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Engaging firms: The global organisational field for corporate social responsibility and national varieties of capitalism

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Abstract

This article examines the relationship between national varieties of capitalism and firm engagement with the norms and best practices promoted within the global organisational field for corporate social responsibility (CSR). Using a content analysis of the CSR reports of US and European firms, we show that firms from the coordinated market economies (CME) of Europe engage more substantively with labour and human rights than their US counterparts that operate in a liberal market economy (LME). The environmental commitments of firms in both regions, however, are more developed than practices related to these social issues. These findings support the view that CSR is more developed in CMEs than LMEs, but limit this support to social CSR issues. We posit that firms' higher levels of engagement with environmental CSR likely reflect the extent to which environmental norms have become embedded in global markets rather than how CSR is promoted by national capitalist systems.

Keywords: Private governance; Corporate social responsibility; Varieties of capitalism; Sustainability; Content analysis

1. Introduction

Since the 1990s, various private and public actors including the UN, the multi-stakeholder Global Reporting Initiative (GRI) and the NGO-led Forest Stewardship Council (FSC) have developed international codes of conduct in an effort to encourage firms voluntarily to improve and make transparent their environmental and social impacts. Although these codes seek to address a variety of social and environmental problems from child labour to deforestation, increasingly the authors of these schemes have drawn on a common set of norms and best practices such as 'stakeholder engagement', 'transparency' and 'continuous improvement auditing' to bring about change in corporate practice. As such, firms have had to react to what sociologists refer to as a broad organisational field for sustainable and responsible behaviour. Research over the past decade has revealed that firms' engagement with these schemes and the practices contained in them varies considerably according to their size, sector and home country (see Bernhagen & Kollman, 2013). These findings call into question the political and institutional conditions under which large firms are likely to engage with the global norms and management practices promoted within the organisational field for corporate social responsibility (CSR).

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In this article we focus on the ways in which national styles of capitalism shape firms' engagement with these new CSR norms and practices. This question has gained prominence recently because of the well-known effect that home country has on firms' CSR behaviour and because scholars have developed competing explanations of how different varieties of capitalism contribute to this variation. The debate draws on the insight that a firm's behaviour is shaped by state-society relations and the nature of public authority in its home country. This implies that CSR practices will differ in so-called liberal market economies (LME) and coordinated market economies (CME). The former, which characterises the nature of capitalist relations in Anglo-American countries, relies heavily on the market to regulate key economic relationships such as those between capital and labour. In these systems, economic actors receive only limited support from the state in governing their relationships and public goods provision. By contrast, in the coordinated market economies found in north-western, continental Europe, economic relations largely are managed outside of competitive markets through consensual bargaining between capital, labour, key societal actors and the state.

Although many CSR scholars agree that these different institutional arrangements likely explain some of the cross-national differences in CSR practices, they disagree about how and why. Some scholars argue that CSR institutions and practices will be more developed in LMEs where they serve as a 'substitute' for more extensive public regulation and offer firms a source of legitimacy in countries where the state only minimally compensates those not well served by the market (Jackson & Apostolakou, 2010; Kinderman, 2012). Other scholars posit that firms in CMEs will engage more substantively with CSR because they are embedded in social networks and interact with the stakeholders who promote voluntary environmental and social standards to a greater extent than firms in LMEs (Van Tulder, Van Wijk, & Kolk, 2009).

We join these debates by employing a content analysis of the CSR reports of 40 transnational corporations (TNCs) from the US and the coordinated market economies of Western Europe to examine how firms headquartered in two different varieties of capitalism engage with global CSR norms and practices. We take a somewhat different approach to addressing this question than is typical in the literature. First, unlike many studies of CSR and private governance, we do not focus on the effects of individual codes such as the UN Global Compact (UNGC). Rather we examine the extent to which firms from two different types of capitalism engage with the broader set of corporate social responsibility norms and best practices that underpin many prominent global codes and reporting standards (Tschopp & Nastanski, 2014). The code-based approach has yielded important lessons about how private governance schemes operate and what types of firms are likely to participate in them. But we know far less about what public goods firms are willing to provide or which specific accountability practices they are willing to employ.

Second, we use the concept of *engagement* to measure firm behaviour rather than CSR code participation or performance as is common in the private governance literature. In addition to offering a more robust indicator of CSR participation, our engagement measure also complements CSR performance studies. The performance measures typically used in the literature such as air emissions or labour violations are important, but tend to be quite narrow and difficult to generalise from broadly. We develop a coding frame that enables us to assess firm engagement across different types of environmental and social issues without conflating them or generalising behaviour from one narrow performance indicator. Further, we analyse the statements by CEOs and senior managers published in these reports to uncover the rationale that these mangers give for undertaking CSR activities. This analysis allows us to gauge which audiences and social actors firms engage with and how important they view the influence of these actors on their CSR practices. The latter is crucial for understanding the effects that different varieties of capitalism have on firms' CSR practices, but is not always well captured by either participation or performance studies.

Our findings partially challenge both major arguments about how varieties of capitalism shape firms' engagement with CSR. First, we find that firms from the coordinated market economies of continental Europe engage more substantively with social CSR issues, such as employee welfare and human rights, than their liberal market counterparts from the US. Further, European firms cite social pressure as a key rationale for CSR engagement and highlight their interaction with external actors more often than US firms. These findings largely support the expectation that firms' CSR practices will be more developed in CME countries because of the emphasis that firms in these countries place on their relations with non-market actors. Our analysis of firms' engagement with environmental CSR, however, tells a different story. Here the variation in levels of engagement between US and European firms is far less pronounced. More importantly, firms in both regions engage more substantively with environmental than social issues. This suggests that the ability of societal actors and the state to persuade firms in CMEs to make greater labour and human rights commitments is real, but limited and contingent on CSR area. It also raises the question of why both European and US firms engage more substantively with environmental issues than other CSR areas promoted by the