Working Paper

The Origin of Corporate Social Responisbility: Global Forces or National Legacies?

by

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Abstract

This article explores the relative importance of global forces and national political-economic institutions for companies' inclination and ability to engage in initiatives promoting Corporate Social Responsibility (CSR). *The globalist hypothesis* postulates the CSR efforts of a given company as a function of necessities dictated by the global market place: strong anti-globalisation and anti-corporate sentiments create a need for a positive reputation in order to obtain a "social licence to operate". *The institutionalist hypothesis* postulates the CSR efforts of a given company as a function of institutional factors in the national, political-economic system: companies based in certain political economic systems have comparative institutional advantages for success in CSR. The hypotheses are examined quantitatively by testing an index of national CSR-performance against a wide variety of political-economic indicators. The final analysis, based on Qualitative Comparative Analysis (QCA), reveals causal heterogeneity and indicates two separate roads leading to CSR success.

1. Business in society

The role of business in society has undergone a profound transformation in the last decades. While business has strengthened its influence in global and national governance, business is also held responsible for a range of issues which were previously considered the sole responsibility of states. Rightfully or not, business is expected to contribute, both at the political and at the corporate level, beyond legal requirements to issues such as climate change, human rights, child labour and environmental protection. The concept of “Corporate Social Responsibility” (CSR) or “Corporate Citizenship” captures the essence of the transformed relationship between state, market and civil society, and signals a new role for private actors in future global and national governance.

Companies can demonstrate their willingness to voluntarily accept social responsibilities through a variety of CSR-initiatives; signing the 10 UN Global Compact principles, issuing sustainability reports, engaging in stakeholder dialogues etc. However, some companies are more successful than others, and are able to qualify for indexes like the Dow Jones or FTSE sustainability stock indexes, or are selected for the list of the “Global 100 Most Sustainable Companies” presented annually at the World Economic Forum. What determines which companies will give priority to CSR, and which companies will succeed in their CSR efforts? What is the relative importance of global and national factors on CSR performance?

This article is intended as a ground-clearing exercise by comparing nation-wise CSR-performance against two alternative hypotheses; the globalist hypothesis and the institutionalist hypothesis. The hypotheses are explored by comparing an index of CSR performance in 19 advanced industrialised nations to recent and well established measures of globalisation and political-economic institutions. The analysis is conducted combining simple bivariate correlation with an advanced comparative method, namley fuzzy-set Qualitative Comparative Analysis (fs/QCA). The analysis is by no means a complete account of the determinants of CSR performance. It is intended as an initial step to provide a more historically informed and contextually grounded basis for the discussion of the drivers and shapers of CSR.

1.1 The globalist hypothesis

In many respects, the CSR "movement" is a truly global phenomenon: International organisations such as the World Bank, the OECD, the UN, the ICC and the IMF have all announced a firm commitment to promote responsible business practices by launching global initiatives for CSR. There is an emerging global "epistemic CSR community" consisting of leading figures from NGOs, business communities, academic institutions and think tanks. This community is instrumental in constructing a common, global discourse on CSR based on a set of shared references and perceptions as well as concrete, identifiable CSR practices such as certification schemes, reporting standards and ethical investment criteria.

The emergence of the CSR concept is closely coupled with the process of economic globalisation, and the governance gap resulting from this process. A central question in international economic politics is where to strike the balance between the benefits of open markets versus the social costs associated with that openness (Pauly, 1999). In the post-war era, the Bretton Woods system instituted an "embedded liberalism" (Ruggie, 1998) by securing a balance between increased liberalisation and free trade on the one hand, and the power of states to intervene and govern their national economies on the other hand. This balance came under pressure towards the end of the 1960 resulting in the dissolution of the fixed exchange rate system and a deregulation of the restrictions on capital mobility (Story, 1999, Strange, 1998, , 2000) which opened for a dramatic increase in the transnationalisation of companies, foreign direct investments and short term capital flows. The political implication of this was a reduction in governments' ability to control and regulate companies, and in particular the transnational companies (TNCs), since companies and investors now freely and quickly could relocate their investments (Stopford and Strange, 1991). Economic globalisation was a fact.

However this liberalisation also entailed instability and social costs, which resulted in strong public protests. The protests of the mid- to late 1990s are of particular importance to the development of the CSR agenda. These protests were not aimed primarily at governments. They were aimed directly at business. Transnational companies in particular were a favourite target for NGO campaigns, for organised groups such as “Attac” and for more disorganised public upheavals like “The Battle of Seattle”. Strong anti-corporate sentiments were voiced in Seattle, Genoa, Gothenburg and other cities in connection with summit events by World Economic Forum, EU, WTO and others. The anti-TNC sentiments were further fuelled by corporate scandals like the Shell episodes with the disposal of the Brent Spar and the company’s perceived complicity in the execution of political activists in Nigeria, MacDonald’s destroying rain forests for cattle production, and sweat shop conditions in Nike production plants. The resulting violent demands for a more socially and environmentally responsible globalisation, posed a whole new set of challenges to business leaders, and signalled radically new expectations to the role of business in society. These expectations could not be ignored by companies operating in a global environment.

In a globalised economy, then, a responsible profile is more than a nicety – it has a real impact on brand value, stock value, public relations, employee relations, investor relations etc. While companies in the past obtained sufficient legitimacy by following national rules and regulations, today they need to go beyond legal requirements in order to be perceived as responsible and legitimate actors:

> While globalisation strengthens the position of TNCs, and governments secure them unprecedented freedoms (…) it is important to note that *social norms increasingly outstrip legal requirements on firms* (Newell, 2000:38, my emphasis).

In the present regulatory vacuum, with limited state control over global corporate practices, the corporations themselves must take steps to gain trust and legitimacy in the eyes of the public through voluntary initiatives (Ruggie, 2003). In a globalist perspective then, CSR appears to originate from transnational or global processes, *not* from the context of nation states. Thus, CSR is of an essentially global nature – a product of transnational processes whereby corporate interest in CSR is intrinsically linked to a corporate globalisation agenda; Corporations need, for commercial reasons, to establish a new form of legitimacy and social license to operate (Dicken, 2003, Sklair, 2001). The fundamental logic is that “necessity is the mother of invention” – CSR initiatives is a functional response to external pressure. Consequently, economic self interest is at the core of the globalist hypothesis, where the main force motivating companies towards CSR excellence, is the business case for CSR.

It is important to notice that the globalist hypothesis on CSR presented here does not necessarily entail a simplistic view of globalisation and its effects. The academic debate on globalisation in the 1990ies tended towards a “hyper-globalist” view claiming we were witnessing “The End of the Nation State” (Ohmae, 1996) or even “The End of History” (Fukuyama, 1992). These statements appear rather exaggerated in hindsight. The general consensus in social sciences today is that while globalisation has diminished the nation state’s ability for direct control, the nation state is still a fundamental actor both nationally and globally. In other words, globalisation entails a *change* in functions of the nation state, not necessarily a *reduction* in functions (Mayntz, 2005). Thus, the globalist hypothesis on CSR is not a dummy hypothesis for a straw man argument to contrast a more complex institutionalist hypothesis. Rather, it is a genuine reflection of the fact that CSR to a large extent *is* a global phenomenon; it *is* a product of corporate transnationalisation, global value chains, global information flows, NGOs with a global focus, and much of the intellectual and conceptual work originates in global forums such as the UN Global Compact, the World Business Council for Sustainable Development, the Global Reporting Initiative, to name a few. In other words, CSR certainly is a child of globalisation.

What does the globalist hypothesis imply empirically for the 19 countries in the analysis? It follows that if CSR primarily is a response to anti-globalisation sentiments, then CSR is a necessity primarily for the most globalised companies. At the aggregate level, one can expect the nations with the most globalised *economies* to have a higher proportion of companies active in CSR.

Consequently, one cannot expect a uniform CSR performance of companies across the 19 nations; the proportion of leading CSR companies in a country is predicted to correlate systematically with the degree of globalisation in the country’s economy. Since most measures captures different aspects of globalisation, four measures have been chosen; Trade openness, score on the CSGR index of economic globalisation, inwards and outwards foreign direct investments, and proportion of companies on the

Forbes 2000 list and the Fortune Global 500 list. The indicators will be discussed in section 4.

The globalist hypothesis can be summarised in the following model:

MECHANISM	**DATA INDICATORS**	**EXPECTED OUTCOME**
CSR is a response to anti-globalisation pressures • Globalised companies are more susceptible to this pressure. • Globalised companies have a greater need for CSR. • Consequently, globalised economies perform better in CSR.	**Susceptibility indicators** • Trade openness • CSGR index score • Inward and outward FDI • Share of companies on the Forbes 2000 list and the Fortune Global 500 list	**CSR score mirrors globalisation score** • National CSR index scores follow the national globalisation scores; • The higher the score on globalisation, the higher the score on CSR index.

Figure 1: Globalist explanatory model

However, the globalist position is not the only conceivable framework for understanding the origin and drivers of CSR. While CSR might be global in its origins, national legacies might be important for the companies' ability to *succeed* in CSR.

1.2 The institutionalist hypothesis

An alternative to the globalist perspective on CSR can be derived from comparative political economy (CPE) focusing on how national legal, social and political institutions have shaped, and continue to shape corporate behaviour and performance.

Classical scholars like Weber and Gramsci predicted that one variety of capitalism would supersede other forms. This line of reasoning can also be retrieved in the more simplistic “hyper-globalist” views on globalisation as a homogenising force transforming all economies into more or less successful neo-liberal capitalist economies. Contrary to this, theorists of modern comparative political economy oppose this idea of a necessary evolutionary development where one political-economic system will outperform and supersede all others. Different capitalist systems are seen as a response to different sets of challenges, resulting in qualitatively different political and economic logics that are unlikely to converge around a single model in any foreseeable future. Due to institutional complementarities and vested interests, these institutional frameworks are to some extent self-reinforcing and of a relatively perpetual nature since they also shape how the actors respond to new challenges (Aoki, 2001, Esping-Andersen, 1996).

Peter Hall and David Soskice (2001) have developed the CPE approach of most direct relevance to CSR, since their approach is firm-centred. Their aim is to refine the classical theory of comparative advantage by including *institutional* factors as part of a nation’s comparative advantage through the concept of “comparative institutional advantage”. Their claim is that the institutional structure of a particular political ecomonic system provides firms with a specific set of barriers and opportunies. Since these political-economic institutions are collective, often nationally framed and partly outside the influence of each individual firm, Hall and Soskice contain that they will shape corporate strategies in a given nation:

> The basic idea is that the institutional structure of a particular political economy provides firms with advantages for engaging in specific types of activities. Firms can perform some types of activities, (…) more effectively than others because of the institutional support they receive for those activities in the political economy, and the institutions relevant to these activities are *not distributed evenly across nations* (ibid:37, my emphasis).

Hall and Soskice predict systematic differences in corporate strategy across nations that parallel the national institutional structures, but which political-economic institutions provide a comparative institutional advantage in CSR? Four broad categories of institutions were selected:

Firstly, the literature on the Varieties of Capitalism literature[1] has gained importance in CPE, and adds a vital corporate focus, with a particular interest in how companies solve their coordination challenges with external and internal stakeholders. The main division is between market based coordination, and non-market based coordination strategies, represented by Liberal Market Economies (LME) and Coordinated Market Economies (CME) respectively. The hypothesis is that companies located in CMEs will have a comparative institutional advantage in CSR, due to the role of reputation in inter-company cooperation, of the stronger role of employees as well as the more long term oriented investors in these economies. This will be discussed and tested more closely in section 5.3.

Secondly, the welfare state has a fundamental effect on the economy in general, and conceivably also on CSR since CSR is situated in the interface between state, market and civil society. The assumption advanced here is that a strong welfare state is an advantage to CSR performance; A strong welfare state has active policies in a wide range of areas of relevance to CSR, such as in health, safety and environment (HSE), anti-corruption, legislation on working environment etc. Consequently companies from strong welfare states were better prepared and had a competitive lead in these areas when the CSR movement hit the corporate agenda with full force in the late 1990s. In section 5.1, four measures of social and environmental policies will be tested against national CSR performance.

Thirdly, corporatist arrangements are potentially relevant when trying to understand CSR performance. Corporatist countries[2] have long traditions for close tripartite negotiations between private sector, unions and government, as well as more inclusive

[1] I prefer to use "Comparative Political Economy" as the over arching term, and to use "Varieties of Capitalism" to specifically refer to *the firm-centred* tradition centered around the work by Hall and Soskice (2001) as well as other authors focusing mainly on the firm level (Amable 2005, Whitley etc). Thus, CPE covers firm centred theories, welfare state theories and corporatist theories.

[2] The term corporatism in CPE refers to societies where political economic decisions are reached in consultation between the state and peak associations of employers and employees. It is sometimes called neo-corporatism or societal corporatism to distinguish is from the fascist "state cooperation" during the dictatorship periods in Portugal, Spain and Italy.

policy making process. The assumption is that corporatism can have an effect on CSR performance to the extent that it teaches, or perhaps forces, business to balance their need with the needs of society. In particular it can enhance corporate skills in dialogue, negotiation and consensus oriented strategies, which are important "CSR-skills" in stakeholder dialogues and in balancing the "triple bottom line" of economic, social and environmental concerns. Corporatism can be measured in a variety of ways, and three measures will be tested against national CSR performance in section 5.2.

Finally, the question of culture is unavoidable when discussing political-economic institutions, and has a long history in political economy, dating back to Weber's classical analysis of the protestant ethic and Almond and Verba's work on civic culture (Jackman and Miller, 1996). In relation to CSR, one can theorise that a strong civic culture, in terms of traditions for public participation, is a driver for improved CSR-performance in companies. Vocal NGOs, investigative journalism, consumer awareness and public debate will provide companies with stronger incentives, both positive and negative, for engaging in CSR, as well as better resources and partners among external stakeholders. Measuring this rather esoteric concept of political or civic culture is no easy task. The measure selected for this project is Ingelhart and Welzel "World Cultural Map" based on factor analyses of data in the World Values Survey (Inglehart, 2003), which is discussed more closely in section 5.2.

The institutionalist hypothesis can be summarised as follows:

MECHANISM	DATA INDICATORS	EXPECTED OUTCOME
Institutions matter: Comparative institutional advantages • Strong institutions for social and environmental protection, for cooperation and dialogue = a comparative institutional advantage for CSR	**National political-economic institutions** • Type of economic coordination (Liberal, coordinated or mixed) • Type of welfare states • Strength of corporatist traditions • Strength of civic culture	**CSR score mirrors political economy score** • The more coordinated economy the higher CSR index score • The more active welfare state, the higher CSR index score • The stronger corporatist traditions, the higher CSR index score. • The stronger civic culture,

Figure 2. Institutionalist explanatory model

However, before one can turn to the analysis of the hypotheses, it is necessary to review the measure of national CSR performance.

1.3 Measuring the immeasurable

There are few established methods to measure CSR performance at the company level, and certainly no rigorous way of measuring CSR performance at a *national* level.[1] The index employed here is based on an original measure created by Midttun, Gautesen and Gjølberg (2006) and further developed by Gjølberg (Gjølberg, forthcoming).

The index is a result of compromises and careful considerations. Due to lack of available comparative data on actual CSR *performance*, corporate qualification for or membership in CSR initiatives is used as a proxy. All well established, major CSR initiatives were evaluated and the selection is based on three criteria; Firstly, the initiative must relate to a triple bottom line approach, secondly it must have a global application[3], and thirdly, there must be reliable and comparable data available at country level. Further, CSR-initiatives with little or no membership requirements are excluded in order for the index to reflect actual performance as closely as possible[4]. For purposes of analytical comparability, only Western, advanced, industrialised democracies were chosen, resulting in 19 countries[5].

The final index is based on nation-wise corporate membership in seven global CSR initiatives[6]. The CSR initiatives range from sustainable stock indices, to membership in global CSR forums, to certification schemes and sustainability reporting practices. The number of companies represented on each of the initiatives were counted, sorted by country of origin and converted to proportions. Finally the country scores were corrected for the size of the countries' GDPs in order to make the index comparable across countries regardless of economic size, according to the calculation procedure:

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[3] Regional and national initiatives were excluded.

[4] This excludes the companies listed in the UN Global Compact and the Global Reporting Initiative.

[5] Countries with a GDP less than 0,5% of the total GDP of the selected countries were excluded for methodological reasons, since the ratio calculation is sensitive to the GDP size, namely Luxembourg, Iceland, New Zealand and Malta.

[6] The FTSE4Good, the Dow Jones Sustainability Index, the "The Global 100 Most Sustainable Corporations" list, the 100 top sustainability reports elected by SustainAbility/UNEP, the KPMG sustainability report survey, the ISO 14001 and membership in World Business Council for Sustainable Development.

$$\sum \frac{\left(\dfrac{\textbf{Number of companies in CSR initiative 1 through 7 from country A}}{\textbf{Total number of companies in initiatives 1 through 7 from all 19 countries}}\right)}{\left(\dfrac{\textbf{GDP country A}}{\textbf{Total GDP all 19 countries}}\right)} = \boxed{\textbf{Ratio of country A's over-/under-representation in CSR}}$$

Figure 3: Calculation procedure for indicator score

The preferred method of standardization for this index was to use the natural logarithm, which preserves the variation better across all values. Since the natural logarithm of 1 is 0, the index is easy to interpret: A perfect proportionality between companies represented on the 7 indicators of CSR performance and the size of the economy (a ratio score of 1) will be represented by an index score of 0[7]. Countries scoring above zero are on average overrepresented on CSR initiatives, while the countries scoring below zero are underrepresented. For a complete account of the index construction, please see Appendix.

The resulting index aggregates the CSR performance of the companies in the 19 nations based on whether each country's corporate sector is over- or under-represented in global CSR initiatives, relative to the size of their economies:

[7] Since one cannot calculate the log of zero, scores of 0 were converted to 0,1 in the base numbers

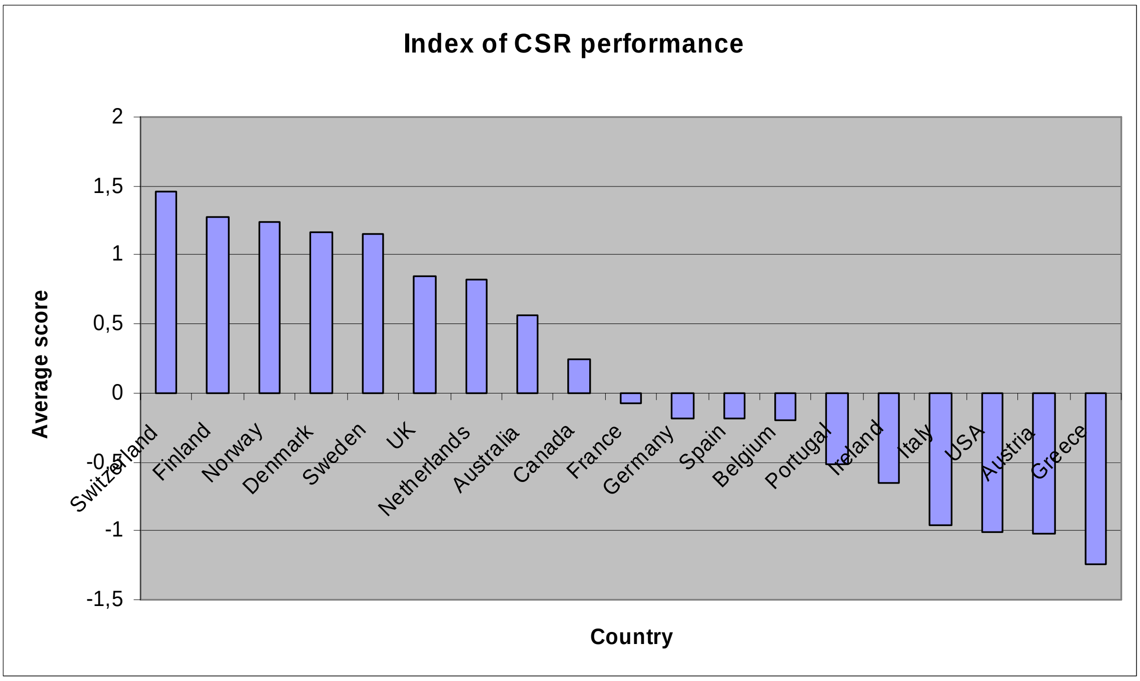

Chart 1: Index of CSR-performance, by nation

The group of leading CSR countries might disappoint a researcher in comparative political economy, wishing the group to display a recognisable pattern from political-economic theories or typologies[8]. Just from a quick glance at the group of CSR leaders in combination with basic knowledge of political economy, it is obvious that there is more than one explanatory factor involved. The group of CSR leaders consists of a mix of Anglo-Saxons, Continentals, Nordics, coordinated market economies, liberal market economies, countries with strong corporatist traditions, countries with weak corporatist traditions, countries with a strong global profile and a weak global profile etc. However, it is precisely this fact which makes the analysis both interesting and challenging from the perspective of comparative methodology. This is most likely a case of causal heterogeneity and complexity; there is apparently more than one route to CSR success. This brings us to the essence of comparative methodology.

[8] For a more extensive discussion of the impact of issues such as language barriers, large domestic markets and regional economies in relation to the index construction, please see Gjølberg 2007 [forthcoming].

2. Comparative methodology

2.1 The problem; ontology versus methodology

Ragin (2000) draws up two broad methodological approaches in social science; the case-oriented, qualitative approach, and the variable-oriented quantitative approach. This division between qualitative and quantitative approaches, between ideographic and nomological approaches, has deep roots in the philosophy of science (Mjøset, 2006). In between these two main categories, Ragin identifies and develops a third approach – the "diversity-oriented", comparative approach consisting of research aimed at middle range generalisations, but not at the expense of complexity in cases and causes. A case-oriented approach is not a relevant option in an analysis of 19 cases. The standard approach to this project would be a quantitative analysis focusing on correlations between the dependent variable (CSR score) and the independent variables (globalisation/political economic institutions), preferably using multiple regression techniques in order to isolate the most decisive causal variable. However, there are both ontological and methodological reasons for why the standard approach is not a justifiable approach to this project. Therefore, the third approach, the "comparative" or "pragmatist" approach in Ragin and Mjøset's terminology respectively is the methodological choice of this project.

Starting with the methodological reasons, it is evident from the list of variables that there is a problem of collinearity where several of the independent variables are correlated (Kleinbaum, 1988). Furthermore, the material does not satisfy the conditions for multiple regression – linear relationship between the variables, homoscedasticity, normal distribution and independence among the residuals – and there are several outliers. There are solutions to these technical-methodological problems, but they are difficult to apply to such a limited set of cases (Ragin, 1987, Shalev, 2006, Skog, 1998). However the ontological reasons why regression approaches are unsuitable for this material are considerable.

The primary shortcoming of most quantitative approaches in this context is the assumption of linearity, additivity and causal homogeneity. To put it bluntly, a standard regression approach assumes that an increase of 1 in variable X will result in a change equal to the coefficient in the values in variable Y for all the units of analysis. In other words, an increase of 1 percent in trade openness will produce the same change in CSR performance in both the US, Finland and Greece. Such an assumption does not correspond well to any CPE models of these political-economic systems.

While assumptions of linearity and causal homogeneity are justified in many quantitative studies, most theories in comparative political economy do not correspond to a linear model of reality. Instead, causal heterogeneity, elective affinities, path dependencies, reciprocal causation and interaction effects dominate the models proposed by most comparative researchers (Abbott, 1988, Shalev, 2006). Despite this, the standard regression models remain the dominant methodology in CPE. It is precisely this mismatch Peter Hall addresses in his call for an alignment of ontology and methodology in comparative research, claiming that: “The ontologies of comparative politics have substantially outrun its’ methodologies (Hall, 2002:375).

As demonstrated in the next section, this project is founded on theories which do not correspond to the general linear model of reality as discussed by Abbott (2001), neither does the empirical material satisfy conditions for standard regression approaches, nor does the groupings of CSR leaders and laggards in the index support any assumptions of causal homogeneity when viewed in light of standard theories in CPE. Thus, alternative methods which correspond to the ontological underpinnings of the analysis is called for.

2.2 The solution – mechanisms, fuzzy logic and low tech methods

What is the solution to a situation where the standard methodologies do not accommodate the ontology of a research project?

Shalev (2006) argues for a return to more low-tech methods in comparative analysis such as charts, tables and diagrams. The aim is to retain the identity of the cases throughout the analysis, while in standard regression approaches they “disappear into the magician’s hat of variable-based causality, where they hide during the analysis, only to reproduced with a flourish in the article’s closing paragraphs (Abbott, 2001:98)". The advantage of knowing the identity of the cases throughout the analysis is that it allows for what Ragin (2000) terms "a dialogue between ideas and evidence". This ideal of keeping the cases and the analytical process more "grounded" (Glaser and Strauss, 1967), is secured primarily by the use of scatter plots and other graphic illustrations as part of the data reduction techniques in the initial part of the analysis.

A more advanced method is proposed by Charles Ragin with a synthesis of qualitative and quantitative assessments based on "fuzzy set" qualitative comparative analysis (fs/QCA). The basic idea of fs/QCA is to identify *configurations* of causal factors. This is an explicit rebuttal of the standard, quantitative, variable-oriented method and its implicit ontology. Ragin depicts causation as conjunctural and heterogeneous; "Causes may combine in different and sometimes contradictory ways to generate the same outcome" (Ragin 2000:14). This seems to be precisely the case with the CSR leaders in the present study. Ragin's unique contribution is to combine a detached, formalistic analysis based on Boolean algebra, with a much more qualitative and theory-infused categorisation of the data material itself into so-called "fuzzy sets". While this is a contested method, it is unarguably highly relevant for the present case, given the strong indication of causal heterogeneity and the theoretical ambition to identify whether different causal pathways can lead to the same outcome in terms of CSR performance.

3. Testing the globalist hypothesis: Global equals responsible?

According to the globalist hypothesis, as formulated in section 1.1 and 1.2, we expect a positive correlation between the scores on the CSR index, and the scores on the indicators of globalisation.

There are many ways to measure globalisation. A common indicator is trade openness[9]. This actually produces a negative correlation of -0.014, but this correlation coefficient is miniscule, and there is limited dispersion among the 19 countries. The

[9] Imports minus exports, divided by GDP. Source: http://www.wttc.org/

exception is Belgium and Ireland, which are clear outliers with extremely high trade openness. Combined with their low CSR score, this might explain the absence of the expected correlation. If one excludes Belgium and Ireland from the analysis, the relationship is positive, but not strong.

University of Warwick has developed a more comprehensive index of economic globalisation which includes inwards and outwards foreign direct investments in addition to trade openness (Lockwood and Redoano, 2005). This indicator produces much of the same results; a weak correlation, although positive, still with Ireland and Belgium as outliers.

A separate inspection of only foreign direct investment[10] sheds more light on the issue.

Outward FDI shows a significant and strong positive correlation of 0,61 with the CSR scores and conforms to the globalist hypothesis. It seems particularly able to inform the Swiss and Dutch case, which by a clear margin have the largest share of outgoing FDI. Surprisingly, ingoing FDI has almost no explanatory power in itself, with a correlation coefficient of 0.14. If the globalist hypothesis is correct – that transnational corporations are the drivers of CSR – then this finding is rather disappointing, indicating that TNCs do not bring their advanced CSR practices with them to the extent that they influence the CSR performance of typical TNC host economies such as Ireland and Belgium.

[10] Data from UNCTAD World Investment Report 2005.

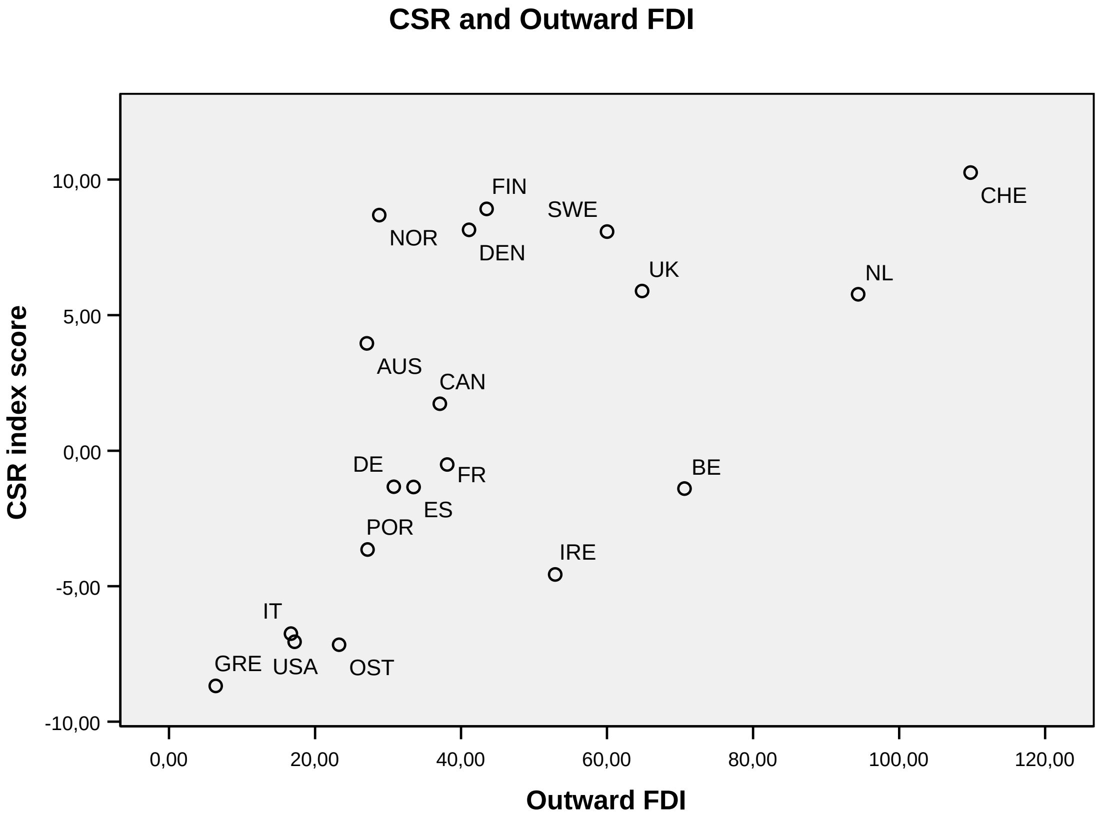

Chart 2. CSR score and Outward FDI (UNCTAD, 2005)

Outward FDI is a function of the number of transnational corporations (TNCs) which have their home base in the country. This might indicate that it is the high prevalence of TNCs in particular which has a causal effect on the CSR-score, not a globalised economy in general, which warrant a closer inspection of the TNCs themselves. There is no clear cut measure of TNC dominance in an economy. The closest approximation is the Forbes Global 2000 list (Forbes, 2005) and the Global Fortune 500 list (Fortune, 2006). These are country-wise listings of the biggest companies in the world, and reflect to a certain degree which economies have the largest number of TNCs with head office in their economies. The scores per country were divided by GDP and provide a measure of the proportion of TNCs relative to the size of each economy. Both the Forbes and the Fortune list provided rather similar distributions in terms of countries and were therefore standardised and indexed for reasons of parsimony.

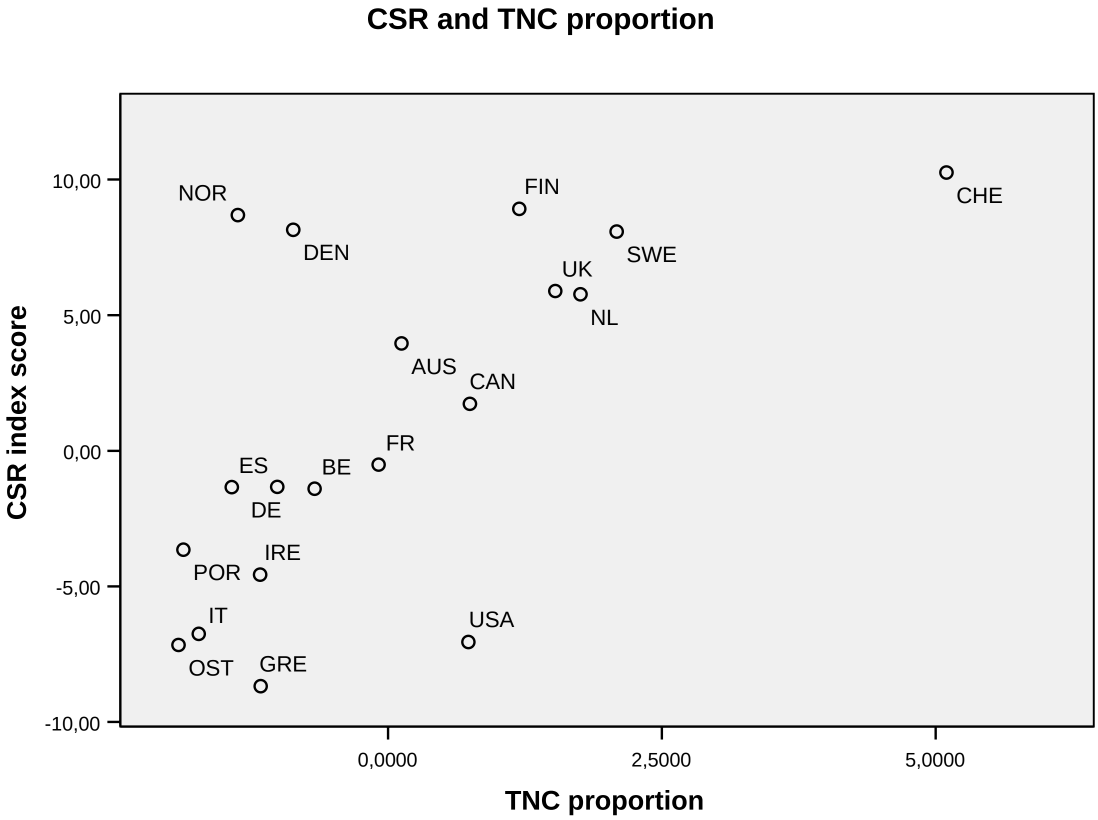

Chart 3. CSR score TNC proportion (Forbes and Fortune companies/GDP)

The TNC variable also produces a strong, significant and positive correlation of 0,63. Again, Switzerland stands out as an extreme case in terms of number of TNCs. It is important to notice that for instance Norway and Denmark have a low share of TNCs, indicating that other variables are more relevant in explaining their CSR success. Thus, a low share of TNCs does not necessarily imply a negative score on CSR. However, the bottom right corner of the scatter plot is strikingly empty, indicating that no country with a high share of TNCs has a low score in CSR; all the CSR laggards have a low share of TNCs and are neatly located in the bottom left corner of the scatter plot.

As a preliminary conclusion regarding the globalist hypothesis the analysis indicates that an open or globalised economy as a whole does not in itself have any clear effect on CSR practices, it is the prevalence of a specific kind of company which seem to influence CSR index scores at the aggregate, national level. The TNCs appear as the crucial factor in the globalist argument. All three indicators related TNC result in significant, strong and positive correlations. TNCs have long been a favourite target for naming and shaming by NGOs and media, and in the eyes of the anti-globalisation movement they represent the incarnation of greedy capitalism. Thus, TNCs have the most direct connection between self interest and CSR. In addition, TNCs operates with a twin constituency. They often attract attention in their country of origin, as a globalising, successful company, and need to adhere to national expectations. At the same time they need to secure acceptance, legitimacy and a licence to operate in their host economies, resulting in need for a socially sensitive profile. Thus, CSR might be a functional response to these normative cross pressures.

As a final remark, it is important to note that the observed correlations stems primarily from the Swiss, Dutch, and partly the UK and Swedish case, and from the fact that all the CSR-laggards have a low rate of TNCs. Several of the CSR leaders have a low share of TNCs. Their success is due to other factors than globalisation. This indicates causal heterogeneity and a need to explore alternative hypotheses.

4. Testing the institutionalist hypothesis: "Institutions matter"

4.1 Varieties of Capitalism

Hall and Soskice (2001) claim the success of a firm depends on its ability to coordinate effectively with internal and external stakeholders. According to Hall and Soskice, a firm's choice of coordination mode is dependent on the type of political economic system surrounding the firm. The market-based coordination strategy is characteristic of firms operating in what the authors term "Liberal market economies" (LMEs). Prime examples of these political economies are the UK and the US, where relationships are characterised by formal contracting, fierce market competition and arm's length exchange. Conversely, the strategic interaction strategy is typical of companies located in "Coordinated market economies" (CMEs)[11], with Germany as

[11] The CME/LME labels are semantically misleading since economic processes are coordinated in both types of economies. The analytically relevant distinction lies in the mode of coordination, and

the prime example. Here, coordination is achieved through non-market mechanism such as networks, informal/incomplete contracting and inter-firm collaboration.

Hall and Soskice' focus is on how institutions shape nation's *innovation* profiles, but there is no quantum leap involved in applying their framework to CSR. Three aspects of the CMEs can be expected to impact positively on CSR-strategy and performance.

First, in CMEs, strategic interaction and relationships plays an important role, thus making *reputation* a central concern for firms. CMEs are characterised by "patient capital" and long term investors who do not judge companies solely on publicly available financial data, but also on more intimate, inside information. The challenge then, is for the investors to gain reliable information, and for companies to gain a favourable and credible reputation. CSR is relevant to a firm's overall reputation and external relations and can consequently be expected to receive greater priority in firms located in CMEs. Second, *employees* hold a central position in CME firms due to their extensive rights. This makes for a reinforcing spiral of long term tenure, which provides the companies with an incentive to invest in their employees, which in turn make the employees and human capital a central asset to the firm. Since employees often are a prime driver for CSR, (SustainAbility/UNEP, 2001), one can expect CSR to receive more attention in companies located in CMEs. Third, *inter-company cooperation* is important in CMEs to facilitate transfer of technology, competency, R&D etc. This can be expected to benefit the CSR area as well, since this is a new area with limited competency and experience and where joint CSR projects, collaborative arrangements and sharing of experiences can strengthen the CSR performance of companies in CMEs.

The liberal versus coordinated dichotomy is quite rough (Hay, 2005), and France and Italy are often cited as countries which are neither coordinated nor liberal. Hall and Gingerich (2004) therefore suggested a third "mixed" category for these countries. An illustration of the relationship between CSR and the threefold typology reveals the following distribution:

Kenworthy proposes the term "market-coordinated economies" and "non-market coordinated economies" ((2006)

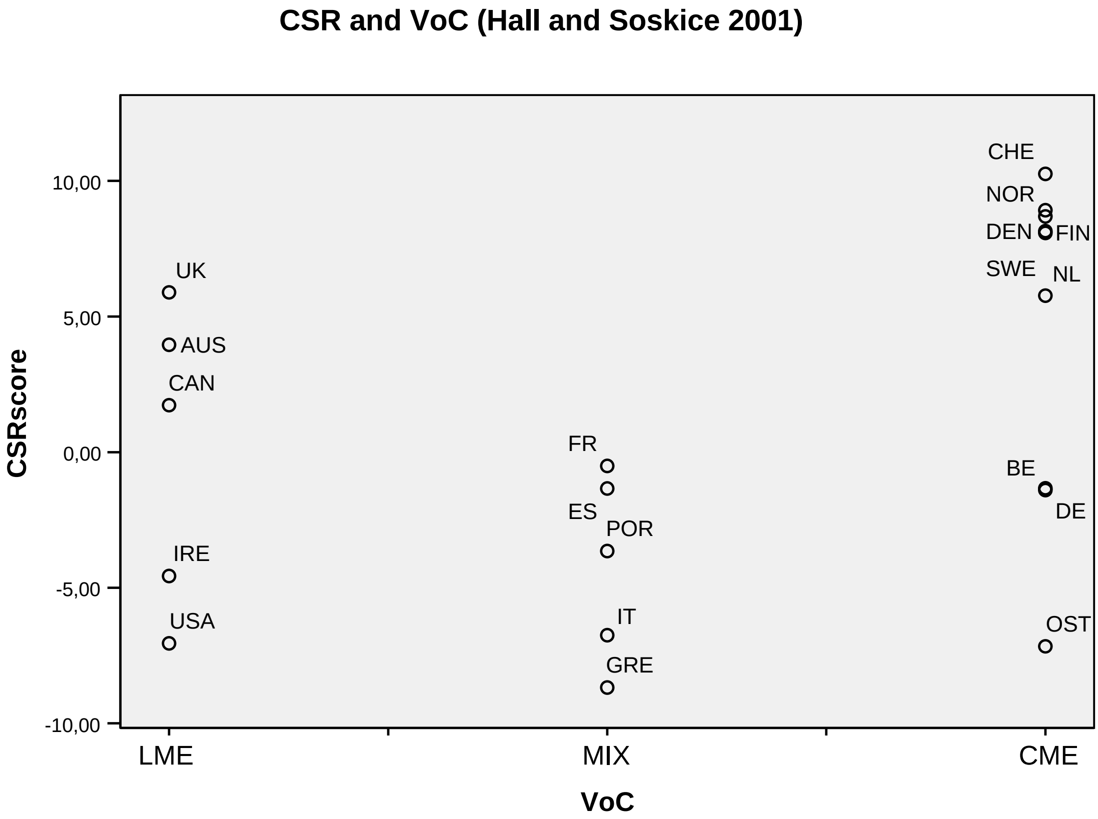

Chart 4: CSR index score and Varieties of Capitalism

The distribution is not very enlightening, since both LMEs and CMEs are represented in both the leader and the laggard group. The CMEs represent the highest number of CSR leaders, but also some laggards; Belgium, Austria and Germany. Interestingly, the mixed economies produce no leaders, only laggards. This supports the theoretical argument of institutional complementarities where both types of "purebred" outperform the "mongrel" economies. Thus, this study join the ranks of other empirical analysis of comparative capitalism confirming that the mixed economies have a lower performance on a wide array of indicators (Amable, 2003, Crouch, 2005, Hall and Gingerich, 2004).

This original threefold typology is rather crude, and there have been developed more fine grained indexes of the varieties of capitalism. Hall and Gingerich (2004) developed a "Coordination Index" focusing on institutions pertaining to coordination in labour relations and corporate governance, and Hicks and Kenworthy (Hicks and

Kenworthy, 1998) developed an index of firm level cooperation focusing on cooperative inter- and intra-company relations. However, neither of these indicators shows any systematic relationship with the CSR scores (a correlation of -0,035 and 0.136 respectively). It displays the expected pattern of Nordic countries in the top, and the Anglo-Saxon countries scoring in the bottom of the coordination and cooperation measures, with Switzerland and the Netherlands in intermediate positions, but the laggard countries can be found in throughout the whole continuum, making it difficult to draw conclusions from the material.

To conclude, the Varieties of Capitalism approach only tells us that the mixed group seems unable to produce CSR leaders, a finding which corresponds well with the general literature. There is a need to seek other CPE explanations for CSR success, which focus on a higher level than the company level.

4.2 The welfare state: responsible state – responsible companies?

According to Manow the role of the welfare state is often underplayed or ignored in the Varieties of Capitalism literature even though the welfare state was “the principal institution in the construction of different models of post-war capitalism” (Manow, 2001). The literature on welfare states is a cornerstone in CPE, beginning with the seminal work of Esping-Anderson, “The three worlds of the welfare state” (1990).

Welfare states are crucial to an understanding of the present capitalist systems in the 19 countries analysed since it impacts state-market-civil society interaction and creates different institutional envrionments for business. The proposed causal mechanism linking welfare states to CSR performance is that strict regulations and active policies at home is transformed into a comparative advantage on the international CSR arena: Strong welfare states have active policies, not just in the provision of social security, but also in policy areas such as environment, HSE, labour standards, discrimination and corruption, which are all relevant to CSR. Strong welfare states generally employ a broader range of policy instruments, such as incentive schemes, voluntary agreements, educational schemes etc. (Bemelmans-Videc, 1998). Consequently, companies located in strong welfare states must adhere to stricter social and environmental requirements and are also encouraged by positive incentives. This might make these companies more competitive in the international CSR arena[12]. For instance, Nordic companies experience fewer difficulties when trying to qualify for the Dow Jones and FTSE sustainability indexes, simply because a large portion of the requirements is already covered by ordinary national regulations. Thus, active policies in a broad range of areas, here proxied by a strong welfare state can create a comparative advantage for CSR performance.

Esping-Andersen's typology is a natural starting point for any analysis involving the welfare state. A simple scatter plot of his typology and the CSR index scores reveals no meaningful pattern. All three welfare regimes produce both CSR leaders and CSR laggards. However, there is reason to believe this is due to characteristics of the Esping-Andersen typology, and not to the validity of the welfare state argument. First, Esping-Andersen's typology is based on the "decommodification" of welfare provisions in relation to old age, sickness and unemployment. This is not necessarily a valid proxy for welfare state policies which impact CSR-performance. Second, his index has been criticized for the lack of Mediterranean category (Arts and Gelissen, 2002) and misplacement of several countries (Bambra, 2006). Third, the typology is based on data from 1980 and even though political economies are slow to change, and rather robust, it is preferable with a typology based on more recent data, since the CSR phenomenon occurred in the late 1990ies. In particular, Finland has actively converged towards the other Nordic countries in the last decades (Einhorn and Logue, 2003).

The much used typology of "Social Models" (Ferrera, 1998) redeems all three weaknesses of the Esping-Andersen typology. This typology is more broadly focused on social policy as a whole, it places the Mediterranean countries in a separate group and is of a more recent date. The expected distribution according to the hypothesis was a positive, linear association. However, this typology produces a U-shape, if one disregards the deviant Swiss, Irish and US case:

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[12] This argument was first developed in Midttun, Gautesen and Gjølberg (Midttun, Gautesen and Gjølberg, 2006).

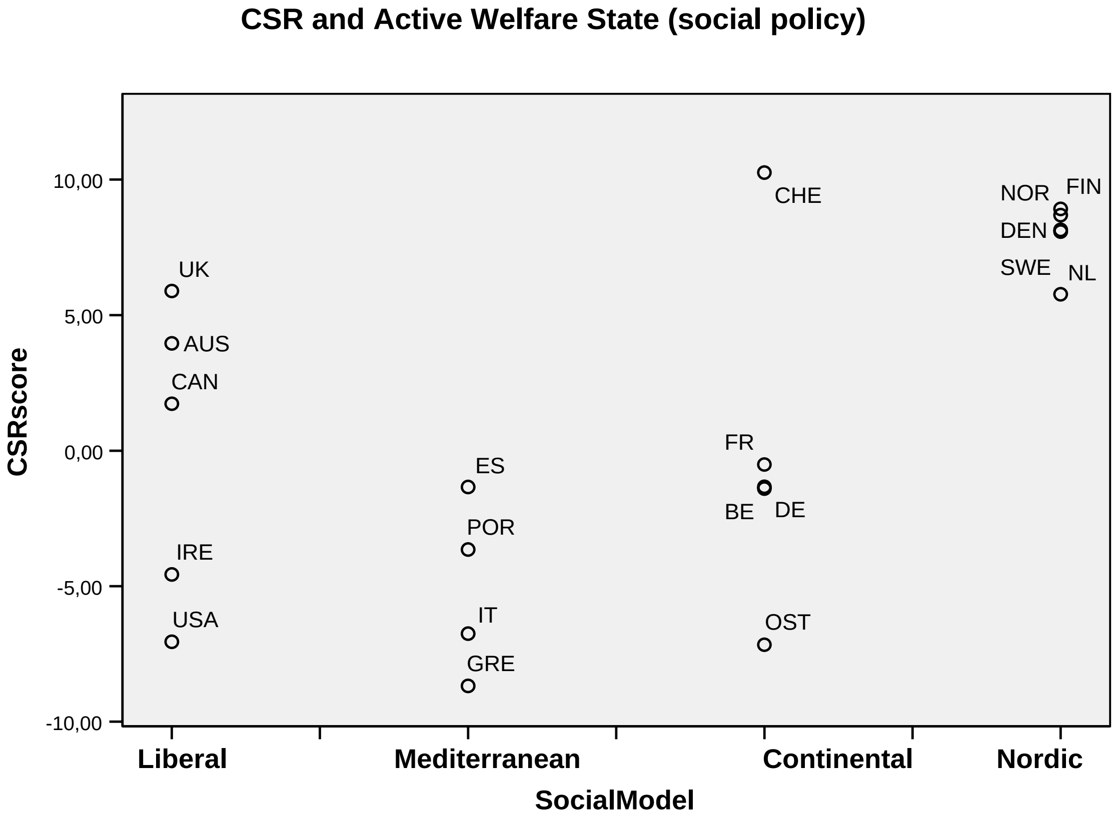

Chart 5: Active welfare state, grouped according to Ferrera, "Social Models"

The most clear-cut finding concerns the Nordic and the Mediterranean group: All Nordic countries are leaders, and all Mediterranean's are laggards, without exceptions. The Anglo-Saxon group consists of both leaders and laggards, while the Continental group produces only laggards, discounting Switzerland. Returning to the issue of causal heterogeneity, it is tempting to speculate whether an active welfare state explains the success of the Nordic countries, while the TNCs explain the Swiss success, but not vice versa. Since this is a curve-linear shape, the correlation was measured using the Eta measure of association, which produced a strong positive relationship of 0.744, or 0,54 Eta squared.

The "Social models" typology focuses only on social policy. Therefore, there was a need to supply the welfare state argument with more specific data on *environmental* policy, since environmental excellence is another fundamental area of CSR. Yale and Columbia University have developed an "Environmental Sustainability Index" (ESI, 2005) which benchmarks national environmental stewardship, with a focus on policy variables. The results conform to the active welfare state hypothesis, with a strong, positive and significant correlation of 0.58.

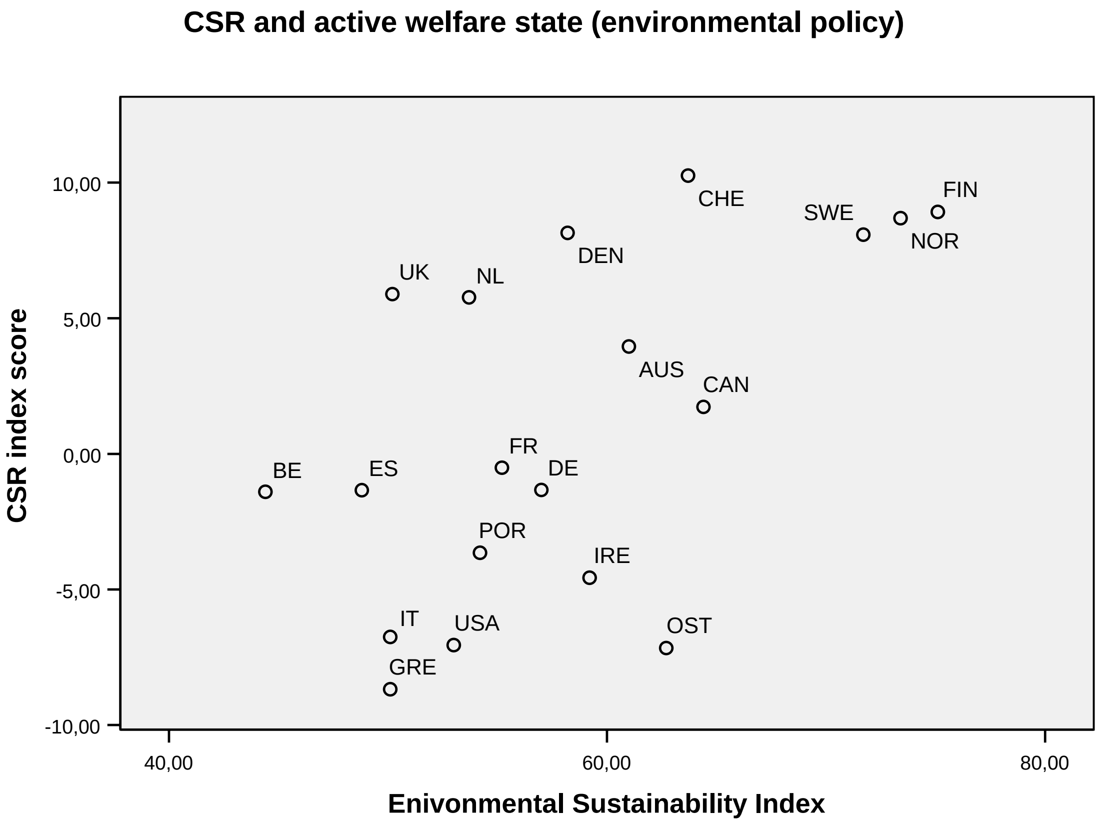

Chart 6: Active welfare state, Yale Environmental Sustainability Index (ESI)

As hypothesised, strong environmental policies correlate positively with CSR performance, and none of the countries with a high ESI score has a low CSR score. This is particularly evident for the Nordic countries Finland, Sweden and Norway. Once again however, we see that neither this variable provides a clear cut explanation for all the leaders. For instance, the UK has a rather low score on the ESI but a high score on the CSR index.

To summarise, there is evidence that an active welfare state, operationalised as active social and environmental policies, are relevant in explaining CSR performance, particularly for the Nordic cases.

5.3 Corporatist traditions – the role of interest organisations

Corporatist arrangements occupy a central role in the field of comparative political economy. Labour unions and employer associations are central institutions when trying to understand the advanced capitalist systems. Several mechanisms can link strong corporatism to strong CSR performance. First of all, one can imagine the labour unions to have an important advocacy role for increased CSR, and stronger unions will have a stronger impact. There are several ways to measure labour union strength; union density, union centralisation etc. and countless ways to operationalise these measures. Moreover, there is the challenge of missing data, in particular for the countries without a continuous democratic history since 1945 (Greece, Spain and Portugal are often missing). Thus, the indicator used here, is the OECD labour union density. Not surprisingly, four out of the five countries with a high union density have high scores on the CSR index, namely the Nordic countries. But there are also countries with a low union density which have a high CSR score, so strong unions do not guarantee better CSR performance in itself. The correlation is significant and with a coefficient of 0,46.

Second, one can expect employer associations to have an effect on CSR. CSR is not related to the core activities of the majority of companies. Allocating resources and giving priority to CSR is a challenge, particularly for SMEs. In this respect, employer organisations can act as a facilitator by spreading knowledge, developing guidelines and tool kits and inspiring to action. Swank and Martin (2001) have developed a measure of “Employer Centralisation” measuring the strength of employer associations. The correlation between employer organisations and CSR is about the same as for unions (0,42), but reveals an interesting pattern where no countries with weak employer association have a high CSR score.

Third, the tripartite bargaining arrangements between capital, labour and the state is of particular importance for political economic systems and for shaping business behaviour. In relation to CSR, the dialogue and consensus building effect of tripartite arrangements are crucial. First of all, one can imagine that this to a larger extent will “force” business to take into account broader societal concerns. However, the wider and vaguer effects of corporatism are probably more relevant to CSR; the dialogue, the balancing of interest, the generally closer involvement of business in policy making in corporatist countries which holds business accountable and imposes a more long term perspective.

Since the underlying theoretical assumption concerns the effects of tripartite negotiations, cooperation and dialogue, several of the most common indicators of corporatism are unsuitable. (For a review, see Kenworthy (2003) or Kenworthy and Kittel (2003)). The most relevant indicator is Siaroff's (1999) indicator of corporatism, which he re-labels "Integration" and defines as "a long-term cooperative pattern of shared economic management involving the social partners and existing at various levels (…) and joint shaping of national policies in competitiveness-related matters (1999:189)". The correlation is positive, rather strong and significant (0,51), and the country scores are as follows:

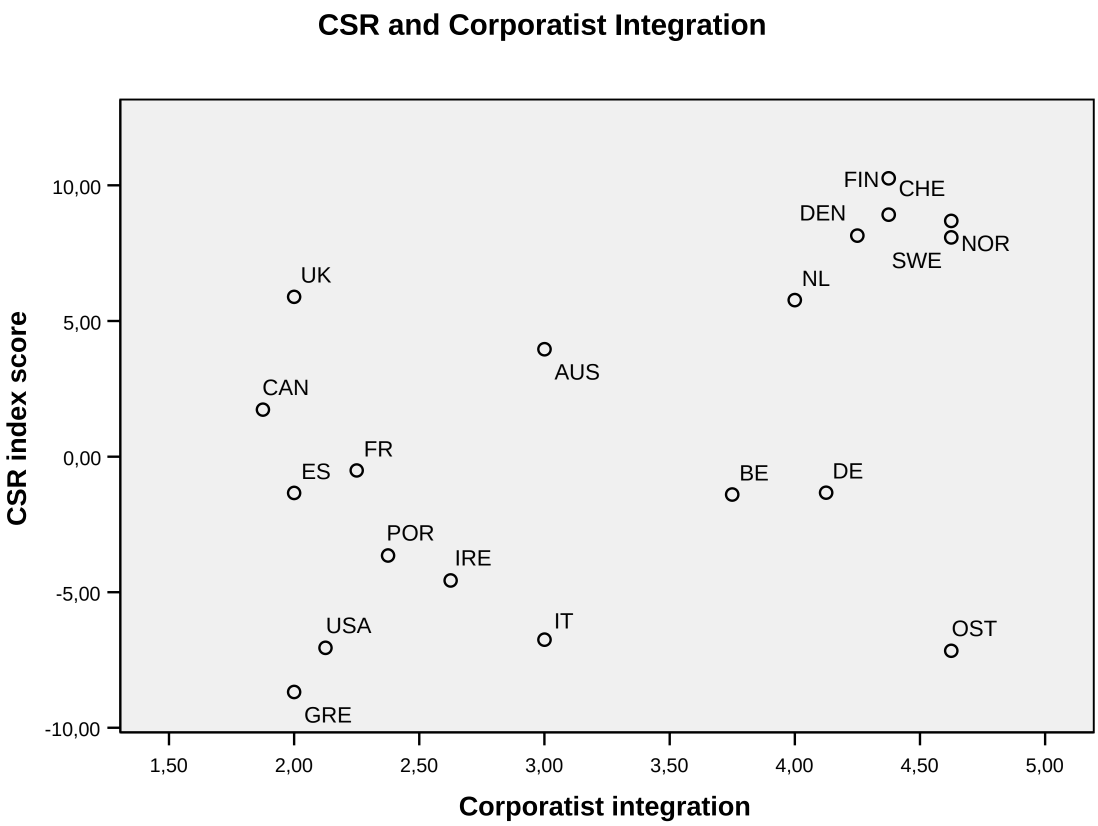

Chart 7: Corporatist integration

Not surprisingly, all the Nordic countries score highly on integration. These countries are well known for strong corporatist systems, as well as being integrated or “consensual” democracies in Lijphart’s vocabulary (Lijphart, 1999, Lijphart, 1991). The Swiss’ top score is perhaps more of a surprise, since Switzerland has weak unions, and has generally been hard to place on different corporatist measures. This was precisely part of the motivation behind Siaroff’s indicator; to capture the consensual, as opposed to plural, aspect of corporatist modes of decision-making. Thus, the corporatist hypothesis, or perhaps better termed the consensus/integration hypothesis, holds water for 6 of the CSR leaders, while the CSR success of the UK and Canada, as well as the lack of success in Austria remain unexplained in this framework.

5.4 The question of culture

Culture, norms and values are indispensable components when discussing political-economic institutions and their effects (Rokkan, 1987). Unfortunately, there are few reliable quantitative measures of culture for comparative use, and the causal relation between culture and political economic structures is hard to specify (Muller and Seligson, 1994). One much-used measure is constructed by Inglehart and Weltzel using factor analysis on the extensive database “World Values Survey” to construct a two-dimensional cultural map (Inglehart, 2003). The first dimension reflects the contrast between traditional and secular-rational values. The second dimension reflects the polarization between survival values and self-expression values related to the change from industrial society to postindustrial societies (Inglehart and Baker, 2000). High scores on both dimensions indicates modernism, rationalism and post-material values related to political activism and environmentalism – all values which can be expected to impact positively on CSR performance, as argued in section 1.2. When combined, Ingelhart and Welzels dimensions produce a strong significant correlation with the CSR index scores of 0,66:

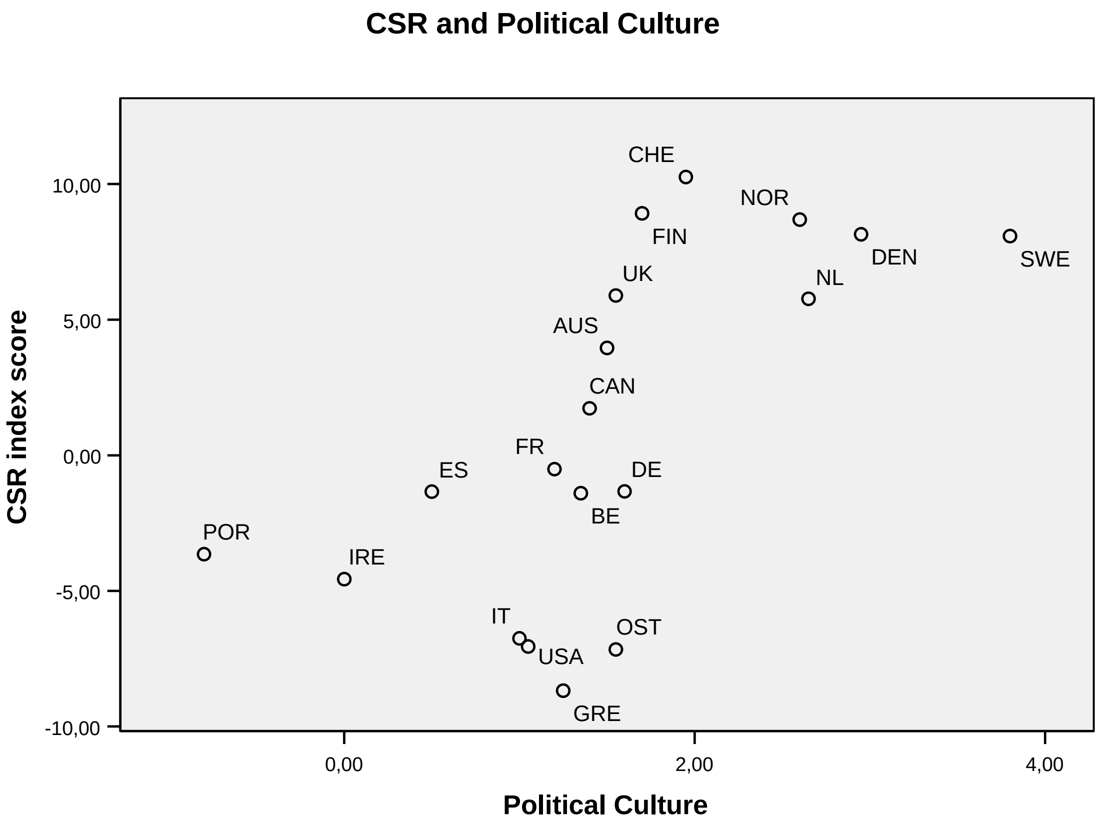

Chart 8: CSR and Political Culture

This is the strongest correlation in the data set. All CSR leaders are among the upper or medium echelons in Ingelhart and Welzel's measure of culture, and all the laggards are in medium or low positions. It is also evident that several of the countries with high scores on the other political economy variables are among the top scorers in civic, or post-materialist/rationalist culture, indicating that these cultural characteristics might be the nuts and bolts of the institutionalist argument, and that public values like rationalism, environmentalism, tolerance, trust, social activism and participation are strong drivers for fostering responsible companies.

6. QCA analysis: different routes to success

Which conclusions can be drawn from the various scatter plots and bivariate correlations? First of all, both the globalist and the institutionalist hypotheses appear to be relevant explanations. However, they are relevant for different subsets of countries; the material seems to embody different paths to CSR excellence. Neither hypothesis is capable of explaining national CSR performance across all countries.

In order to explore these emergent patterns, a *configurational* approach, looking at how sets of causes combine to produce the outcome, is needed. Qualitative comparative analysis (QCA) provides a tool for assessing causality in situations of causal complexity. In contrast to statistical methods based on linear algebra, QCA uses Boolean algebra based on set-theoretic relationships and logic. The uniqueness of QCA is its' conjunctural understanding of causation, emphasising how different conditions combine in different and even contradictory ways to produce the same outcome (Ragin, 2000:40). This view of causation matches well with the empirical indications in the material, where different sets of variables seem to explain CSR for different sets of countries. The focus in QCA is on the *combinations* of variables present in each case, thus introducing a contextual focus in the analysis, since the causal variables are not analysed in isolation, but in relation to each case's score on the other variables in the analysis.

Boolean algebra is based on a binary logic, and "crisp set analysis" is most frequently used in QCA. Crisp sets use dichotomies where cases are either a member or a non-member of a given set. However, most of the dependent variables in this analysis are interval scale. Consequently, the more recent "fuzzy set analysis" was employed since this allows for continuous data. The variable scores were converted into fuzzy sets, by computing the natural log of each country's score on the dependent variables and then establishing the qualitative anchors; the cross-over point between membership and non-membership in each condition (the point of maximum ambiguity concerning membership in the set), as well as the thresholds for being definitely in and definitely out of the set. These three anchors were established based on a combination of the distribution of case scores, factor analysis and the researchers own substantive knowledge related to the variables and the cases[13]. Consequently, this calibration technique retains or infuses qualitative considerations into an otherwise formal and

[13] See the Appendix for an account for the determination of the anchors for each variable.

standardised technique[14], and the resulting fuzzy set analysis is heavily dependent on the three qualitative anchors. Finally, data for each variable was then translated into the metric of log odds by multiplying the deviations from the cross over point with the ratio of log odds for the scores associated with full membership and full non-membership. The log odds values were finally converted into fuzzy set scores by the standard formula for converting log odds to scores ranging from 0,0 to 1,0.

In the original analysis, 15 indicators were tested against CSR score. However, this corresponds to 2^{15} logically possible combinations of causes, an impossibly high number for any data set. Thus, the variables which failed to show a correlation to CSR were not included in the fsQCA analysis. Further, unions and employer associations were subsumed under Siaroffs indicator of "Integration" which covers the essence of the corporatist argument. Environmental and social policy were combined to produce a higher order construct – "Active state" – using the substitutability rule whereby the two variables are treated as functional equivalents. Lastly, since the variable on varieties of capitalism[15] obviously is a necessary condition for CSR success, this variable was excluded from the analysis of sufficiency, leaving 6 variables for the final analysis. The consistency level was set to above 0,75 and the optimal, or "intermediate[16]" solution was used, which resulted in the following solution:

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[14] See Ragin and Sonnett for more discussion of the intermediate solution (Ragin and Sonnett, 2005) and "Fuzzy sets: Calibration versus Measurements" (Ragin, 2007 [forthcoming]) for a detailed explanation of the calibration process.

[15] All CSR leaders have a coherent institutional environment, i.e. either liberal or coordinated economies.

[16] The intermediate solution is the optimal solution between the complex solution and the parsimonious solution. See Ragin and Sonnett (2004) for further details.

	Raw coverage	Unique coverage	Consistency
INTEGRATION*CIVIC CULTURE*ACTIVE STATE	0.642857	0.562500	0.930533
TNC*FDI*integration	0.274466	0.137233	0.829932
Solution coverage:	0.839286		
Solution consistency:	0.897375		

Table 1: Truth table solution

Road to CSR 1: Strong institutions

The first configuration leading to CSR success is a combination of membership in corporatist integration, active state policies and a strong civic culture. This corresponds well to the institutionalist hypothesis. As illustrated by the scatterplot below, countries best explained by this “recipe” are the four Nordic countries as well as Switzerland and the Netherlands. Countries closely aligned to the diagonal are the ones best explained by this causal combination.

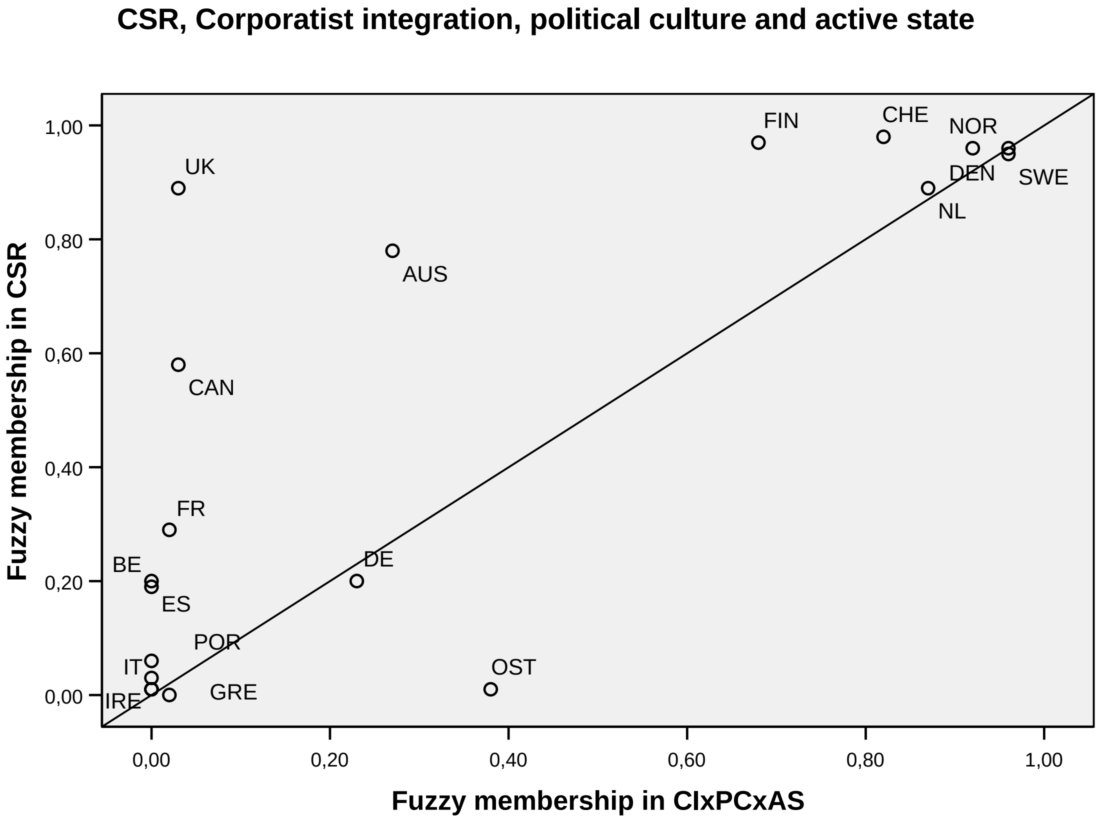

Chart 9: Configuration 1

Looking more closely into the cases, the prime exponents for this combination is Norway, Sweden and Finland with high scores on all individual variables, while Switzerland has a lower score on social policy, and Denmark, and particularly the Netherlands have lower scores on environmental policy[17]. This configuration also explains the *lack* of CSR in the US, Ireland, Greece, Germany, Portugal, Belgium, Spain and France, which all have low membership scores in this configuration. Cases not well explained by this recipe are the UK, Australia and Canada, which has low score on all or most of these institutional variables, but a high score on the outcome. Conversely, the lack of CSR in Austria is not well explained by this combination – Austria has a full membership in most of these institutional variables, but is still not in the group of CSR leaders.

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[17] These details are conflated in the macro-variable where environmental and social policy are combined.

Road to CSR 2: Large share of transnational companies

The second configuration generated from the fs/QCA analysis is the combination of a high proportion of transnational companies (TNCs), and a high proportion of outward foreign direct investments. This "recipe" also includes non-membership in corporatist integration, but there is no substantial reason to expect lack of corporatist integration to be a condition for CSR – the core of this recipe is a TNCs and FDI. This combination mirrors the globalist hypothesis with its emphasis on the role of transnational corporations in CSR, and covers a different set of countries than the institutionalist causal combination:

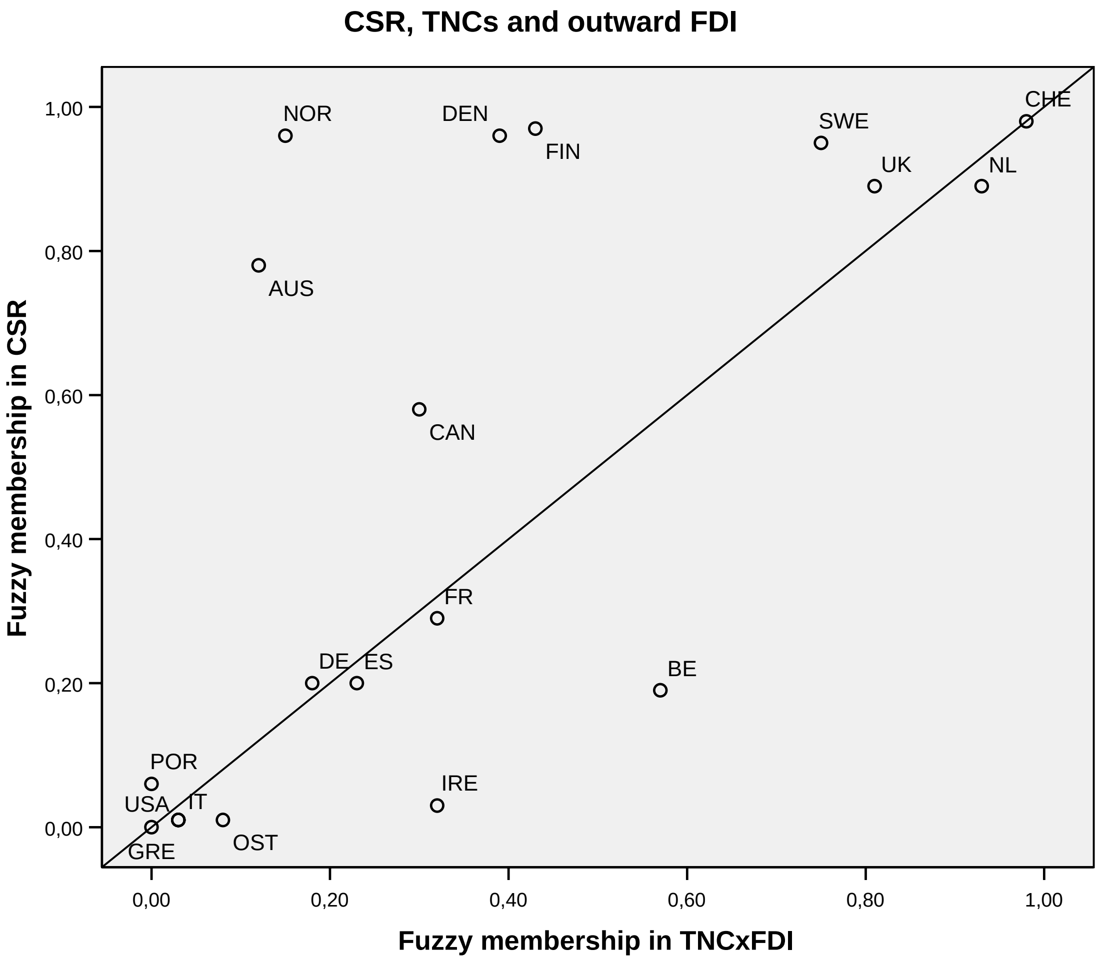

Chart 10: Configuration 2

This configuration covers Switzerland, the Netherlands, UK, Sweden and more or less Canada. It is explains the lack of CSR in all the laggard countries, except Ireland and Belgium. The majority of the laggards have few companies on the Forbes&Fortune

lists, as well as a low share of outward FDI, which makes them non-members in this recipe. However, it does not explain the lack of CSR in Belgium and Ireland which both have relatively higher membership scores in this combination, compared to their membership scores in CSR. Leading countries not explained by this combination are Denmark, Finland and Norway.

7. Conclusion

To summarise, the fs/QCA analysis confirms the relevance of the two hypotheses. Both the consistency and the coverage of the analysis is high at 0,90 and 0,84 respectively. This indicates that the causal combinations have a very high degree consistently linked to CSR performance, and that the two causal combinations are able to account for 89% of the cases. The primary membership of the 19 cases in each recipe is summarised below:

		Well explained	**Not well explained**
Institutional recipe: CORPORATIST INTEGRATION *POLITICAL CULTURE*ACTIVE STATE	**CSR leaders**	SWE, NOR, DEN, FIN, (NL, CHE)	UK, CAN, AUS
	CSR laggards	All minus IRE	IRE
Globalist recipe: TNC*FDI	**CSR leaders**	UK, CHE, NL (SWE,CAN)	FIN, NOR, DEN, AUS
	CSR laggards	DE, GRE, USA, IRE, POR	OST

Table 2: Summary matrix of cases and causes

The institutional hypothesis best describes the CSR success of the Nordic countries, while the globalist hypothesis is the most covering for UK, the Netherlands and Switzerland, which all have a high degree of TNCs in their economies. However, Switzerland and the Netherlands also have a high membership in several of the institutionalist variables, indicating a double membership. Sweden is the true multi-talent in this regard, with high membership in all variables in the analysis. Thus, Switzerland, Sweden and the Netherlands are to a certain degree overexplained.

Two of the CSR leaders are not well covered by either recipe: Canada and Australia. Depending on how one determines consistency levels when editing the fs/QCA truth table[18], on gets a third recipe which gives a slightly better solution for these two countries, namely high membership in the set of countries with a large portion of TNCs (but not FDI as the globalist recipe requires), combined with high membership in "active state". The score on active state is only due to the environmental policy area, where Canada has a fuzzy score of 0,89 and Australia a score of 0,57 just above the cross-over. In other words, these two countries are a mix of the two recipes, due to their high share of TNCs and moderate scores on environmental legislation. Even though Canada and Australia generally have a more active public policy compared to other liberal countries, they have low scores on all other institutional variables. A large share of TNCs is almost[19] a sufficient condition for CSR leadership. Hence, there is reason to believe the Australian and Canadian CSR success is attributable to their large share of TNCs and that they are best described by the globalist hypothesis. Either way, both countries have low scores on CSR, and barely qualify for membership in the set of CSR leaders.

As a final remark, it is important to note that the globalist and the institutionalist routes are not mutually exclusive. Quite the contrary, the two seems to be mutually supportive: Several of the top ranking countries score highly in both combinations.

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[18] Lowering the consistency threshold from 0,79 to 0,75 will result in this third recipe. This also results in an increase in the final solution coverage, but a decrease in solution consistency.

[19] All CSR leaders are members of the set of countries with a high share of TNCs, except Norway and Denmark.

This is particularly true for Sweden, Switzerland and the Netherlands. This might indicate that they simultaneously have a *susceptibility* to anti-globalisation pressures, while also having the *ability* to respond effectively to these pressures due to their comparative institutional advantage stemming from their political-economic environment. Thus, there is reason to believe there is an interaction effect between globalist and instiutionalist factors.

To conclude, there are two fundamentally different, but complementary routes to CSR success. Both national legacies and global forces play an important role in driving and shaping CSR in companies across the advanced industrialised nations. CSR is certainly a phenomenon originating from the new challenges of the global economy, but national political-economic systems play a decisive role in the companies' ability to respond to this new challenge. This calls for more case-oriented research in order to understand the causal processes and mechanisms linking global forces and political economic institutions to actual CSR performance.

Acknowledgements

I would like to thank Professor Charles Ragin, University of Arizona, for extensive and expert help on the section using fuzzy set Qualitative Comparative Analysis, Assistant Professor Lane Kenworthy, University of Arizona, for comments on the analysis of comparative political economy, Professor Michael Shalev, Hebrew University of Jerusalem, for encouraging advice on core methodological and theoretical issues, Professor Lars Mjøset and Professor Desmond McNeill, both at the University of Oslo, for their contributions to the analytical and methodological foundation of the article, and the members of the Norwegian Research Network for Business in Society, for input on the index construction and the conclusions.

APPENDIX A: Index construction

VARIABLES IN THE CSR INDEX

Dow Jones Sustainability Index

The Dow Jones Sustainability Indexes are comprised of the companies with the best CSR practice in their respective industries. The evaluation is based on the cooperation of Dow Jones Indexes, STOXX Limited and SAM.

FTSE 4 Good

The FTSE4Good Index Series measures the performance of companies that meet globally recognised corporate responsibility standards and is managed by the FTSE4Good Policy Committee, an independent body of CSR experts from academia, fund management and business.

Global 100

The Global 100 is a list of "The Global 100 Most Sustainable Corporations in the World" which is announced annually at the World Economic Forum in Davos. The list is initiated by the Canadian magazine "Corporate Knights" in cooperation with Innovest Strategic Value Advisors, a leading research firm specialising in triple bottom line analysis and socially responsible investments.

World Business Council for Sustainable Development (WBCSD)

The WBCSD is a coalition of 180 companies working towards sustainable development. The WBCSD is active in policy development, in developing best practice and business leadership in CSR. Membership is by invitation only, and the demands are more extensive both in terms of the required time and resources.

KMPG International Survey of CR Reporting

The KMPG Survey is the most comprehensive of its kind, based on findings from the survey of sustainability CSR reporting in the 100 largest companies in 16 countries. The methodology covers triple bottom line issues, and is carried out by KPMG in each country.

SustainAbility's list of the 100 best sustainability reports

SustainAbility is a leading think tank and provides a biannual evaluation of best practice sustainability reports. The reports are ranked on a number of indicators, culminating in a list of the 100 best reports world wide. The evaluated reports are submitted by the companies themselves.

ISO 14001

ISO 14001 is an environmental management certification standard created by the International Standardisation Organisation (ISO). It is a generic management tool, applicable to all companies. The standard covers the processes from policy, planning, implementation, monitoring and review. Certification is issued by a third party certification body.

The index is based on a mix of data sources. Some reflect adoption rates, like the UN Global Compact and the GRI, while others are based on research, like the KPMG survey. Others again are more closely related to actual, demonstrable performance, like the SRI indexes and the rankings of the 100 best CSR reports and the 100 most sustainable companies. All reflect different interpretations of CSR, which when combined, reflect the state of the art in CSR and provide an over all picture of CSR performance across nations in correspondence with the logic of a formative measurement model (Jarvis, MacKenzie and Podsakoff, 2003).

Information on the number of companies from each nation represented in each of the 7 CSR indicators was collected and divided by the total number of companies from all 19 nations represented in the initiative. For instance: 18 Australian companies have qualified for the Dow Jones Sustainability Index. In total, the 298 companies from the 19 countries have qualified for this index, which gives Australia a share of 6 percent in the Dow Jones Sustainability Index. However, this number does not provide any useful information in itself. For example, a direct comparison of the Australian results with those of Switzerland or the US does not make sense, since these economies are respectively half the size, and 17 times the size, of the Australian economy.

The correction for GDP is done by dividing each nation's GDP on the total GDP of the 19 countries, creating a GDP share for each nation. GDP was measured in purchasing power parities (PPPs), which provide a more relevant measure in cross-national comparisons. For each of the 7 indicators, each country's indicator share is divided by its GDP share, producing a score which expresses the degree of over- or under-representation of the country, thereby aggregating company-level scores into nationwise scores.

After all ratios for all indicators were calculated for all countries, the scores were aggregated in an index. However, a simple aggregation of scores would produce skewed results. Due to the disparate nature of the indicators, some indicators provide for much larger variance. These variables would have transposed an undue influence on the final country scores. The preferred method of standardization was to use the natural logarithm[20], which ensures the best preservation of variation across all values. Since the natural logarithm of 1 is 0, the index is easy to interpret: A perfect proportionality between "CSR-companies" relative to the size of the economy (an

[20] Since one cannot take the log of zero, scores of 0 were converted to 0,1 in the base numbers

initial score of 1) produces the score 0. Consequently, positive scores equal overrepresentation, while negative scores equal under-representation.

APPENDIX B: Fuzzy set calibrations

Fuzzy membership, CSR index

Anchors	Original	Deviations from crossover	FZ	Log odds
In	1,0	,7	.95	3
Cross over	,3	0	0,5	0
Out	-,65	-,95	0,05	-3

Country	CSRscore	DevCrossOver	Scalars	CSRlo	CSRfuzzy
CHE	10,26	9,26	0,43	3,97	0,98
FIN	8,92	7,92	0,43	3,40	0,97
NOR	8,69	7,69	0,43	3,30	0,96
DEN	8,15	7,15	0,43	3,07	0,96
SWE	8,08	7,08	0,43	3,04	0,95
UK	5,89	4,89	0,43	2,10	0,89
NL	5,77	4,77	0,43	2,05	0,89
AUS	3,96	2,96	0,43	1,27	0,78
CAN	1,73	0,73	0,43	0,31	0,58
FR	-0,51	-1,50	0,60	-0,90	0,29
DE	-1,33	-2,33	0,60	-1,40	0,20
ES	-1,34	-2,34	0,60	-1,40	0,20
BE	-1,40	-2,40	0,60	-1,44	0,19
POR	-3,65	-4,65	0,60	-2,79	0,06
IRE	-4,57	-5,57	0,60	-3,34	0,03
IT	-6,75	-7,75	0,60	-4,65	0,01
USA	-7,05	-8,05	0,60	-4,83	0,01
OST	-7,16	-8,16	0,60	-4,90	0,01
GRE	-8,68	-9,68	0,60	-5,81	0,00

Fuzzy membership, Foreign Direct Investment

Anchors	**Original**	**Deviations from crossover**	**FZ**	**Log odds**
In	4,5	0,65	.95	3
Cross over	3,85	0	0,5	0
Out	3,0	-0,85	0,05	-3

Country	LnOutFDI	DevCrossOver	Scalar	DevScal	FzFDI
AUS	3,30	-0,55	3,54	-1,95	0,12
BE	4,26	0,41	4,62	1,89	0,87
CAN	3,61	-0,24	3,54	-0,85	0,30
CHE	4,70	0,85	4,62	3,92	0,98
DE	3,43	-0,42	3,54	-1,49	0,18
DEN	3,72	-0,13	3,54	-0,46	0,39
ES	3,51	-0,34	3,54	-1,20	0,23
FIN	3,77	-0,08	3,54	-0,28	0,43
FR	3,64	-0,21	3,54	-0,74	0,32
GRE	1,86	-1,99	3,54	-7,04	0,00
IRE	3,97	0,12	4,62	0,55	0,64
IT	2,82	-1,03	3,54	-3,65	0,03
NL	4,55	0,70	4,62	3,23	0,96
NOR	3,36	-0,49	3,54	-1,73	0,15
OST	3,15	-0,70	3,54	-2,48	0,08
POR	3,30	-0,55	3,54	-1,95	0,12
SWE	4,09	0,24	4,62	1,11	0,75
UK	4,17	0,32	4,62	1,48	0,81
USA	2,84	-1,01	3,54	-3,57	0,03

Fuzzy membership, Forbes & Fortune

Anchors	**Original**	**Deviations from crossover**	**FZ**	**Log odds**
In	-6,5	1,5	.95	3
Cross over	-8	0	0,5	0
Out	-10	-2	0,05	-3

FzFandF	0,99	0,94	0,84	0,92	0,85	0,85	0,00	0,93	0,74	0,32
DevScalar	4,58	2,76	1,68	2,46	1,70	1,74	-6,21	2,66	1,06	-0,77
Scalar	2,00	2,00	2,00	2,00	2,00	2,00	1,50	2,00	2,00	1,50
DevCross	2,29	1,38	0,84	1,23	0,85	0,87	-4,14	1,33	0,53	-0,51
LnFandF	-5,71	-6,62	-7,16	-6,77	-7,15	-7,13	-12,14	-6,67	-7,47	-8,51
Fortune	-3,41	-4,07	-4,61	-4,02	-4,34	-4,27	-9,21	-3,73	-4,51	-5,30
LnForbes	-2,29	-2,55	-2,56	-2,75	-2,81	-2,86	-2,93	-2,94	-2,96	-3,22
Fortune	0,0330	0,0170	0,0100	0,0180	0,0130	0,0140	0,0001	0,0240	0,0110	0,0050
Forbes	0,1008	0,0783	0,0776	0,0637	0,0601	0,0572	0,0533	0,0529	0,0520	0,0401
Country	CHE	SWE	FIN	UK	CAN	USA	GRE	NL	AUS	IRE

0,47	0,00	0,57	0,34	0,12	0,71	0,34	0,23	0,45
-0,12	-6,72	0,30	-0,68	-2,01	0,90	-0,68	-1,19	-0,21
1,50	1,50	2,00	1,50	1,50	2,00	1,50	1,50	1,50
-0,08	-4,48	0,15	-0,45	-1,34	0,45	-0,45	-0,79	-0,14
-8,08	-12,48	-7,85	-8,45	-9,34	-7,55	-8,45	-8,79	-8,14
-4,83	-9,21	-4,42	-4,96	-5,81	-4,02	-4,83	-5,12	-4,34
-3,25	-3,26	-3,43	-3,49	-3,53	-3,53	-3,62	-3,67	-3,79
0,0080	0,0001	0,0120	0,0070	0,0030	0,0180	0,0080	0,0060	0,0130
0,0387	0,0382	0,0324	0,0305	0,0294	0,0292	0,0267	0,0255	0,0225
DEN	POR	BE	NOR	OST	FR	ES	IT	DE

Fuzzy membership, Corporatist integration

Anchors	Original	Deviations from crossover	FZ	Log odds
In	1,5	0,3	.95	3
Cross over	1,2	0	0,5	0
Out	0,7	-0,5	0,05	-3

Country	LnIntegration	DevCross	Scalar	DevScalar	FzIntegration
OST	1,53	0,33	10,00	3,30	0,96
NOR	1,53	0,33	10,00	3,30	0,96
SWE	1,53	0,33	10,00	3,30	0,96
FIN	1,48	0,28	10,00	2,80	0,94
CHE	1,48	0,28	10,00	2,80	0,94
DEN	1,45	0,25	10,00	2,50	0,92
DE	1,42	0,22	10,00	2,20	0,90
NL	1,39	0,19	10,00	1,90	0,87
BE	1,32	0,12	10,00	1,20	0,77
AUS	1,10	-0,10	6,00	-0,60	0,35
IT	1,10	-0,10	6,00	-0,60	0,35
IRE	0,97	-0,23	6,00	-1,38	0,20
POR	0,86	-0,34	6,00	-2,04	0,12
FR	0,81	-0,39	6,00	-2,34	0,09
USA	0,75	-0,45	6,00	-2,70	0,06
GRE	0,69	-0,51	6,00	-3,06	0,04
ES	0,69	-0,51	6,00	-3,06	0,04
UK	0,69	-0,51	6,00	-3,06	0,04
CAN	0,63	-0,57	6,00	-3,42	0,03

Fuzzy membership Active welfare state (environmental policy)

Anchors	Original	Deviations from crossover	FZ	Log odds
In	4,25	0,2	.95	3
Cross over	4,05	0	0,5	0
Out	3,95	-,1	0,05	-3

Country	LNesi	DevCross	Scalar	DevScalar	FuzzyEsi
FIN	4,32	0,22	30,00	6,60	1,00
NOR	4,30	0,20	30,00	6,00	1,00
SWE	4,27	0,17	30,00	5,10	0,99
CAN	4,17	0,07	30,00	2,10	0,89
CHE	4,15	0,05	30,00	1,50	0,82
OST	4,14	0,04	30,00	1,20	0,77
AUS	4,11	0,01	30,00	0,30	0,57
IRE	4,08	-0,02	20,00	-0,40	0,40
DEN	4,06	-0,04	20,00	-0,80	0,31
DE	4,04	-0,06	20,00	-1,20	0,23
FR	4,01	-0,09	20,00	-1,80	0,14
POR	3,99	-0,11	20,00	-2,20	0,10
NL	3,98	-0,12	20,00	-2,40	0,08
USA	3,97	-0,13	20,00	-2,60	0,07
UK	3,92	-0,18	20,00	-3,60	0,03
GRE	3,91	-0,19	20,00	-3,80	0,02
IT	3,91	-0,19	20,00	-3,80	0,02
ES	3,89	-0,21	20,00	-4,20	0,01
BE	3,79	-0,31	20,00	-6,20	0,00

Fuzzy membership welfare state (social policy)

Country	Social Model
SWE	1
NL	1
FIN	1
DEN	1
NOR	1
CHE	0
CAN	0
AUS	0
DE	0
FR	0
UK	0
IRE	0
ES	0
OST	0
USA	0
IT	0
BE	0
POR	0
GRE	0

Fuzzy membership, Political Culture

Anchors	**Original**	**Deviations from crossover**	**FZ**	**Log odds**
In	2	,4	.95	3
Cross over	1,6	0	0,5	0
Out	1,3	-,3	0,05	-3

Country	LnPolCul	DevCross	Scalar	DevScal	FzPolCul
AUS	0,41	-0,10	10,00	-1,00	0,27
BE	0,30	-0,25	10,00	-2,50	0,08
CAN	0,34	-0,20	10,00	-2,00	0,12
CHE	0,67	0,35	7,50	2,63	0,93
DE	0,47	0,10	7,50	0,75	0,68
DEN	1,08	1,35	7,50	10,13	1,00
ES	-0,69	-1,10	10,00	-11,00	0,00
FIN	0,53	0,10	7,50	0,75	0,68
FR	0,18	-0,40	10,00	-4,00	0,02
GRE	0,22	-0,35	10,00	-3,50	0,03
IRE	-1,00	-1,60	10,00	-16,00	0,00
IT	0,00	-0,60	10,00	-6,00	0,00
NL	0,97	1,05	7,50	7,88	1,00
NOR	0,96	1,00	7,50	7,50	1,00
OST	0,44	-0,05	10,00	-0,50	0,38
POR	-1,00	-2,40	10,00	-24,00	0,00
SWE	1,34	2,20	7,50	16,50	1,00
UK	0,44	-0,05	10,00	-0,50	0,38
USA	0,05	-0,55	10,00	-5,50	0,00

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