whole, CSR promotion policies had been a success, and that gently, slowly, but surely, CSR norms were becoming more ingrained in European culture. Enterprises and stakeholders alike were becoming more aware of the subject as well as existing initiatives, and CSR was becoming less of a "voluntary" choice for companies, but rather seen as an ethical expectation (2010: 1-2).

We have seen the various initiatives taken by the European Commission in order to answer problems of sustainability of ethics and abuse in the behaviour of enterprises, of governance and the heritage of political crises and of the need for sustainable growth and competition. We have examined a variety of CSR policies, as well as their impact, and gave a theoretical framework to an evaluation of the various limitations, shortcomings and constraints they may face. We examined empirical data on CSR in Europe and the world, and outlined where the EU will be going next.

We have seen that despite the fact that CSR is contested for its vagueness, or denounced as being a mask for greedy corporations, but we have also seen that when acted upon properly CSR makes a huge impact, and in fact, where there is no other way to regulated enterprises given the “minimum standards” required in EU regulation (Scharpf, 2001: 9-10), CSR seems not only necessary, but irreplaceable. Given the low cost of promoting CSR, there is not much to be lost. The problem of “green washing” does remain, as does the constraint of the “market for virtue”. However, this is where Ruggie's logic may eventually win out, and there are already signs that it is doing so. By embedding CSR further and further into cultural norms, by making it a mandate of ethical norms rather than voluntary actions, more and more corporations will be called out on their abuses, and directors may even face law suits dues on misreporting. Thus, there will be much stronger reputation and normative “carrots” as well as “sticks”, and some much more painful “sticks” in the form of hard sanctions.

The more consumer population as a whole must be exposed much more to CSR practices, and the more is spent on education in order to expand the “market for virtue” in the short run – in the long run this will only further embed CSR norms culturally. More also needs to be done to create consistent norms among industries, with much louder naming and shaming encouraged by various governments – which will provide a further “stick”, where offending companies will be shown that they have nowhere left to hide. More intensive information sharing across Latin and Nordic countries must happen in order to fertilize the bed of ideas in the former and harmonize between norms and practices – perhaps twining companies from different countries or from connected industries for periods of up to several years may be an effective policy. Reporting must also continue with ever increasing standards of liability, so that the quality and extent of reports increase, and information cannot be hidden from consumers and stockholders alike. The direction that was taken in 2011 is a positive one, and it will be evaluated again in 2014 (European Commission, MEMO/11/730, 2011: 3). The main problems that must be tackled, as I suggested, are therefore perverse incentives, and market based constrains.

All in all, the power exerted by enterprises in our world today and the potential impact they may have on societies, ours and others, or our planet, are so immense, that it would be recklessly irresponsible not to promote corporate social responsibility. It seems that Europe is indeed becoming a “pole of excellence” (European Commission COM2006: 1) in the field, and so it should be. The EU’s CSR policy, in its impact of corporate identities may lead to the emergence of a distinctively European model of a corporation.

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