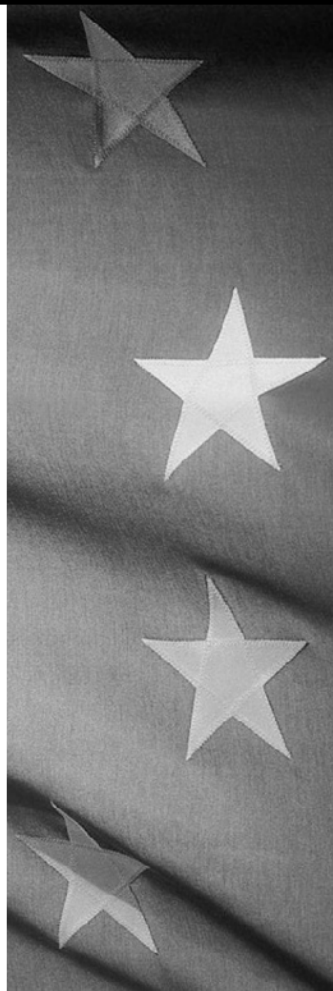
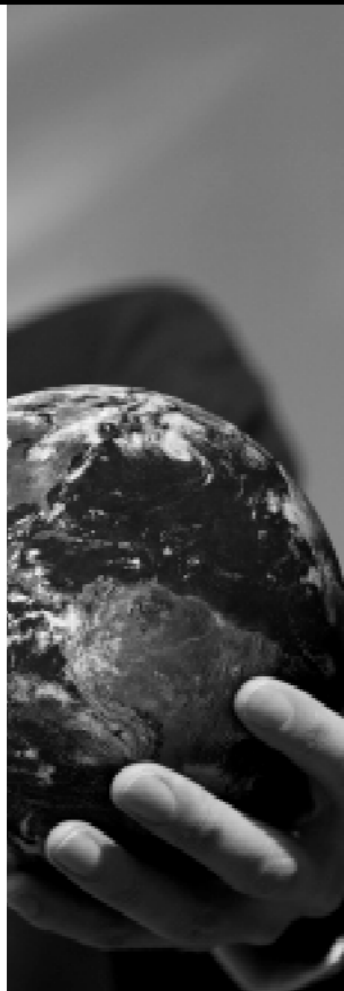


THESIS TO OBTAIN THE ACADEMIC DEGREE
"BACHELOR OF SCIENCE" IN EUROPEAN STUDIES

Corporate Social Responsibility in the European Union

*A Concept in Need of a Hybrid Multi-Level
Governance Solution*



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ABSTRACT

Corporate social responsibility is a concept embedded in the idea of sustainable development which embraces all those actions, operations and initiatives by businesses that contribute to an improvement of social and environmental issues by voluntarily going beyond the corporations' legal obligations. Such undertakings have to be in line with the businesses' legal, ethical and philanthropic responsibilities, besides the given economic ones. Thereby, they have to reflect the needs and interests of all their relevant stakeholders, including customers, employees, investors, the general community and the environment.

At European Union level, the initial approach to CSR has failed. Voluntary self-regulation in form of the so-called business case for CSR has not resulted in a satisfying situation, as the mere economic perspective of the industrial actors did not foster the philanthropic idea of corporate social responsibility.

There is a deadlock in the debate on how CSR should be regulated. While the business world and the European Commission seek to maintain corporations' freedom for self-regulation, the 'social camp' – led by NGOs and the European Parliament – calls for stricter regulatory means to foster CSR. It has to be kept in mind though that the concept's implicit voluntariness is a characteristic that has to be retained.

Having a look at the evolution of the concept CSR and the development of its regulation at the EU level, the paper focuses on potential regulatory measures at the international and global level, the EU level, as well as the national levels of the EU member states. Furthermore, the private business level and society in general are taken into account. As a result, a hybrid multi-level governance solution for CSR based on Werhane's alliance approach is presented in an integrative model wherewith a compromise between the 'business case' and the 'social case' to CSR is created.

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LIST OF ACRONYMS

Acronym	Definition
Alliance	European Alliance for CSR
CED	Committee for Economic Development
CEO	Chief Executive Officer
Commission	European Commission
CSR	Corporate Social Responsibility
CSR EMS Forum	European Multi-Stakeholder Forum on CSR
EMAS	Eco-Management and Audit Scheme
EP	European Parliament
EU	European Union
GRI	Global Reporting Initiative
ILO	International Labour Organization
ISO	International Organization for Standardization
MEP	Member of European Parliament
MNCs	Multinational corporations
NGO	Non-governmental organizations
OECD	Organisation for Economic Co-operation and Development
OMC	Open Method of Coordination
SMEs	Small and medium-sized enterprises
SRI	Socially Responsible Investment
TBL	Triple Bottom Line
UEAPME	European Association of Craft, Small and Medium-Sized Enterprises
UK	United Kingdom
UN	United Nations
WTO	World Trade Organization

1. INTRODUCTION

“The CSR concept has a bright future because at its core, it addresses and captures the most important concerns of the public regarding business and society relationships.” (Carroll, 1999, p. 292)

Emanating from the above quotation, corporate social responsibility (CSR) is a crucial concept of both present and future. As arguably the most influential actors in the world, multinational corporations, but also businesses in general, have to become aware of their significantly responsible role in societal matters. Voluntarily, they are supposed to contribute to an amelioration of society and environment by going beyond the mere compliance with their legal obligations; thereby, they also foster the superior sustainable development movement.

According to Archie B. Carroll (1999), Howard Bowen is the initiator of the CSR concept by introducing the expression “social responsibility of businessmen” (Bowen, 1953, p. 6) in the early 1950s. Over the consecutive two decades, the concept developed from individuals’ responsibilities to responsibilities and obligations of corporations to contribute to an improvement of social and environmental matters. Moreover, the concept’s characteristic of voluntariness emerged in this time span. The recent decade was coined by discussions about what kinds of responsibilities are embraced, and whether or not the concept can be regulated. Still, the CSR field is “emergent” (Williams & Aguilera, 2008, p. 452), as there is a permanent development of the concept and continuous progress in the dynamic of the CSR movement. Consequently, finding a common definition for CSR is very complicated.

In Europe, CSR appeared on the European Union (EU) agenda for the first time in 2001. With a Green Paper the European Commission (hereafter the Commission) introduced CSR as a means to foster sustainable development and initiated an open debate on the issue of the concept’s regulation. Over the past decade, there has been a continuous discussion about this issue at EU level, resulting in a voluntary and self-regulatory approach that is conducted by businesses. Nevertheless, countries like Denmark and the United Kingdom (UK) have gone a step further and implemented hard law measures in their governance approaches to CSR. Thus, one might wonder why this did not happen at EU level.

For the Green Member of European Parliament (MEP) Jean Lambert “seeking to drive up standards, while placing companies under no obligation to do so, is wishful thinking” (EurActiv, 2007). While the business world seeks to maintain its freedom with regard to CSR, many others – like Lambert - call for a shift in the CSR movement from voluntary approaches to means of hard regulation. Though, such black-or-white thinking is both impossible to legally implement and it does not properly comprehend the CSR concept’s characteristic of being a voluntary step by corporations beyond mere compliance with legal requirements.

These opposing perspectives illustrate that the issues about the concept in question are being debated by two camps. On the one hand, proponents for the ‘business case’ for CSR – corporations themselves as well as their affiliates, but also the Commission – argue for the self-regulatory approach that does not bind corporations to additional requirements and thus conserves the liberal position of businesses and their affiliates; on the other hand, advocates of the ‘social case’ for CSR – non-governmental organizations (NGOs), the European Parliament (EP) and the general society – call for an increase of regulatory measures, in order to assure that corporations fulfill their role within society. According to Carroll (1991), for instance, the CSR concept implies that corporations have to fulfill four kinds of responsibilities always at the same time. These are, besides the fundamental economic one, a legal responsibility, an ethical responsibility and a philanthropic responsibility. The social case supporters fear – as well as they are verified by the CSR history on the EU agenda – that corporations do not keep their words if they are self-regulated and that, as a consequence, consumers and the general society become victims of corporate ‘window-dressing’: businesses claim to be actively involved in CSR matters, while they are either not to the extent they communicate, or not at all.

Due to the apparent deadlock in the CSR debate, contemporary times call for a new strategy which helps to overcome it: it is important to step back and observe former developments with respect to CSR and the regulatory approaches taken, and subsequently a new approach has to be created that takes into account identified obstacles, regulatory opportunities and the wholeness of important actors and stakeholders for CSR on all relevant levels. Thus, the paper deals with the research question: *To what extent can CSR in the European Union be regulated in a multi-level governance framework?*

The bachelor thesis at hand is composed of six parts. Following the introductory part, the second section of the paper at hand describes the methodological approach used for the bachelor thesis. The characteristics of the research are explained in detail with a main focus on the general research question and its several sub-questions, thereby also defining the embedded variables.

The third part deals with the definitional complexity of the CSR concept. Beginning by defining the concept's inclusive terms 'corporate', 'social' and 'responsibility', the subsequent section illustrates the historical evolution of CSR. Then, EU actions with regard to fostering CSR are being analyzed in a chronological way from the first appearance of CSR on the EU agenda to the contemporary state of the art. A consequential conceptualization of CSR as a basis for this research paper concludes the third part: Corporate social responsibility is a concept embedded in the idea of sustainable development which embraces all those actions, operations and initiatives by businesses that contribute to an improvement of social and environmental issues by voluntarily going beyond the corporations' legal obligations. Such undertakings have to be in line with the businesses' legal, ethical and philanthropic responsibilities, besides the given economic ones. Thereby, they have to reflect the needs and interests of all their relevant stakeholders, including customers, employees, investors, the general community and the environment.

Part four provides a theoretical background for this research. Stakeholder theory is presented as arguably the most prominent theory related to CSR, but eventually, it is found that Werhane's alliance approach is more suitable to frame the research at hand.

The need for a multi-level governance solution for CSR in the EU functions as core for the paper's fifth part: firstly, reasons are presented that support this perspective; subsequently, potential and recommended regulatory means for each of the different levels – the international/global level, the EU level, the EU member states' national levels, the private business level and society in general – are provided. To conclude the fifth part of this paper, the approaches for each individual level are merged into an integrative model that presents the multi-level governance approach for CSR in the EU.

Part six, the conclusion, functions with its concluding remarks as a summary of the core content of the paper but also as a promoter for future research.

2. *METHODOLOGY*

The bachelor thesis at hand bases itself on desk research: in-depth analyses of both scientific literature and relevant EU and government documents build the foundation for drawing conclusions and creating a consequential model which is introduced at the end of this paper.

The descriptive research at hand has two parts: the first part is a conceptual research, in which the concept's history and development in general as well as in the EU context is outlined; the second part is of design research character, as it aims at creating a new regulatory approach for CSR in a multi-level context, including the international level, the EU level, as well as the various national levels of the EU member states, the private business level, as well as society in general.

Due to the project's characteristic of being a desk research the units of analysis are secondary literature related to the concept of CSR, as well as EU and other governmental documents concerned with CSR.

These normative sources are supposed to assist in answering the general research question:

To what extent can CSR in the European Union be regulated in a multi-level governance framework?

The concept is put into the EU context due to the need to frame an area that either already shares cultural values and beliefs, or has the possibility to create a certain common perspective in this respect. Thus, although CSR is essentially a global concept, it is put into this limited context, thereby taking into account differences in values and beliefs, existing legal frameworks, as well as the possibilities in legal and accountability issues, which are likely to be apparent to a higher degree in a broader global approach.

In order to succeed in finding a satisfying solution for the above general research question, several sub-questions guide through the research process and need to be addressed beforehand (Punch, 2006):

- What does CSR mean?
- To what extent is CSR regulated in the European framework? What is the status quo?
- To what extent can CSR be regulated at the European Union level? Which forms of regulation are recommendable?
- To what extent can CSR be regulated at other levels? Which forms of regulation are recommendable?
- To what extent can the approaches at each level be combined?

Owing to the research's descriptive character, there are no causal relations between the variables, so none of the variables can be called independent or dependent (Shadish, Cook, & Campbell, 2002). Nevertheless, variables exist: 'the governance level' and 'the form of regulation of CSR'.

'Level' refers to the level of governance, the arena in which regulation in whatsoever form takes place. There are five relevant levels for potential CSR regulation: the international level, the European Union level, the national level of EU member states, the private business level and society in general.

'The form of regulation of CSR' can take different levels ranging from hard law over soft law to self-regulation. In order to determine the respective degree of regulation, three dimensions of legalization are utilized: precision, obligation, and delegation (K. W. Abbott & Snidal, 2000). Precision refers to the non-ambiguity of the definition of a conduct's requirements, proscriptions and authorizations; obligation means that rules and commitments (or sets of those) are legally binding for respective actors insofar as they are "subject[s] to scrutiny under the general rules, procedures, and discourse" of international and/or domestic law (Kenneth W. Abbott, Keohane, Moravcsik, Slaughter, & Snidal, 2000, p. 401); delegation represents the grant of authority to interpret and apply the rules and commitments to third parties (Kenneth W. Abbott, et al., 2000).

Hard law is – as an umbrella term for binding legal rules – closest to the ideal-typical legalization of maximized degrees of all three dimensions; respective prototypes are regulations, statutes, and with regard to international law also treaties, international agreements and customary law (Kenneth W. Abbott, et al., 2000).

In contrast to those authoritative and legally enforceable commitments, the term soft law refers to those methods that foster certain desired behaviors without putting down binding rules. They are labeled soft, as these are most likely the results of negotiation between involved parties and thus are weakened in terms of legalization along one or more of the three dimensions. This does not mean that they are unlikely to achieve the same result than hard law, but that the process is distinct with regard to the degree of legalization. Soft law mainly is a construct in international law (K. W. Abbott & Snidal, 2000). Examples for soft law are means such as standards, guidelines, action plans, codes of conduct, statements, communications, directives, decisions and declarations.

Self-regulation can be described as the results – for instance codes of conduct or standard setting – of negotiations of respective parties, combined with the absence of any regulatory inputs by governmental actors. As certain drivers are in place that steer actions anyway, self-regulatory measures are “self-organized attempts at collective action without direct intervention by the state” (King & Lenox, 2000, p. 698).

It has to be kept in mind that these possibilities of regulation are not mutually exclusive in a multi-level context, although one tends to fall into some sort of black-or-white thinking when being confronted with these distinct and contradictory kinds of options.

As an essential basis for the whole research, it is inevitable to elaborate on the concept of CSR in a detailed fashion.

3. HISTORY OF CSR AND ITS DEFINITIONAL COMPLEXITY

It is essential to devote the first part of my research to the definition of the term ‘corporate social responsibility’ and to elaborate on its history and development in this respect as well. It will become obvious that the focus on the importance of corporate responsibilities other than economic profit maximization has established vividly since the 1950s.

3.1 Basic understanding of the concept’s inclusive terms

Beginning as simple as possible, it is wise to look at the three words of which the concept consists in an isolated fashion. By operating in this way, it will become obvious that the terminology is flawed to some extent and should be reconsidered. This will be deepened in the subsequent sections, taking into account the history of the concept of corporate social responsibility.

‘Corporate’ refers to the actors addressed by the concept at hand, which clearly are corporations, or – to introduce a frequently used synonym in this research and previous ones – businesses (in terms of enterprises). Thus, the concept is mainly addressed to private actors. Nevertheless, it is disadvantageous to regard the concept unidimensionally, as public actors and the general society also have their share in leading the CSR movement to success. Therefore, it rather deals with the division of responsibilities and tasks between all relevant stakeholders.

‘Social’ means the focus on all areas affecting society, instead of only embracing the social dimension. Aspects such as the environment should be included as well. This ought to be stressed as the mere translation of ‘social’ into other languages might cause ambiguities in comprehension. This is why it is suggested in van Marrewijk (2003) to change the term ‘social’ into ‘societal’ (Andriof & McIntosh, 2001, p. 15).

‘Responsibility’ is another term creating similar problems as ‘social’ does with regard to the inconsistency in different languages. Thus, it is argued to rename it to ‘accountability’ (Klatt et al., 1999, pp. 17-33 in van Marrewijk, 2003). Basically, this means not only being responsible for actions conducted, but even going further and including being accountable for the consequences of those actions as well.

On this basis, corporate social responsibility might better be called corporate societal accountability, but due to CSR's term establishment changing such a concept's name is likely to cause damage to its awareness.

3.2 History and evolution of the definitional concept of CSR

This section serves as a chronological overview demonstrating the dynamic and continuous development of the CSR concept and its definition. In this respect, emphasis is foremost laid on authors who have contributed new ideas or significant changes in the CSR concept's evolution.

As already mentioned in the introduction, Howard Bowen is to be called the “Father of Corporate Social Responsibility” (Carroll, 1999, p. 270), as in 1953, Bowen was the first author to specifically come up with a definition of the “social responsibilities of businessmen” (Bowen, 1953, p. 6), therewith marking the beginning of the “modern era of corporate social responsibility” (Carroll, 1999, p. 269). According to Bowen, social responsibility meant a kind of obliged moral personal behavior of individual businesspeople (although by that time, women were not included yet) to act in ways that are “desirable in terms of the objectives and values of our society” (Bowen, 1953, p. 6), thus expanding the narrow business horizon of profitability (Bowen, 1953, p. 44).

Bowen's ideas were formalized and implemented in a definition set up by Davis in 1960 - although he called the concept of social responsibility “a nebulous idea” – by referring to it as “businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest” (Davis, 1960, p. 70). In addition, Davis came up with the potential connection between socially responsible actions and long-term benefits for the company, which only began to fully establish in the following two decades, but never managed to be consolidated as a general rule by researchers.

Whereas Frederick (1960) had the opinion that a company's social responsibility comes in the form of an obligation to enhance the overall socio-economic welfare of the public, and thus argued for a company's interpretation of their social responsibilities in the way that “the economy's means of production should be employed” as a tool to achieve the desired outcome for the public (Frederick, 1960, p. 60 in Carroll, 1999), McGuire took in two new and altering perspectives to the previous approaches: first, McGuire no longer found social responsibilities

to be an idea projected onto businesspeople, but introduced his definition being addressed to corporations as main actors and executors of social responsibilities (McGuire, 1963, p. 144); second, he was the first author to call CSR a concept “which extend[s] beyond these obligations” (McGuire, 1963, p. 144). Thereby, he refers to the economic and legal burdens corporations have to respect. This was a major specification of previous definitions, even explaining the aforementioned extension of the corporation’s ‘normal’ obligations in more detail: for McGuire, a corporation acting socially responsible has to show interest and involvement in various fields which are not directly related to the economic interests of the company, such as politics, public welfare, education and employee satisfaction (McGuire, 1963, p. 144).

Another important contributor to the history of the CSR concept is Walton, who initially introduced the CSR characteristics of voluntariness (at least to a certain degree), external stakeholder linkages and the acceptance of potential costs without guaranteed direct economic returns in the long run (Walton, 1967, p. 18f). On the basis of Walton’s thoughts, Johnson (1971) also elaborated on the concept of CSR considering those new aspects, with utility maximization as the primary goal of businesses being assumed (Johnson, 1971, p. 59): “A socially responsible firm is one whose managerial staff balances a multiplicity of interests. Instead of striving only for larger profits for its stockholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation” (Johnson, 1971, p. 50). The overall goal of CSR is the “pursuit of socioeconomic goals through the elaboration of social norms in prescribed business roles” (Johnson, 1971, p. 51), by which Johnson also incorporates the moral norms and social value factors implied in previous CSR definitions.

Nevertheless, this idea was even furthered into this direction by the Committee for Economic Development (CED) in 1971 by introducing the idea of an apparent social contract (also sometimes referred to as social licence¹). This concept basically means that due to the fact that businesses achieve their legitimacy by society’s satisfaction and exist to serve society, companies are forced to live up to the society’s expectations. The CED recognized changing circumstances for

¹ As an exemplary definition of social licence, the one provided by Gunningham, et al. (2002) was chosen: “Social licence [...] is based not on compliance with legal requirements [...], but rather upon the degree to which a corporation and its activities by local communities, the wider society, and various constituent groups.” (Gunningham, Kagan, Thornton, & ESRC Centre for Analysis of Risk and Regulation., 2002, p. 6)

enterprises insofar that business “is being asked to assume broader responsibilities to society than ever before and to serve a wider range of human values” (Committee for Economic Development, 1971, p. 16 in Carroll, 1999).

The next milestone in CSR history was marked by Carroll (1979). He was the first academic to define CSR with four inclusive social responsibility dimensions: “economic, legal, ethical, and discretionary” (Carroll, 1979, p. 499). Hereby, Carroll renewed the existing thoughts on CSR in several facets: for him, CSR entails the satisfaction of society’s expectation of businesses. This consequently meant for Carroll that all four above mentioned categories are simultaneously existent for the fulfillment of the social contract. First of all, “economic viability is something business does for society as well” (Carroll, 1999, p. 284), as society’s expectation of businesses is “to produce goods and services and sell them at a profit” (Carroll, 1999, p. 283). Moreover, society expects businesses to act within the common legal requirements to achieve their economic goals. The two CSR dimensions left are those going beyond existing legal norms and rules and therefore are intangible as such: besides the economic and legal expectations, society also demands acting according to common moral norms and values from businesses in fields which “are not necessarily codified into law” (Carroll, 1979, p. 500); with ‘discretionary responsibilities’, Carroll refers to the “individual judgment and choice” (Carroll, 1979, p. 500) by managers, thereby including the voluntary characteristic of CSR, as previous definitions did, too. In 1983, Carroll even changed the term discretionary into “voluntary or philanthropic” (Carroll, 1983, p. 604 in Carroll, 1999) in a revisiting of his earlier work.

Eight years later, Carroll again revised his previous contributions to the CSR conceptualization by coming up with “a pyramid of corporate social responsibility” approach (see the Figure 1). Basically, it was not meant as creation of a sequential setup for the categories, but rather marking the fundament of the four kinds of responsibilities - which for Carroll was the economic one – and graphically depict CSR, thereby stressing that “each [responsibility] is to be fulfilled at all times” (Carroll, 1999, p. 289) and that the four categories of CSR “are not mutually exclusive and are not intended to juxtapose a firm's economic responsibilities with its other responsibilities” (Carroll, 1991, p. 42).

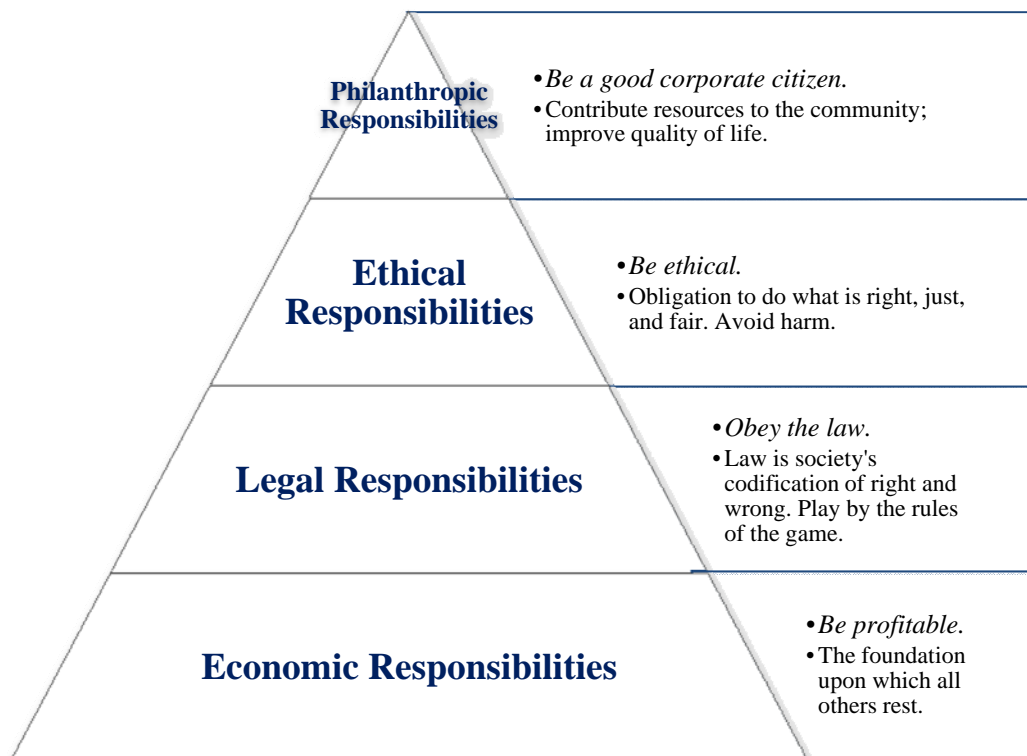


Figure 1: Carroll's pyramid of corporate social responsibility

Also does Carroll stress the connection between the concept of CSR and stakeholder management². He mentions to whom businesses should be responsible: “The concept of stakeholder personalizes social or societal responsibilities by delineating the specific groups or persons business should consider in its CSR orientation” (Carroll, 1991, p. 43).

In his 2008 analysis of 37 CSR definitions, Dahlsrud attains to conclude that there are five dimensions which are used in consistent ways in most of the analyzed definitions: CSR embraces an environmental, a social, an economic, a voluntariness and a stakeholder dimension (Dahlsrud, 2008, p. 4). The noticeable facet in this respect is that Carroll's categories of social responsibilities of businesses no longer seem to be existent as such. Instead, Dahlsrud adds the environmental and the social dimension, and furthermore manifests the stakeholder dimension. Correspondingly, he only takes over the economic and the voluntary category from Carroll (1991).

² For a detailed explanation of stakeholder theory, it is suggested to read “The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications” by Donaldson and Preston (1995), in which the authors provide an overview of the development of stakeholder theory and examine the essentials of it (Donaldson, T., & Preston, L. E. (1995). The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. *The Academy of Management Review*, 20(1), 65-91).

This shows that there has been a shift in the focal point of CSR conceptualizations: contemporary approaches attempt to more clearly settle the kinds of responsibilities a business has to fulfill besides its economic goals, as well as the fixing of the question to whom a business should be responsible. Thus, stakeholders become a key factor in current CSR definitions, emphasizing that “balancing between the often conflicting concerns of the stakeholders is a challenging task” (Dahlsrud, 2008, p. 6).

This concept’s development leads CSR into the field of sustainable development³: CSR is a practice that should foster sustainable development (Eberhard-Harribey, 2006). In an attempt to formalize this broadening of the CSR concept, the Triple Bottom Line⁴ model has been introduced. This model is based on the three pillars “people, planet, profits”, stressing that businesses have to contribute to social⁵, environmental and economic issues.

This section serves as an overview of the chronological development of the theoretical concept of CSR. It has to be kept in mind though that also other influences have shaped this concept, such as the general progress of globalization, governance crises, environmental scandals, human rights violations by corporations and other social grievances. Thus, the modern CSR concept is not merely subject to sustainable development, but the context in practice also has to take into account such external factors⁶.

3.3 CSR milestones on the European Union agenda

The subsequent section demonstrates in a chronological fashion what measures for fostering CSR have been taken at the EU level. It is supposed to illustrate

³ To anticipate ambiguities, it has to be clarified that the initial definition of sustainability of the Brundtland Commission of the United Nations is to be seen as the basis: “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” (United Nations (1987). *Report of the World Commission on Environment and Development*. General Assembly Resolution 42/187, 11 December 1987)

⁴ For more detailed information: the TBL model is more extensively elaborated on in Henriques and Richardson’s book “The triple bottom line, does it all add up?: assessing the sustainability of business and CSR”. (Henriques, A., & Richardson, J. (2004). *The triple bottom line, does it all add up? : assessing the sustainability of business and CSR*. London ; Sterling, VA: Earthscan)

⁵ Social issues include workers’ rights, gender equality, but also human rights, for instance. Moreover, the term social issues - in a wider context - also embraces business initiatives in developing countries in order to overcome or prevent social nuisances in situ.

⁶ For a extensive elaboration on the historical development of the CSR concept, which includes those external influences that might be seen as the background for the development of the theoretical conceptualization of CSR, please see chapter 1 in Mathis, 2008.

which actors have been supported by the EU institutions (mainly the Commission) and what the central goals and activity fields are for the EU with regard to CSR.

3.3.1 European Commission Green Paper “Promoting a European Framework for the Corporate Social Responsibility” in 2001

The first concrete and official appearance of CSR on the European Union agenda was the European Commission’s Green Paper “Promoting a European Framework for the Corporate Social Responsibility”. It was published in July 2001 with the intent to initiate an open debate about the concept CSR, as a part of the Lisbon Agenda⁷.

Declared as a tool that fosters sustainability and profitability for businesses, the Green Paper puts CSR into the context of sustainable development and the EU’s Lisbon goal to “become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth and better jobs and greater social cohesion” (European Commission, 2001, p. 3).

In this respect, the Commission defines 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, p. 6). Thus, the concept is interpreted by the Commission as a business contribution to the improvement of both society and environment. This means that companies go beyond the mere fulfillment of and compliance with their legal expectations and additionally invest in practices that foster social and environmental well-being for all relevant stakeholders⁸.

In the Commission’s point of view, the initiated European approach to CSR has to be embedded into the broad context of international initiatives, such as the United Nations (UN) Global Compact, the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, and the International Labour Organization’s (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. Such a European approach is supposed to come in form of an overall framework, which promotes

⁷ In this particular context, the EU recognized that “sustainable economic growth leading to more and better jobs and greater social cohesion needs the cooperation of the business sector” (Breitbarth, Harris, & Aitken, 2009, p. 240).

⁸ The Green Paper lists several potential stakeholders: employees, shareholders, business partners, suppliers, customers, public authorities, NGOs, the environment. Of course, there can be other stakeholders involved in each individual company’s case (European Commission, 2001).

qualitative and coherent CSR practices. Therefore, it is stated that approaches, tools, and broad principles have to be developed (European Commission, 2001).

Moreover does the Green Paper state that harmonization on a higher level is needed, as current CSR engagement of companies might “vary according to sectoral and cultural differences” (European Commission, 2001, p. 15).

A crucial aspect mentioned in the Green Paper is the Commission’s avowal not to see CSR as a substitute to legislation or regulation: rather, countries without proper regulatory or legislative frameworks in place should be focused on in order to “define a level playing field” (European Commission, 2001, p. 7) for CSR practices development. Furthermore, the Commission sees businesses’ CSR activities not as isolated issues but argues that one company’s contribution is likely to rub off on other business actors.

Other crucial targets of the Green Paper are the improvement of transparency and a revision of the reporting and auditing system towards independent third-party verification procedures. The Commission strives for a global consensus on the degree of information disclosure by enterprises, the used reporting format, as well as some sort of common evaluation and auditing procedures. Such consensus is inevitable because the variation and diversity being apparent in the contemporary business world with respect to these aspects creates a confusing jungle for customers leading to a decrease in reliability of business efforts. A case in point is made by existing social and eco labels: lacking transparency and independent verification – as many labels are self-declared ones –, their credibility equals zero. Consequentially, the Commission demonstrates an urgent need of unification in this area (European Commission, 2001).

3.3.2 European Commission Communication “Communication from the Commission concerning Corporate Social Responsibility: A business contribution to Sustainable Development” in 2002

Having been published in July 2002, the “Communication from the Commission concerning Corporate Social Responsibility: A business contribution to Sustainable Development” is the follow-up document of the Green Paper. While the Green Paper was the stepping stone for the CSR concept into the spotlight of the EU agenda, the 2002 Commission Communication provides a strategy for CSR promotion, responding to the recognized global nature of CSR.

The analysis of expressed positions towards CSR in response to the Green Paper shows that there are two basic camps despite the fact that all respondents are in favor of CSR: on the one hand, enterprises and actors associated with the business world highlight the voluntariness of CSR and support a global approach to the shaping of the concept's content, although especially enterprises stress that there would not be a "one-size-fits-all" solution (European Commission, 2002). On the other hand, civil society organizations and trade unions expressed that voluntary actions by corporations are insufficient in terms of contributing to the amelioration of social and environmental circumstances. Accompanied by consumers' organizations and investors, they also call for effective measures to ensure businesses' accountability, to improve disclosure of information and to make business actions more transparent (European Commission, 2002). In general, all respondents assign huge importance in the role of governments, international organizations and civil society when it comes to awareness raising and enforcement of international standards.

Taking over the Green Paper's definition of CSR, the Communication document at hand adds a list of assumed main features of CSR: corporations adopt CSR initiatives voluntarily, owing to their long-term interests; CSR is essentially linked with sustainable development; and CSR is "the way in which businesses are managed" instead of a mere add-on (European Commission, 2002, p. 5).

The Commission then sees a need for Community action with regard to CSR, which builds on principles⁹ mainly evolving from the aforementioned definition: regarding the concept CSR also as an instrument to further Community policies, Community action is inevitable in order to foster convergence in CSR instruments, and consequentially reduce consumer confusion and other market distortions. Even more importantly, the Commission stresses that by the means of providing a level playing field for businesses, the functioning of the Single European Market is preserved (European Commission, 2002).

The Commission's proposed strategy should focus on four broad issues: (1) increasing knowledge about CSR and the concept's positive influence on both

⁹ The principles are: "recognition of voluntary nature of CSR; need for credibility and transparency of CSR practices; focus on activities where Community involvement adds value; balanced and all-encompassing approach to CSR, including economic, social and environmental issues as well as consumer interests; attention to the needs and characteristics of SMEs; support and compatibility with existing international agreements and instruments" (European Commission, 2002, p. 8).

society and business, (2) fostering inter-corporation experience exchange as well as the development of convergent and transparent CSR tools¹⁰, (3) launching a Multi-Stakeholder Forum on CSR (CSR EMS Forum) at EU level, and (4) integrating the concept into Community policies (European Commission, 2002).

3.3.3 Launch of the European Multi-Stakeholder Forum on CSR in 2002

As announced by the Commission in its 2002 Communication, the CSR EMS Forum was set up subsequent to the Commission Communication with the purpose to promote CSR “through raising the level of understanding of CSR, and fostering a dialogue between the business community, trade unions, civil society organizations and other stakeholders” (EU Multi-Stakeholder Forum on CSR, 2004, p. 2). In order to do so, four theme-based Round Tables were introduced covering the areas (1) knowledge improvement and experience and best practice exchange, (2) fostering CSR among SMEs, (3) enhancement of convergence and transparency of CSR tools, as well as (4) focus on development aspects of CSR.

In total, the CSR EMS Forum met five times, having its initial meeting in October 2002, and the last one in June 2004 (when the final report was adopted). The specialized Round Tables each met three times.

In the above defined period, the CSR EMS Forum has identified several determining factors for CSR. There are drivers¹¹, obstacles¹² and critical success factors¹³, which in the end lead to the Forum’s recommendations for future

¹⁰ This aspect is extensively elaborated on in the Commission Communication, mentioning the fields in which transparency, disclosure and convergence would be much appreciated: codes of conduct, management standards, labels, socially responsible investment, as well as accounting, auditing and reporting (European Commission, 2002).

¹¹ Although most internal drivers are likely to vary from corporation to corporation, they can nevertheless be generalized to some extent: the commitment of key decision makers, as well as values in place, and business case related drivers such as cost reduction by eco-efficiency or resource protection and enhancement. External drivers for CSR can come from investors, consumers, suppliers, public authorities, NGOs, trade unions or business networks, normally by incentivizing CSR practices (EU Multi-Stakeholder Forum on CSR, 2004).

¹² The Forum lists the needed continuity of CSR practices and learning about them, the concept’s complexity including its uncertain boundaries, gaining knowledge and information on CSR, weak public governance and awareness or understanding, and the longevity of setting up or implementing CSR initiatives as possible obstacles for businesses to become engaged in the CSR movement (EU Multi-Stakeholder Forum on CSR, 2004).

¹³ As critical success factors commitment by management, alignment of CSR activities with the corporate environment (corporate strategy and corporate culture, for instance), a well-working communication about what is done and what the purpose of those actions is, an openness to learning and cooperating with stakeholders, experience-sharing with peers, an appropriate legal environment (especially in developing countries), as well as a high awareness level among consumers and investors are mentioned by the Forum (EU Multi-Stakeholder Forum on CSR, 2004).

initiatives for CSR¹⁴. These are distributed among the three areas “raising awareness and improving knowledge on CSR”, “developing the capacities and competences to help mainstreaming CSR”, and “ensuring an enabling environment for CSR” (EU Multi-Stakeholder Forum on CSR, 2004, p. 12).

There have been three other plenary meetings of the CSR EMS Forum, but in this research it is not necessary to elaborate on them in detail. The first one took place in December 2006, and its purpose was to review in how far and to what extent recommendations for future initiatives made in the 2004 Report had been acclaimed and implemented by the Commission and the businesses. The second one was hosted by the European Commission in February 2009 with the goal to review progress of the CSR movement at both global and European level. Main focus was laid onto an amelioration of reporting and disclosure mechanisms. The last plenary meeting so far took place in November 2010. In the focal point was an exchange of the different stakeholders’ perspectives on the content and scope of a potential new CSR policy initiative on the EU level. Regretfully, for the last two meetings no results have been accessible yet.

3.3.4 European Commission Communication “Implementing the Partnership for Growth and Jobs: Making Europe a Pole of Excellence on Corporate Social Responsibility” in 2006

In March 2006, the Commission published its Communication entitled “Implementing the Partnership for Growth and Jobs: Making Europe a Pole of Excellence on Corporate Social Responsibility”, in which it basically reacted on the results of the earlier launched CSR EMS Forum.

Here, CSR is regarded as a concept that is needed on European level to “defend common values and increase the sense of solidarity and cohesion” (European Commission, 2006, p. 2). Thereby, the Commission basically maintains its previously used definition, although the aspect of CSR’s voluntary nature is put in a renewed perspective: in the 2006 Communication, the Commission highlights the voluntariness as a fundamental characteristic of the concept, and moreover neglects additional obligations and administrative requirements for business ex ante (European Commission, 2006)

¹⁴ For a detailed elaboration on suggested actions and initiatives, please read pages 12-16 (EU Multi-Stakeholder Forum on CSR, 2004).

The facet of the Commission putting the main focus on collaborating more closely with European business is the consequence of regarding corporations as primary actors in CSR. Thereby, the Commission seems to forget about the inclusion of other stakeholders, which were acknowledged as very important and decisive in the Commission's earlier holistic approaches to CSR (European Commission, 2001, p. 15).

Subsequently, the Commission welcomes the launch of a European Alliance for CSR (hereafter Alliance), an open alliance comprised by European corporations with the intent to promote CSR support in the business world (European Commission, 2006). This is the key aspect of the 2006 Commission Communication. Supposed to be a political umbrella, the Alliance "is not a legal instrument and is not to be signed by enterprises, the Commission or any public authority" (European Commission, 2006, p. 3). Furthermore, there are no formal requirements for corporations that declare their Alliance support, as well as there is no monitoring by the Commission. This setup is in line with the business associates' desire to regard CSR as a concept that is – if at all - self-regulated by business, and consequentially lacks any enforcement mechanisms (European Commission, 2002). With the establishment of such Alliance, the Commission introduces an altered approach to CSR by building upon a "double commitment" (The European Alliance for CSR, 2008, p. 5): while the Commission focuses on shaping a business friendly environment, corporations are supposed to foster CSR initiatives voluntarily and in self-regulated ways.

While the former Commission documents stressed that CSR practices are not substitutes for regulation or legislation, the 2006 Communication does not pick up the same statement: here, CSR is said not to be a substitute for public policy, but a potential contribution to several objectives of public policy¹⁵ (European Commission, 2006).

According to the Communication, with regard to further foster CSR promotion the Commission's emphasis should be on awareness-raising, experience and best practice exchange among corporations, supporting multi-stakeholder initiatives, cooperation with member states, transparency and information disclosure,

¹⁵ Examples for public policy objectives to which CSR practices can contribute are fostering the respect for human rights, environmental protection and core labor standards, promoting rational usage of natural resources, and reduction of the pollution levels (European Commission, 2006).

research, education, and CSR's international dimension (European Commission, 2006).

3.3.5 European Parliament resolution in 2007

Besides the Commission, the EP – primarily led by MEP and Rapporteur Richard Howitt¹⁶ - also inputted to the debate on CSR: with its resolution passed in March 2007, the EP called for an increased legal accountability of corporations in CSR-related issues (European Parliament, 2007).

In order to foster the European approach to CSR, the EP further asked for improvements in the research areas concerning the economic value of CSR, the development of CSR instruments, the regulation of CSR, the integration of CSR in EU policies, as well as the determination of the contribution to global CSR by Europe (European Parliament, 2007). Furthermore, the EP urged the Commission to re-consider its business-focused perspective on CSR and in this respect include all stakeholders in the process of shaping the CSR movement at the EU level. Though, the Commission reaffirmed its earlier position on this matter.

3.3.6 European Alliance for CSR

Other milestones of the CSR movement at the European level worth mentioning in this section are the launch of the aforementioned European Alliance for CSR in 2006, and the publication of its progress report in March 2008. Coordinated by CSR Europe¹⁷, BUSINESSEUROPE¹⁸ and UEAPME¹⁹, the Alliance is an “open partnership for enterprises to promote corporate social responsibility and integrate it into mainstream business practice” (The European Alliance for CSR, 2008, p. 5). Owing to the pure business representation, the Alliance emphasizes the voluntary nature of the concept of CSR and provides recommendations of

¹⁶ Being a leading proponent of an intensive CSR movement on the EU level and in general, Howitt's own-initiative report of December 2006 created the basis for the European Parliament resolution.

¹⁷ CSR Europe is the major European business network for CSR: it includes seventyish MNCs and about 25 national partner organizations. It provides a platform for inter-corporation exchange of CSR best practices, supporting and initializing business-stakeholder projects, and thereby shaping the sustainability- and competitiveness-related business and political agendas.

¹⁸ BUSINESSEUROPE is the Confederation of European Business, thus representing more than 20 million companies (from small to large ones). Targeted at achieving growth and competitiveness in Europe, BUSINESSEUROPE members come together from 33 countries.

¹⁹ The European Association of Craft, Small and Medium-Sized Enterprises (UEAPME) is an employer's organization assembling 85 member organizations (for instance: national cross-sectorial SME federations and European branch federations). More than 12 million enterprises are thus represented by UEAPME.

improvement that do not include any kind of governance other than self-regulative measures by business itself. This standpoint is backed by the Commission's approach to CSR as explained in its 2006 Communication, which included the initiation of the Alliance.

In serving "as a political umbrella for mobilizing the resources of large and small European companies and their stakeholders" (The European Alliance for CSR, 2008, p. 5), the Alliance has several priority areas²⁰ that are consequentially aligned to the goal of easing the business-environmental circumstances for corporations engaging in the CSR movement.

The Alliance's Progress Report stresses five ways in which the Alliance was effectively brought to life and sought to ameliorate the status quo of CSR initiatives taken by businesses: (1) awareness-raising and experience and good practice exchange among corporations; (2) business-driven and goal-oriented collaborative projects between enterprises, government officials and stakeholders to overcome challenges and obstacles to CSR; (3) enhancement of CSR-directed research and knowledge-integration into management education; (4) high level²¹ feedback and discussion rounds in order to review progress of the Alliance activities and align strategic priorities to foster sustainable growth and competitiveness; and (5) proactive engagement with stakeholders to reap the gains of continuous dialogue (The European Alliance for CSR, 2008). For the Alliance, these are the crucial five obstacles that have to be tackled in order to succeed in the business-case for CSR.

3.3.7 European Parliament resolution in 2011

In June 2011, the European Parliament adopted a resolution which, amongst other issues, addresses the Commission with respect to its CSR strategy. The EP stresses the importance of improving the promotion of global standards for fostering the CSR movement in the EU, as well as the importance of improving the certification of CSR-active corporations with respective labels.

Another important aspect which is brought forward by the EP concerns the content of free trade and investment agreements of the Commission with third

²⁰ For a list of the ten priority areas of the Alliance, see p. 5 of the European Alliance for CSR Progress Report 2007 (2008).

²¹ CEOs of corporations associated with the European Alliance for CSR are supposed to meet once a year with relevant high level European Commissioners.

countries: the EP proposes to include a section on CSR, which establishes a legally-binding CSR clause. The EP expects from such an implementation that corporations' actions are automatically steered into the direction of CSR.

Moreover does the resolution include a section that clarifies that “no directive regulating CSR and enforcing respect for it should be adopted at EU level” (. European Parliament, 2011, p. 61). Nevertheless, this notion may not be mistakenly interpreted as a general veto against regulation of the broader CSR movement: it leaves room for complementary regulation at EU level, which guarantees corporations' compliance with those requirements building the basis for further CSR actions, as well as it does not foreclose national regulatory measures.

The EP also proposes to expand the areas covered by the CSR concept, including issues such as quality of work and equal pay as well. This has led to the subsequently described broadening of the Commission's CSR definition (European Commission, 2011a).

3.3.8 European Commission Communication “A renewed EU strategy 2011-14 for Corporate Social Responsibility” in 2011

The latest milestone of the EU CSR movement is the Commission's Communication entitled “A renewed EU strategy 2011-14 for Corporate Social Responsibility”, which was published in October 2011 as a response to the above EP's resolution. In the light of the “timeline” of milestones in the CSR movement at EU level the 2011 Commission Communication is to be viewed as a document that functions as a prospect of how the Commission regards the future direction of both the CSR movement in general, as well as the various actors' roles in this respect in particular.

With the recent economic crisis in the background, the Commission sees CSR as an essential tool to focus awareness again on “the social and ethical performance of enterprises” (European Commission, 2011a, p. 4) in order to re-establish the damaged consumer confidence.

It does so by introducing definitional changes that help shaping a new and modern CSR concept as “the responsibility of enterprises for their impacts on society” (European Commission, 2011a, p. 6). This embeds in its core the compliance with legal obligations, but moreover posits that corporations should integrate this

broadly defined responsibility into their core strategies, presumably by creating close networks with their internal and external stakeholders. Although the Commission still sees corporations at the heart of the CSR movement, the Communication makes clear that other actors are involved as well: while public authorities should foster businesses' CSR activity by "a smart mix of voluntary policy measures and, where necessary, complementary regulation" (European Commission, 2011a, p. 7), other stakeholders, such as civil society organizations and consumers, are asked to create pressure for improvement, to reward CSR activities by businesses and to show socially responsible behavior themselves.

Another new aspect in this Communication is the agenda for 2011 until 2014. Here, the Commission stresses that eight themes are central for fruitfully furthering the CSR movement in the near future, which are called by the Commission: (1) enhancing the visibility of CSR and disseminating good practices, (2) improving and tracking levels of trust in business, (3) improving self- and co-regulation processes, (4) enhancing market reward for CSR, (5) improving company disclosure of social and environmental information, (6) further integrating CSR into education, training and research, (7) emphasizing the importance of national and sub-national CSR policies, and (8) better aligning European and global approaches to CSR.

3.4 Conclusion – consequential conceptualization of CSR in this research paper

The vivid discussions of the term corporate social responsibility in this chapter's sections with the respective focal points clearly show that the concept is a complex construct that is almost impossible to be universally defined, due to the huge amount of – at least slightly – different attempts of CSR definitions. The list of CSR milestones on the European Union agenda even highlights that the perspective of one actor, such as the European Commission, can change over time. De Schutter (2008) sees such transformations as plausible consequences that build upon "the transformations endured by the definition of the strategic aims of the EU itself" (De Schutter, 2008, p. 207).

Nevertheless, this research is in need of a cornerstone definition of CSR, which is based on the common factors mentioned in the above conceptualizations. Thereby, it can be achieved that most of the perspectives are satisfied in at least their main focal points concerning CSR, and thus, the working definition at hand

helps to relate this research to previous elaborations on the concept of CSR. Therefore, the common factors will be combined and put into context:

Corporate social responsibility is a concept embedded in the idea of sustainable development which embraces all those actions, operations and initiatives by businesses that contribute to an improvement of social and environmental issues by voluntarily going beyond the corporations' legal obligations. Such undertakings have to be in line with the businesses' legal, ethical and philanthropic responsibilities, besides the given economic ones. Thereby, they have to reflect the needs and interests of all their relevant stakeholders, including customers, employees, investors, the general community and the environment.

Having arrived at settling for a definition of the CSR concept for the paper at hand, basing itself on and taking into account both the definitional evolution of the concept and its historical development at EU level in this respect, the next part concerns the theoretical framework for the research at hand. It helps putting the concept of CSR into context.

4. THEORY

A theory that is very often associated with the CSR concept is stakeholder theory²². It puts the corporation in a centered position insofar as the theory states that a company has obligations to all those parties that affect or are affected by the company's actions. This is a simplified definition of stakeholders. The relationship between the corporation and its stakeholders is thus supposed to be a mutual one (Mathis, 2008). Figure 2 illustrates the stakeholder model. It has to be kept in mind that the multitude of stakeholders is different for each individual corporation and this model might not cover all potential stakeholder groups.

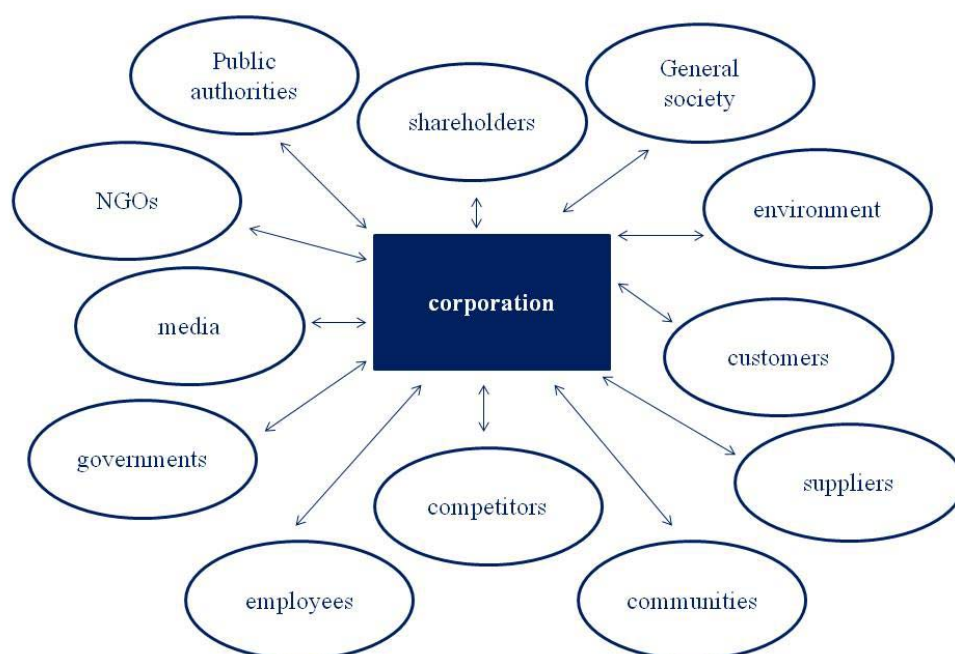


Figure 2: Stakeholder model

However, the stakeholder theory does not seem to be the proper approach to support this research. The apparent deadlock between the two opposing CSR camps rather calls for a theoretical background which allows for multiple actors to become actively involved in the CSR movement in the ways that are suggested in the fifth chapter.

²² For a more detailed explanation of stakeholder theory, it is suggested to read “The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications” by Donaldson and Preston (1995), in which the authors provide an overview of the development of stakeholder theory and examine the essentials of it (Donaldson, T., & Preston, L. E. (1995). The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. *The Academy of Management Review*, 20(1), 65-91).

Werhane's alliance approach fulfills this need. It distinguishes itself from the stakeholder model insofar that it does not put the corporation into a dominant position, but decentralizes it and puts it onto the same level of importance with various other parties (P. H. Werhane, 2007), thereby "changing the focus of attention from the company to its alliance partners" (P. Werhane, 2008, pp. 472-473). This converges the alliance model rather into the direction of network models: there is not only a two-way relationship between the company and its stakeholders – as the stakeholder model suggests – but instead the alliance model proposes that the stakeholders from the stakeholder model are as important as the company itself and thus, each of the parties involved in the alliance model has two-way relationships with all other actors of the alliance model. Consequently, this interdependency of all actors results in an alliance of a commonly shared approach to a given problem. The alliance model thus is an interrelation system of interdependent parts.

Figure 3 shows the alliance model as suggested by Werhane (2007). As with the stakeholder model, it has to be kept in mind that the actors included in the model may vary and may have left out actors that are important in certain situations.

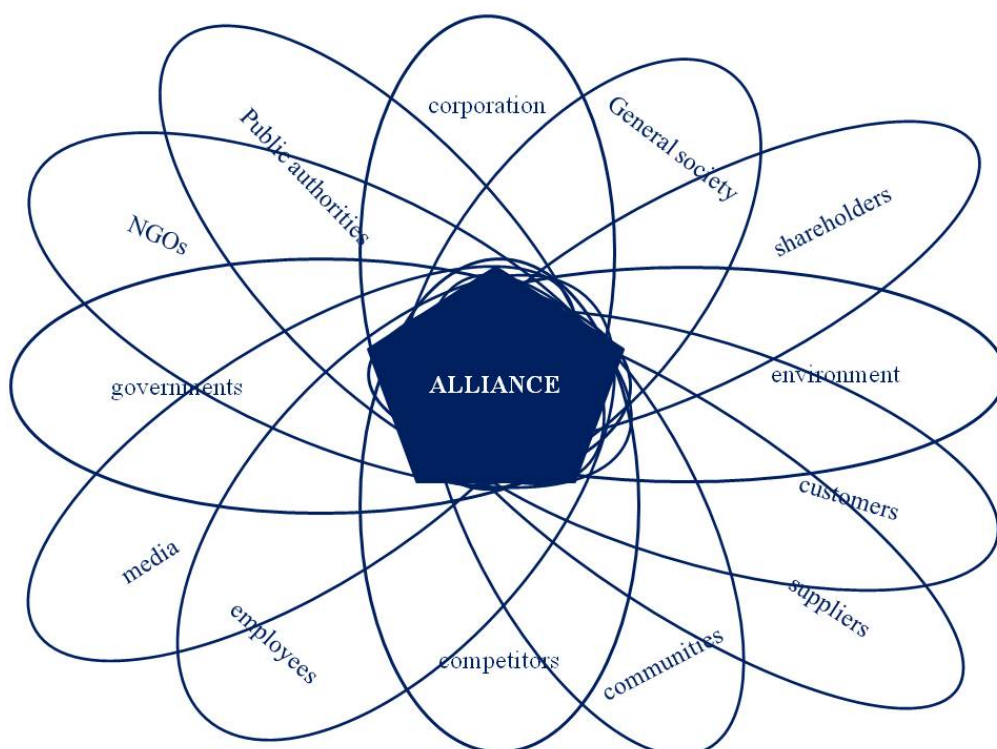


Figure 3: Werhane's alliance model

Since the theoretical background for this research is settled as being Werhane's alliance approach, the following part tackles the issue of how to overcome the existing deadlock in the EU debate on which kinds of regulatory means are to be taken with regard to CSR. Having in mind that the theoretical background suggests the active involvement of several relevant actors, a multi-level governance framework is introduced.

5. THE NEED FOR A MULTI-LEVEL GOVERNANCE SOLUTION FOR CSR

This part of the paper focuses on an approach for tackling CSR regulation and steering the concept's movement in the near future. CSR is such a complex and multi-layered concept that any approach on merely one level seems to be insufficient for a fruitful governance framework.

5.1 Rationale for a multi-level governance framework to CSR regulation

Until present times, discussion concerning CSR has always been whether the concept can be regulated by hard law means or whether soft law is the more suitable regulatory approach in order to maintain the concept's characteristic of being a voluntary contribution by businesses to an improvement of environmental and social issues. This black-or-white discussion has resulted in a deadlock, as the business camp – corporations, the Commission and business affiliates – calls for self-regulation in CSR matters, while the social camp – NGOs, the EP and the general society – argues for an increase of regulatory measures, both hard law and soft law measures (European Coalition for Corporate Justice, 2006; MacLeod, 2005).

MNCs are arguably the most powerful and influential actors in the world (Kinley & Tadaki, 2004; Nowrot, 2005). Therefore, MNCs in specific, and businesses in general, have to become aware of their influential role in societal matters (Matten & Moon, 2008) and have to be steered by a regulatory framework to having a voluntary share in an improvement of environmental and social issues. Such kind of regulatory support of the CSR movement can be justified by the notion that the commitment of these crucial actors in the CSR movement need to be guaranteed; this becomes even more justified when regarding the CSR development so far: until contemporary times, the business self-regulatory approach has not achieved a satisfying result for all involved stakeholders.

Referring to the above explained deadlock, it can be retained as a consequence that a compromise has to be found which combines both perspectives. Such an approach can better be tackled in a multi-level governance framework, because an approach at merely one level – no matter at which one – is ineffective insofar that it does not solve the apparent EU-wide inconsistency of opinions and approaches.

There is a permanent fine line between the different kinds of potential regulation of CSR: on the one hand, businesses want to maintain flexible in their choice of CSR measures and thereby refer to the fact that CSR is supposed to be a self-regulatory and voluntary concept, which consequently prohibits hard law regulation. On the other hand, recent history has shown that business self-regulation of CSR as a form of business behavior does not work²³ (Daugareilh, 2009), or rather leaves room for a lot of ‘rotten apples’, as many corporations try to reap profits of economic advantages by promoting their CSR actions, although they are solely ‘green-washing’.

Several authors contradict the above business opinion that hard law regulatory means are impossible with regard to CSR. They state that hard law does not necessarily mean that the concept’s implicit voluntariness is abolished and in this respect, they stress that CSR is not a substitute for regulatory measures (De Schutter, 2008; Delbard, 2008; Eberhard-Harribey, 2006; MacLeod, 2005; D. McBarnet, 2009). At EU level, for instance, hard law is possible as long as it is not directly addressed and applicable to corporations, but implemented as a company law directive or regulation for the EU member states. This is due to the fact that corporations are not legal persons²⁴ to EU law or other forms of international law (Kamminga, 2004; Kinley & Tadaki, 2004; Martin-Ortega & Eroglu, 2010; Muchlinski, 2009). Therefore, the international stage seems to be predestined for standard setting in order to foster harmonization in this respect (European Coalition for Corporate Justice, 2006).

At the national levels of the EU member states hard law regulation is more easily implementable, as national company laws are directly applicable to companies. Nevertheless, it has to be kept in mind that the characteristic of voluntariness in the CSR concept is to be sustained. Thus, hard law measures – if necessary - have to be implemented for aspects being at the basis of CSR actions in order to match the concept.

The above facets lead to the need of a compromising multi-level governance solution in order to succeed in ameliorating the CSR movement and finally

²³ “Bref, l’autorégulation sans support juridique du droit communautaire – ou du droit international – ne peut à elle seule être la réponse pertinente à la problématique du développement durable [...]” (Daugareilh, 2009, p. 508) Loose translation by the author: “In short, self-regulation without legal support by Community law – or by international law – cannot be the answer by itself with regard to the problematic of sustainable development.”

²⁴ “A legal person is anything recognized by law as having legal rights and duties.” (Marsh & Soulsby, 2002, p. 54)

putting it another step further, and consequentially, in overcoming the deadlock black-or-white discussion of which kind of regulation to implement. De Schutter (2008) adds the argument that a CSR regulatory framework which leaves a sufficient leeway for corporations to voluntarily decide whether or not to conduct CSR actions is beneficial for businesses as well, as it “also ensures that such practices will be rewarded by the market” (De Schutter, 2008, p. 224).

Thereby, it always has to be kept in mind that any kind of regulation can only steer corporations into a desired direction, but due to the voluntariness of the concept, regulation cannot deliver detailed requirements that exceed the fundamentals for CSR actions by corporations. Thus, CSR essentially maintains to be a flexible concept (Körner, 2005), no matter how many regulatory measures are taken (Wolff & Barth, 2005).

The following sections describe possible and recommended actions and measures for fostering CSR at each of the relevant levels, thus theoretically feasible options that can help bringing the CSR movement forward: the international and global level, the EU level, the national levels of EU member states, the private business level, as well as society. Society refers to the general public, although consumers are in the major focus of the respective section.

Despite the fact that the below sections cover each level separately, one has to be aware of the fact that the CSR movement can only experience substantial progress when there is a fit between the diverse enforcement mechanisms at the different levels. Subsequently, this part of the paper will conclude with an integrative model that merges all levels.

5.2 The international and global level

The first level to be mentioned combines the international and the global arena for CSR regulation owing to the fact that the crucial actors are supposed to be the same ones on both levels: on the one hand, there are relevant internationally active NGOs and trade union federations, such as Greenpeace, Amnesty International, the International Organization for Standardization (ISO), the Global Reporting Initiative (GRI), and the International Trade Union Confederation; on the other hand, international organizations, such as the UN with its respective specialized agencies (for instance the ILO), the World Trade Organization (WTO), the OECD, and the EU have to play a crucial role.

Gonzalez and Martinez (2004) – as proponents of the social case for CSR – state that the apparent voluntary initiatives lead to a “proliferation of standards” (Gonzalez & Martinez, 2004, p. 277) and codes of conduct, and a consequential de-harmonization among them. A crucial subsequent problem is the lack of possibility for effective and reliable monitoring of these standards and codes of conduct²⁵. All of the above mentioned actors thus need to contribute to a harmonization of CSR standards, but also in terms of the degree of how demanding standards and codes are (Gonzalez & Martinez, 2004). This could be done by increased cooperation between or cross-references to other organizations’ standards. As “transnational CSR norms” (Torrance, 2011, p. 105), those standards of conduct also deliver the basis for “persuasive and justifying reasons within a legal discourse”(Torrance, 2011, p. 105).

The latest ISO standard with regard to CSR is a good example, for which the EP touts in its 2011 resolution (. European Parliament, 2011). Besides their standard series ISO 9000 (concerning quality management) and ISO 14000 (concerning environmental management), the ISO has introduced a further step into the direction of supranational standard setting for CSR with its ISO 26000:2010 in November 2010. This “guidance on social responsibility” (International Organization for Standardization, 2010a) is supposed to help corporations of any size to cope with issues of CSR (European Commission, 2011a), thereby stressing the following core social responsibility issues: organizational governance, environment, human rights, labor practices, fair operating practices, consumer issues, and community involvement/society development (International Organization for Standardization Technical Management Board, 2006). Nevertheless, this ISO effort is not the ultimate answer to the question on how to regulate CSR, as the ISO 26000:2010 standard is a mere assistance tool for corporations to voluntarily contribute to sustainable development that is inappropriate for monitoring, “certification purposes or regulatory or contractual use” (Visser, Matten, Pohl, & Tolhurst, 2010, p. 252).

Despite this downside the ISO 26000:2010 can be taken as an example of how to operate on the supranational level in terms of setting and deriving at internationally harmonized standards. The ISO has not merely created its own

²⁵ With monitoring mechanisms will be dealt at the EU level of the proposed multi-level governance approach.

standard, but closely worked with and referenced to other international standard setting organizations, so called liaison organizations; these embrace 42 organizations, including those that have provided other crucial documents in international standard setting in the past, such as the ILO, the OECD, and relevant UN divisions and initiatives, of which one is the UN Global Compact (International Organization for Standardization, 2010b).

Still, also those international standards, guidelines and codes that are already well-established have to be promoted in a more intensive way: frequently mentioned documents that should be regarded as minimum standards beyond national borders are the OECD Guidelines for Multinational Enterprises (Daugareilh, 2009; De Schutter, 2008; European Coalition for Corporate Justice, 2006; European Commission, 2001, 2002, 2006; European Commission, 2011a; . European Parliament, 2011; Gonzalez & Martinez, 2004; MacLeod, 2005; Muchlinski, 2009; Voiculescu, 2009), the UN Global Compact principles (European Commission, 2001, 2006; European Commission, 2011a; . European Parliament, 2011; Gonzalez & Martinez, 2004; D. McBarnet, 2009; Muchlinski, 2009; Tencati, Perrini, & Pogutz, 2004; Voiculescu, 2009), the GRI guidelines (Delbard, 2008; European Commission, 2002; Tencati, et al., 2004), ILO fundamental Conventions (Daugareilh, 2009; De Schutter, 2008; European Coalition for Corporate Justice, 2006; European Commission, 2001, 2002, 2006; European Commission, 2011a; . European Parliament, 2011; Gonzalez & Martinez, 2004; MacLeod, 2005; D. McBarnet, & Kurkchian, M., 2009; Muchlinski, 2009; Voiculescu, 2009), and the Universal Declaration of Human Rights (MacLeod, 2005; Muchlinski, 2009), as well as the UN Guiding Principles on Business and Human Rights (European Commission, 2011a).

For such promotion also NGOs are needed (European Commission, 2002, 2006; Jägers, 2009): not only do they have to promote and raise awareness for the urgency of CSR matters, but they should also support those standards that are suitable for their respective area of action.

Though, it is not enough to merely promote these existing standards and introduce new standards. As CSR is a dynamic concept, standards, guidelines and codes need to be adapted to newly emerging situations, thus creating an adaptive environment for CSR, which at the same time also has the function to assure further transformative action in the CSR movement.

International and global level		
Main actors: international organizations, NGOs		
	Actions	Means
Soft law	<ul style="list-style-type: none"> • standard setting • intensified promotion of established universal standards and values • continuous development and improvement of these standards • harmonization of standards • creation of new standards that are more homogenized • awareness-raising 	<ul style="list-style-type: none"> • increased cooperation between standard-setting organizations • strengthening existing international and global standards, codes and guidelines • examples: <ul style="list-style-type: none"> • OECD Guidelines for Multinational Enterprises • ILO fundamental Conventions • UN Global Compact • Universal Declaration of Human Rights • ISO standards

Table 1: Regulation of CSR at the international and global level

5.3 The EU level

The next level to be dealt with is the European Union level: the main actors are EU institutions - before all the European Commission - but also member state governments, NGOs and businesses. The key to success in building an improved framework for CSR is a well-working dialogue between all of these actors, additionally including the needs of all relevant stakeholders (European Commission, 2006; European Commission, 2011a), for which the main actors should function as channels and mouthpieces.

At this level, enforcement is strongly emphasized: the EU level has to be seen as a means for giving a direction for CSR actions, harmonize the circumstantial framework for national approaches (European Commission, 2002), and overall for providing a level playing field (Eberhard-Harribey, 2006; European Commission, 2001, 2002, 2006; MacLeod, 2005; D. McBarnet, 2009; Voiculescu, 2009) by implementing CSR measures that are supranationally valid, such as common European labels and a common European reporting and audit system.

The search for the right means for CSR regulation at EU level faces the obstacle of a fine line being apparent between too strict and too loose regulatory measures.

On the one hand, there can be too strict regulatory means that destroy the concept's voluntary character and stifle the flexibility to adapt to businesses' strengths (D. McBarnet, & Kurkchian, M., 2009); on the other hand, too loose means can lead to a similar development than the most recent one, as anything similar or near to the business case for CSR has proven to be ineffective or with very limited success with regard to the businesses' voluntary contributions. It is thus inevitable that all means for CSR regulation at the EU level balance these circumstances.

A major function of the EU for fostering CSR activity among businesses has to be the provision of a platform for corporations where they can share information, experiences and best practices (European Commission, 2001, 2002, 2006; The European Alliance for CSR, 2008). Such an exchange platform does not have to be a pure communication area: rather, pioneering and leading businesses in CSR measures need to get benefits out of their actions into the CSR direction. This is both for motivating the respective corporation to further go down the CSR road, as well as other businesses have to see that there are advantages when taking action in CSR matters: these can include financial incentives, but rather should the EU CSR platform be seen as a place for "naming-and-faming" where businesses are rewarded for their efforts by gaining prestige and reach an improvement of their image. Such an approach can also include an annual European CSR award with an ostensibly symbolic character: the EU could plant a tree in the "CSR Garden" with the winning corporation's name tag, for instance.

Communication between all relevant stakeholders is a key factor for progress as well (Campbell & Vick, 2009; European Commission, 2006; European Commission, 2011a; Gonzalez & Martinez, 2004; Matten & Moon, 2008; The European Alliance for CSR, 2008). Therefore, the existence of the European Multi-Stakeholder Forum (European Commission, 2002) has to be sustained and the EU has to improve it insofar that also NGOs take part in it (Jägers, 2009). This has not been the case for the last meetings of the CSR EMS Forum (European Commission, 2006); or it has to be replaced by comparable "multistakeholder CSR platforms in a number of relevant industrial sectors" (European Commission, 2011a, p. 9).

Another significant function of the EU is to create a level playing field (Doane, 2002; European Commission, 2001, 2002). This means that minimum standards

have to be determined that are valid for all EU member states (European Commission, 2006; Gonzalez & Martinez, 2004). It suggests itself that these minimum standards are geared to respective global and international standards and guidelines (European Coalition for Corporate Justice, 2006; European Commission, 2011a). Certainly, it is wishful that measures taken by national governments to foster CSR activity within their own borders, as well as nationally applicable standards and guidelines go beyond those EU minimum standards. Raising the bar in terms of CSR measures and specifications as a national government in one's own country can put other national governments under pressure to also focus on an amelioration of their efforts in these respects as well. The EU's task in this case is to support and foster such a positive development.

It is important then to enable the highlighting of national strengths by preventing the oppression of flexibility for diverse national approaches to CSR regulation (D. McBarnet, & Kurkchian, M., 2009); the EU's steering process in this respect may not have strict regulatory bonds. To create a suitable environment for such an undertaking, the EU is advised to use the open method of coordination²⁶ (OMC) with regard to CSR (Heidenreich & Bischoff, 2008). Therewith, a communicative and cooperative approach on the EU level can be guaranteed for the EU member states (European Commission, 2002). Nevertheless, incentives have to be implemented that motivate the EU member states to go into the desired direction by showing them the beneficial consequences of CSR efforts. As with the businesses, these can be in form of financial benefits, or they can be in terms of the mere benefits due to the improved image and gained prestige.

The OMC approach facilitates this method of naming-and-faming. Moreover, the pressure on those EU member states that do not improve with regard to their CSR efforts is significantly higher due to direct benchmarking among EU member states – for instance by obligatory action plans. Additionally, it is motivational to change and adapt to an assumed continuous improvement progress in the CSR movement, as the fear of 'scape-goating' is supposed to be high (Ryberg, 2008).

A further advantage of the OMC approach at the EU level is the fact that it facilitates joint learning, although this fact also bears the risk of 'bandwagoning' of some effortless EU member states. Thus, it might also be a justified thought to

²⁶ For an extended explanation of the open method of coordination, it is suggested to read the article "The Open Method of Co-ordination: A Way to the Europeanization of Social and Employment Policies?" by Heidenreich and Bischoff (2008), from page 499 onwards.

create an award among the EU member states to foster competition between them. Though, a consequential issue emerges with the question what indicators are used to monitor such an award.

Another facet that would help to provide a level playing field is the implementation of common EU labels with respect to CSR matters (social and ecological labels) (European Commission, 2002; . European Parliament, 2011). This can refer to both a combination of one label with an ecological focus and one with a social focus, or a combining CSR label; probably, a combining CSR label is obscure with regard to finding a moderate amount of comprehensive measurement indicators. Thus, a more suitable way to approach this idea is the implementation of one label that highlights a corporation's activities concerning ecological issues, and one label focusing on a corporation's efforts with regard to social issues. If a corporation fulfills both certifications, a solution could be to award it with a superior European Premium CSR Label that displays a corporation's commendable work in CSR matters. Thereby, CSR can be seen as an economic competitive advantage.

Key to sustained success in CSR matters is the installment of mid-term audits and the requirement for businesses to show continuous improvement in their CSR activities, as otherwise the accreditation to use the European CSR labels will not be extended. The monitoring and accreditation has to be fulfilled by an independent supranational third party in order to guarantee reliability and consistency throughout the EU member states (European Commission, 2011b). Then, it is possible that "the 'best in the class' are rewarded" (European Coalition for Corporate Justice, 2006, p. 6).

Such an EU-wide transformation of the label landscape is mainly justifiable with regard to improving the position of consumers. Besides a frequent lack of knowledge about the exact content of the vast diversity of existing labels – be it different national ones or in-house labels of individual corporations - the mere amount of labels being apparent within the EU is confusing and harms the credibility of labels in total (Doane, 2002; European Commission, 2001; Gonzalez & Martinez, 2004). Such an undertaking guarantees that demands and standards are shared within all national contexts and thus prevents corporations choosing national economies in which standards for receiving a label are lower. As a basis for label demands and specifications, established international and global

standards are recommended to be used as a source of reference to further the harmonization process among standards.

In order for the label transformation to succeed, the promotion and awareness-raising for the new labels is of crucial importance. The general society has to be informed about the changes, the motivation for such changes, and the content and intent of the new labels. This is a task for the EU, national governments, NGOs, as well as businesses themselves (Jägers, 2009).

An additional prerequisite that has to be fulfilled by corporations to be accredited with a European CSR label can be the implementation of a European Code of Conduct (Howitt & Committee on Development and Cooperation, 1998; Preuss, 2010), which becomes a source of legal liability for the respective corporations after its introduction on the basis of laws of misleading advertisement (Glinski, 2009). An example for such kind of legal basis is the EU's Unfair Commercial Practices Directive, which was adopted in 2005 (European Commission, 2011a). For the sake of guaranteeing both a furthering of the provision of a level playing field at EU level and a reduction of the confusing jungle of national and corporate in-house labels, it suggests itself to deal with this issue at EU level (De Schutter, 2008; European Commission, 2002). However, Preuss (2010) states that unmonitored codes of conduct are a frequent tool for 'window-dressing'. Thus, if being implemented, the CSR label audits have to cover these reports as well.

Alternatively, it would be possible to implement such a European Code of Conduct requirement as a general feature under the EU member states' company laws (D. McBarnet, & Kurkchian, M., 2009). As with the minimum standards, such a European Code of Conduct provides the bottom line and leaves room and invites national governments to set higher demands which go beyond the common basis provided by the European Code of Conduct.

By the means of a company law directive, or even a regulation, the EU can force the national governments of its member states to also adapt another aspect in their company law to the needs of the CSR movement. By introducing a company's liability for its subsidiaries and sub-contractors (. European Parliament, 2011) on the grounds of Regulation No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, which enables "access to European courts [...] in civil and commercial disputes even if the defendant is domiciled in a third State, insofar as there is a link with the EU" (European

Commission, 2011b, p. 7), the pressure for businesses to self-monitor their supply chains is increased (Glinski, 2009). Subsequently, larger companies can force their suppliers to implement a CSR strategy and respective measures (European Commission, 2001). This trend is called contractual control (D. McBarnet, & Kurkchian, M., 2009) and is already conducted as a voluntary measure by several businesses. However, with this voluntary measure corporations only require that their suppliers meet certain internally determined CSR standards; it does not include any type of legal liability. Though, it certainly is a step into the right direction (D. McBarnet, & Kurkchian, M., 2009). To go the next step further by making corporations liable for sub-contractors is also strongly advocated in the European Parliament's resolution "Social responsibility of subcontracting undertakings in production chains", which was adopted in 2009 (European Parliament, 2009).

Another and arguably more important change for an improvement of the amount and quality of and the access to information for consumers is that of social reporting and audit systems (Delbard, 2008; European Coalition for Corporate Justice, 2006; European Commission, 2002; D. McBarnet, & Kurkchian, M., 2009; Morimoto, Ash, & Hope, 2005). NGOs and the European Parliament have argued for a renewal of disclosure prescriptions and tried to make their vision mandatory for corporations (European Coalition for Corporate Justice, 2006; European Parliament, 2007), as "the voluntary call to reporting [...] is largely failing" (Doane, 2002, p. 3). Again having in mind that a level playing field has to be provided by the EU in this respect in order to prevent corporations from capitalizing on countries with lower requirements, the EU level is the area in which a common reporting and audit scheme has to be introduced and thus transparency can be increased (European Commission, 2006). According to Gonzalez and Martinez (2004), such reports need to meet four criteria: "relevance", "comparability", "reliability", and "accessibility" (Gonzalez & Martinez, 2004, p. 284). 'Relevance' means that stakeholders' demand for information has to be met. In order to provide consistency and thus guarantee the essential 'comparability' (European Commission, 2001), the kinds of information which are demanded by stakeholders could be agreed on in the CSR EMS Forum. 'Reliability' refers to the need for independent third party verification by external audits. As a matter of course, disclosed information has to be 'accessible' for

stakeholders by an increase in transparency. Campbell and Vick (2009) argue that increased information disclosure by businesses helps them to improve their CSR profile and the relationships with their key stakeholders, and in consequence, “they make the company more attractive to potential customers” (Campbell & Vick, 2009, p. 243).

As a basis that can be extended to meet the above requirements, De Schutter (2008) suggests the EU Eco-Management and Audit Scheme (EMAS). It could be extended from its mere ecological focus to an additional social focus (probably the name has to be changed then) and moreover, external and independent audits have to be implemented.

Taking Denmark (Ellis & Eder-Hansen, 2010) and the UK (Grayson, 2010) as examples for the mandatory inclusion of reporting on businesses’ social and environmental activity into the conventional financial accounts, the EU can also pass a new regulation for reporting, including mandatory reporting on a corporation’s CSR actions, or “non-financial key performance indicators” (European Accounts Modernisation Directive, in Mickels, 2009, p. 13). Such kind of reporting is applicable to all kinds of businesses and industries in order to facilitate an improvement of transparency and disclosure (European Commission, 2011a; Steurer, 2010). By implementing these reporting requirements by the means of an EU regulation – thereby using a hard law instrument - corporations are forced to disclose more information. A legal basis is provided by the ‘Commission Regulation No 1126/2008 adopting certain international accounting standards in accordance with Regulation No 1606/2002 of the European Parliament and of the Council’, adopted in 2008 (Lannoo & Khachaturyan, 2003). The increase in transparency is regarded by some as fair, as they justify it by stating that customers have a right to know more clearly than at contemporary times what businesses do to increase profits and what happens in the background production of the products they purchase (De Schutter, 2008; European Commission, 2001). Similarly, investors have a right to be fully informed where their money goes to and what it is used for (European Commission, 2011a). While this aspect is already treated by the implementation of the socially responsible investment (SRI) regulations in the financial sector (European Commission, 2001; Steurer, 2010; Wolff & Barth, 2005), other economic fields do not have a comparable obligation to fulfill. The implementation of an EU regulation in this

place can lead to an improvement. There are already several intercessors for increased disclosure of information in business reports, and the direction is determined by contemporarily existing draft and suggested regulations by diverse actors, such as the GRI, NGOs, the EP, and national governments of EU member states.

A risk consequentially emerging from mere reporting without regular audits is 'green-washing' or 'window-dressing' by businesses (Doane, 2002). It is not enough to force corporations legally by the above suggested EU regulation approach to report on their CSR activities, if the businesses' reports are not audited and checked thoroughly. Corporations might state CSR measures that are not really fulfilled by them in practice.

Thus, one possibility for prevention of this negative effect is the employment of an independent monitoring body to carry out the audits of the corporations' reports. Due to the fact that there are too many companies within the EU borders for an audit system that tackles all businesses, another solution has to be found. One option could be to have random audits by an independent third party, for which the target corporations are determined in a lottery.

Education is another issue for amelioration with regard to CSR (De Schutter, 2008; European Commission, 2001, 2002, 2006; Voiculescu, 2009). Besides the informing of the society about CSR matters, such as newly implemented measures and changes appendant to the CSR movement, educating managers and business affiliates is a central task as well (European Commission, 2011a; D. McBarnet, 2009; The European Alliance for CSR, 2008). The EU can provide the necessary basis by several means: introducing a tool box for CSR which roots in the exchange of best practices (European Commission, 2006; Gonzalez & Martinez, 2004), supporting or subsidizing vocational trainings and skills enhancement initiatives, and ensuring further research in the CSR area (Eberhard-Harribey, 2006; European Commission, 2002; European Parliament, 2007). This means both fostering the inclusion of CSR in universities' business study programs, as well as defining relevant areas for managerial research.

EU level		
Main actors: European Commission, European Parliament, member state governments, NGOs, businesses		
	Actions	Means
Hard law	<ul style="list-style-type: none"> increase of disclosure and transparency provision of better information and reduced risk of confusion for consumers steer self-monitoring by corporations 	<ul style="list-style-type: none"> implementation of a common European reporting and audit system with mandatory reporting on non-financial performance indicators European Code of Conduct common EU labels (voluntary application) liability for subsidiaries and sub-contractors by contractual control
Soft law	<ul style="list-style-type: none"> provision of a level playing field fostered dialogue between stakeholders promotion of inter-corporation exchange of information, experiences and best practices harmonization of circumstantial framework for national CSR measures and joint learning opportunities for EU member states, whilst still highlighting national strengths enforcement and motivation of CSR actions executed by both national governments and corporations fostered education of society and business affiliates 	<ul style="list-style-type: none"> EU-wide minimum standards maintenance of the EMS CSR Forum implementation of a CSR platform for corporations open method of coordination CSR awards naming-and-faming further awareness-raising for the CSR concept and its standards and values provision of a CSR tool box, vocational trainings and skills enhancement definition of relevant research areas

Table 2: Regulation of CSR at the EU level

5.4 The national levels

Whereas the EU level is the area of showing and fostering the right direction for businesses becoming active in CSR matters mainly through the means of soft law, the national levels of the EU member states are the arenas where hard law regulatory measures can rather be introduced (Matten & Moon, 2008). This is owing to the fact that corporations are not legal persons under international law, including EU law. Thus, “the role of the state is a crucial element” (Van der Putten, 2005, p. 7).

There are two possibilities of how CSR regulation at member state level can be conducted: it can either be indirectly fostered by substantial changes of government actions, or directly addressed to corporations, for instance by company law.

Concerning the former alternative, one option is possible at the national levels. A revised public procurement strategy by national governments as a means for fostering CSR activity among corporations may be one of them (European Commission, 2011a; McCrudden, 2009; Steurer, 2010). With national governments focusing on businesses which are active in CSR matters for their public procurement, the pressure on corporations to become active in CSR matters or intensify their activity in this respect is increased, while maintaining the case that businesses can voluntarily choose to adapt to it. A possibility for the selection of suitable procurement partners could be the requirement for potential suppliers to be certified with the superior European Premium CSR Label wherewith businesses are certified as meeting the demands of both common CSR labels for the ecological and the social focus (see section 4.3).

A supportive factor for such an undertaking is the aspect that respective EU member states make an example of proactive CSR measures (McCrudden, 2009); this can be the first step for an EU member state to become a leader in CSR when it comes to benchmarking national approaches to CSR. Besides, it is important that governments do not merely demand CSR actions by corporations, but also “live” their requirements and lead by example (McCrudden, 2009; Steurer, 2010). Besides changing actions by and the attitude of national governments themselves, the other option to foster CSR activity among corporations is the implementation of regulatory means directly addressing businesses.

Building upon the prerequisite for businesses at EU level to introduce a European Code of Conduct, national governments can implement a regulation at the respective national levels that corporations can be held liable for actions that are not in line with what has been reported in their codes of conduct (Mickels, 2009). This step has the additional feature that it stimulates a self-regulatory pressure on businesses, as they are forced to be reliable in their transparent information-sharing. Although “governmental regulation is necessary to guarantee access to information” (Gonzalez & Martinez, 2004, p. 279), such information has to be disclosed by corporations on the grounds of the suggested EU regulation on increased disclosure and transparency by the mandatory inclusion of businesses’ reporting on their non-financial performances (see section 4.3).

Further potential enforcement measures by governments exist. First, there are those changes in national company laws that are consequential to the EU regulations (or directives) suggested in the earlier section. Second, national governments can implement a suitable enforcement system for CSR that furthers the CSR objectives by a mix of hard law and soft law measures. It is assumed that the ‘carrot and stick’ approach²⁷ (Cowell, 2002) to sanction businesses for non-compliance with requirements given by national governments on the one hand and to reward corporations that go beyond the mere compliance with national requirements for their effort to ‘go the extra mile’ on the other hand, is a fair system (De Schutter, 2008).

As ‘carrots’ national governments could implement a tax reduction system which is structured in alignment with the European CSR labels. For instance, corporations with one of the two labels (environmental or social) get tax reductions which have a rather symbolic value than high financial advantages, while businesses with the European Premium CSR Label experience significant tax reductions. Consequentially, even those corporations that have already implemented considerable CSR measures in one label area have a motivational means to improve their effort with regard to the other focal point of CSR. Positive enforcement thus comes in form of soft law.

²⁷ This approach “suggests a recalcitrant beast to be beaten into unwilling compliance or to be seduced into cooperation by an elusive dangling incentive” (Cowell, 2002, p. 1), which means that there are two possibilities for enforcement: either ‘carrots’, thus positive enforcement measures, or ‘sticks’, consequentially being negative enforcement mechanisms.

‘Sticks’ can come in form of financial fines which create a catalogue of sanctions when businesses do not comply with the minimum standards – either the ones that are agreed upon for EU member states at EU level, or national ones that overtop the EU minimum standards. In order to be effectively enforcing, fines have to be high enough to de-motivate wrongful behavior by corporations²⁸. Compliance with the basics is thus regulated by hard law.

Moreover, governments need to take an active role in promoting a CSR mindset and educating about the concept in general by awareness-raising and providing its citizens with information (Steurer, 2010). Thereby, governments help to encourage “ethical consumerism” (De Schutter, 2008, p. 221). Moreover, national governments should follow the EU approach and focus on the education of managers and business affiliates, too.

National levels		
Main actors: civil society, national governments, NGOs, businesses		
	Actions	Means
Hard law	<ul style="list-style-type: none"> • implementation of EU regulations and directives • prevention of ‘window-dressing’ 	<ul style="list-style-type: none"> • regulation that corporations are being held liable for actions that are not in line with the content of their codes of conduct
Soft law	<ul style="list-style-type: none"> • ‘leading by example’ by governments • encouragement of corporations to go beyond the legal minimum requirements • sanctioning non-compliance with minimum standards • awareness-raising for and promotion of ethical consumerism • education of managers and business affiliates 	<ul style="list-style-type: none"> • Revision of national public procurement strategies • Tax reduction system for CSR labeled businesses • Catalogue of sanctions with financial fines • Education of society (mainly consumers, customers and investors) • Follow EU approach in this respect

Table 3: Regulation of CSR at the national levels

²⁸ It has to be prevented that businesses are willing to be sanctioned, while thereby still experiencing economic and competitive advantages in contrast to compliance with the national requirements.

5.5 Private business level

Corporations have to do more than just changing their outward position towards the idea of CSR. They have to become aware of three important issues. First, businesses, especially MNCs, need to recognize and accept their influential role in areas other than the pure economic sector (Matten & Moon, 2008). They have to start incorporating their responsible roles with regard to social and environmental matters as well (Carroll, 1991). Such a shift deeply influences business behavior and calls for the implementation of new and adapted practices. For the progress of the CSR movement it would be useful if corporations begin to share best practices in CSR matters (European Commission, 2001, 2002, 2006), but as long as CSR remains to be seen by the business world as a source of competitive advantage and a mere tool for the facilitation of profitability, this is unlikely to happen. Again, this aspect shows that businesses have to move away from their isolated economic focus on CSR in order for the CSR movement to succeed in the improvement of societal matters. This would also help to achieve the creation of a level playing field at which it is aimed at EU level. Moreover, businesses have the task to promote and raise awareness for CSR both in the business world and their groups of consumers and customers (European Commission, 2002, 2006). This can include the aforementioned contractual control: this kind of self-monitoring of the supply chain means that especially larger companies can force their suppliers to implement a CSR strategy and respective measures if a business relationship is supposed to evolve (Glinski, 2009; D. McBarnet, & Kurkchiyan, M., 2009).

Second, corporations have to become aware of the fact that although at the heart CSR is a voluntary concept for businesses, they are not the only actors that need to become active in the CSR movement. Rather, corporations have to recognize the need to act in concert with other stakeholders, such as public bodies, NGOs and society in general, in order to foster social and environmental issues (Campbell & Vick, 2009; Eberhard-Harribey, 2006; Gonzalez & Martinez, 2004; Matten & Moon, 2008). This includes the support of a fruitful dialogue between all involved parties by opening up to negotiations – thereby allowing for possible compromises in order to follow the common goal of improving societal matters.

Third, businesses need to see the urgency for a regulatory framework for CSR (Eberhard-Harribey, 2006) insofar that certain regulations and rules are not harmful but rather can help improving the image of businesses in the consumers'

eyes: if society receives the guarantee that corporate CSR activities are based on a common set of minimum requirements, consumers can more easily value and reward corporations that go beyond these basic standards due to the reduced risk of ‘window-dressing’ by some businesses. Thus, a level playing field provided by the implementation of a regulatory framework for such minimum requirements, as well as harmonization measures – for instance in the labeling issue, can be advantageous for corporations that are willing to go beyond them.

5.6 Society

Society in general, and consumers (McCrudden, 2009), customers, and shareholders (Amann, Caby, Jaussaud, & Pinero, 2009) in specific, play an important role to achieve success in the CSR movement, too (European Commission, 2001). Business contributions are supposed to be substantially introduced only if consumers become aware of their position in the process of fostering CSR. They need to send a signal to corporations that society both neglects products and service of businesses that do not put effort into CSR actions or seem unreliable in their reporting about it (mere ‘window-dressing’), as well as it rewards those corporations that are active in CSR matters by preferring their services and products. Thus, a social pressure on the basis of “ethical consumerism” (De Schutter, 2008, p. 221) and “socially responsible consumption” (Wolff & Barth, 2005, p. 32) has to be developed and fostered that forces corporations to invest in CSR measures (Gonzalez & Martinez, 2004; Gunningham, 2009), if they want to remain competitive : if they ignore it, “they may in turn suffer economically” (Steurer, 2010, p. 53).

5.7 Conclusion - consequential integrative model for a multi-level governance approach to CSR in the EU

Part four of this paper – with its sub-paragraphs – has shown which possibilities exist to foster CSR activity among corporations at each of the respective levels. As key success factors for increasing CSR efforts by businesses four aspects stand out.

There needs to be an intensive and continuous promotion and awareness-raising for the CSR concept and the changes being adopted at the relevant levels appendant to the CSR movement. It has to be clarified that CSR is a dynamic

process that is in need of continuous improvement and thus will never ‘reach the end of the line’. This means that if the perception of the CSR concept and/or the circumstantial environment for CSR actions change – probably due to previous implementation of new regulatory requirements – the further approach to CSR regulation has to be revised as well. Thus, with a progressing CSR movement, regulatory measures have to be adapted to newly emerging situations. Consequentially, awareness-raising for such changes and their promotion are continuous processes, too.

Closely related to the first facet is the necessity that each of the stakeholders involved in CSR is aware of its responsibility to become involved and fulfill the respective role it is supposed to play in the CSR movement.

At the same time it has to be assured that the wholeness of stakeholder involvement is achieved. Only when all relevant stakeholders can and do contribute to an improvement of the perception of CSR and to fostering the circumstantial framework for CSR regulation, the CSR movement will progress.

Harmonization is a key issue as well: the overarching goal has to be the striving for homogenization with regard to CSR standards. If this can be achieved, a strong fundament would be created for further fostering the CSR regulatory approach.

In the attempt of coming up with a new approach to CSR that can overcome the apparent deadlock in the European discussion about the way of regulating the concept, a combination of all approaches at the individual levels is needed. As such a framework consists of diverse regulatory measures, one can call the suggested approach a hybrid multi-level governance framework for CSR in the EU.

The hybrid multi-level governance approach can only succeed if – at its core – there is a fit between the diverse measures taken at each of the levels. Therefore, inter-level communication is of substantial importance. This shows that the levels have to be interwoven in order for regulation to function effectively. Thus, the model introduced below is an integrative one.

However, it has to be kept in mind that not necessarily all of the earlier mentioned recommendations can be implemented. It can also be the right fit of a few regulatory measures that makes a difference and substantially changes the

circumstances for corporations' CSR actions. This is due to the fact that several means share the enforcement technique of creating sustained self-regulatory pressure on corporations, for instance more transparency and increased information disclosure with regard to social reporting.

Figures 4 and 5 show the elaboration on the CSR regulatory framework on the basis of Werhane's alliance approach. The multi-level governance approach to CSR is in line with Werhane's alliance approach in that it shows that CSR rather needs a more network model-like set-up that allows for several actors to become actively involved in the CSR movement, instead of putting the corporation into a centered position. Instead of stating the explicit actors involved in the multi-level governance framework in Figure 4, it has been decided to state the different levels at which actions can be taken for fostering the CSR movement. This is due to the fact that it is supposed to illustrate the variety of levels besides the variety of actors involved. It has to be kept in mind that at each level, there are main actors but there might also be other actors. Therefore, the model does not state specific parties but sticks to the five levels introduced in the earlier sections of this chapter. It is a simplified illustration of the complex alliance model insofar that it bundles all stakeholders and society together into one group in order to provide a clearer view on the adapted alliance model and to align it with the section titles of the earlier chapter. Although the model does no longer explicitly show the complexity of various actors involved, it should be recognized that in practice it is unlikely to put all stakeholders and general society into one single group, as well as it has to be kept in mind that there is interaction and interdependency among them, too.

Figure 5 summarizes the essence of the recommendations suggested in the sections concerning the respective levels. For a more detailed overview, the above tables at the end of each section have to be used. The focal point of Figure 5 is rather to show the interdependence between the different levels in order to achieve a fruitful fit between the recommended CSR measures and thus form the integrative framework for the hybrid multi-level governance approach to CSR in the European Union on the basis of Werhane's alliance model. It still is the same content than in Figure 4, although the setup is changed to a certain extent to strengthen the focus on the interdependency by the use of arrows. Symbolized by the various arrows in the figure, it is inevitable that there is a continuous dialogue

between all relevant actors in the CSR movement. Key to success in this respect then is the achievement of a fit between all measures taken at each individual level, leading to a consistent and harmonized CSR approach towards improving social and environmental issues. Such consistency can only be achieved when all involved parties in the CSR movement act in concert and maintain a continuous dialogue that helps to succeed in harmonizing the approach to CSR. In order for NGOs and private actors, the most distinctive actors in the CSR debate, to reach consensus, the apparent deadlock can be overcome by the implementation of a supporting and mediating regulatory framework created by public authorities, which are in this case EU institutions and national governments.

The provision of detailed suggestions for regulatory mixes is not possible in this research. This has to be based on an in-depth analysis and therefore is a matter of design methodology.

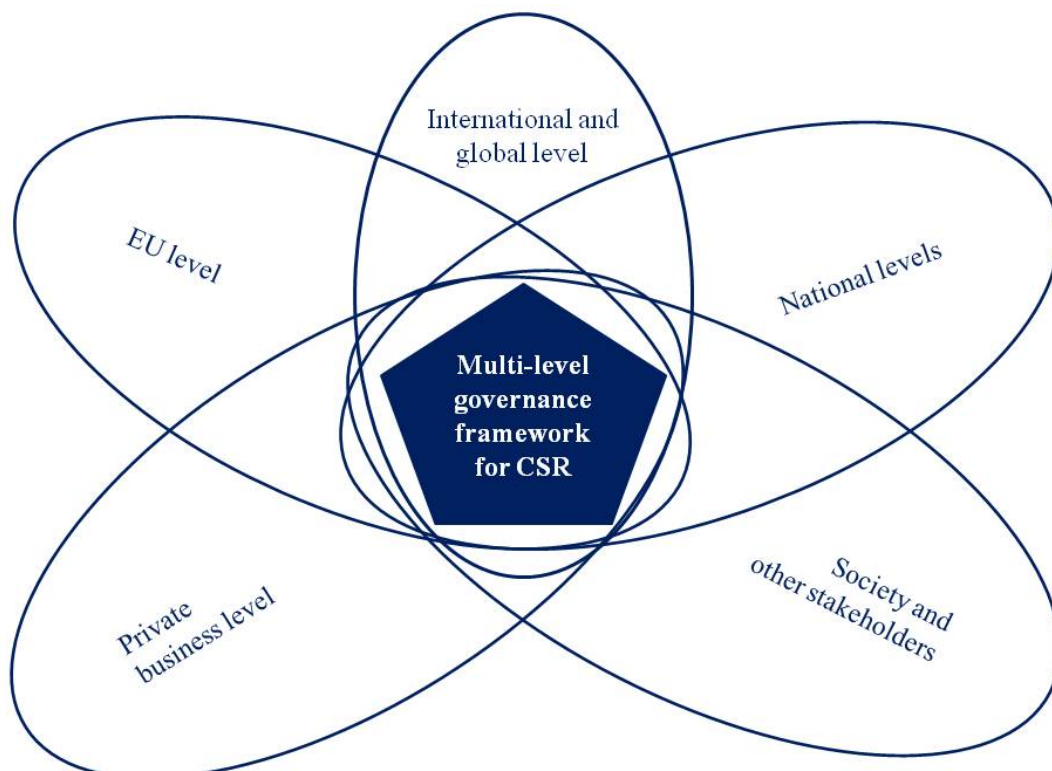


Figure 4: Alliance model for CSR

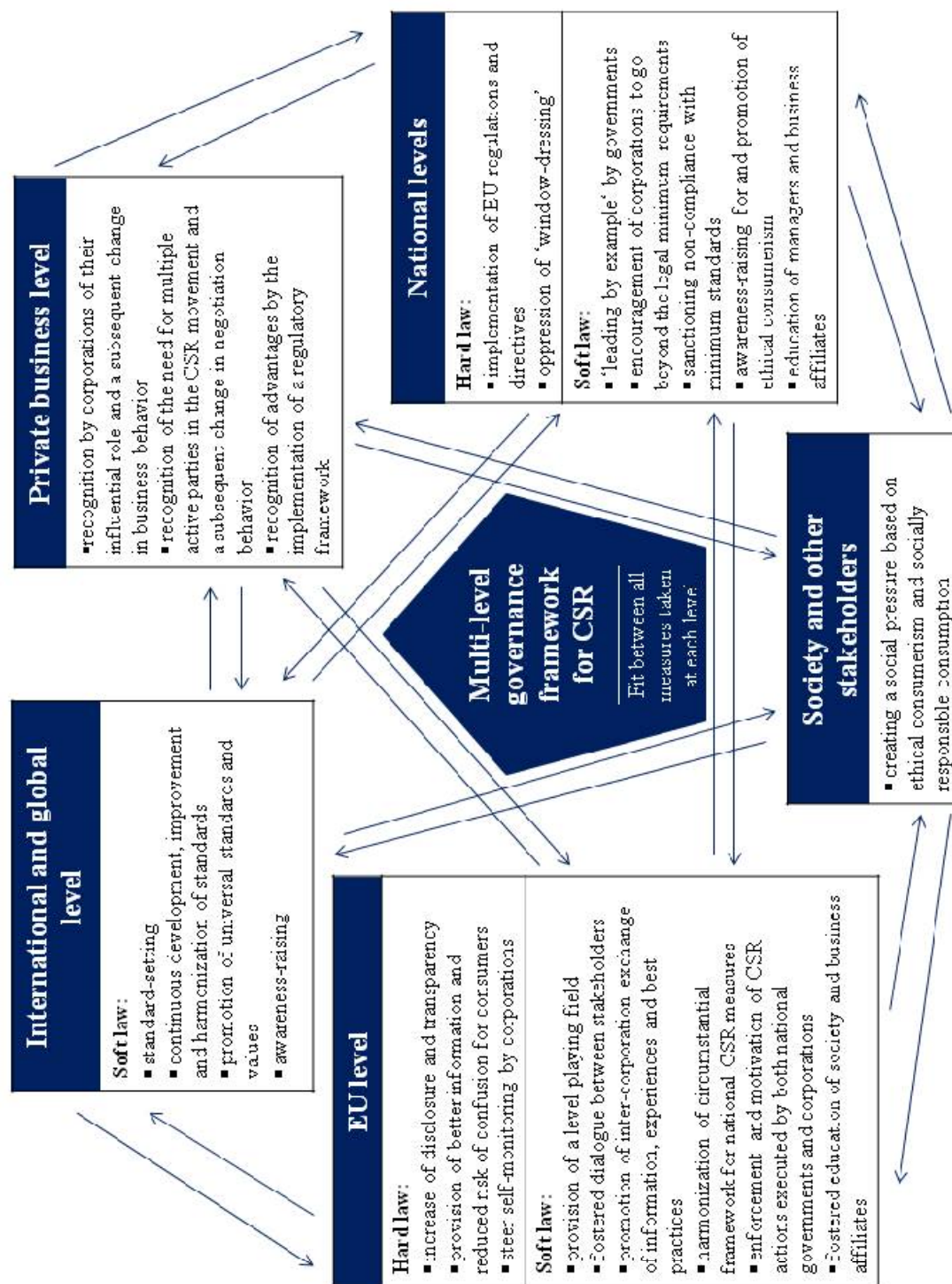


Figure 5: Integrative model for a hybrid multi-level governance framework for CSR in the EU

Taking the above model as a rounding-up of the fifth part of the thesis, the last part of the paper will deliver an overall conclusion wherewith also appeals to further research, but also their necessity are delivered.

6. CONCLUSION

CSR is a complex and continuously dynamic concept. As a cornerstone for this bachelor thesis, the following definition of CSR has been used, thereby basing itself on the analysis of the historical evolution of the CSR concept in general, and its perception and treatment at the EU level in specific:

Corporate social responsibility is a concept embedded in the idea of sustainable development which embraces all those actions, operations and initiatives by businesses that contribute to an improvement of social and environmental issues by voluntarily going beyond the corporations' legal obligations. Such undertakings have to be in line with the businesses' legal, ethical and philanthropic responsibilities, besides the given economic ones. Thereby, they have to reflect the needs and interests of all their relevant stakeholders, including customers, employees, investors, the general community and the environment.

The proposed integrative model for a hybrid multi-level governance framework for CSR in the EU context is based on Werhane's alliance approach and has evolved from the conducted analysis of potential measures to foster CSR at different levels. It illustrates that for the CSR movement to succeed, it is inevitable that there is a fit between measures taken at all included levels: the international and global level, the EU level, the national levels of the EU member states, the private business level, and society, including other stakeholders. Inter-level communication is regarded as the key factor in this respect.

The society's behavior is the fundament for the success of the CSR movement: only if values and standards are internalized and applied in the forms of ethical consumerism and socially responsible consumption, CSR enforcement measures can be effective.

At the international and global level, the lense is turned on the setting of standards, their harmonization and continuous improvement, as well as promotion and awareness-raising in this respect.

The EU level is the arena for steering the CSR direction, as well as for providing a level playing field for corporations with regard to CSR. This includes ensuring that common minimum requirements are fulfilled, for instance. Furthermore,

motivational measures have to be taken to foster CSR activity among both corporations and EU member states. One example to do so are CSR awards.

Communication is another central issue at EU level. The provision of an exchange platform for information, experiences and best practices is a likely means for fostering the inter-corporate communication. By maintaining the EMS CSR Forum, the communication among all relevant stakeholders can be guaranteed.

In order to harmonize the circumstances for CSR activity at the diverse national levels of the EU member states, the use of an OMC approach is suggested. Thereby, inter-state communication and consequential joint learning can be assured.

Moreover, the position of consumers, customers and investors has to be improved: common CSR labels and the increase of transparency and disclosure by the implementation of a new regulation on mandatory social reporting are options to fulfill such amelioration.

Education is a further aspect at EU level, but also at the national levels: promoting the CSR concept, raising awareness for it, fostering further research, as well as educating the general public about it, are crucial tasks that need to be fulfilled by both the EU and national governments. Though, not only the general public needs to be addressed: managers and business affiliates have to be the target for these actions, too.

At the national levels, proactive encouragement and enforcement of CSR is inalienable as well. Governments have to lead by example, which could be supported by revising their public procurement strategies.

Furthermore, several other enforcement mechanisms can be installed to foster CSR actions by corporations. They can come in form of both ‘carrots’ and ‘sticks’. Corporations can be encouraged to go beyond the mere compliance with minimum standards by introducing a tax reduction system, and they can be sanctioned when they do not comply with the minimum requirements.

At the private business level, corporations have to become aware of three facts: they have an influential role to play in the CSR movement that exceeds the mere economic function of profitability facilitation; in order to succeed in the CSR movement, multiple stakeholders are involved which means that corporations need to be willing to potentially compromise in joint negotiations; and the achievement of a level playing field based on minimum requirements by increased

regulation of CSR can enhance truly CSR-active corporations due to an increased valuation by consumers.

The research at hand has two severe limitations. Firstly, it is based on the assumption that the general public supports the social case for CSR, and consequently shares the essential values for CSR to be effective. Secondly, it is assumed that CSR results in economic benefits, and therefore provides a fostering market driver.

For both assumptions, follow-up studies are needed which either verify the assumptions, or otherwise deliver results that help to bring the earlier intangible obstacles to light.

Other inputs for further research are the pursuit of answers to the questions of (1) how to tackle the different steps included in the recommendations given in this research, (2) to what extent these recommendations are bearable from both an economic and a political perspective, (3) which measurement mixes are positively related to CSR activity by corporations and CSR measure effectiveness, (4) what indicators there are for the suggested audits and certifications, and finally, (5) whether there is a one-size-fits-all approach to CSR for all different economic sectors, or whether distinctions between them create an obstacle to it.

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