How do Domestic Institutions Influence Corporate Social Responsibility (CSR)?

An Examination of Government Policies and Company Initiatives in Denmark and the UK

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Abstract

The literature explains the link between CSR and domestic institutions in terms of the presence of national institutional complementarities as a key determinant of a company's CSR initiatives. One set of explanations sees CSR as fitting in with domestic institutional structures as either `substituting' or 'mirroring' government policies. A second set of explanations views CSR as driven by variations in competitive needs across countries, reflecting in particular the degree of international market exposure. Both sets of literature look at the *level* of CSR in companies from different countries. Focusing on the UK and Denmark we study the link between CSR and domestic institutions by examining the *content* of both government CSR policies and company CSR initiatives. We find that CSR can be a substitute for government regulation, but in contrast to

existing literatures we show that this is more likely in the context of *host* countries rather than in home countries.

Keywords: Capitalism, Varieties of; Corporate Social Responsibility; Embeddedness; Institutions; Political Economy; Government Policy in Europe

INTRODUCTION

Corporate Social Responsibility (CSR) is often defined as a voluntary "beyond compliance" corporate strategy concerning environmental and social issues,[i] yet increasingly, national governments are adopting hard and soft policies to facilitate and encourage CSR. In recent years there has been a proliferation of government CSR policies especially in Europe but also in Asia and Africa (Bertelsmann Stiftung, 2007; Knopf *et al.*, 2011; Martinuzzi and Steurer, 2005; Steurer, 2010). In this article we ask two questions: First, to what extent is the purpose of government CSR policies driven by specific domestic contexts or by international market pressures? In other words, are government CSR policies driven by "national institutional environments that foster systematic differences in the strategic coordination amongst corporate stakeholders that may be categorized in terms of two distinct models of business organization: liberal market economies (LMEs) in the Anglo-Saxon countries and coordinated market economies (CMEs) in Continental Europe." (Jackson and Apostolakou, 2010, p. 371)? Alternatively, are government CSR policies driven by a changing understanding of competitive pressures faced by domestic companies – in particular globalization pressures? Second, to what extent are the CSR practices of multinational firms influenced by government CSR policies in their home countries? Are companies more likely to adopt CSR initiatives that reflect specific sectoral market demands rather than reflect the CSR goals of domestic governments?

The link between CSR and domestic institutions is explained in the literature in terms of the presence of national institutional complementarities (Campbell, 2011) as a key determinant of firms' CSR initiatives. Institutional complementarities mean that a country's institutions fit together such that the function of one depends on and enhances the functions of the others. Two main explanations exist regarding institutional complementarities between CSR initiatives in firms and domestic institutions. These explanations see CSR as fitting in with domestic institutional structures and either 'substituting' (Jackson and Apostolakou, 2011; Kinderman, 2009) or 'mirroring' (Campbell, 2007) government policies. This literature draws largely on the Varieties of Capitalism framework (Hall and Soskice, 2001), seeing distinctions in CSR between companies from different types of institutional structures. A second set of explanations sees CSR as deriving from the competitive position of countries, with those countries that are internationally oriented more likely to have a greater need for CSR in order to cope with low regulation and high risks in host countries (Kostova and Zaheer, 1999). Both sets of literature have evaluated their claims by looking mostly at the *level* of CSR in companies emerging from different countries.

In this article we examine whether countries with different national governance systems adopt *government policies regarding CSR* that reflect these differences in governance structures. We study the UK as an example of a liberal market economy (LME) ideal type and Denmark as a coordinated market economy (CME) ideal type[ii]. Next, we examine the impact of these government policies on the content of *company CSR initiatives*. What we see as the weakness or missing link in the existing literature on national economic systems and company CSR initiatives is that it fails to address the *content* of government policies on CSR and how the substance of such policies may reflect distinct national governance systems. Neither the literature on substitution (Jackson and Apostolakou, 2010; Kinderman, 2009) nor the literature on mirroring (Campbell, 2007) address government action plans on CSR but focuses on explaining the level of CSR in firms. Furthermore, this literature also does not spell out which institutional voids corporate CSR initiatives are meant to substitute for, nor do they address the processes through which broader institutional settings may enable specific corporate CSR initiatives.

Our main findings are the following: 1) while both the substitution and mirror literatures address institutional voids in home countries as a driver of company CSR policies, we find that the content of government policies and company initiatives reflect that CSR increasingly addresses institutional voids in host countries; 2) while government CSR policies can support externally oriented company policies, in the most international sectors (notably pharmaceuticals) companies have adopted CSR programs in advance of government policies.

THEORETICAL DISCUSSION

It would be too simplistic to view CSR only as self-regulation, devoid of government (Albareda *et al.*, 2008; Gond *et al.*, 2012; Moon and Vogel, 2008; Scherer and Palazzo, 2011). For example as Moon and Vogel point out (2008), CSR cannot be viewed in isolation from governments because often the specific national content of CSR reflects the role of the state. CSR in companies has also emerged at both the national and international levels as a response to perceived shortcomings of government regulation. In what follows we first present an overview of how institutional scholars view the impact of domestic institutions on corporate motivations for adapting CSR initiatives and next we turn to argument about how market forces shape CSR initiatives within firms.

Institutional structure of home country matters

We turn to two broad positions concerning the role of governments in facilitating CSR.

The substitution argument

According to the ‘CSR as substitution’ view, CSR reflects a perceived governance limitation. Firms in countries with less developed institutionalized solidarity have a greater need for CSR, and firms are therefore more likely to devise CSR initiatives as a proxy for the missing regulation. The literature highlights a regulatory vacuum created by inadequate or reduced government capacity. For example Matten and Moon (2008) make a distinction between ‘explicit’ and ‘implicit’ CSR. Implicit CSR describes all formal and informal institutions of a society, which assign and define the extent of CSR for the interests of an entire society. It consists of values, norms and rules, which result in requirements for corporations and is motivated by the societal consensus on the legitimate expectations regarding the role and contribution of all major groups in society. Explicit CSR describes all corporate activities to assume responsibility in society and consists of voluntary corporate policies, programs and strategies. According to Matten and Moon, explicit CSR is particularly prevalent in the US compared to Europe. Matten and Moon (2008) propose that explicit CSR is gaining momentum in Europe. Deregulation and public spending pressures have reduced the ability of the state to provide for its citizens with respect to health care, education and other government services. Instead companies have to step in to fill the governance void. Liberal market economies such as the UK have a greater need for government substitution than coordinated market economies but both types of economies (LMEs and CMEs) face reduced government capacity (see also Gond *et al.*, 2012).

Jackson and Apostolakou (2010) also argue that firms from the more liberal market economies of the Anglo-American countries such as the US and the UK score higher on most dimensions of CSR than firms in the more coordinated economies in Continental Europe. The authors find support for the view that voluntary CSR practices in liberal economies function as a substitute for institutionalized forms of stakeholder participation. Paraphrasing Matten and Moon (2008), Jackson and Apostolakou (2010) find that in coordinated market economies, CSR programs often take on more implicit forms.

Likewise, Kinderman (2009) proposes that CSR has been integral to the politics of social deregulation in European markets. In terms of institutional complementarities between CSR and domestic institutions, Kinderman argues that CSR has elective affinities with economic liberalization and market liberalism. Both employers and state officials have an interest in compensating for the hardships of liberalization and the weakening of institutionalized social solidarity. One way in which they seek to legitimate the market to their stakeholders and the electorate, and justify themselves in their own conscience, is through CSR. Using national CSR associations and their membership levels as a proxy for the institutionalization of CSR, Kinderman (2009) argues that LMEs get CSR earlier, and get more of it, than CMEs. CSR inoculates firms against burdensome regulation and justifies a light regulatory touch. Furthermore, CSR co-evolves with the decline of institutionalized social solidarity, embedded liberalism and organized capitalism. Thus, the rise of responsible business coincides with deep structural changes within the political economies of European and OECD countries during recent decades. In sum, the literature on CSR as substitution suggests that CSR can function as a substitute for institutionalized forms of social solidarity addressing domestic challenges in countries such as Denmark and the UK.

The mirror argument

Campbell (2007) proposes a different interpretation of the relationship between domestic institutions and CSR initiatives. Campbell suggests for example that corporations are more likely to act in socially responsible ways the more they encounter strong state regulation, collective industrial self-regulation, NGOs and other independent organizations that monitor them, and a normative institutional environment that encourages socially responsible behaviour. As evidence Campbell points out that Finland, Sweden and Denmark are among the most competitive economies in the world yet they are also ranked very high in terms of a strong ethical behaviour of their corporations. All these countries are open economies and have the sort of institutions that will facilitate socially responsible corporate behaviour including much state regulation, self-regulation and corporatist bargaining. In short, according to this view, rather than CSR substituting for missing domestic institutions, companies' CSR initiatives mirror their domestic institutional environment.

This argument has been further developed by Gjølberg (2009), who undertakes a sophisticated investigation of the relative importance of global forces and national political institutions for companies' willingness to engage in CSR. The analysis based on qualitative comparative analysis reveals causal heterogeneity and indicates two separate pathways leading to CSR success. On the one hand according to an institutionalist argument, a combination of corporatism, an active state and a strong political culture corresponds well to a strong CSR performance. Countries explained by this pathway include the four Nordic countries as well as Switzerland and the Netherlands. On the other hand according to a globalist argument, a combination of a high proportion of multinational corporations and foreign direct investment can also be associated with a strong CSR performance. Countries in this category include the UK, Switzerland and the Netherlands. In short, Campbell and Gjølberg argue that CSR in a country such as Denmark mirrors domestic institutional strengths such as corporatism (while Gjølberg argues that the international character of UK firms corresponds with a more international CSR emphasis)

CSR as an agenda driven by international economic pressures

In contrast to the literature on the role of domestic institutions as drivers of CSR, a different approach views CSR initiatives as driven by market pressures: CSR is seen as a strategic measure by companies that wish to be internationally competitive. As more companies operate in or source from countries without adequate regulation, securing legitimacy under conditions of complexity becomes more challenging. One example noted by Kostova and Zaheer (1999) is the censure of MNEs in the global media such as that faced by Nike for its labor practices in Indonesia. According to this literature, firms with a high degree of international presence or business focus will undertake different CSR initiatives compared to firms with a domestic presence. These initiatives are more likely to reflect a business reality where firms have to focus on securing their international competitiveness rather than on managing domestic initiatives. Firms that source from or produce in less developed countries are under pressure to secure a social license to operate if they want to stay in business (Porter and Kramer, 2001; 2006).

METHODOLOGY

In order to probe these alternative explanations, we use two sets of data: one on government initiatives and a second on company CSR policies. We use qualitative methods to evaluate this data, with the objective of probing the broad statements about cause and effect that we have identified in the literature. First, we start by evaluating government policies on CSR and the extent to which they reflect domestic institutions. Both the UK (a country closer to the LME ideal type) and Denmark (a country closer to the CME ideal type) are thought to be leaders in government CSR policy (Knopf *et al*, 2011) and both have explicit government CSR statements and politics to evaluate. Moreover, both are members of the EU and are therefore subject to the same umbrella framework of CSR incentives from Brussels. We have collected available past and present statements on government policies from these two countries, including web and print based promotional material, press statements, websites from key coordinating ministries, and secondary evaluations as well as the Compendium of CSR in the EU published by Adelphi (Knopf *et al*, 2011).

Second, we turn to company policies for CSR. The literature has mostly evaluated companies in terms of their *level* of CSR, determined by sophisticated indicators such as Sustainable Asset Management (SAM), an international investment company. SAM measures are used in the Dow Jones Sustainability Index (http://www.sam-group.com/htmle/main.cfm accessed 12 February, 2011). Yet, this same literature is implicitly making claims about the *content* of these policies with the mirror explanations highlighting how companies build on and expand domestic social welfare programs and the substitution arguments highlighting how companies use CSR to substitute for low or declining levels of domestic welfare state spending.

We use CSR reports from selected companies, some of which are in the Dow Jones Sustainability Index, in order to evaluate more closely the content of CSR particularly along the dimension of domestic versus international orientation.

Our purpose here is to assess whether the content of CSR in a company actually corresponds to a government CSR initiative that is directed toward fulfilling particular domestic policy objectives. Our case selections come from the pharmaceutical sector and banking as these sectors represent those that are more and less internationalised (pharmaceutical firms are very international while banks and in particular retail banking traditionally have been more domestically oriented)[iii]. We also include shoe wear production, which is very international, and this sector has been one of the very first to adopt CSR policies focusing in particular on private regulatory schemes to address poor working conditions in global supply chain factories (Locke and Romis, 2010). We propose that the degree of internationalization is an important dimension in terms of evaluating whether the competitive landscape seems to be driving CSR policies and also to probe whether domestically oriented CSR is related to government policy frameworks.

Our case selection is summarised in Table 1 below.

Table 1. Case Selection criteria

Table 1 about here

For each company that we have selected, we have reviewed available reports[iv] on CSR from 2009 or 2010 and from a year in the early 2000s (subject to availability). In some cases, especially from the year 2000, these are annual reports, while in other cases they are dedicated CSR or 'Sustainability' reports. While the reports are highly varied in length and the type of information included, they all contain a description of the CSR initiatives of these companies and thus provide a strong indication of CSR priorities. We have three objectives in analyzing these reports and using them to explore our central expectations. The first is to determine the extent to which CSR is oriented domestically or internationally in each report. Secondly, we want to evaluate whether domestically oriented CSR appears to substitute or mirror domestic government policies for CSR. Third, we aim to see how the objectives of CSR evolve over time. Toward these goals, the reports have been read and summarized by three readers along the lines described below.

For our purposes, CSR can be a commitment of employee time or the adoption of standards and metrics for social or environmental impacts. Initiatives that are clearly strategic or involve a 'win-win' on the social and economic fronts (Porter and Kramer, 2006) are included, as are those with a non-explicit relationship to the core business. We start our investigation by looking at the corporate initiatives that are labelled CSR (or sustainability or some related term).

In order to assess whether the domestic CSR activities of a company are effectively 'substituting' or 'mirroring' government policies, we need a framework to understand what such activities would look like. Our understanding of an activity that substitutes for absent or weak policies corresponds roughly to Porter and Kramer's (2006) notion of a social activity that addresses weaknesses in the competitive environment. For the purpose of this article, we categorize CSR initiatives in the same terms that sustainability practices are defined by SAM. That is, we see CSR as comprised of three sets of activities: economic, social and environmental. The economic dimension of CSR is focused on addressing corruption; managing corporate governance issues; coping with external risk; and direct relationships with investors and customers. Environmental CSR is focused on any aspect of addressing environmental performance and environmental impacts of business activity. Social CSR is concerned with labour practices and human capital investments, as well as community-oriented activities and philanthropy. Government policies may be focused on any or all of these areas. If we apply this to the three categories of CSR utilized in the SAM evaluations, we would identify substituting activities in the following ways:

Economic CSR initiatives would be targeted toward improving the broader business environment, for example through encouraging national standards of corporate governance, promoting the elimination of corruption or providing information about corporate activity to investors and customers beyond what is mandated by law. Substituting activities around social CSR could include the development of human resource policies that offer working conditions, guarantees, and benefits beyond that which is required by the law. A firm that is substituting for weak domestic institutions might also offer to compensate training and skill upgrading for employees. Likewise, with environmental policies, we expect firms that are substituting through CSR to adopt environmental practices beyond what is required by national law and to be clear in their reporting about what they are doing. Overall, we think that substituting activities will often take the form of policies, so we expect to find standards and codes of practice as the norm.

The mirror argument suggests that we can expect firms with a home base in countries where institutions are strong to act differently from those based where institutions are weak. The implication is that CME countries are more likely to have more developed CSR policies than LME countries. In terms of the substance of those policies, we might expect that a company that is mirroring will aim to enhance existing policies and norms rather than recreate or rebuild them. Therefore, our expectation is that if CSR policies are a mirror of government policies, companies based in CME countries with strong domestic institutions will emphasize rather than recreate aspects of those policies. These companies will be strongly focused on employee development, on investor rights and on benefits for stakeholders. It is likely that companies from LME countries where institutions are weak and focus little on employee policies, investor and customer rights, and the environment. We realize that these expectations are very broad but since CSR recognitions such as the SAM Index include economic, social and environmental initiatives, we also investigate these three broad categories of CSR initiatives.

Table 2 provides an overview of company CSR initiatives that follow from the substitution and mirror theses.

Table 2. Company CSR initiatives that follow from the substitution and mirror theses

Table 2 about here

We recognize that seeking to integrate both an analysis of the content of national CSR policy architectures and an analysis of differences in firms' engagement with CSR comes at the cost of the range of our empirical contexts. However, we argue that it is precisely this integration between government policies and company initiatives that is needed in order to improve our understanding of the link between CSR in companies and domestic institutions/government programs.

Summing up, the purpose of our case-based investigation is to build and refine hypotheses about the link between domestic institutions, government policies on CSR and corporate actions. We do not propose to engage in hypothesis testing (Yin, 2003) but have a more "modest" goal of building new insights into the link between the content of government CSR programs and company CSR initiatives.

RESULTS: GOVERNMENT AND COMPANY LEVEL ANALYSES

What is the content of government CSR strategies?

Government action on CSR has proliferated in recent years and has taken a variety of forms (Knopf *et al*., 2011). Our review covers the period from 1995 - today, and thus we also pinpoint how government policy in both the UK and Danish cases has evolved over time. Our purpose in this part of the analysis is to ask whether government CSR policies are directed toward substituting or mirroring domestic social and environmental policies, or if are they geared toward positioning companies to be more domestically or globally competitive?

United Kingdom

The British government was the first in the developed world to adopt public policies on corporate social responsibility. In 1999, a Committee of Inquiry appointed by Prime Minister Tony Blair published ‘A New Vision for Business,’ which set broad goals for a government role in promoting responsible business practices (Committee of Inquiry Summary Report 1999). Private and public sector motivations for these actions were pitched broadly in terms of improving the competitiveness of UK businesses, locally and globally. CEOs from eight large UK companies signed an opening statement with a clear business case for action: “Companies’ reputations and the ‘licence to operate’ around the world depend on meeting those wider responsibilities while competing effectively.” The first of the ten recommendations for government and business also made competitiveness a central objective and highlighted that the government should promote stakeholder business initiatives as a critical element in its overall competitiveness strategy (Committee of Inquiry Summary Report 1999).

By early 2000, the first UK Minister for CSR had been appointed, housed within the Department of Trade and Industry (DTI). The broad vision of the government was to promote an interdepartmental approach to corporate social responsibility, and to create a stronger framework for voluntary action by companies of all sizes, both local and global. Between 2000 and 2010, there were seven Ministers of CSR in the UK and the home ministry of the initiative changed three times. As a result, the direction of UK policy in this area has been indecisive. Nonetheless, several initiatives have been launched in support of the broad objectives for government action. Roughly speaking, it can be said that in the first few years, the emphasis was mainly on regional development and local employment but later the focus shifted to international competitiveness.

Initial Focus on Community and Employment

The UK's first CSR Minister Kim Howell emphasized the business case for CSR with a focus on reputation and recruitment. Consumer pressures and issues arising from global supply chains were recognised, but the opportunity for UK businesses was pitched mainly in terms of the ability of companies to find good employees and operate in thriving communities within the UK. Local initiatives and models were often mentioned (Freeman, 2001). In a speech in 2002, the second Minister for CSR, Douglas Alexander emphasized national CSR programs that were linked to goals of eliminating social exclusion and promoting communities. He spoke about the Corporate Challenge Program, which included a £2 million campaign to foster payroll giving and employee volunteering, aimed at local charities. In the government's 2004 update on CSR, these programs are emphasized under the priority area 'community' in addition to several projects to promote regional and community development being managed by Business in the Community (BITC).

Shifting Focus to Global Competitiveness through CSR

In 2004, CSR Minister Stephen Timms launched a project to define an international strategy for CSR that would bring together and expand existing initiatives throughout government agencies. The motivation for the review was to further promote the competitiveness and image of UK businesses operating globally. It is implicit in the report that UK firms are increasingly concerned about global operations, and that significant efforts on global initiatives are underway. As a perceived leader in the area of CSR, the UK wants to position itself to influence and promote discussion in the major global forums where these issues were already progressing, in particular in the UN and the OECD. (Corporate Responsibility Report 2009).

The 2009 update emphasizes the key current drivers of CSR in addition to government policies as the increased interest in Socially Responsible Investing and Globalisation generally (2009, p. 11). The main government policies and priorities are described in turn. The first initiative is described in the extensive work within the Department for International Development (DFID) on poverty reduction and the promotion of human rights overseas. This includes DFID's extensive partnership with the Ethical Trading Initiative (in place since 1998), a £1.2 million investment to launch the International Fairtrade Labelling Organisation and work with the ILO. The second area mentioned in the report is 'support to business operations in different sectors' to promote business responsibility internationally. The third area in the report is 'promoting CSR on the international stage' through support for the Global Compact, ETI, ISO 26000 and various activities to foster civil society in the Middle East and elsewhere.

It is only on the fourth point that any domestically focused programs are mentioned under the heading 'tackling disadvantage at home'. The initiatives described here are the business brokerage scheme and local partnerships in community planning and employment, as well as initiatives to promote responsible gambling. It is difficult to measure the amount of government expense and effort going to the various initiatives included under the rubric of CSR. However, the discourse in government policy agendas suggests a continued emphasis on competitiveness as the main objective of CSR and a progressive increase in attention to CSR that is focused on the international sphere.

Denmark

From 1995 – 2008 the Danish government actively began to promote CSR. During this period its CSR initiatives mainly focused on voluntary social and employment issues aimed at companies in Denmark. However, in December 2008 the Danish Parliament adopted a so-called *Action Plan for Corporate Social Responsibility* that made CSR reporting mandatory for large Danish firms and institutional investors (Danish government, 2008). The government emphasized that the main purpose of the new legislation was to strengthen the international competitiveness of Danish firms.

Initial focus on social and employment issues 1995-2008

In 1995 Denmark hosted the United Nations Social Summit, and in the wake of the summit then Minister for Social Affairs Karen Jespersen launched a number of public-private partnerships. Jespersen wanted to include business in the development of new solutions to social problems including the exclusion from the labor market for certain immigrant groups as well as people with substance abuse problems, mental illness or physical handicaps. From 2003 the Danish companies began to focus on CSR challenges brought about by increased outsourcing. The Ministry for Economics as well as the Ministry for Foreign Affairs grew increasingly interested in the international CSR agenda. They argued that the drivers and actors involved in strengthening social inclusion were quite different from those involved in responsible global supply chain management and suggested a shift in the government's CSR focus from a domestic to an international agenda.

Global competitiveness through CSR

On 16 December 2008 the Danish Parliament (Folketing) adopted the new Action Plan for Corporate Social Responsibility, which was as a key element of a legislative Act amending the Danish Financial Statements Act. The Act entered into force on 1 January 2009. The key purpose of the Action Plan is to strengthen the international competitiveness of Danish firms (Danish government, 2008, p. 1). The Action Plan describes how globalization leads to new challenges for companies that cannot be solved by governments alone. The Action Plan includes four focus areas aimed at strengthening the competitiveness of Danish firms through CSR: 1) promote business-driven social responsibility among both large and small businesses; 2) support business social responsibility through government initiatives including public sector purchasing schemes); 3) highlight Danish firms as front-runners in terms of climate responsibility; and 4) use CSR in order to promote Denmark as a champion of growth.

The Action Plan's statutory requirement is relevant for Denmark's largest 1,100 companies. They must report on the following: 1) its social responsibility policies, including any standards, guidelines or principles for social responsibility the business employs; 2) how the company translates its social responsibility policies into action, including any systems or procedures used; and 3) the company's evaluation of what has been achieved through social responsibility initiatives during the financial year, and any expectations it has regarding future initiatives. If the company has not formulated any social responsibility policies, this must be reported.

In conclusion, both the UK and Denmark have undergone a change from a government focus on CSR as a domestic policy initiative to both governments highlighting government CSR initiatives as an approach to strengthening the international competitiveness of British and Danish firms.

Company level activities

In this section, we report our findings from the analysis of the company reports of the six companies listed in table 1 over a period of between five and nine years. As discussed in the methodology section we have three goals in evaluating the company reports: 1) evaluate the degree of domestic vs. international orientation; 2) consider the extent to which CSR programs substitute for or mirror domestic government programs; and 3) assess change over time. The results are presented below.

International versus domestic orientation

Our first set of findings concerns the degree of the international versus domestic orientation of firms. Most significant here is the distinction between the three sectors we evaluated. The reports of the pharmaceutical companies and the shoe-wear companies have a far greater emphasis on international programmes and contributions than the banking sector. Moreover, we find that the international CSR agendas of the two pharmaceutical firms we studied are rather similar. Both companies prioritise in their reports ‘access to medicine’, research into diseases that largely afflict consumers in developing countries, or rare diseases, and support for healthcare systems. None of the companies give particular attention to their home health care systems or the particular health needs of ‘home’ consumers. The health care systems that Novo Nordisk and Glaxo Smith Kline (GSK) support are mostly in developed countries but also in the United States, where support for low income drug consumers is a common outreach activity. GSK in its 2002 report mentions £239 million donated to global community activities, £112 million of which is spent on US programs. The report dedicates only ½ pages to UK specific initiatives. There is slightly more mention of Danish programs in the Novo Nordisk Environmental and Social Report from 2000 and the Novo Nordisk Annual Report from 2010, but they too remain overwhelmingly focused on international initiatives.

If we think about CSR as possibly fulfilling social objectives, we need to note that in the case of the pharmaceutical companies, these CSR objectives are defined by the World Health Organization rather than by national governments. Moreover, we can see in the types of CSR programs that pharmaceutical firms develop that these firms are geared toward ‘substituting’ for weak, ineffective or nonexistent regulations or policies. However, those initiatives that could be described as substitution are aimed at countries *outside* of the home country of the pharmaceutical companies. In the developing world, pharmaceutical companies deal with the systemic challenges of delivering medications and vaccines and education, all of which are essential to the establishment of a market. The pharmaceutical companies also mentioned work on pricing and access in the United States, although none of them are US companies. Market motivations are clearly driving these objectives.

Both shoe-wear companies also focus extensively on international challenges in their global supply chains. Both companies began to outsource production already in the 1970s, first to Portugal and later to countries with even lower wages such as Indonesia, Thailand and China. Today Clarks has no production in the UK while ECCO has kept a tiny part of the production in Denmark. The CSR agenda of the two shoe-wear companies focuses mainly on managing the supply chain in less-developed countries (although the shoe-wear companies manage their production chains differently since ECCO owns its production chain from “cow to consumer” while Clarks has outsourced production to independent suppliers). Domestic initiatives are less prevalent although both companies have retained some focus on mainly locally oriented philanthropic initiatives reflecting their roots in rural villages.

The banking sector is more focused on domestic-level programs such as community funding, support for the arts, programs to raise financial awareness among school children and human resource management initiatives including programs to increase the share of women managers, reduce stress and provide flexible work schemes for older workers. Environmental programs include systems for documenting and reducing energy resources. Both Danske Bank and Barclays use indicators and follow-up regarding reduction of the usage of electricity, heat and water. Other programs focus on recycling of office products and supplies. Philanthropy programs have remained important but programs have changed from only including traditional philanthropy such as supporting the ballet and sports events for children to also include initiatives that are more strategic in nature. For example Danske Bank has adopted a Financial Literacy Program for young people. While these initiatives are mainly domestic in nature CSR initiatives have become more international in recent years including membership of the UN Global Compact since 2007 and the UN PRI since 2010. Barclays has a long tradition for operating internationally while the much smaller Danske Bank only recently has begun to operate abroad. In contrast to Barclay's global reach, Danske Bank focuses primarily on Scandinavia, Ireland and the Baltic states.

Do company CSR programs reflect government CSR initiatives?

In order to evaluate if company CSR programs reflect government CSR initiatives, we focus on the CSR initiatives that are described in the company reports, and we look for similarities and differences between companies from LME and CME countries. We start with social initiatives in the pharmaceutical companies, which we find have very similar CSR agendas with regard to international activities including access to health programs. Companies in this sector focus mainly on international issues and social initiatives do not appear to substitute or mirror domestic government programs.

The social initiatives in Barclays and Danske Bank are oriented much more toward community development, small business loans and encouraging financial responsibility (most in the 2009 reports, following the financial crisis). Barclays 2002 report pays particular attention to community activities, emphasizing the bank's support for initiatives aimed at revitalizing communities. In many ways, these activities seem very much to be substituting for weak domestic policies and programs. However, between 2002 and 2009, there is a notable shift in the report toward more international programs. Danske Bank did not have any programs in 2000 that were labelled as CSR.

With regard to the economic and environmental facets of the reports, we find firstly that none of the firms we studied dedicated much time in the reports to economic CSR. On the contrary, every company gave attention to environmental issues. More so than others, Danske Bank's environmental initiatives are domestically oriented, with a focus on action plans to reduce and document energy resources and implement systems for waste management and recycling of office products and supplies. Overall, the pharmaceutical companies tended to have broader environmental goals including specific policies for reducing CO2 and the use of water in the supply chain. This makes sense since the pharmaceutical sector has a far greater environmental footprint than the banking sector, and is much more dependent on sustainable resource for the production of medicines and vaccines. Furthermore, environmental issues intersect with global health concerns (e.g., access to clean water). Our focus on the environment therefore fits with the emphasis of the pharmaceutical companies on addressing global health issues.

Both ECCO and Clarks have a strong focus on environmental initiatives and this focus expands across the supply chain. ECCO states in its 2006 annual environmental report (ECCO, 2006, p. 1), Clarks also collaborates with other shoe companies such as Adidas, New Balance, Nike Inc and others in the Leather Working Group to develop and implement a traceability system for leather products in order to ensure that the leather within the supply chain is traceable back to where it originated. Another goal is not to use leather from cattle raised in the Amazon Biome. Clarks maintains the principles of Greenpeace's 'Commit or Cancel' policy for halting deforestation for cattle ranching in the Amazon Biome (www.clarks.com). ECCO focuses on Danish business collaborations on CSR such as the Council for Sustainable Business.

Change in the Reports over time: An increasingly international agenda

What has changed in the company reports over the time period studied? We find a significant change in CSR agendas over time. As mentioned above, one of the most significant is the movement of the banking sector toward a more global agenda. While the banking companies we have reviewed overall give more attention to domestic CSR than to international CSR, there is a significant change over time. This is more apparent in the reports of Barclays and Danske Bank, although their later reports mention international commitments and partnerships with the Global Compact, UNEP and WWF. Danske Bank also continues to emphasize domestic programs. Barclays' 2002 report focuses almost exclusively on domestic level programs, but the 2009 report dedicates far more time already to international issues, including a report on lending to African governments and micro-lending in Africa. Further, unlike in the 2002 Barclays report, the 2009 report includes information about work with leading international organisations including the OECD, ILO and the UN.

The pharmaceutical sector was a highly international sector already in 2000 and this trend has grown since then. For example Novo Nordisk's market share in China has grown by 50 percent since 2000. Likewise the shoe-wear companies were among the first sectors to move production to low-wage countries beginning already in the 1970s and their CSR programs reflect this development.

DISCUSSION AND CONCLUSION

We have positioned this study within a new and growing literature that evaluates the embeddedness of CSR programs in companies in national institutional frameworks. This literature has in recent years sought to identify a link between the 'Varieties of Capitalism' framework that characterises countries' political and economic institutions, and the CSR agendas of the governments and firms within those countries. In looking for this link, some broad claims about the motivations of CSR policies have been made. Our concern with this literature is the way that motivations of government policies have been interpreted rather than demonstrated, and we use different sets of data than normally used to look more closely at the specific content of government and company CSR policies and ask whether government programs shape company CSR initiatives.

We find that government policies in the United Kingdom, our LME, have only been partly oriented toward substituting for weak domestic institutions. While there was evidence in the early establishment of CSR policy that this might have been a partial intention of CSR, the international activities of the UK government seem to have been sustained for longer and to take more pride of place in policy within a few years of the government's involvement in CSR. We find the same development in Denmark.

We also find little support for the conclusion that company CSR programs are motivated by the desire to substitute for government policies. Firstly, we have found that companies that are CSR leaders in the UK such as GSK develop their initiatives prior to government policies aimed at motivating CSR. The pharmaceutical firms, which have highly developed CSR policies, began to implement CSR in the 1990s, well before governments were showing an interest in CSR. GSK and Novo Nordisk have policies that are similar to other pharmaceutical firms, rather than a more distinctive CSR policy reflecting a UK or Danish home base, which the substitution thesis leads us to expect. This is also the case for Clarks, which no longer produces shoes in the UK and ECCO shoes, which has very limited production in Denmark. Government interest in CSR seems to follow rather than to precede the growth of CSR in company policies. Second, our evaluation of company reports shows that there is more similarity between companies in each sector than among them, overall. Third, even looking only at domestically oriented CSR in LME firms, our only evidence of some substitution-like activities was in Barclays 2002 CSR report. However, we found similar undertakings in Danske Bank, and we also noted that by 2009, Barclays was moving more toward internationally focused CSR.

We also come across little, although slightly more evidence for the mirror argument. Again, our overwhelming finding is that there is more similarity in the content of CSR initiatives within sectors than within countries. In the pharmaceutical and banking sectors, there were only a few differences between CME and LME firms. There was, however, one finding of note. We found that our Scandinavian firms gave more attention to environmental programs than their counterparts. Again, we might argue that this shows a mirror effect, with the CME countries having stronger environmental policies than LME countries.

Summing up, our most significant finding was that companies within sectors adopt very similar types of CSR programs. Pharmaceutical companies invest a great deal of their CSR attention on 'access to medicines', global health priorities, and developing global health care systems. These are clearly strategic objectives. These CSR initiatives lay the basis for new market development and they help pharmaceutical firms to address reputational issues that have surrounded their pricing and product strategies, particularly in developing countries. In general, the pharmaceutical companies are far more international in their market activity and their CSR goals go hand in hand with this. Banking firms are more domestically focused, and so is their CSR. However, we see an internationalization of CSR occurring even in these firms, and it is in the reports explicitly related to the extension of international market activity. This analysis of the content of CSR suggests strongly that CSR in the firms we have studied is largely driven by sectoral demands and conditions. Likewise, we found in our study of government policy that CSR as a facilitator of international competitiveness has become a much stronger theme in government CSR initiatives. We conclude from this that international competitive concerns are a strong driver of CSR, and that the facilitation of domestic social and environmental objectives is much weaker.

Our conclusions have implications for a growing literature that seeks to establish a strong connection between national institutions and the CSR programmes of multinational companies.

This literature has mainly relied on the Varieties of Capitalism framework, seeking a connection between type of capitalism (LME or CME) and the level and nature of CSR. Therefore, we adopt the same premises in our paper as we examine the content of government and company CSR initiatives. Yet, we see less evidence for this connection than others have. While we would not disagree that national institutions are likely in some way to shape corporate social responsibility practices, we propose that these practices are a reflection of the business environments in which multinationals function. CSR has become a source of competitive advantage for multinationals and these companies have therefore been quick to adopt policies that make the most sense in these terms. Whether the issue is reputation management, finding sources of innovation, or compensating for the absence of key infrastructure in emerging markets, corporate CSR is mainly tailored to the accomplishment of international competitive advantage. It is for this reason that we find strong similarities in the CSR programs of companies within the same sector. We suggest that it is for the same reason that government CSR policies are increasingly focused on competitiveness rather than on using CSR to supplement domestic policies.

Our findings challenge current conceptualizations of the link between institutional context and CSR. The case study approach that we have used has the benefit of providing a fine grained view of what CSR policies and initiatives look like, thus giving an opportunity to question existing theories. A larger set of cases and possibly a narrower definition of social, environment and/or economic initiatives could lead to a more fine-grained examination or even testing of the substitution and mirror theses.

Future research on the connection between CSR and institutions should focus on the way that home country institutions shape attitudes toward internationally oriented CSR. Instead of looking for relationships between home institutions and the level of CSR, the focus should be on the content of CSR programmes (by governments and by companies). To what extent do multinational firms bring embedded habits and practices to their global operations? We suspect that one might find differences between firms from different home countries, but that these would be at a finer level that the LME/CME distinction. For any firm, the ability to translate experience in its global operations is a potential source of competitive advantage. Corporations and governments will be well served to explore this issue more deeply.

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Table 1. Case selection criteria

Sector	Company	Country	CME/LME	CSR Recognitions (examples)	% turnover in home country
Pharmaceutical	Glaxo Smith Kline	UK	LME	SAM (Bronze)	7 %
	Novo Nordisk	DENMARK	CME	SAM (Gold)	1 %
Banking	Barclays	UK	LME	SAM (Silver)	44 %
	Danske Bank	DENMARK	CME	FTSE4Good	36 %
Shoe production	Clarks Shoes	UK	LME	Forest Footprint Disclosure	?[1]
	Ecco Shoes	DK	CME	UN Convention for the Rights of the Child	11%[2]

[1] Clarks provides no information about its UK turnover nor its total turnover . We have searched the Orbis database as well as purchased a company report from UK Data. Neither contains information about turnover. However, Clark describes on its website how its production has become very international since the mid 1980s and that no production takes place in the UK any more. Clarks also describes its global retail network. We therefore conclude that Clarks is a very international company in terms of production as well as sales.

[2] Ecco Shoes does not provide this information to the public. Instead we have calculated a proxy. Euromonitor International (from Global Market Information Database / GMID) provides data for the total Danish shoewear market in 2010, which is DKK 8.316 million. It also lists ECCO's market share in 2010 in Denmark at 6.8 %. We can therefore estimate ECCO's turnover in the Danish market at DKK 565 million. ECCO's 2010 Annual Report found in the Orbis database lists ECCO's total turnover at DKK 5,041 million. We can thus estimate the share of ECCO's turnover in Denmark as a share of ECCO's global turnover at approximately 11 %.

Table 2. Company CSR initiatives that follow from the substitution and mirror theses

Activities	**Substitution – improving the broader business environment**	**Mirror – enhancing existing policies and norms**
Economic	Example: promoting the elimination of corruption	Example: emphasize existing policies such as programs to combat corruption
Social	Example: compensate training and skill upgrading for employees	Example: emphasize vocational training initiatives created by social partners
Environment	Example: improving environmental practices beyond what is required by national law	Example: promoting and supporting existing programs to improve environmental performance

[i] The EU Commission defines CSR as "the responsibility of enterprises for their impacts on society" (Commission, 2011: 6). While we generally view CSR initiatives as alternatives to government

regulation this does not mean that it has evolved separately from public policy (see also Moon and Vogel, 2007).

[ii] The Varieties of Capitalism literature focuses on two diametrically opposed ideal types of capitalism. This has generated a vibrant discussion of the correct labeling of individual countries. For example Campbell, Hall and Pedersen (2006) argues that Denmark is a hybrid model blending important elements of each type (e.g., flexicurity) while Casey (2007) claims that increased business regulation and vastly expanded social welfare spending during the Blair years means that the UK is less of a liberal economy than the one Tony Blair inherited. While we acknowledge these arguments, we follow Hall and Gingerich's (2004) claim that Denmark is an ideal typical coordinated market economy and the UK a liberal market economy.

[iii] Regarding size, certainly Barclays' international presence would lead us to expect that Barclays has at least some focus on internationally oriented CSR. But Barclays is also a large retail bank in the UK and therefore at least in this business segment can be seen as a domestically oriented business.

[iv] The data in the report is used as a guide to understanding how the company portrays its CSR initiatives, their degree of internationalization, change in emphasis over time, etc. We do not evaluate initiatives in terms of their degree of relevance nor their impact.