1 The social regulation of the economy in the global context

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The global expansion of corporate social responsibility (CSR) in recent decades has been spectacular. Although much debate continues on the content and efficacy of CSR, the notion that corporations are accountable for the social and environmental consequences of their activities has become widely accepted in the worlds of business, government, and civil society. Global CSR frameworks such as the United Nations Global Compact (UNGC) and the Global Reporting Initiative (GRI) include thousands of business participants across multiple countries and industries and attract wide support from governments and civil society organizations. Corresponding to the rising global profile of CSR, scholarly attention to CSR has grown tremendously (Haufler 2001; Hoffman 2001; Hoffman and Ventresca 2002; Vogel 2005; Prakash and Potoski 2006; May, Cheney, and Roper 2007; Potoski and Prakash 2009; Soule 2009; Smith et al. 2010; Utting and Marques 2010; Crouch and Maclean 2011; Lindgreen et al. 2012). Building on this literature, this volume examines two key issues in contemporary CSR activities.

The first is the global nature of contemporary CSR efforts. Many CSR debates and activities today assume that CSR entails global problems that require global solutions. Through what historical and institutional processes have we come to accept this global approach to CSR? How did different actors engage in the politics of legitimation and contestation in the evolution of CSR in international society? How have global and national forces combined to construct specific fields of CSR, such as cross-national supply chains, sustainability, and conflict minerals?

Second, the global expansion of CSR ideas and practices exerts considerable pressure on corporations to take a position. What factors shape their reaction to this growing call for CSR action? Why have some corporations joined the global CSR movement while others have resisted or rejected it? If corporations participate in this CSR movement, do they gain anything from their efforts, or do they become targets of further criticism? What impact do these global pressures ultimately have on actual CSR outcomes?

This volume addresses these questions using rich historical data, innovative discourse analysis, in-depth interviews, and sophisticated quantitative methods. In this chapter, we discuss our perspective on CSR as social regulation of the economy, present the analytical framework that guides all the chapters, and summarize the research presented in this volume.

Corporate social responsibility as social regulation of the economy

In this section, we introduce our perspective on the emergence and impact of CSR. We see the essence of contemporary CSR as the social regulation of the economy, which involves attempts by various actors to interpret, guide, and control economic processes that increasingly span national boundaries. A case in point is the emergence of global CSR frameworks. The process began in the early 1970s, when government representatives deliberated an international Code of Conduct for Transnational Corporations (Sagafi-Nejad 2008) amid other similar efforts such as the OECD Guidelines for Multinational Enterprises. Efforts to institutionalize the Code of Conduct as a legally binding UN initiative, however, were unsuccessful because the governments of developed countries subsequently defeated those efforts. Nevertheless, those early efforts in international forums like the UN set the precedent for future CSR frameworks with a global scope (Kell and Levin 2003; Kell 2005). From the 1970s on, other international organizations introduced variants of global CSR frameworks, such as the 1976 OECD Guidelines for Multinational Enterprises, the 1977 International Labour Organization (ILO) Tripartite Declaration, the 1999 Global Sullivan Principles, and the 2003 UN Norms on the Responsibilities of Transnational Corporations. Because of the difficulty all international organizations faced in adopting legally binding frameworks and implementing them, most contemporary CSR frameworks rely on voluntary commitment by corporations and naming-and-shaming efforts by civil society (see chapters in Part I for details of this history). Thus, rather than binding laws, social pressures have been the driving force in contemporary CSR developments.

Our view of CSR contrasts most directly with previous research that highlights internal firm characteristics to understand why corporations engage with CSR. Since corporate practices are the central focus of CSR, it is not surprising that many scholars emphasize internal firm characteristics in their analyses (Carroll 1991). Many such studies seek to link firms' financial performance and CSR adoption (see Pava and Krausz 1995 and Margolis and Walsh 2003 for excellent surveys of these studies). Although this internalist approach to CSR highlights important factors that shape individual corporations' CSR practices, exclusive focus on internal characteristics could mask the role of broader environmental factors in CSR politics. Although some scholars may view CSR as a new means for individual corporations to incorporate externalities into their decision-making process, this approach does not address why CSR became part of such calculations at the firm level. Indeed, recent research reveals that internal firm factors such as financial performance are only weakly correlated with CSR practices (Margolis and Walsh 2003). The lack of a "market for virtue" (Vogel 2005) also substantially weakens the oft-touted argument that CSR practices can be financially beneficial for corporations. Furthermore, a simple aggregation of corporate actions fails to explain the institutionalization of CSR in the form of voluntary frameworks (Sikkink 1986; Bartley 2007; Sagafi-Nejad 2008; Lim and Tsutsui 2012). Although internal firm factors are undoubtedly critical in understanding why individual corporations choose to engage with CSR, they may be less adequate for explaining patterns of CSR engagement across corporations, industries, and countries.

If internal firm factors cannot fully account for the emergence and impact of CSR, what alternative explanations can aid in understanding contemporary developments such as the prevalence of voluntary CSR frameworks? We argue that CSR developed as a result of efforts by various social actors to monitor and control the consequences of corporate and economic activities. We posit that external pressures exerted by trade and investment relationships, government actions, social movement activism, and taken-for-granted models of appropriate organizational behavior work at both global and national levels to push corporations to engage in, co-opt, or react against CSR activities. This approach has a theoretical and empirical basis in various longstanding traditions in social science research that see economic activities as embedded in social structures.

Based on historical and anthropological evidence and political-economic developments in early twentieth-century Europe, Polanyi (1944) argued that economic practices were embedded in social arrangements, particularly government actions that created the conditions for economic activities to flourish. Polanyi noted that it was political actions, not merely capitalist expansion, that established international free trade or the international gold standard. These government actions resulted in economic consequences that threatened existing social arrangements, thus prompting severe domestic reactions. This notion of embeddedness was also influential in sociological (Granovetter 1985; Krippner 2001) and political science (Ruggie 1982, 2003) perspectives on the social bases of economic and organizational practices. In particular, neo-institutionalism in organizational studies (Meyer and Rowan 1977; DiMaggio and Powell 1983; Brunsson 2002) argues that "control" over organizational practices stems from wider institutional sources and highlights external factors such as the coercive role played by powerful organizations, the mimetic effect of organizations conforming to taken-for-granted ideas, and the normative influence of professional organizations. Faced with these external pressures, organizations often forgo internal efficiency considerations and adopt practices that make them appear legitimate to their external constituents in the organizational field. Since the 1980s, the stakeholder perspective in management studies (Freeman 1984, 1994, 1999; Post, Preston, and Sachs 2002) has also theorized beyond firm-level conceptions of CSR by situating corporations' CSR practices in the context of relationships with their stakeholders. Here, it is external actors that directly affect or are affected by the firm's activities that participate in regulating corporate behavior. In management studies, the stakeholder perspective is discussed only within a narrow "shareholder versus stakeholder" debate (see Walsh 2005 for an extensive discussion on this point), but we also see the perspective as the starting point for including many other external influences, including norms, government action, and social movements, into the analysis of corporate engagement with CSR.

Therefore, our central argument is that CSR developments can be more fully accounted for by viewing CSR as a core component of the social regulation of the economy, whether that regulation stems from government policies, taken-for-granted organizational models, or stakeholders of the corporation. We posit that CSR research should devote more attention to situating corporations' CSR practices within this wider global, social, and political context in which corporations operate. This would enable us to more adequately explain many features of contemporary global CSR, such as its emergence, norms, frameworks, and impact on corporations. With this approach in mind, we now explain the more specific analytical framework that we derive from applying the social regulation perspective to the study of CSR.

Analytical framework of this volume

The analytical framework we employ emphasizes two themes that integrate the different chapters of the volume. Our first theme focuses attention on the institutional and economic contexts in which corporations operate – the broader external contexts that encourage or hinder the emergence and impact of global CSR. Our second core theme highlights how global and national dynamics shape CSR ideas and practices differently and how developments in CSR may congeal at the transnational level and yet differ regionally or nationally in their local impact.

First, we make a distinction between two broad sets of factors that are salient in corporations' external environments: institutional and economic factors. On the one hand, there are social-institutional factors such as the impact of norms, taken-for-granted notions of appropriate behavior, and established patterns of rules and meanings on organizational behavior. Sociological approaches such as organizational neo-institutionalism (Meyer and Rowan 1977; Powell and DiMaggio 1991) and world society theory (Meyer et al. 1997; Meyer 2000) emphasize these factors. On the other hand, we cannot ignore political-economic factors such as patterns of economic transactions, configurations of power and conflict dynamics among economic actors, and the intersection of state and corporate interests. These factors play a central role in world-system theory (Wallerstein 1979) and varieties of capitalism approaches (Hall and Soskice 2001).

Second, we give equal weight to the global level of analysis and national determinants of CSR. Although national boundaries and domestic factors serve as important constraints on organizational behavior, we argue that factors at the global and transnational level, especially in the post-World War II era (Meyer 2010), are also powerful shapers of CSR developments. Thus, we make a second set of analytical distinctions, this time regarding how factors at separate levels of analyses may impact the development of CSR ideas and practices. On the one hand, there are factors that operate at the domestic, nation-state level that push organizational action in specific directions, most notably factors associated with domestic business environments and the extent of state coordination or intervention in the national economy (Vogel 1989, 2005; Hall and Soskice 2001). On the other hand, we also emphasize the autonomy of global factors in shaping domestic organizational behavior, whether it is the power of global norms and institutions (Meyer et al. 1997) or economic transactions and dependence relations that span national borders (Wallerstein 1979).

In sum, we argue that studies of contemporary CSR ideas and practices require an analytical framework that enables them to examine institutional and economic contexts at both national and global levels. Our framework reflects recent scholarship that analyzes global governance and corporate responsibility concerns in these multicausal and multilevel contexts (Flohr et al. 2010; Dashwood 2012). Figure 1.1 summarizes some of the key factors in each of the four domains of the analytical framework that we derive by crossing the two contextual dimensions (institutional/economic, global/domestic) that encompass many contemporary developments in CSR. We note that this framework is a heuristic device and that, in reality, all those factors are often closely intertwined.

A growing body of research on CSR has recognized these various contextual factors as salient for explaining the ascendancy of the contemporary CSR movement across various countries. For social-institutional factors operating at the global level, Delmas and Montiel (2008) examine the diffusion of voluntary international management standards in the chemical industry over 113 countries and find that the level of international nongovernmental organizational (INGO) activity in a country, but not trade-related factors, puts pressure on chemical firms to adopt the International Organization for Standardization (ISO) 14001 standards. In their study of cross-national CSR adoption in ninety-nine countries, Lim and Tsutsui (2012) also find that countries' nongovernmental links encourage corporations in those countries to adopt frameworks like the UNGC and GRI but that corporate commitment to CSR is ceremonial in

	Social-Institutional Factors	Political-Economic Factors
Global Level	Normative pressures Global norms International organizations (IGOs/ INGOs) Transnational social movements Global CSR frameworks International treaties Regional networks and collaborations World society theory	Foreign economic penetration Cross-national economic transactions Arm's-length/short-term vs. embedded/long-term relationships Economic dependence Race-to-the-bottom vs. ratcheting up Trade, foreign investment, debt World-system theory
Domestic Level	Cognitive receptivity Rationalization of business environment Predominance of rules, standard operational procedures Reduction of organizational uncertainty Transparency vs. corruption Democracy, human development Organizational institutionalism	National economic system Government orientation to economic planning Liberal vs. coordinated economies Government-business relationships Coercion vs. collusion between state and business actors Varieties of capitalism

Figure 1.1 Corporate social responsibility in the context of the social regulation of the economy

developed countries and more substantive in developing countries. Hirschland (2006) surveys the role that non-state actors like businesses and NGOs play in shaping global public policy and finds that these non-state groups are increasingly active in world business forums, global CSR policy circles, and socially responsible investment networks, thus resulting in the construction of many transnational CSR initiatives and code-making and monitoring regimes. Likewise, Segerlund (2010) examines the emergence and subsequent development of global CSR in a variety of intergovernmental settings and finds that NGOs were crucial entrepreneurs in constructing transnational standards for corporate behavior, mainly through multistakeholder processes that involve voluntary agreements established between NGOs and transnational corporations. This line of research demonstrates that social-institutional factors at the global level shape the emergence of global CSR frameworks as well as its diffusion across the globe.

Political-economic factors at the global level are also prominent in explaining CSR developments. Mosley and Uno (2007) study the impact of economic globalization on collective labor rights in developing countries and find that, whereas foreign investment inflows seem to encourage worker rights, trade competition has the opposite effect. Examining the impact of trade relations between countries, Prakash and Potoski's (2006) study of 108 countries finds that specific bilateral trade linkages encourage the adoption of ISO 14001 standards. Greenhill, Mosley, and Prakash (2009) find similar results in their analysis of the trade-based diffusion of labor rights in ninety developing countries. In research on global supply chains, Esbenshade (2004); Ngai (2005); Locke, Amengual, and Mangla (2009); and Fransen (2012) reveal how labor and factory violations by firms' suppliers in overseas locations prompted industry attempts to institute voluntary factory-monitoring regimes, although those regimes have not been entirely successful in addressing further criticisms. Bartley (2007) examines the role of political conflict and contestation between states, NGOs, and corporations in the often-compromised construction of transnational private regulation initiatives in the apparel and forestry industries after specific controversies in those industries in the 1980s and 1990s. Clearly, these global-level political-economic factors circumscribe the expansion of global CSR.

At the domestic level, social and institutional factors in specific countries' business environments can have powerful effects on shaping businesses' cognitive receptivity to CSR practices. Once institutionalized, standard rules and procedures allow corporations to tackle CSR concerns with appropriate responses to organizational uncertainty on a routine, taken-for-granted basis (Howard-Grenville and Hoffman 2003; Howard-Grenville 2006; Campbell 2006, 2007). Galaskiewicz's (1991, 1997) classic studies of corporate philanthropy in the Twin Cities of Minneapolis-Saint Paul find that business leaders' ties with the local community and local nonprofit organizations facilitated the institutionalization of corporate public service activity, leading to greater corporate prosocial actions (cf. Marquis, Glynn, and Davis 2007). In his study of the American chemical and petroleum industries, Hoffman (1999, 2001) finds that, partly due to growing pressure from environmental activists, firms based in the United States began in the 1980s to cooperate with the government to develop norms to signal their social responsibility, thus leading subsequently to more proactive and strategic forms of environmental management in the 1990s. Delmas and Terlaak (2002) compare the institutional structures of four developed countries and find that negotiated agreements between regulators and firms to voluntarily reduce pollution are more likely to be implemented in environments where regulators are able to commit to regulatory continuity. These processes operate in countries in which a culture of consensual policy making exists, especially in France, the Netherlands, and Germany, but not in the United States, which is characterized by a greater degree of fragmentation and open access in policy making. Kollman and Prakash (2002) examine variations among the adoption of global environmental management systems in the United Kingdom, the United States, and Germany. Focusing on the ISO 14001 and the European Union's Environmental Management and Audit Scheme, they find that varying corporate perceptions and responses to these standards were largely shaped by domestic factors, such as how leading firms promoted and disseminated information about those schemes, as well as varying domestic stakeholder responses. In contrast to the United Kingdom and Germany, in the United States, the lack of promotion, as well as lukewarm responses from government and environmental groups, resulted in lower rates of adoption of the ISO 14001 standard. In a similar study, Delmas (2002) finds that cultural elements in European countries, such as the quality of relationships between industry and government agencies, encouraged more corporations to adopt ISO 14001, whereas in the United States adoption was slower due to a lack of cooperation between those institutions. These studies point to how local social and institutional environments shape corporate CSR activities.

On domestic political-economic factors, scholars have examined the impact of different national economic systems and government orientations to economic activity. Matten and Moon (2008) compare American and European corporate approaches to CSR, arguing that more explicit, strategic, and voluntary CSR practices stem from economic systems like the United States where neoliberal government policies promote weaker social solidarity and welfare institutions. Building on Matten and Moon's argument, Jackson and Apostolakou (2010) compare the CSR policies of European firms in different national economic systems and find that CSR practices in liberal economies substitute for more institutionalized forms of stakeholder participation, whereas CSR in coordinated economies takes more implicit forms. Kinderman's (2012) study of Business in the Community, a leading business-led CSR coalition in the United Kingdom, shows how the development of CSR in the United Kingdom was coterminous with the evolution of neoliberal government policies, with members of the British business elite employing CSR to preempt or decrease further government regulation. Marens (2012) reaches similar conclusions in his study of the evolution of CSR in the United States, finding that business claims to social responsibility developed as a result of the weakening of American organized labor and trade unions and the rise of free market liberalism after World War II.

Integrating these four core factors but emphasizing some factors more than others, the chapters in this volume seek to explain the rise of the global CSR movement and its consequences for corporations and CSR outcomes. The authors employ the theories, concepts, and tools of social science disciplines such as sociology, political science, and management and organizations to focus on empirical analyses with reliable and replicable data. We do not start from strong normative positions on CSR; we do not see it as an inherently positive force in the contemporary world nor as an evil plot advanced by capitalists. As discussed earlier, CSR emerged through certain historical processes, and its impact should vary across different social and economic contexts. Thus, to understand the emergence, diffusion, and consequences of CSR, researchers would benefit greatly from social scientific methods that enable them to systematically examine the cross-national historical processes and social and economic contexts in which the CSR developments took place. The contributors to this volume employ various methods ranging from in-depth interviews and historical analysis to multidimensional scaling and longitudinal multivariate regression. We now briefly introduce the chapters.

Four parts of the volume

Contributions to this volume are organized into four main parts that examine (I) the history and current state of efforts to address CSR concerns, (II) global and transnational mechanisms of CSR field