

Chapter 2

National Government and International Corporate Social Responsibility

This chapter first locates our contribution in the wider and related literatures related to our core interest, national government and international CSR. These are ‘government and corporate social responsibility (CSR)’, ‘domestic governance and CSR’, and ‘global governance and CSR’. The significance of the government and CSR literature is self-evident, but it bears recalling that the place of government in conceptualizations of CSR has remained rather tenuous and thus worthy of attention in its own right. The domestic governance literature has opened up ways for conceptualizing the contributions of CSR to domestic governance, particularly by virtue of its emphases on non-coercive government policies that stress facilitation of governance and on different sorts of public-private relationships. The limitations of this literature from our perspective are that there has been little attention to the way domestic government policies for CSR can extend into international ones, and that the capacity of government to use the power of mandate along with other forms of public policy has for CSR issues been rather underestimated. The literature on global governance, like that on domestic governance, has provided conceptual space for CSR, enabling arguments about MNCs having the transnational power to become key governance players, along with international governing organizations and international civil society actors. A key weakness from our perspective is that the global governance literature, including that on CSR and global governance, underestimates the contribution of national governments. A shared weakness of all three views is not only that governments are poorly specified and analysed as CSR actors but also that none addresses the different ways in which governments support CSR, directly and indirectly. In each literature we identify the ways in which the capacity of government to enact effective public policies to regulate international business is conceptualized and

understood and, specifically, how that capacity relates to government and CSR.

Secondly, this chapter presents the analytical framework that we deploy in the empirical chapters (3 – 6). In particular our framework highlights a distinction between those public policies that support CSR *directly*, and those that do so *indirectly*. The chapter describes and justifies our analytical approach and selection of case studies. It sets out our key research questions concerning: *how* government policies support CSR; *what roles* these policies play in CSR initiatives; *why* governments choose to make such policies; and *what are the interactions* between different sorts of government policies for CSR.

Government and CSR

The purpose of this section on government and CSR is to present contrasting views on the relationship between government and CSR. This is important, as there are some different assumptions and contentions about this issue among scholars and policy-makers. Our claim, that government is a key actor in driving international CSR, is at odds with the view that CSR is solely a matter of private initiatives adopted by firms that go beyond the legal requirements imposed upon them. However, we also emphasise that the government relationship to CSR is not only one of inheritance of the accumulation of relevant public policies. We distinguish two perspectives in the extant literature on government and CSR, each of which sub-divide into two further views. The two broad perspectives are that i) government has no role in CSR, which we refer to as the ‘dichotomous perspective’; and ii) that government has a role in shaping CSR, which we refer to as the ‘related perspective’. The dichotomous perspective divides into two: ia) the overt or ‘the express’ view, and ib) the tacit or

‘implied’ view. The ‘related perspective’ divides into two: iia) the ‘embedded’ view and iib) the ‘agential’ view.

A number of scholars take the ‘dichotomous’ perspective of government and CSR as described by Moon and Vogel (2008). These scholars contend that CSR is by definition that which is not required by government or by the law. The express dichotomous view that CSR is precisely behaviour that is independent of government and the law is illustrated by McGuire (1963) who distinguishes a business’s social responsibilities from its legal (and economic) ones. Carroll (1979) devised an influential way of thinking about CSR in terms of four layers of responsibility aligned on a ‘CSR pyramid’. The second layer of the pyramid (above that of the primary level, economic responsibility) was the assumption that responsible companies will comply with the law, though Carroll is quiet on government per se. His third and fourth layers were respectively ‘ethical’ and ‘philanthropic’ responsibility. Jones stressed that ‘behaviour coerced by forces of the law ... is not voluntary’ (1980: 59) and for his purposes these behaviours were excluded from CSR. McWilliams and Siegel’s (2001) influential theory of the firm analysis defines CSR as ‘actions that appear to further some social good beyond the interests of the firm and that which is required by law’ (2001: 117). Again, there is no mention of government and the inference one draws from this quote is that they would view government policies for CSR as a contradiction in terms.

There are also implied dichotomous views of government-CSR relations in which conceptualizations or representations of CSR make little or no mention of government or the law. For example, in a seminal article Margolis and Walsh’s (2003) concern with CSR and the public interest largely by-passes government as a source of regulation for CSR, other than noting in their introduction that all three

branches of the US government have encouraged forms of business social responsibility (2003: 269-270). Also, Aguinis and Glavas's (2012)' influential review of and research agenda for CSR makes no mention of government.

This implied dichotomous perspective that CSR excludes government regulation is also consistent with early assumptions of the Commission of the European Union (the EU), which originally defined CSR as 'a concept, whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a *voluntary* basis' (European Commission, 2001 *emphasis added*). Here, and more generally, the idea that CSR is voluntary has been used to signal that it is apart from, or beyond, the reach of the law and other government policy. Significantly ten years later the European Commission has changed its definition of CSR to 'the responsibility of enterprises for their impacts on society' (European Commission, 2011), which by implication admits behaviour regulated by government.

It follows from this dichotomous perspective that if government regulates social activities by business such as initiatives to improve labour standards or human rights, then consequent business behaviour is simply conformance with that regulation. And the corollary is that CSR operates in 'unregulated spheres'. Our study is in contention with this view in that we do not see government regulation and CSR as dichotomous but, rather, as relational.

More recently, this theme of scepticism about government in CSR has been reflected in an influential literature that argues that companies and civil society actors have taken on new roles in global governance in the name of CSR, known as 'political CSR' (Scherer and Palazzo, 2011). The political

CSR concept, is premised on the view that due to the incapacity of national governments in global governance, corporations effectively assume political responsibilities. So, if not a completely dichotomous view of government and CSR, Scherer and Palazzo's is at least a view of an inverse relationship between the two. In a later article, Scherer et al. (2016: 277) define political CSR as "...those responsible business activities that turn corporations into political actors, by engaging in public deliberations, collective decisions, and the provision of public goods or the restriction of public goods in cases where public authorities are unable or unwilling to fulfil this role". A key axiom in this literature is that companies (Scherer and Palazzo, 2007; 2008; 2011; Scherer et al., 2016) and civil society actors (Kaplan, 2015; Sabel et al., 2000) take on roles that have traditionally been seen as the responsibility of the state. We will return to this important theme of political CSR below.

Our purpose is not to deny that corporations and civil society have taken on new roles in the regulation of global business. It is very clear that this is the case (Yaziji and Doh, 2009; Locke, 2013; Spar and LaMure, 2003). Rather, our purpose is to contend that the corollary that national governments have never featured or have somehow disappeared with this development is, at best, partial.

This brings us to the second, the 'related', perspective of government and CSR. The first version of this is that CSR is 'embedded in' (Moon and Vogel, 2008) or structured by (Matten and Moon, 2008), the institutions, including laws, which governments have created and legitimated (on the embeddedness of institutions see more broadly Dahl and Lindblom, 1992 [1953]; Granovetter, 1985; Hollingsworth and Boyer, 1997). Early proponents of this view were Preston and Post (1975) who offer theoretical support for business involvement in, and accountability for, public policy. They saw the significance of CSR's relationship to government and governmental processes, and thus coined the term 'public

responsibility' to distinguish this from 'ad hoc managerial policies and practices' (1975: 9). This is reflective of the broader insight that government actions are to a large extent structured by the accumulated policies and institutions that they inherit on taking office (Rose, 1990; see also Drezner, 2001).

Such a view that business responsibility is entailed in public policies has become a feature of more recent scholarship on CSR. Campbell, for example, argues that CSR is best understood as a function of the institutions in companies' respective home countries (Campbell, 2007). Matten and Moon (2008) argue that there are historic patterns of CSR, which reflect national institutions, but that these have become overlain with sector and company level factors, which transcend national patterns (Garcia-Johnson, 2000).

This embedded view is akin to Matten and Moon's (2008) concept of 'implicit CSR' in which the accumulative effect of government policies, along with deeply institutionalised social norms, shape understandings of how companies should behave, and thus no explicit assumption of responsibility at a company level is expected. However, the embedded view is also consistent with the 'explicit CSR' of individual corporations whereby they take distinctive social responsibilities. Thus, the fact that American corporations, for example, claim responsibility for their employees' health and retirement insurance is a reflection of a 'welfare economy' (Rein, 1982) in which those corporations receive tax exemptions from the government for providing such benefits. Thus, in the 'embedded view' CSR actions are often considered to be entailed in or supported by government regulation, rather than just alternatives to it.

Yet others argue that CSR is in part a function of the national business systems along with such other factors as corporate governance and organizational justice (e.g. Aguilera et al., 2007). These authors assume that CSR is in large part explained by the legal and governmental context in which the respective corporations are embedded (e.g. Albareda et al., 2008; Knudsen, 2017; Midttun et al., 2015). Research in political economy has shown that it is possible to establish consistent patterns between the structures of the economy, economic policies, employment policies, skill formation schemes and social protection systems (Thelen, 2014). This is particularly true for research in the Varieties of Capitalism approach (Hall and Soskice, 2001); the French School tradition of regulation (Aglietta, 1980; Boyer, 2004), the National Business Systems literature (Whitley, 1999) and the Welfare Capitalism literature (Esping-Andersen, 1990). These approaches identify types or regimes but they are often too static and too abstract to explain recent developments of economic restructuring that are required when national political economies encounter globalization pressures. The Varieties of Capitalism literature for example is heavily-employer focused and assigns only a limited role to government actions per se.

Globalized trade and capital, outsourcing and supply chains driven by technological advances such as easier and cheaper communication and transportation, trade liberalization and deregulation of financial markets allow for the increasing shifting of production of goods and services to less developed countries in order to take advantage of their cheaper wages. As a result governments in advanced industrialized countries are increasingly struggling to maintain welfare states and labour market arrangements such as collective bargaining that have traditionally offered protection to weaker segments of the labour force (Hassel et al., 2016; Martin and Swank, 2012; Thelen, 2014; Trampusch, 2009). As borders become more porous the ability of governments to regulate the social performance of their business activities such as wages and working conditions – at home as well as abroad – is then

seen as weakened (Risse-Kappen, 1995; 2004). While the Varieties of Capitalism literature, National Business Systems and the Welfare Capitalism literatures do not address CSR per se, as we shall see these literatures have been deployed in the CSR literature (e.g. Jackson and Apostolakou, 2010; Kang and Moon, 2012) and they highlight the domestic political and economic contexts in which companies undertake social initiatives including CSR.

A second view in this related perspective is one of agency. Rather than stressing the governmental impact on CSR as a legacy effect, the agential view instead focuses on the way governments regulate to deploy CSR's resources for their current policy agendas (Bartley, 2007; Gond et al., 2012; Knudsen et al., 2015; Lim and Tsutsui, 2012; Steurer, 2010; Vogel, 2008). In this view the government – CSR relationship is not only about an 'inheritance principle' of public policy whereby the vast majority of regulation that governments govern with was enacted by their predecessors (Rose, 1990), but it is also about government choices in the here and now. In short, we identify ways in which governments regulate CSR in part to pursue their own contemporary governance goals. Crucially, whereas the embedded view of CSR and government most obviously applies in the relationship between national governments and domestic CSR, the agential one is more relevant for a consideration of the effect of national government regulation for international CSR, which is not embedded by the accretion of decades or even centuries of domestic institutional development. In the 'agential' view of government and CSR, governments purposively interact with non-government actors to develop CSR policies. This agential view shares with the embedded view the assumption of government as an important actor in the development of CSR, but stresses government agency rather more than structure. In keeping with this view we demonstrate that CSR is not just embedded in governmental institutions, but also that governments use CSR for policy innovation and change, whether to justify deregulation or to

consolidate standards. Agency is evident in various types of interactions in response both to business and society initiatives. We present a summary of the perspectives on government and CSR in Table 2.1.

Table 2.1 The literature on government and CSR

Government and CSR: Dichotomous Perspective		Government and CSR: Related Perspective	
Express dichotomous view	Implied dichotomous view	Embedded view	Agential view
CSR is defined as excluding the role of government	CSR is treated as if government has no role	Gives emphasis to the structural effects of inherited government policies	Gives emphasis to the agential effects of government policies

Our focus is on the related perspective of government and CSR. Thus, our selection of cases (Chapters 4 – 6) reflects our findings on where government policies for CSR are most embedded (as we discuss in Chapter 3), but our analysis of these cases focuses on government agency, albeit as structured by the ways in which government and CSR are institutionalised in different countries. This approach parallels political economy scholarship and in particular in the historical institutionalist tradition (Iversen and Soskice, 2006; Mares, 2003; Martin and Swank, 2012; Palier and Thelen, 2010). Recent work in this research tradition has developed a more dynamic approach to exploring the relationships between domestic political and economic institutions and social welfare outcomes. Thelen (2014) argues for example that policies adopted by governments to achieve economic growth and employment, while not structurally predetermined, are nonetheless mediated by institutional features of the political economies that are not fully amenable to manipulation by governments, even if they are sometimes sustained by public policies (see also Mahoney and Thelen, 2009. Thelen (2014) for

example shows how countries such as Sweden, Germany and the Netherlands have responded to shared globalization pressures by selecting distinct growth and employment strategies that reflect differences in the structure of organized interests.

In relation to these perspectives, our argument is that whilst corporations are the key actors in CSR, their behaviour reflects long-term institutional settings of their respective national, international and sectoral business systems; and moreover, that governments are agential in regulating CSR. Thus we contribute to the literature on government and CSR by exploring the ways in which national governments shape CSR through the interactions with business and civil society organizations.

We now turn to the context in which these government – CSR relationships have become more significant. Thus, to contextualise our analysis we introduce two key literatures: one on domestic governance and CSR, the other on global governance and CSR. We highlight particular strengths and weaknesses of each literature and then seek to pull them together to develop a new framework for analysing the role of government in influencing CSR.

Domestic Governance and Corporate Social Responsibility

The domestic governance literature that we examine contextualizes both the recent rise of CSR and the changing roles of government in their own countries. Following Mayntz (2004; see also Börzel et al., 2011; Héritier and Eckert, 2008; Pierre, 2000) we define governance as:

the entirety of co-existing forms of collective regulation of societal issues: ranging from the institutionalized self-organization of civil society and the different forms of

cooperation between public and private actors to the sovereign acts of states (Mayntz, 2004: 6).

Or to put it more simply, governance is ‘the system that provides direction to society’ (Peters, 1996 - for a critical discussion of the governance concept see Offe, 2009). The literature here is vast and we focus on two particular streams of analysis. The first concerns the ways in which governments have complemented their means of governing through mandate, premised on their unique resource of authority. This is relevant to us because in our analysis (chapters 3 – 6) we explore the different forms of policy that governments deploy for CSR. The second literature focuses particularly on the interplay of public and private initiatives in domestic governance. This is important for us because the CSR initiatives that feature in our analysis are known as ‘private initiatives’ and our analysis (particularly in the case studies in chapters 4 – 6) focuses on different forms of interaction with them by government (which we term ‘direct’ and ‘indirect’ – see below).

The literature covering domestic governance and its relationship with CSR was inspired by what was known as the ‘new’ governance literature of the late 1980s and 1990s (e.g. Moon, 2002). Whilst this literature is also very broad, containing internal debates about the causes of new governance and its effects, there are some key common features that we see as critical to the development of CSR over the last couple of decades. Primarily, this literature suggests that the capacity of government to govern on the basis of its exclusive authority to mandate behaviour alone, is exhausted or that governments face new challenges which they cannot address using this traditional mode of governing by mandate. The significance of the use of the term (new) ‘governance’ is therefore associated with the relative decline in the roles of government as a public goods provider and as a ‘command and control’ regulator. It is also associated with the adoption of market and network modes by government to complement their

conventional authority (Osborne, 2010; Peters, 1996; Pierre, 2000; Rhodes, 1996). This contrasts most obviously with modes of governance, which were synonymous with state authority, which, whilst tempered by legislative oversight and judicial review, reflected governments' possession of the monopoly of legitimate force within national boundaries (Weber, 1949 {1919}).

In part, the new domestic governance literature notes limits to the capacity of governments to govern (Rhodes, 1997) as well as recognizing ideologically- and efficiency-driven policies to withdraw the state from some responsibilities (Domberger, 1999; OECD, 2005; Parker, 2009; Savas, 2000; Self, 1993). Governments have been more active in bringing new actors into governance, particularly business and civil society organizations (Bartley, 2007). Rhodes (1997) points to the growing importance of self-governing networks and public-private partnerships and Kooiman (2000) points to the growth of self-governance and co-governance, including through: 'networks, public-private partnerships, communicative governing, and responsive regulation' (2000: 150-151). New domestic governance is not simply a reflection of new (i.e. non-governmental) actors but also of new modes of (non-coercive) governing (see also de Búrca et al., 2014). For example Rosenau (2005) stresses the themes of participation, learning and consensus about appropriate standards of business behaviour, which are mainly policed by reputation concerns.

In this context new domestic governance roles for CSR have emerged reflecting different relationships with government. This trend of CSR featuring in domestic governance at the behest of governments has been evidenced in a variety of settings. In a number of countries, economic downturns motivated companies to become active in local economic partnerships to re-invigorate depressed areas and to create employment in the UK (Moore et al., 1985), in Australia (Moon and Willoughby, 1990); in

Denmark (Morsing, 2005). In many countries there was a great increase in CSR applied to a wider range of community roles, often in collaboration with the charity sector (Muthuri et al., 2009). In yet other countries the focus of CSR was upon sustainability issues more broadly in, for example, Austria (Strigl, 2005) and Spain (Fernandez and Melé, 2005).

Notwithstanding the increase in CSR in domestic governance, we argue that rumours of the death of the state should not be exaggerated. In this respect, our argument echoes that of Pierre (2000) who highlights the re-constitution of state authority reflected in the growth of sub-national regional and city governments, and the allocation of ministerial authority to executive agencies. This anticipates our theme, that governments are able to re-invent themselves in domestic governance, specifically to regulate international CSR. Despite the diminution of its capacity to mandate behaviour through command and control, the state is still alive and kicking using other forms of policy, including less coercive rules that are usually associated with initiatives such as networks and partnerships.

This view is not only associated with political science approaches to CSR, but also by those of socio-legal scholars, notably McBarnet in the context of her work on CSR ‘beyond the law’, ‘through the law’ and ‘for the law’, which she calls the ‘new corporate accountability’ (2007). She argues that although the UK governments have formally maintained a view that CSR should be voluntary, they have nonetheless both encouraged CSR and regulated it. She illustrates this with reference to reporting requirements placed, first, upon pension funds in 2000, and subsequently on stock exchange listed companies under the ‘operating and financial review’ in 2006 (2007: 32 - 37). Secondly, she illustrates this capacity to regulate CSR with reference to public purchasing requirements for environmentally friendly goods and services (2007: 42 – 43). One example is the adoption by many European governments of public procurement standards precisely to integrate CSR into public policy

(McCrudden, 2009). Public procurement is used to address social conditions in other countries including fair trade and the reduction of child labour. Companies are only required to conform if they wish to sell to the respective government agencies. According to McCrudden (2009: 118), legal regulation “enables the relationship between CSR and public procurement to flourish, for example by explicitly setting out a common standard of what public bodies may do in the use of procurement for achieving CSR goals, but not requiring it, and in reducing legal uncertainties that might lead to unwillingness to use public procurement for CSR purposes”.

We will demonstrate how new forms of domestic governance feature in national policies for international CSR, as well as how these also interact with traditional uses of mandate by national governments aimed at solving the same social problems as are the CSR initiatives they also support. Whilst governments are one of several actor types in domestic governance and CSR (others being notably business and civil society), we also argue that they bring distinctive regulatory resources to these networks and partnerships and thus they should not be accorded the status of just another actor in a standard or a partnership, or just another stakeholder of a company (Freeman, 1984). Even if the power of governments to use their exclusive mode of ‘authority’ (Moon, 2002) to command and control has been weakened in some respects by new regulatory shifts, it is important not to lose sight of their distinctive combination of resources. These can be conceptualized in a number of ways. Rose (1984) argued that governments possessed unrivalled powers to mobilize laws, money and employees to produce public programmes. Hood (1986) distinguished the tools of government by which he referred to ‘advice, information, persuasion’; “treasure” and cheque-book government’, ‘tokens of authority’ that arise from its unique legal status, ‘organization’ and the capacity for ‘direct action’ and ‘treatment’ of a range of individual, group and mass issues; and tools of detection. Whilst

corporations, particularly, may collectively have grown in respect of some of these powers (Rose, 1984) and tools (Hood, 1986), they cannot rival governments' combination of these domestic resources.

An important and growing literature exists that highlights the important role of government for shaping the way that private CSR programs and initiatives develop. Scholars interested in political economy (with backgrounds in economics, political science or sociology) have for example explored the interplay between domestic political and economic institutions and private CSR initiatives. Focusing on enforcement scholars find, for example, that private compliance initiatives can interact with public regulation to shape improved labour standards in the Brazilian sugar sector (Coslovsky and Locke, 2013; see also Ronconi, 2010). Other studies show how different labour market models such as in the Latin world and in the USA lead to different company approaches to enforcing labour standards (Piore and Shrank, 2008). Börzel et al. (2012) argue that in certain areas of limited statehood private regulation still depends on some state intervention to be effective - in particular when firms are immune to reputational concerns that require the involvement of several actors in the provision of collective goods.

These examples of research scholarship illustrate that a vibrant and sophisticated research tradition exists that examines the interplay between government institutions and public policy on the one hand and private CSR initiatives on the other. Government has agency in shaping CSR.

Domestic governance and CSR - summary

We see government policy for CSR as a feature of domestic governance as governments are ready to exploit the ability of corporations, often in partnerships with other businesses and civil society organizations, to fulfil a variety of public policy agendas as we demonstrate in Chapters 3 and 4. Thus we contribute to debates about CSR and domestic governance by indicating the forms of policy that governments bring to CSR and their relationships with private initiatives designed to advance CSR and, in so doing, we explore how domestic CSR can have international implications. Table 2.2 summarizes the positions that we would expect the perspectives and views of government and CSR to take in the light of the literature on domestic governance and CSR. It presents these in the context of the research questions on government and CSR on which we will base our analysis. We elaborate more on our choice of research questions below when we explain our analytical approach.

Table 2.2 Conceptualisations of CSR and government in the domestic governance literature: expected perspectives on our research questions

Research Questions	Government and CSR: Dichotomous perspective		Government and CSR: Related perspective	
	Express dichotomous view	Implied dichotomous view	Embedded view	Agential view
1. How do government policies support CSR?	CSR is defined as excluding the role of government	CSR is treated as if government has no role	CSR is embedded in domestic political and economic governance	Gives emphasis to the agential effects of government policies
2. What roles do government policies play in supporting CSR?	Government role is not the focus		System centred	Problem/issue centred
3. Why do governments make policies for CSR?	Government role is not the focus		Motivation as per agential view: Legacy effect on CSR by structured actors' governance responsibilities	Changing societal expectations about the role of business in domestic society. Government views CSR as a means to achieve public policy goals
4. What are the interactions between different sorts government policies for CSR? a) Between domestic and international policies for CSR? b) Between direct and indirect policies for CSR	Government role is not the focus		<p>1) Focus is on public policies for CSR intended for home country firm's domestic activities (BUT not international activities).</p> <p>2) Focus is on direct CSR public policy only, BUT not indirect CSR public policy)</p>	

In order to explore the development of international CSR we now turn to debates about CSR and state capacity in the sphere of international business arising from globalization and in the context of global governance.

Global Governance and CSR

Globalization presents a threshold parameter change in that the territories in which governance is enacted are no longer those for which national governments have exclusive legal sovereignty (Scholte, 2005). Globalization has been seen as a main driver of the rise of CSR because, with the outsourcing of production from the 'global North' to the 'global South', government regulation to ensure environmental and social protection has been seen as insufficient, and companies and civil society actors have turned to private CSR initiatives to fill the governance gap (Vogel, 2008). The literature on globalization, governance and CSR extends the logic in the above domestic governance literature, highlighting how governments have become less able to regulate as business activities increasingly transcend national borders. The argument is that the weakening of the regulatory capacity of governments results in the rise of private regulation (O'Rourke, 2006; Rasche, 2012; Scherer and Palazzo, 2007; 2011; Scherer et al., 2016). Numerous implications of globalization for government and governance have been identified (Kooiman, 2000). Perhaps the most obvious implication is the growth of international organizations and the creation of new rules (Börzel and Risse, 2010; Knudsen, 2011; Ostry, 1999) addressing such cross-border problems as environmental pollution, currency crises and AIDS (Rosenau, 2000). These in turn generate diverse accountability mechanisms (Fransen and Burgoon, 2012; Keohane, 1984; Krasner, 1983; Risse, 2002; Ruggie, 2004), and the new roles for NGOs (Haufler, 2001) and other non-state actors (e.g. Clapham, 2006; Risse-Kappen, 1995; 2004) in shaping global governance systems. Secondly, with globalization, companies increasingly operate overseas and outside the immediate jurisdiction of their home governments. Given the power of multi-national companies (MNCs) and the impact of their value chains, their operations can have vital social, political, economic and environmental consequences for populations in host countries and in particular in the global South (Stiglitz, 2002; Rodrik, 2001; Vogel, 2008). These developments are often

associated with the view that, axiomatically, these companies can operate internationally beyond the reach of their national governments: a view, which our book challenges.

The role of business in global governance is a particular focus of interest in debates about the nature and extent of corporate power in this new governance context. A key point in the business in society literature is that the regulatory capacity of the state is inefficient when it comes to dealing with new social and environmental concerns that arise with globalization (de Bakker and den Hond, 2008; Rasche, 2012; Scherer and Palazzo, 2007; 2011). As a result business engages in self-regulation through soft law in those instances where state agencies are unable or unwilling to regulate (Matten and Crane, 2005).

In this context O'Rourke contends that:

The most dynamic experiments in global governance are not about national regulatory policies, international trade agreements, or even international agency initiatives. Rather, a new class of governance initiatives has emerged that involve private and non-governmental stakeholders in negotiating labour, health and safety, and environmental standards, monitoring compliance with the standards, and establishing mechanisms of certification and labelling that provide incentives for firms to meet these standards. These non-governmental systems of regulation are expanding extremely rapidly across industries and regulatory areas (O'Rourke, 2006: 899).

Globalization is therefore widely regarded as having a profound effect on CSR. Indeed many commentators and scholars would conclude that the CSR movement of the last fifteen years or so has primarily been driven by globalization (Fransen and Burgoon, 2014; Vogel, 2008). While the

economic influence of MNCs is growing in the global South, paradoxically perhaps, at the same time corporations are finding that a wide range of stakeholders in the global increasingly scrutinizes their international business activities. This increased public scrutiny of corporate behaviour is associated with the rise in new technology including internet usage, smart phones and new social media such as Facebook and Twitter (Castello et al., 2016; Vogel 2008). Thanks to this combination of social media and civil society attention to business, the international social and environmental impacts of companies can be crucial for corporate reputations at home and abroad, with implications for their attractiveness to investors, customers, employees and suppliers (e.g. Gjøølberg, 2009; Hodge, 2006).

It is in this context that several authors have identified new global governance roles for CSR. A major contribution that bridges the literature on international organizations with CSR is Scherer and Palazzo's 'The new political role of business in a globalized world' (2011). Although they include the state as a main political actor with civil society and corporations, Scherer and Palazzo emphasize global and multi-level governance as the core locus (2011). They argue that we are witnessing an emerging global institutional context for CSR that has shifted from national to global governance in which firms contribute to global regulation and provide public goods (Scherer and Palazzo, 2011; see also Matten and Crane, 2005). Key themes here are the ways in which business CSR is regulated 'mutually' (e.g. through business associations for CSR like the World Business Council for Sustainable Development); by and with civil society (e.g. through international multi-actor organizations and standards including the Marine Stewardship Council, the Forest Stewardship Council, and the Global Reporting Initiative); and by and with international government organizations (e.g. the United Nations (UN), the Organization for Economic Cooperation and Development (OECD), the World Bank, and the International Standards Organization) (Prakash and Potoski, 2014). It should not be overlooked, of

course, that sometimes these new regulatory mechanisms are also in conflict with one another, as illustrated in the differences in approaches to forestry standards pursued by the more business-oriented World Business Council for Sustainable Development and the more conventional tripartite Forest Stewardship Council (Cashore et al., 2004).

So the starting point for much of this CSR literature on globalization is a weakening of the nation state system (Rasche, 2012; Scherer and Palazzo, 2007; 2011). These arguments about the weakening of the state's regulatory capacity often reflect several overlapping themes, which should be differentiated. First, it is argued or implied that national government capacity has somehow been reduced in absolute terms. In other words some of the conclusions about the domestic role of the state noted in the above discussion about privatization, liberalization and new governance get transferred to the international sphere. Secondly, it is argued or implied that, by dint of globalization, Western governments lose control over a wider range of home country MNCs' operations in other jurisdictions. Thirdly, it is argued or implied that developing country governments are relatively weaker than their Western counterparts, and thus MNCs find themselves in relatively under-regulated business systems as they travel 'East' or 'South'.

In general terms, however, it is characteristically argued that:

the Westphalian nation state system is losing some of its regulatory power because many social and economic interactions are expanding beyond the reach of territorially bound national jurisdiction and enforcement to offshore locations (Doh, 2005; Palan, 2003) or to oppressive or even failed states (Fukuyama, 2004) where there is no rule of law, no

democratic institutions, and no adequate government and regulation. (Scherer and Palazzo, 2011: 902).

Scholars have pointed out that nation states, whose jurisdiction is largely territorially bound, are unable to address these governance voids and that inter-governmental organizations, which to a large extent rely on states for implementation, cannot fill these voids either (Rasche, 2012; Vogel 2008). In this light, Scherer and Palazzo (2011) have proposed a significant theoretical contribution to the literature on CSR and global governance, which they refer to as Political CSR premised on the assumption that government regulation has become weakened. Scherer and Palazzo (2011: 909) sum up their claim in the following manner that the regulatory power of the state has been eroded:

In a globalized world, as we have argued, the capacity of the state to regulate economic behaviour and to set the restrictions for market exchange is in decline. As a political reaction to the widening regulatory gap, governance initiatives have been launched on the global, national, and local level that try to compensate for the lack of governmental power. Unlike the hierarchy of nation-state governance, these new initiatives often rely on heterarchic or network-like relationships (Detomasi, 2007). These new forms of regulation are more network-oriented in nature in contrast to the traditional command and control nature of government regulation. Furthermore, non-state actors seek to re-establish the political order and in doing so to promote new forms of democratic control.

Scherer and Palazzo argue that:

In fact, with the intensified engagement of private actors, social movements, and the growing activities of international institutions a new form of trans-national regulation is emerging: global governance, the definition and implementation of standards of behaviour with global reach (2011: 909).

In a recent article Scherer and Palazzo writing with Rasche and Spicer (Scherer et al., 2016) take stock of the political CSR literature and suggest new directions for what they refer to as ‘Political CSR 2.0’. They argue that ‘the debate on PCSR might have been too sceptical with regards to governmental regulation both on a national and international level and too much focused on soft-law initiatives and the significance of private authority’ (2016: 284). They highlight attempts of government to control the activities of multinational corporations both on a national and international level of rule-making and make references to the UK Bribery Act, the US Foreign Corrupt Practices Act and the Dodd Frank Act’s focus on protecting human rights in conflict minerals (also known as Section 1502). Secondly, they state that the pressure of intergovernmental organizations on corporations has increased as well (Scherer et al., 2016: 284). As examples of intergovernmental organizations Scherer et al. (2016) point to the EU, the UN and the OECD. However, while Political CSR 2.0 is more willing to acknowledge the role of government than its previous version it does not have much to say about how governments can shape CSR. For example it does not explore the political processes that lead to government initiatives to control the activities of multinational corporations nor how governments can influence intergovernmental organizations and their CSR programs or multi-stakeholder initiatives that focus on CSR issues. Neither does Political CSR 2.0 examine how government involvement in traditional ‘hard’ law forms of regulation interact with ‘softer’ forms of CSR programs. This book aims to address this

gap in the Political CSR 2.0 literature and develops an argument about the role of government in shaping international CSR and how different forms of government policies interact with CSR.

Summing up, according to the Political CSR literature many of today's social and environmental problems reflect transnational governance challenges that arise because there is an imbalance between the increasingly international operations of business and the frequent absence of adequate government regulations in the global South (Kolk, 2014; Rasche, 2012; Ruggie, 2004; Scherer and Palazzo, 2007; 2011). In order to deal with inefficient government regulation, many companies have therefore adopted private CSR solutions in order to manage social and environmental challenges. Limiting business risk could mean using private governance to resist governmental or inter-governmental standards, in some cases, while in other cases, including those we study in Chapters 5 and 6, there is more of a synergy between governmental or inter-governmental standards and business strategy (Cashore et al., 2004). Moreover, others argue that CSR originates not with business but with public interest advocates such as non-governmental organizations that want to fill the regulatory vacuum created by the inadequacies of both national and international institutions to regulate corporations (Fransen and Burgoon, 2012; Kaplan, 2015; Moon and Vogel, 2008). These scholars view CSR as a set of activities through which society can undertake soft regulation of corporate conduct while norms of appropriate conduct are expected to 'ratchet' up over time (Cashore et al., 2004; Murphy and Bendell, 1999; Sabel et al., 2000; Waddock, 2008). In short, from this civil regulation perspective, CSR originates with public interest advocates (Kaplan, 2015). However, the central assumption remains that governments are absent from this new variety of CSR initiatives to address international governance problems.

Despite the weight of the argument about the centrality of business and civil society to global governance, as production has continued to grow increasingly global, many governments have found that private regulation of international business activities is insufficient. As Ruggie put it: a major reason for government CSR regulation is that “private governance produces only partial solutions, and its own unfolding brings the public sector back in” (Ruggie, 2003: 28). However, the UN Global Compact has also been criticized for offering firms some nice cover behind the UN, but not requiring too many “on the ground” changes (Kell, 2012). Rather than attempt coercive mandate as alternatives to private regulation, governments have adopted CSR regulation in order to enhance international competitiveness or to promote certain economic and political development goals (Midttun et al., 2006). Thus, government regulation of CSR has increasingly moved away from regulating domestic CSR programs to regulating the social and environmental performance of home country firms as they operate in a developing country context (Brown and Knudsen, 2015; Knudsen et al., 2015).

Although governments are using strong mandates to regulate some aspects of international business (e.g., the US and UK anti-corruption regulation), strong mandate is merely one end of a regulatory spectrum rather than the totality of regulation (Abbott and Snidal, 2000). The type of policies of interest to us include those described as softer forms of regulation, which do not stress detailed conformance requirements or punishments for failure to comply. Hence, we are primarily interested in government CSR policies where corporations are able to exercise choice as to whether to, and how to, conform. We are thus interested in comparing the different types of regulation that governments bring to CSR, the circumstances of these regulatory forms, and their interactions with one another.

In our discussion of domestic governance and CSR we highlighted that a key political economy literature exists that examines the interplay between historically and politically determined institutions and private CSR initiatives (see also Brammer et al., 2012). Turning to the literature on global governance and CSR, political economists have explored how domestic political institutions shape transnational CSR initiatives (Bartley, 2007; see also Bernstein and Cashore, 2002) or contribute to CSR outcomes (Rodriguez-Garavito, 2005; Distelhorst et al., 2015). Alternatively scholars examine how transnational CSR initiatives such as the ILO's Better Work Program have the potential (under certain conditions) to reinforce domestic labour regulation (Amengual and Chirot, 2016). Scholars also call attention to the limitations of organizations such as the UN Global Compact and thus highlight the need for governmental capacity (Ruggie, 2003). Bernstein and Cashore (2002) analyze the conditions under which global governance can influence domestic policies to improve environmental effectiveness. We find, however, that notwithstanding some insights from adjacent fields (e.g. Bernstein and Cashore 2002; Ruggie, 2003) the role of national government is somewhat underspecified in this literature and in particular how government CSR initiatives play a role in a government's broader policy program.

So, our view is that in most of the CSR studies of the regulation of responsible business, the roles of national governments in these new, global governance arenas have been understated or more usually overlooked. In part this reflects a general assumption in the wider political economy literature that, axiomatically, the decline of national government is a cause or effect (depending on theoretical perspective) of globalization (e.g. Daly, 1996; Friedman, 2005; Scholte, 2002; Wolf, 2005). But also we suspect that, in some cases, the novelty of the new forms of CSR regulation by inter-governmental organizations and multi-actor agencies, standards and partnerships has resulted in a neglect of the more

familiar regulators, national governments, even though many of these governmental activities are no longer in the familiar coercive mandate mode. So our book contributes to debates about global governance and CSR by bringing the national governments in to our analysis, and investigating how and why governments regulate international CSR i.e. the behaviour of domestic companies abroad.

Global Governance and CSR – a summary

The global governance literature highlights drivers of international CSR although mainly through private actors, be they corporate or civil society, but generally neglects the roles of government policies to support international CSR directly and indirectly. Thus we contribute to debates about governments, CSR and international governance by highlighting the forms of policy that governments bring to CSR and their relationships with private initiatives designed to advance CSR and, in so doing, we explore how domestic CSR can have international implications. Focusing on ethical trade in Chapter 5 and tax transparency in extractives in Chapter 6, we illustrate the interrelationship between public and private CSR initiatives, the forms of government initiatives and the interplay between the domestic and international spheres. Table 2.3 summarizes our classification of the literature on global governance and CSR and presents expectations about this relationship.

Table 2.3 Conceptualizations of CSR and government in the global governance literature: expected perspectives on our research questions

Research Questions	Government and CSR: Dichotomous perspective		Government and CSR: Related perspective	
	Express dichotomous view	Implied dichotomous view	Embedded view	Agential view
1. How do government policies support CSR?	CSR is defined as excluding the role of government	CSR is treated as if government has no role	International CSR is embedded in domestic political and economic governance	Government has LIMITED agency in shaping international CSR
2. What roles do government policies play in supporting CSR?	Government role is not the focus		System centred	Problem/issue centred
3. Why do governments make policies for CSR?	Government role is not the focus		Motivation as per agential view: Legacy effect on CSR by structured actors' governance responsibilities	Changing societal expectations about the international role of business in society. Government views CSR as a means to achieve public policy goals
4. What are the interactions between different sorts of government policies for CSR? a) Between domestic and international policies for CSR? b) Between direct and indirect policies for CSR?	Government role is not the focus		Limited focus on public policies for international CSR BUT focus on international CSR. The literature focuses mainly on how international businesses and IGOS address problems and not on how governments develop public policies for CSR (neither direct nor indirect public policies for CSR)	

Summing up, we develop our analytical approach from three distinct but related literatures. First, in the context of the CSR literature, we propose a ‘related’ perspective of government and CSR in which government has agency, albeit structured by embedded institutional settings. Secondly, from the

domestic governance literature we build on the notion that governments possess a distinctive combination of regulatory resources. Thirdly, with reference to the global governance literature, which highlights drivers of international CSR although mainly through private actors, we focus on the roles of government policies to support CSR directly and indirectly.

Analytical Approach

We present our analytical approach in three main parts. First, we introduce our overall framing of policies, which is the distinction between policies for CSR, directly and indirectly. Government policies that support a specific CSR initiative are considered to ‘support CSR directly’. Public policies, which are not considered CSR policies, can nevertheless address the same problem that a CSR initiative is intended to ameliorate. Such public policies are thereby ‘support CSR indirectly’.

Secondly, we introduce the data on which we conduct our analysis. This consists of a panoramic database of government policies for CSR directly in Europe, and three case studies of government and CSR. Thirdly, we elaborate upon the research questions which guide our analysis. In the concluding section of this chapter we bring these parts together to provide an integrated framework.

Policies for CSR directly and indirectly

We make a distinction between policies that support CSR directly and those that do so indirectly on the basis of our empirical observation of the distinction. Governments make policies, which directly create and support CSR initiatives but they also make policies, which are addressed to a problem that CSR initiatives also focus on, and thereby indirectly support those CSR initiatives. So our contribution

is to substantiate our observation of these two types of government policy for CSR, and to explore how they operate and interact.

Having introduced the distinction between policies which are aimed at CSR ‘directly’ and those that are for CSR ‘indirectly’, it behoves us to explain this novel perspective. Direct policies for CSR refer here to government policies specifically addressed to CSR initiatives such as CSR organizations and regulations. The terminology of direct and indirect regulation has been developed in the global governance literature by Abbott and Snidal (2000; Abbott et al., 2015). However, these authors focus upon how international governance organizations *regulate problems* either ‘themselves’ (i.e. directly) or via intermediaries (i.e. indirectly). In contrast our focus is upon how national governments *support CSR* either directly (i.e. by supporting CSR initiatives) or indirectly (i.e. by regulating the wider business environment in which CSR is enacted). This is not to say that we have no problem focus. On the contrary, we study the way the different policies for CSR address problems, specifically those of non-financial reporting, ethical trade, and transparency of payments in the extractives industry (see below).

Indirect policies for CSR refer to government support for CSR, which is not focused upon a CSR initiative but upon the regulatory context of that problem to which the respective CSR initiative is addressed. By these means a government regulates the same problem to which a CSR initiative is addressed – and is thereby supportive of it - but this is not through direct support for the CSR initiative. It is, of course, possible that governments can unwittingly make policies, which shape the regulatory environment for CSR. However, our interest is in cases where the governments make these policies indirectly with awareness and cognizance of the respective CSR initiatives, and in which there are

interactions between these different forms of policy and the CSR initiatives themselves. We suggest that these policies for CSR indirectly can include traditional government policies to regulate the environment in which companies operate, without coercing them to act in a particular way (in which case these would not be CSR policies but conventional business regulation). They can include policies which do not specify terms of compliance or punishment for non-compliance (a point elaborated upon below and in Chapter 3) or rules concerning the wider environment of business such as in other jurisdictions (a point elaborated upon in Chapters 5 and 6), and rules that pertain to one sphere of the business operations such as transparency (a point illustrated in Chapters 4 and 6). Whilst these forms of regulation often mandate behaviour, they do not themselves impose conceptions of responsible business and thus we describe them as for CSR *indirectly*.

Whilst direct policies for CSR (i.e. those in which governments create, support and supplement CSR initiatives) are reasonably well-understood at the domestic level (e.g. Campbell, 2007; Knudsen et al., 2015; Midttun et al., 2015; Steurer, 2010) there has been little attention paid to them at the international level. Moreover, there is no literature on indirect government regulation of CSR through policies which are addressed to a target problem which is shared with a CSR initiative but independently of it. Table 2.4 presents our conceptualization of government policies for CSR directly and indirectly, which we use in our analysis.

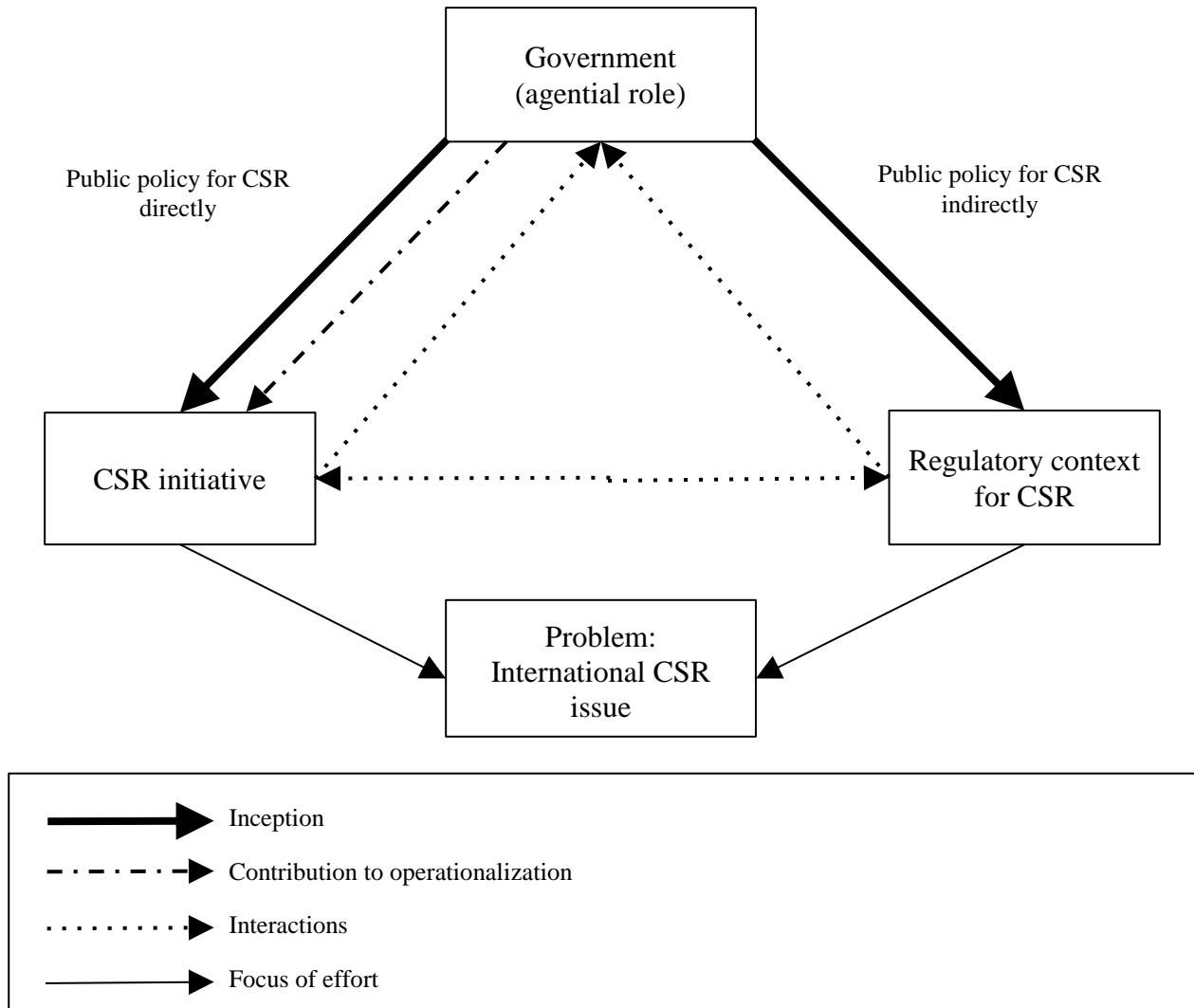
Table 2.4 Definitions of public policies for CSR directly and indirectly

Public policy for CSR directly	Public policy for CSR indirectly
Government policy addressed to a CSR initiative (e.g. organization or regulation) directly. This can be in its initiation or in its operationalization and the latter can be a one-off or an on-going type of support.	Government policy to address the same problem to which a CSR initiative is addressed. Government thus supports CSR indirectly by deploying its resources to regulate the wider institutional context of the CSR initiative and the problem in question.

Although the two types of policies are presented here as separate and distinct, we should anticipate that governments could undertake direct and indirect support for CSR simultaneously or sequentially. This is a dynamic process: governments often adjust regulation based on feedback on how a regulatory initiative plays out. Furthermore, sometimes the direct and indirect initiatives develop in ways that reflect each other and a degree of convergence can ensue.

Figure 2.1 is a graphic presentation of the relationships between government policies for CSR directly and indirectly. It depicts problems, which national governments cannot conventionally address directly because they lie outside their own jurisdiction. Instead, national governments can address the problem by directly supporting CSR initiatives, or they can change the regulatory context thereby supporting the CSR initiatives indirectly. The relationships captured in Figure 2.1 frame our analysis.

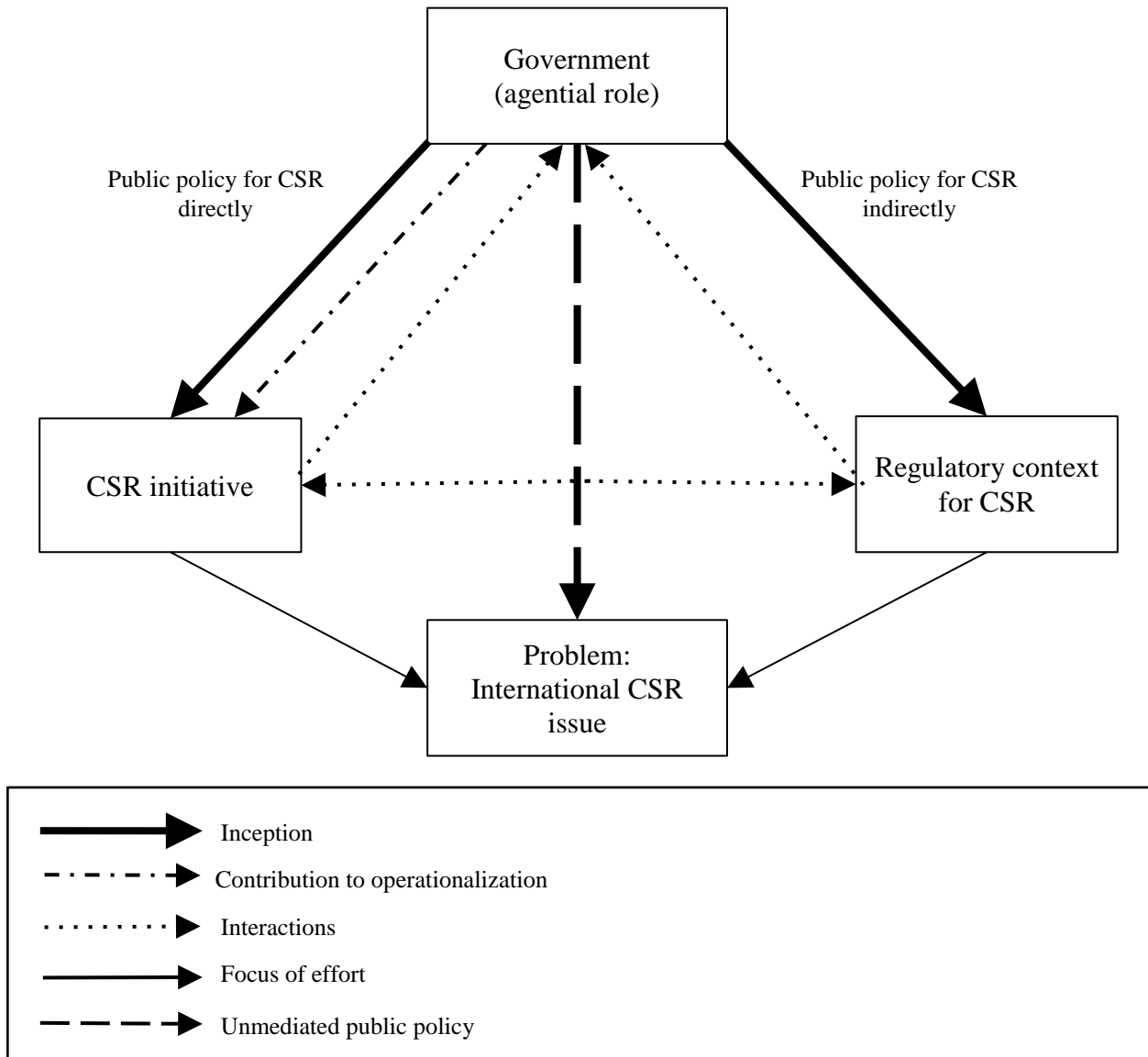
Figure 2.1 A model of public policy for CSR: directly and indirectly



For clarification, Figure 2.2 illustrates what we *do not examine* in this book. Our book *excludes* government policies which are addressed straight to international problems without intermediaries. The vertical arrow – unmediated public policy – illustrates the kind of public policy that we *do not* examine. The challenge for national governments is precisely that their jurisdictions are limited. There

are cases where it could be argued that some national governments do make policies, which are unmediated (often referred to as ‘Command and Control’ regulation – see Abbott et al., 2015). The US Foreign Corrupt Practices Act and the UK Bribery Act are examples of such traditional regulations as they specify what compliance consists of and carry punishment for their transgression.

Figure 2.2 Public policy for CSR contrasted with unmediated public policy



In contrast, we consider the way in which governments regulate an international CSR issue abroad. We examine public policies that directly shape international CSR initiatives and we examine public policies that are not intended to shape CSR initiatives or organizations but that nonetheless build in

support for CSR initiatives indirectly by means of their wider regulatory impact.

Our data: A panorama and three case studies of government policies for CSR

Our approach to the question of national government policies for CSR is a layered one. We first provide a panorama of government policies for CSR directly. We do so by analysing government policies focusing on CSR in Europe, 2000 - 2011 (Chapter 3). This is to ascertain the relationship between government and CSR in general in these countries: do these governments make policies to support CSR, and if so, is this true of all or just some countries? On this basis we then identify the sorts of issues addressed – and specifically whether these include international CSR issues. We reveal the regulatory form that these policies have taken, ranging from endorsement, facilitation and partnership, to mandate. We develop a typology of government regulation for CSR, particularly to identify those national governments which regulate CSR for a wide range of purposes and which deploy the full range of policies available for the cause of CSR.

We then embark on three case studies of government policy for CSR with a more in-depth qualitative analysis (Chapters 4 – 6). We have selected three main case studies of government and CSR in order to understand: the making and development of these policies; the interactions of domestic and international policy; and the interactions of direct and indirect policies for CSR. The first case study is the Danish non-financial reporting legislation – direct government adoption of a CSR rule - in which we investigate the relationship between domestic and international regulation for CSR (Chapter 4).

The second case study is of ethical trade in which we first investigate government support for a specific international CSR initiative directly (the Ethical Trading Initiative). We complement this with analysis of policies that support CSR in ethical trade indirectly in the wake of the Rana Plaza disaster in Bangladesh in which Western governments sought to shape the regulatory environment of the Bangladesh textile and garment industries, and thereby shape the context for CSR. We also see how these governments supported and interacted with the work of two post-Rana Plaza CSR initiatives, the Alliance and the Accord, directly (Chapter 5).

The third case study is transparency in the extractives sector in which we investigate government policies for a specific international CSR initiative directly (the Extractive Industries Transparency Initiative). This study includes the policies of ‘home’ and ‘host’ governments in this sector. We also investigate how governments have shaped the regulatory context for the EITI indirectly in the form of the US Dodd-Frank Act section 1504 and the EU Accounting Directive amendment (Directive 2013/34/EU), as well as the interactions of these with the EITI (Chapter 6).

As the purpose of our book is to offer a new interpretation of the roles of government in international CSR, our case selection fulfil four key criteria. First all three cases relate to mainstream CSR issues that have been explored at great length in the literature albeit from different perspectives than the one we propose. Non-financial reporting has both been an expectation from many societal actors as well as a key mode by which corporations have come to demonstrate their CSR credentials. Ethical trade has been a key point of critique of MNCs by civil society in view of the parlous human rights and labour conditions in many international supply chains. Transparency of MNC payments, particularly in the

extractives sector, has also been at the heart of critiques of business from anti-corruption and international development perspectives.

Second, we explore cases of public policy for CSR in contexts of relatively well-embedded government – CSR relations in which governments which are continuously active in CSR policy-making rather than taking ‘one-off’ initiatives. Hence our cases are largely based around the Danish and the UK governments which, in our own analysis of public policy for CSR (in Chapter 3), we describe as having ‘systemic institutionalisation’ of CSR (see also Knudsen et al., 2015: 94), though several other national and international governments’ (i.e. the EU) direct and indirect regulation of CSR also feature in our analysis.

Third, given our focus on the role of government in shaping *international* CSR we have selected cases accordingly. All three cases have clear but contrasting, domestic government – international CSR linkages. In Chapter 4 we see how the Danish non-Financial Reporting Act emerged from earlier regulation for CSR and also how it brought implications for the international activities of Danish companies. In the ethical trade case (Chapter 5) we see how the UK government (and later other governments) supported a fairly typical CSR partnership approach to a set of international CSR problems. In the transparency in the extractives sector case (Chapter 6), we see a rather more prominent role of government in an MSI, which nonetheless has clear CSR origins and continuing dimensions.

Fourth, we are interested in exploring the interactions between public policies for CSR (‘directly’) and public policies for CSR (‘indirectly’) that address the same problem. Hence we select two cases where

we identify such interactions: ethical trade and tax transparency in the extractives sector.

Research Questions and Methods

We now turn to detailing the more focused research questions and associated methods, which enable us to address these objectives concerning direct and government public policies for international CSR.

We structure this section by first, discussing research questions addressed by aggregate analysis concerning direct government policies for CSR, and secondly, by discussing research questions addressed by case studies (qualitative research method) concerning direct and indirect government public policies for CSR.

Direct government policies for CSR: aggregate analysis

First, we conduct an aggregate analysis of national policies for CSR in Europe. This enables us to identify policies and the issues to which they are addressed in order to justify our further analysis of policies addressing international CSR issues. It also enables us to answer the question in general terms as to what regulatory resources are deployed in policies to support CSR, directly?

Our focus is upon policies that Western European governments themselves refer to as ‘CSR’. We define a policy as a governmental output or public action: ‘the substance of what government does’ (Dearlove, 1973: 2). This would be identified by the mobilization of public resources such as regulations, financial resources (negative or positive expenditures), organizational resources, or cultural/political resources. CSR policies are those designed to encourage responsible business behaviour but not to require it. This distinguishes CSR policies from straight out requirements for companies to behave in certain ways, which governments may also impose. However, this raises the

question of how much regulation is needed for a policy to be a simple business regulation rather than a CSR policy, which would entail some level of corporate discretion as to whether or how to respond.

Our test for distinguishing public policies that shape CSR directly from simple command and control regulation is to answer the following questions:

1. Does the policy establish requirements for compliance?
2. Does the policy establish penalties for non-compliance?

If both questions were answered 'yes' we would not speak of public policies for CSR, but of command and control regulation.

We collected data on government policies for CSR from 2000 to 2011 and from 22 European countries. Data regarding CSR policies and responsible ministries were collected from an extensive web-search and several published sources (see Knudsen et al., 2015). The policies were classified by expert researchers according to the responsible national government ministries from where they emanated. In many countries multiple departments may have had some relationship to CSR and these are recorded accordingly. These policies were then further coded as to whether the sponsoring ministries were responsible for issues that were: social, education, internal affairs, environmental, economic, treasury, energy, foreign affairs, and international development. This follows a method adopted in political science of using government departments responsible for public policy to identify the areas of public policy prioritized by governments. This could be in order, for example, to analyse the development of public policies in any single systems, to compare public policy settings among several systems, or to investigate policy convergence or divergence among multiple systems (Rose, 1976).

Thus we identified which ministerial departments of government or which ministerial portfolios (i.e. responsibilities officially attached to ministers serving in these departments) were assigned responsibility for CSR policies in each of the European systems. The identification of a ministry with a policy area, in our case CSR, enables us to establish the broad issue area to which CSR policies are directed. So, in sum, the ministries and ministers assigned CSR responsibility provides an indicator of the broad issue area to which the government intends its CSR regulation to be directed. Having presented the broad picture of CSR policies for CSR we then turn to our first research question.

Research question 1) How do governments make policies that support CSR directly: through endorsement, facilitation, partnership or mandate?

We coded the respective policies according to the form of regulation that they represented. Hence we distinguished regulations for CSR which: endorse; facilitate; partner; or mandate CSR. This framework was developed by Fox et al. (2002) for the analysis of government policies for CSR in developing countries, by ourselves in our analysis of government policies for CSR in Europe (Knudsen et al., 2015 on which our Chapter 3 is based); and by Gond et al., (2011) in their conceptual investigation of the role of government in CSR configurations. Other analyses of government policy for CSR use descriptive categories of policy which are nominal and combine regulatory style, issue focus and intended styles of business–society relations (e.g. ‘partnership; business in the community; sustainability and citizenship’; and Agora policies – as used by Albareda et al., 2007; and ‘legal, economic, informational, partnering and hybrid policy instruments’ as used by Steurer, 2010). In elaborating on Bernstein and Cashore’s (2002) distinction between how governments regulate CSR, Auld et al. (2008 Table 1) distinguished identify new government roles in the ‘new corporate social

responsibility' depending on the nature of the new form of CSR. Hence they suggest that governments can require or encourage corporations to provide CSR information; they delegate or share responsibility in partnerships; they provide background facilitation for environmental management systems; they are often in the shadows for industry association codes of conduct; and tend not to use their sovereign authority responsibility in non-state market driven regulation.

In contrast, our framework uses a classificatory system which focuses on the type of government resource deployed, and which enables insights into the regulatory strength of the respective policies for CSR. This, in turn allows us to address debates about soft and hard regulation prominent in business and society literatures (e.g. Scherer and Palazzo, 2011 – above), and more broadly in economics (e.g. Stigler, 1971), law (e.g. Braithewaite et al., 2008), and political science (e.g. Moran, 1986).

In our schema governments can *endorse* CSR by means of official encouragement and the provision of the governmental imprimatur. Our 'facilitation' category of CSR regulation involves bringing capacity, subsidy schemes and tax incentives. Governments can *facilitate* CSR by the deployment of organizational and fiscal resources to bring other actors together. The CSR regulation category of 'partnership' reflects government's ability to create and formally join *partnerships* with other actors for CSR, which usually pre-supposes endorsement and some facilitation. Our category of CSR regulation by *mandate* reflects the unique government resource of authority and this might be illustrated by a prescriptive definition of minimum standards for responsible business performance embedded within a legal framework. Governments can mandate CSR by use of legislation or delegated legislation. We note that this might be coercive (implying that the requirements for compliance with the regulation and punishments for failing to comply are clearly set out) or reflexive (implying that the regulation is

designed to assist critical reflection and self-regulation (Braithewaite and Drahos, 2000; Teubner, 1983). One example is the Danish non-financial reporting act which when first introduced only required those companies (with a certain minimum turnover) to report their CSR if they also claimed that they conducted CSR. This will then have provoked companies to ask themselves ‘do we conduct CSR and, if not, why not?’

Thus, ‘mandate’ reflects the strongest regulation for CSR, requiring regulation and even legislation, and would usually involve other governmental resources associated with the other three forms of policy. ‘Facilitation’ and ‘partnership’ policies reflect medium levels of regulatory strength, requiring governments to substantiate their commitment to encouraging CSR by, for example, providing financial and organizational resources. ‘Endorsement’ represents relatively weak regulation for CSR, for while it signals government approval of CSR, there are no further resources to redirect company behaviour, and CSR would remain at arm’s-length from government. All of these forms of regulation for CSR are explored in the subsequent chapters. These types are defined and distinguished in Table 2.5 and the regulatory strength we attach to these is also displayed.

Table 2.5 Forms of policy to support CSR, directly or indirectly, and their regulatory strength

Form of regulation	Description	Regulatory strength
Endorse	Political support for CSR through general information campaigns and websites, political rhetoric, award and labelling schemes	Low
Facilitate	Incentives for companies to adopt CSR through subsidies, tax incentives or public procurement policies; brokering of agreements among business and civil society organizations	Medium
Partner	Collaboration of government organizations with business organizations to disseminate knowledge or develop/maintain standards, guidelines and so on	Medium
Mandate	Regulation of minimum standards for business performance	High

(Source: Knudsen et al., 2015)

Our approach is therefore in the spirit of that of Abbott and Snidal (2000), but also distinct. Abbott and Snidal argue that most international law is in fact soft in distinctive ways. Hard law is legally binding obligations that are precise (or that can be made precise through adjudication or the issuance of detailed regulation) and that delegate authority for interpreting and implementing the law. However, soft law is often preferable because it is easier to achieve and it can offer "more effective ways to deal with uncertainty such as initiating processes that allow actors to learn about the impact of agreements over time" (Abbott and Snidal, 2000: 423). Soft law also facilitates compromise. The realm of soft law begins once legal arrangements are weakened along one or more of the dimensions of obligation, precision, delegation. Rather than solely highlight hard or soft law, in focusing on government regulation of CSR initiatives, we consider the dynamic interactions between direct and indirect forms

of government CSR regulation. In contrast to Abbot and Snidal (2000), we unpack the non-mandatory types of regulation and distinguish their varying regulatory strengths. Moreover, we also recognise that even notionally mandatory policies can vary in their strength as noted in our distinction (above) between laws, which do and do not establish requirements for compliance and penalties for non-compliance. We illustrate this distinction in Chapters 3 and 4. Here we find that public policy which takes the forms of endorsement, facilitation and/or partnering does not ‘substitute’ for mandatory regulation but rather are inter-related.

There are a number of limitations to the analysis conducted for addressing Research Question 1 (Moon et al., 2012; Knudsen et al., 2015). First, despite a coding handbook and various research reliability checks, decisions about how to code national CSR policies rested with the respective researchers. They made judgements about the appropriateness of the CSR label to the policies and the designation of the regulatory types. Secondly, it is in the nature of aggregate studies to have a start and a finish date and thus, whilst our data are representative of CSR policies in the respective period, they give little sense of what preceded and succeeded these. We have conducted some additional research using secondary data such as EU Commission studies, research reports and various academic articles. Thirdly, and relatedly, the way in which our data were collected did not allow us to capture the ways in which alternating parties in government may have used, or put into disuse, regulations initiated by their predecessors in the specified period. Fourthly, the Knudsen et al. (2015) data analysis did not include CSR policies of the EU, however, in this chapter we integrate discussion of EU CSR regulation. Finally, this sort of analysis does not allow us to capture the interactions of governmental regulation with other sources of regulation of CSR. However, analysis of these sorts of interactions forms the core purpose of Chapters 4 – 6.

Government policies to support CSR directly and indirectly: qualitative analysis

We now set out the research questions, which apply to public policies that support CSR directly and indirectly, and the qualitative research methods we deploy. Whereas in the aggregate analysis (above) the types of CSR issues to which national government policy is directed was a research finding, here in the qualitative analysis, we selected cases of national government policy for international CSR, directly and indirectly. In Chapter 4, we investigate the way an ostensibly domestic CSR policy (for CSR reporting) has international implications. In Chapters 5 and 6, we investigate two issues that are international, by definition and examine government policies for CSR concerning ethical trade (which relates to labour rights and standards); and concerning transparency of payments between international companies and governments in the resources sector. In these cases we also investigate the forms of policy for CSR and are able to gain insights into the combinations of and relationships between different forms of regulation for CSR.

Research question 1) How do governments make policies that support CSR directly: through endorsement, facilitation, partnership or mandate?

We coded the respective policies according to the form of regulation that they represented. Hence we distinguished regulations for CSR which: endorse; facilitate; partner; or mandate CSR. This framework was developed by Fox et al. (2002) for the analysis of government policies for CSR in developing countries, by ourselves in our analysis of government policies for CSR in Europe (Knudsen et al., 2015 on which our Chapter 3 is based); and by Gond et al., (2011) in their conceptual investigation of the role of government in CSR configurations. Other analyses of government policy for

CSR use descriptive categories of policy which are nominal and combine regulatory style, issue focus and intended styles of business–society relations (e.g. ‘partnership; business in the community; sustainability and citizenship’; and Agora policies – as used by Albareda et al., 2007; and ‘legal, economic, informational, partnering and hybrid policy instruments’ as used by Steurer, 2009). In elaborating on Bernstein and Cashore’s (2002) distinction between how governments regulate CSR, Auld et al. (2008 Table 1) distinguished identify new government roles in the ‘new corporate social responsibility’ depending on the nature of the new form of CSR. Hence they suggest that governments can require or encourage corporations to provide CSR information; they delegate or share responsibility in partnerships; they provide background facilitation for environmental management systems; they are often in the shadows for industry association codes of conduct; and tend not to use their sovereign authority responsibility in non-state market driven regulation.

In contrast, our framework uses a classificatory system which focuses on the type of government resource deployed, and which enables insights into the regulatory strength of the respective policies for CSR. This, in turn allows us to address debates about soft and hard regulation prominent in business and society literatures (e.g. Scherer and Palazzo, 2011 – above), and more broadly in economics (e.g. Stigler, 1971), law (e.g. Braithewaite et al., 2008), and political science (e.g. Moran, 1986).

In our schema governments can *endorse* CSR by means of official encouragement and the provision of the governmental imprimatur. Our ‘facilitation’ category of CSR regulation involves bringing capacity, subsidy schemes and tax incentives. Governments can *facilitate* CSR by the deployment of organizational and fiscal resources to bring other actors together. The CSR regulation category of ‘partnership’ reflects government’s ability to create and formally join *partnerships* with other actors for

CSR, which usually pre-supposes endorsement and some facilitation. Our category of CSR regulation by *mandate* reflects the unique government resource of authority and this might be illustrated by a prescriptive definition of minimum standards for responsible business performance embedded within a legal framework. Governments can mandate CSR by use of legislation or delegated legislation. We note that this might be coercive (implying that the requirements for compliance with the regulation and punishments for failing to comply are clearly set out) or reflexive (implying that the regulation is designed to assist critical reflection and self-regulation (Braithwaite and Drahos, 2000; Teubner, 1983). One example is the Danish non-financial reporting act which when first introduced only required those companies (with a certain minimum turnover) to report their CSR if they conducted it. This will then have provoked companies to ask themselves ‘do we conduct CSR and, if not, why not?’ Scott captures the essence of reflexive regulation: ‘This approach recognizes the “inner logic” of social systems and sets law the challenge of seeking to steer those social systems. A key aspect of this approach is re-casting the function of law from direct control to proceduralization’ (Scott, 2004).

Thus, ‘mandate’ reflects the strongest regulation for CSR, requiring regulation and even legislation, and would usually involve other governmental resources associated with the other three forms of policy. ‘Facilitation’ and ‘partnership’ policies reflect medium levels of regulatory strength, requiring governments to substantiate their commitment to encouraging CSR by, for example, providing financial and organizational resources. ‘Endorsement’ represents relatively weak regulation for CSR, for while it signals government approval of CSR, there are no further resources to redirect company behaviour, and CSR would remain at arm’s-length from government. All of these forms of regulation for CSR are explored in the subsequent chapters (see also Table 2.5).

Our approach is therefore in the spirit of that of Abbott and Snidal (2000), but also distinct. Abbott and Snidal argue that most international law is in fact soft in distinctive ways. Hard law is legally binding obligations that are precise (or that can be made precise through adjudication or the issuance of detailed regulation) and that delegate authority for interpreting and implementing the law. However, soft law is often preferable because it is easier to achieve and it can offer "more effective ways to deal with uncertainty such as initiating processes that allow actors to learn about the impact of agreements over time" (Abbott and Snidal, 2000: 423). Soft law also facilitates compromise. The realm of soft law begins once legal arrangements are weakened along one or more of the dimensions of obligation, precision, delegation. Rather than solely highlight hard or soft law, in focusing on government regulation of CSR initiatives, we consider the dynamic interactions between direct and indirect forms of government CSR regulation. In contrast, we unpack the non-mandatory types of regulation and distinguish their varying regulatory strengths. Moreover, we also recognise that even notionally mandatory policies can vary in their strength as noted in our distinction (above) between laws which do and do not establish requirements for compliance and penalties for non-compliance. We illustrate this distinction in Chapters 3 and 4. Here we find that public policy which takes the forms of endorsement, facilitation and/or partnering does not 'substitute' for mandatory regulation but rather are inter-related.

There are a number of limitations to the analysis conducted for addressing Research Question 1 (Moon et al., 2012; Knudsen et al., 2015). First, despite a coding handbook and various research reliability checks, decisions about how to code national CSR policies rested with the respective researchers. They made judgements about the appropriateness of the CSR label to the policies and the designation of the regulatory types. Secondly, it is in the nature of aggregate studies to have a start and a finish date and thus, whilst our data are representative of CSR policies in the respective period, they give little sense of

what preceded and succeeded these. We have conducted some additional research using secondary data such as EU Commission studies, research reports and various academic articles. Thirdly, and relatedly, the way in which our data were collected did not allow us to capture the ways in which alternating parties in government may have used, or put into disuse, regulations initiated by their predecessors in the specified period. Fourthly, the Knudsen et al. (2015) data analysis did not include CSR policies of the EU, however, in this chapter we integrate discussion of EU CSR regulation. Finally, this sort of analysis does not allow us to capture the interactions of governmental regulation with other sources of regulation of CSR. However, analysis of these sorts of interactions forms the core purpose of Chapters 5 – 6.

Government policies to support CSR directly and indirectly: case study analysis

We now set out the research questions, which apply to public policies that support CSR directly and indirectly, and the qualitative research methods (case studies) we deploy. To recap, public policies that support CSR directly are those by which governments address one or more forms of regulation directly to a CSR initiative, be it at the initiative's inception or to its on-going operations. Public policies that support CSR indirectly are those by which governments address the same issue to which CSR initiatives are directed, by affecting the regulatory context for CSR. In so doing, indirect public policies contribute to the effect of the CSR efforts to resolve the issue in question. Our chosen cases of indirect CSR regulation all reveal cognizance among the government regulators about the respective CSR initiatives' aims, achievements and shortcomings.

Whereas in the quantitative analysis the types of CSR issues to which national government policy is directed was a research finding here, in the light of that analysis, we selected cases of national

government policy for international CSR, directly and indirectly. In Chapter 4, we investigate the way an ostensibly domestic CSR policy (for CSR reporting) has international implications. In Chapters 5 and 6, we investigate two issues that are international, by definition and examine government policies for CSR concerning ethical trade (which relates to labour rights and standards); and concerning transparency of payments between international companies and governments in the extractives sector. In these cases we also investigate the forms of policy for CSR and are able to gain insights into the combinations of and relationships between different forms of regulation for CSR.

Research question 2) What roles do public policies play in support of CSR directly: at the inception of CSR initiatives or in contributing to their operations?

We operationalize our interest in the roles that government policy plays in shaping CSR initiatives by examining, when, in the development of CSR initiatives, governments bring their resources. First, we distinguish two basic stages at which governments may support CSR initiatives: at their inception and during their operations. Do governments play a role in supporting direct CSR at the inception of CSR initiatives or in contributing to their subsequent operations? In our case studies we therefore identify the forms of regulation deployed in each of these. Secondly, in the case of government policy for the operationalization of CSR initiatives, we distinguish on-going, or *continuing*, support from occasional, one-off or *periodic* support. The continuing support would take the form of some long-term commitment and the periodic support would be in the form of supplementation of CSR, usually for a special task or purpose. As we seek to reinterpret the role of government in shaping CSR we highlight the forms of government policy deployed to support CSR either at the inception of initiatives or in the support of continuing operations.

Research question 3) Why do governments make public policies to support CSR?

As noted above the analysis of the circumstances of government policy for international CSR is itself rather exploratory. It is our intention that our findings will inform the framing of subsequent research into these circumstances. We investigate the significance of broader policy objectives and commitments of respective governments for the policies for CSR. We also review the pressure acting

upon the respective governments, be they in the nature of problems or in the political pressures from society and organized interests, be they business, labour, or civil society. We investigate these questions in Chapters 4 – 6.

Research question 4) What are the interactions between different sorts of public policy to support CSR?

a) Between domestic and international policies for CSR?

b) Between different sorts of policies for CSR: direct and indirect?

Our fourth research question explores the relationships between different sorts of policy for CSR. In particular we focus, first on the interactions of policies across different geo-political spheres, domestic and international. This arises from the problematic jurisdictional context of international problems for national governments and the significance of globalization for CSR noted earlier this chapter. But in this context, our interest is in identifying how governments can obviate their jurisdictional constraints precisely to engage with CSR in its international context. Chapter 4 includes investigation of how the ostensibly domestic Danish Non-Financial Reporting Act has extended to cover the international activities of Danish companies required to report under the Act. In Chapters 5 and 6 we also examine the ways in which international CSR initiatives feed back into domestic public policy.

Secondly, we focus on the relationships between policies for CSR which are direct and those that are indirect in Chapters 5 and 6 (Table 2.3 and Figure 2.1 above). The question here is how do these policies for CSR relate to one another? It could be that they are enacted in complete isolation of one another or that they are mutually reinforcing, or complementary to one another. Moreover we are interested here in how these types of policies also interact with the CSR initiatives themselves. Put

most simply, are these parallel types of business policy or do they together constitute a regulatory complex for business responsibility?

This investigation of different regulatory relationships is novel in the CSR literature where government tends to be treated as a given, apart from the distinctions between different forms of CSR regulation addressed in our first research question (Fox et al., 2002; Gond et al., 2011; Knudsen et al., 2015). However, in the political science, law and public policy literatures, these questions are more prevalent.

Our research questions are set out in Table 2.6, which distinguishes whether the questions concern policies supporting CSR directly or indirectly, and the chapters of the book in these questions are addressed.

Table 2.6 Research questions concerning government policies for CSR directly and indirectly

Research questions	Types of CSR policies studied	
	Policies for CSR directly	Policies for CSR indirectly
1. How do government policies support CSR: through endorsement, facilitation, partnership or mandate?	<p>In Europe (Chapter 3)</p> <p>In Danish CSR reporting (Chapter 4)</p> <p>In ethical trade (Chapter 5)</p> <p>In transparency in the extractives sector (Chapter 6)</p>	<p>In ethical trade (Chapter 5)</p> <p>In transparency in the extractives sector (Chapter 6)</p>
2. What roles do government policies play in supporting CSR <i>directly</i>: as initiators or contributors to operations?	<p>In Danish CSR reporting (Chapter 4)</p> <p>In ethical trade (Chapter 5)</p> <p>In transparency in the extractives sector (Chapter 6)</p>	
3. Why do governments make policies for CSR?	<p>In Danish CSR reporting (Chapter 4)</p>	<p>In ethical trade (Chapter 5)</p>
<p>4. What are the interactions between different sorts of government policies for CSR?</p> <p>a) Between domestic and international policies for CSR?</p> <p>b) Between direct and indirect public policies for CSR?</p>	<p>In ethical trade (Chapter 5)</p> <p>In transparency in the extractives sector (Chapter 6)</p>	<p>In transparency in the extractives sector (Chapter 6)</p>

In addressing these research questions, we deploy a range of related research sources. First, we use of the official records and documents of national governments and the multi-national government, the

European Union, including legislative debates, decisions (in the forms of bills and acts), and governmental publications, including regulations and reports. Secondly, we refer to publications of international governmental organizations, such as the OECD, the United Nations and the World Bank. Thirdly, we use publications of other key CSR actors, including CSR organizations, themselves, businesses and non-government organizations. Fourthly, we draw upon the extant secondary literature on our selected cases. These include journal articles and monographs in business, management and the social sciences. Fifthly, we include reference to media coverage of the selected CSR initiatives and related issues. Finally, we draw on insights from selected interviews with key personnel.

These sources were selected on the basis of bibliographic searches, searches through the internet, and through ‘snowball’ method by which further references are acquired on the basis of analysis of prior references. These sources were analysed individually on the basis of face-value interpretation rather adopting any prior critical methodology. Likewise the records of these analyses were simply kept in the form of notes rather than in content analysis type coding frames. Taken together the evidence of these different sources was interpreted according to our authorial judgment.

Prior to examining these core cases for our study, we prepare the ground in Chapter 3 by investigating the general background of government policies for CSR in European countries. Chapter 4 builds on this to provide an account of the development of domestic CSR regulation for non-financial reporting, and particularly on the use of mandates for CSR policy, and of how domestic CSR policies can have international effects. In Chapters 5 and 6 we turn to more manifest international agendas and examine the roles of national government policies in the selected international regulatory contexts of CSR, respectively regarding ethical trade and transparency in the extractive sector.