



**THE INFLUENCE OF NEOLIBERALISM IN THE
EUROPEAN UNION PUBLIC POLICIES AND
COLLABORATION WITH ENTERPRISES ON
CORPORATE SOCIAL RESPONSIBILITY**

BY

MS. NUTCHA SUSANTITATPHONG

**A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF MASTER OF
ARTS IN INTERNATIONAL RELATIONS
FACULTY OF POLITICAL SCIENCE
THAMMASAT UNIVERSITY
ACADEMIC YEAR 2015
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ENTITLED

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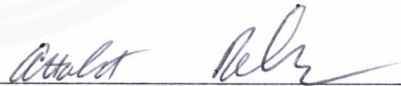
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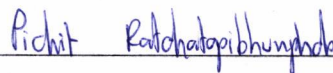
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ABSTRACT

Sustainability in the neoliberal era comes along with the competitive advantages of sustainable development providers. Likewise, Corporate Social Responsibility (CSR) is not only a strategy of enterprises for long-term profit, it has also become a lever for competing at a national level, but it really needs to work out for sustainable business. Enterprises are no longer sole actors on CSR since the collaboration among sectors has been occurring prominently, especially in the case of the European Union, the leading region in promoting sustainable growth and responsible entrepreneurship through the European Commission's policies. The European Commission sees CSR as an important part of the European Strategy for Growth and Jobs. Can they really pull it off in balancing their global competitiveness and sustainable development?

This paper studies neoliberal elements in the European Commission's policies and collaboration with member states and business sectors such as CSR Europe on CSR for the year 2006 till present. The neoliberal core focuses are: minimalist states, deregulation, and competitiveness linking to an ability of the European Union to combine global competition objectives with the overarching goal

of sustainable development by creating policies that balance economic prosperity with social inclusion and environmental stewardship. This research tries to find a relationship between competitiveness on a macro level and CSR practices.

Keywords: Corporate Social Responsibility, Neoliberalism, Competitiveness, European Union



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LIST OF ACRONYMS

Acronyms	Terms
CSO	Civil Society Organizations
CSR	Corporate Social Responsibility
EC	The European Commission
ETS	European Emissions Trading Scheme
EU	The European Union
GCI	Global Competitiveness Index
GPP	Green Public Procurement
MDGs	Millennium Development Goals
NCP	National Contact Point
OECD	Organization for Economic Co-Operation and Development
OHS	Occupational Health and Safety
SDGs	Sustainable Development Goals
SRI	Socially Responsible Investment
SPP	Sustainable Public Procurement
UNDP	United Nations Development Programme
UNGC	United Nations Global Compact
WEF	World Economic Forum

CHAPTER 1

INTRODUCTION

“CSR is both an opportunity and responsibility.”

The Government of the Netherlands

1.1 General Introduction

Corporate Social Responsibility or CSR has significantly emerged in the 1990s as a strong case of transnational governance. CSR is a multidimensional, contested, and fuzzy concept that means different things to different people in different countries.¹ The European Commission’s initial definition of CSR is a concept whereby companies integrate social and environmental concerns in their business operation and in their interaction with stakeholders on a voluntary basis.² And, in a renewed EU strategy on CSR for 2011-2014, it defines CSR as the responsibility of enterprises for their impact on society.³ The European Union has been one of the most active players concerned with the promotion of CSR. The European Commission has no less than eighteen policy instruments to facilitate, endorse and partner to support CSR.⁴ The Commission began promoting CSR as early as July 2001 with the Green Paper to promote a European framework for Corporate Social Responsibility. Since the economic crisis of 2008 and the resulting financial and monetary distress, especially in the Eurozone, the EC has repeated its faith in

¹ Daniel Kinderman, “Corporate Social Responsibility in the EU 1993-2013: Institutional Ambiguity, Economic Crises, Business Legitimacy and Bureaucratic Politics,” *Journal of Common Market Study* 51, no. 3 (2013): 2, accessed April 9, 2015, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2211532.

² Jett Steen Knudsen, “Visible Hands: Government Regulation of Corporate Social Responsibility in Global Business,” accessed April 8, 2015, http://mitsloan.mit.edu/uploadedFilesV9/Academic_Groups/Work_and_Organization_Studies/Media/Visible_Hands-5-Feb-2014-Jette-Steen-Knudsen.pdf

³ European Commission, COM (2011) 681 final, “Commission Communication on a Renewed EU Strategy 2011-14 for Corporate Social Responsibility,” Oct. 25, 2011, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0681:FIN:EN:PDF>

⁴ Caitlin Alexandra and Thomson Holmgren, “Integrating Corporate Social Responsibility Policy in the European Union” (Master thesis, University of North Carolina at Chapel Hill, 2013), <https://cdr.lib.unc.edu/indexablecontent/uuid:1cf490cc-1c06-423a-a976-d0d76654e9d6>

CSR contribution to sustainable development in its Renewal Strategy 2011-2014. The EU approach on CSR is strongly based on a voluntary, and not a regulatory or legal concept, which is also the same approach as the UN Global Compact and OECD. As we realize that governments must provide all the public goods, the social and environmental problems brought by neoliberal globalization have brought about the new governance that non-governmental sectors share public responsibilities. The overall paradigm shifted toward neoliberal public policy in the late 20th century, when governments became less willing to accept responsibility for social and environmental issues. Even if governments were willing, they became politically less able to accept the responsibility due to adherence to advice and rules from institutions such as WTO, OECD, World Bank and IMF.⁵ In the age of globalization, nation-states have less influence on MNCs' characteristics. However, it is interesting to find out the country-level factors or, in this case, regional-level factors like EU that still matter in terms of CSR. Companies are private actors who become providers of public goods. The new "Leviathan of global capitalism" is MNC.⁶

Linking CSR with neoliberalism, both Friedman and Hayek, the initiators of neoliberalism, associate CSR with socialism and see it as a subversive, collectivist force that promotes conformity and runs counter to the achievement of individual freedom or the so-called neoliberalism.⁷ However, neoliberalism assumes that the market can provide solutions to any problem seemingly caused by the market in the first place. Being used to manage business's impacts on society, CSR could also be viewed as the phenomenon representing the moralization of the market. According to the world capitalism paradigm, CSR reflects the transformative and expansive capacities of capitalism in order to deradicalize counterhegemonic pressures and

⁵ Constantijn Van Artsen, "CSR in Times of Neoliberal Hegemony" (Master thesis, Maastricht University, 2013), pp. 41-42, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2271590

⁶ Ai Leen Lim, "Corporate Social Responsibility and the Role of Transnational Corporations in Global Justice" (Master thesis, London School of Economics and Political Science, 2009), p.11, <http://etheses.lse.ac.uk/2734/1/U615683.pdf>

⁷ Steen Vallentin, "Neoliberalism and CSR: Overcoming Stereotype and Embracing Ideological Variety" (paper presented at the 28th EGOS Colloquium, Helsinki, Finland, July 2-7, 2012), p. 2, <http://openarchive.cbs.dk/bitstream/handle/10398/8689/Vallentin.pdf?sequence=1>

legitimize corporations as morally responsible actors.⁸ Thus, it can be argued that CSR is the market tool to fix what the business causes to the society. And when the social and environmental problems occur, along with the economic crisis, as Aaronson and Reeves put it, European business leaders seem to believe that CSR policies can help them find their way in the chaotic, ever-changing global economy,⁹ where the level of trust by consumers has deteriorated.

CSR is generally based on a voluntary, and not a regulatory concept. The voluntary approach of CSR, adopted by the UN Global Compact, OECD Guidelines, and the European Commission, reflects the neoliberal policy on minimalist states. The EC further reflects this belief in its statement that firms should be the main driver for the development of CSR, and social and environmental issues have been reformed as problems for markets rather than for governments. The idea of a relationship between CSR and government policy may seem counterintuitive for two reasons: First, a literature has emerged around private voluntary global governance to fill regulatory welfare voids. Second, much CSR literature downplays the role of government and some exclude it on the grounds that if social investment were a response to government regulation, it could not be deemed voluntary.¹⁰ The second reason ignores the force of globalization that creates the so-called new governance, which is a partnering between public and private actors. Due to the cross-border problems resulting from the freer flow of trade, investments, and labour movement, the social and environmental problems become more than the sole government could tackle, thus, business is expected more as a public responsibility. We can see that while the EC issues CSR policies for its multinational enterprises to follow, they still strongly uphold the voluntarism of CSR. It can be argued that all voluntary conceptions of CSR lend support to a neoliberal policy by advocating deregulation.¹¹ Apart from deregulation, CSR has formerly been about social issues and cohesion, and related to

⁸ Ronen Shamir, "Socially Responsible Private Regulation: World Culture or World Capitalism?" *Law and Society Review* 45, no.2 (2011): 313-336.

⁹ Laura Albareda, Josep M. Lozano and Tamyko Ysa, "Public Policies on Corporate Social Responsibility: The Role of Governments in Europe" *Journal of Business Ethics* 74 (2007): 393, doi:10.1007/s10551-007-9514-1.

¹⁰ Knudsen, p.4.

¹¹ Vallentin, p.1.

inclusive labour markets. The aim has been to engage businesses in solving or alleviating social problems. Now CSR is increasingly seen as a strategic advantage and therefore as a lever for economic growth and competitiveness. Governments promote CSR by pushing the profit motive, not by restraining it, and this is indicative of emerging neo-liberal tendencies in governmental approach to CSR.¹² The importance of neoliberalism can also be noted at the international level in the OECD guidelines: the ability of MNCs to promote sustainable development is greatly enhanced when trade and investment are conducted in a context of open, competitive and appropriately regulated markets. Similarly, the UN Global Compact document on “The Importance of Voluntarism” can foster competition among organizations to be better corporate citizens. It can also drive long-term business success.¹³

This paper sees CSR in the European Union as a neoliberalization of public policies and an economization of socio-political and environmental spheres. The European Commission’s approach to CSR is to move away from legalistic, bureaucratic, centralized, top-down towards horizontal and voluntary configuration. Moreover, it can be argued that neoliberalism is a political, economic practice, which has been encompassed in almost every aspect of life and has resulted in both negative and positive impacts. Neoliberalism, considered here, is not a form of laissez-faire, but a perpetual intervention of the government, which provides a possible field of actions for businesses to achieve the goal of marketization.

This paper studies CSR policies in the European Union and the collaboration between the Commission, member states, and enterprises, discover an influence of neoliberalism in the process and learn how they adopt the international standards for the purpose of improving competitiveness and contributing to the benefit of society and the environment. A documentary analysis is based on the EU policies, governments’ papers, information from OECD, UNGC, GRI, ISO26000, Global Competitiveness Report, Sustainability Report, papers of scholars, etc. Also, the paper tries to find the relationship between CSR and competitiveness in the EU.

¹² Steen Vallentin and David Murillo, “CSR as Governmentality,” CBS Working Paper Series no. 04-2009 (CBS Center for Corporate Social Responsibility, 2004), p.4, accessed April 9, 2015, <http://openarchive.cbs.dk/bitstream/handle/10398/7908/wp%20cbcsr%202009-4.pdf?sequence=1>

¹³ Van Artsen, p. 44.

1.2 Objective of the Research, Research Question and Hypothesis

1.2.1 Objectives

1. To explore how the European Union collaborates with member states and businesses on Corporate Social Responsibility.
2. To discover and analyze the influences of neoliberalism on CSR public policies of the EU.
3. To find out the benefits of the EU from the promotion of CSR.

1.2.2 Research Questions

1. How neoliberalism drives CSR policies and implementation in the European Union?
2. How the design and implementation of public policies promoting CSR in the EU lead to changes in governments' roles and actions in their relationship with business?
3. Does the European Commission support CSR in order to increase the competitiveness of the European Union?

1.2.3 Hypothesis

Neoliberalism influences the rationalities, approach, and implementation of the EU public policies on CSR in collaboration with member states and businesses.

The design and implementation of CSR public policies in the EU show that business has a dominant role in CSR and the Commission and the governments of Member States act as facilitators.

Competitiveness has reduced competitiveness in the short-term, but is believed to create medium and long-term competitiveness.

1.3 Significance of the Research

This study attempts to understand the rationalities and the way the EU collaborates on CSR with businesses, and to seek an incorporation of neoliberalism in CSR public policies. Furthermore, it will reveal the competitiveness of the European

Union from the facilitation of CSR. Neoliberal policies can be categorized into two main areas: to achieve a minimalist government and deregulation, and to promote a competition. Furthermore, according to Michel Foucault, neoliberalism is not about laissez-faire, but it is a call for vigilance, activism, and perpetual intervention¹⁴ or, as Bob Jessop put it, neoliberalism also aims to enhance state intervention to roll-forward a new form of governance, which can be applied to study the new role adopted by the EU in CSR issues. Thus, this study will try to discover elements of neoliberalism in CSR public policies of the EU, the collaboration between the EU and MNCs, and what the EU and member countries gain from supporting CSR.

1.4 Methodology

This study begins with the review of existing public policies of the European Commissions on CSR and examples of CSR programs implemented by the EU member states and European businesses. This study will also illustrate the core agenda of neoliberalism and neoliberal policies. Neoliberal policies can be categorized into two main areas: to achieve minimalist government and deregulation, and to promote competition. An analysis of public policies and collaboration with CSR of the EU and businesses by using International Political Economy (IPE) to explain will be at the center of this study. Daniel Kinderman divides the EC's roles in CSR from 1993 till present into three periods: different European integration projects, regulated socio-liberal capitalism, and neoliberalism.¹⁵ This study focuses on neoliberalism on the public policies since 2006. The paper will also be linked to benefits in terms of competitiveness the EU derives from facilitating CSR. The study will also touch upon the dynamics among stakeholders in CSR such as the UN Global Compact, OECD, and INGOs as supporting actors which help to see the whole picture of CSR and explain why and how the EU and businesses respond to all the stakeholders.

¹⁴ Michel Foucault, *The Birth of Biopolitics* (New York: Palgrave Macmillan, 2008).

¹⁵ Kinderman, p. 3.

CSR public policies, the EU approach in collaborating with member states and businesses, and a level of competitiveness will be dependent variables, which change according to the neoliberal policy influence on CSR.

This research will be conducted through documentary analysis method. The information and data will be compiled through the EU governments and the EC published source, UN, OECD, CSR Europe, WTO papers and websites, the Global Competitiveness Report from the World Economic Forum, and other secondary data.

1.5 Theoretical Framework

The International Political Economy (IPE) will be applied to explain the neoliberalization of CSR in the EU. The IPE sees CSR being closely coupled with economic globalization and liberalization, and Multinational Corporations are one of the main actors in International Relations. IPE helps to explain how and why government and business start to engage more and more on CSR. Understanding a privileged role of business in public policies and implementation, the IPE also studies the shifting of power dynamics and corporate lobbying, one of the keys driving CSR in the EU. According to an IPE scholar, CSR is a part of a neoliberal agenda that tries to recast the boundaries between corporate-centered voluntarism and state-centered regulation by putting the political process outside the state-centered international politics towards private actor governance, whereby business develops voluntary initiatives to regulate social and environmental behavior. CSR is a business political project with an important governing implication.

1.6 Literature Review

In “A Brief History of Neoliberalism”, neoliberalization can be a theoretical design for reorganizing international capitalism or, as a political project to re-establish the conditions for capital accumulation and to restore the power of economic elites. It is believed to be a system of justification and legitimization for anything that needs to be done to achieve the goal. And in this case, CSR becomes the

tool developed as a new moral justification in order to enhance European companies comparative advantage and benefit.

Ronen Shamir argues that the EU policy development in CSR has been dominated by corporate interests to such an extent that all other considerations have been subordinated to the project of securing economic competitiveness and growth. He believes that we are witnessing an economization of the political domain; replacing laws with guidelines, relying on self and reflexive regulations. He also proposes that the discourse and practice of business and morality are grounded on neoliberal epistemology that dissolves the distinction between economy and society, where “the social” is being encoded as a specific instance of the economy. As a result, moral concerns become embedded in the rationality of markets. Moral problems and issues are re-coded and reemerged as business opportunities, and this process is driven by the proliferation of globalization and governance, which signifies the moving away from the legalistic, bureaucratic, and centralized top-down configuration of authority to a reflexive, self-regulatory, and horizontal market-like configuration.¹⁶

In “Socially Responsible Private Regulation: World Culture or World Capitalism?”, according to the world capitalism paradigm, CSR reflects the transformative and expansive capacities of capitalism in order to deradicalize counterhegemonic pressures and legitimize corporations as morally responsible actors.¹⁷ The capitalist elites cannot exist without revolutionizing the instruments of production, and therefore, the instruments of production create the relations between itself and the whole society. CSR has been designed in voluntary terms in order to facilitate the development of soft law or non-binding mechanisms, which embed the deregulation of CSR in Europe. In 2006, while advocacy groups such as Oxfam and Amnesty International called for a regulation of CSR because it was necessary to ensure that companies performed in an acceptable manner, the European Commission announced the corporations must be the prime bearers of socially responsible practices and that pressure for regulation must be stopped.¹⁸

¹⁶ Vallentin and Murillo, p. 17.

¹⁷ Shamir, p. 6.

¹⁸ Vallentin, p. 13.

Dena Freeman, from London School of Economics and Political Science, talks about the neoliberal CSR era, which largely took off in the 1990s, as a response to neoliberal policies and globalization of production.¹⁹

Archie B. Carroll, a business management professor, believes that Corporate Social Responsibility is comprised of a multi-layered concept that consists of four interrelated aspects: economic, legal, ethical, and voluntary or philanthropic.²⁰ It can be argued that one more aspect that is kept silent here is political. Steen Vallentin's study on Neoliberalism and CSR emphasizes the role of CSR as the neoliberal political project which further embeds capitalist social relations and leads to a deeper opening up of social life to the dictates of the market.²¹ And he mentions Daniel Kinderman's conclusion on CSR that the rise of CSR is a product of neoliberalism that complements the deepening of market relations and merely serves to legitimise business during an unleashing of capitalism.²² It can be interpreted here that the social and counter-hegemonic movement and also frameworks from civil society organizations, such as UN Global Compact or OECD force MNCs to fix what they cause, by stimulating corporations to dialectically come up with more powerful, legitimate and seemingly non-profit, yet philanthropic tools or the synthesis like CSR in order to secure and unleash the capitalism. Vallentin sees the widespread neoliberalization of public policy reflecting in governmental approach to CSR in the EU.

In "Corporate Social Responsibility in the Realm of Neoliberal Art of Governing", Ela Kurtcu illustrates that discourse and practice of CSR is a product of a neoliberal project of dissolving the epistemological distinction between a market and societies. The greater drives to embed society in the market, the more socio-moral questions become reframed from within the market.

¹⁹ Dena Freeman, "On Corporate Social Responsibility," Review of *Hidden Hands in the Market*, ed. Geert de Neve, Peter Luetchford, Jeffrey Pratt and Donald C. Wood and *Economics and Morality: Anthropological Approaches*, ed. Katherine E. Browne and Barbara L. Milgram, *LSE Research Online* (October 2011), http://eprints.lse.ac.uk/38577/1/On_Corporate_Social_Responsibility_%28LSERO%29.pdf

²⁰ Archie B. Carroll, "Corporate Social Responsibility: Will Industry Respond Cutbacks in Social Program Funding?" *Vital Speeches of the Day* 49 (1993): 604-608.

²¹ Vallentin, p. 1-2.

²² *Ibid.*, p. 2.

Maria Gjolberg's study reveals that the transnationalization of companies through foreign direct investments and short-term capital flows results in a reduction in governments' ability to control and regulate transnational companies (TNCs)²³ because companies and investors can now freely and quickly relocate their investments. Furthermore, the willingness of the governments to control corporations has diminished due to a neoliberal turn in the ideological landscape. CSR becomes intrinsically linked to competitiveness as a license to operate for companies.

In the study "CSR In Times of Neoliberal Hegemony", an author links how CSR can help create the so-called "new market" in the EU. According to the Communication Paper: A renewed EU strategy 2011-2014 for Corporate Social Responsibility, the economic crisis and its social consequences in the EU have, to some extent, damaged consumer confidence and the level of trust in business. The promotion of CSR by the European Commission can create a new market that contains socially responsible business conduct and generates an employment in the long-run to gain favour from consumers and society.

Reinhard Steurer's study of the EU types of policy instruments on CSR reasons the role of governments that the economic globalization and powerful MNCs bring complex social and environmental issues which governments could not take sole responsibility to deliver public service goals on their own. As private, non-governmental actors, corporations share the public responsibilities and become the providers of public goods. Governments with a variety of soft, non-binding, and partnering public policies facilitate CSR. The study mentioned the virtue of stakeholder theory, which can provide an understanding of an emergence of CSR as a strategic response from businesses to the pressure of stakeholder groups, not legal requirements or moral reasons. The roles of states and business have been changed in complementary ways. Many European governments turn to soft policy instruments, such as raising awareness by developing CSR guidelines, partnering with businesses,

²³ Maria Gjolberg, "The Political Economy of Corporate Social Responsibility" (Ph.D. Diss., University of Oslo, 2011), p. 18, <https://www.duo.uio.no/bitstream/handle/10852/13346/dravhandling-gjolberg.pdf?sequence=3&isAllowed=y>

such as the Swedish Globalt Ansvar²⁴ project, and stimulating businesses with economic incentives, and this market mode of governance, which contains an underlying economic, and competition rationale, clearly plays a prominent role for public policies on CSR. Like in the action plan of the Danish government, which states that responsibility is increasingly becoming the competitive parameter and that businesses and society each reaps the optimum benefits from CSR works.

According to the study on Themes, Instruments and Regional differences of Public Policies of CSR in Europe, the conceptual framework of public policies on CSR are differentiated into five policy instruments: legal, economic, informational, partnering, and hybrid, which can be employed into four fields of action: raising awareness, transparency, socially responsible investment, and leading by example. Defining CSR as voluntary, governments in EU member states support CSR by providing non-mandatory policy instruments or varieties of soft policies. This study contributed greatly by conducting surveys with public administrators from 27 EU member states. Four Swedish ministries launched the awareness raising and transparency, in the “Globalt Ansvar”, meaning global responsibility, which aims at turning Swedish companies into ambassadors of CSR around the world. The other policy action is a socially responsible investment (SRI), which is considered as a powerful instrument because it merges stakeholder concern with shareholder interests. However, SRI is still less developed than other policy areas.

In the multi-stakeholders forum run in Brussels in February 2015, the main panels are “CSR and International Market Access”, and “CSR as a Driver for Innovation, Competitiveness, and Growth”.²⁵ According to the Forum’s executive summary, the fundamental role of CSR is to ensure economic growth while concurrently mitigating social and environmental impacts of business both in the European Union and around the world. The Forum represents the Commission’s multi-stakeholder review process before the official drafting and adoption of a new CSR strategy. In the CSR as a Driver for Innovation, Competitiveness, and Growth,

²⁴ Reinhard Steurer, “Soft Instruments, Few Networks: How ‘New Governance’ Materializes in Public Policies on Corporate Social Responsibility across Europe,” *Environmental Policy and Governance* 21, no. 4 (2011): 270-290.

²⁵ “Executive Summary of 2015 CSR Forum,” European Commission, accessed July 4, 2015, ec.europa.eu/DocsRoom/documents/8774/attachments/1/.../en/.../native

the main outcomes are that legislation is not the key to embedding CSR in the companies and voluntary CSR can provide an impetus for innovation.²⁶

According to the research of Margolis and Walsh from 127 empirical studies, there is a positive relationship between Corporate Social Performance (CSP) and Corporate Financial Performance (CFP).²⁷ And due to Vilanova, Lozano and Arenas's reviews, learning and innovation are key links of CSR competitiveness.²⁸

“The Origin of Corporate Social Responsibility: Global Forces or National Legacies?” by Maria Gjolberg, illustrated CSR from a globalist and institutionalist point of view that, according to the globalist view, an effort of a company on CSR is a function of the dictates of the global market place, and strong anti-globalization and anti-corporate sentiments result in a need for a positive reputation to obtain a ‘social license to operate’. The institutionalist hypothesis postulates that a company's CSR efforts are a function of institutional factors in the national political-economic system: companies based on political-economic systems with strong institutions for social embedding of the economy are comparatively and institutionally advantageous for success in CSR. The CSR EU case can be categorized by both hypotheses, as the reputation of businesses has been reduced or compromised partly because of the economic crisis, the EU as an institution has put CSR into the public policy or its political economic system in order to regain business reputation and support growth.

Leslie Sklair and David Miller from an article “Capitalist Globalization, Corporate Social Responsibility and Social Policy” tried to analyze CSR in the era of neoliberal globalization. The authors see a class polarization between and within countries as a relation to the means of production. CSR happens through the creation of markets for health care and other areas of social provisions. To illustrate, the marketization of huge swathes of public services has been well developed in the UK

²⁶ “Executive Summary of 2015.”

²⁷ Andre Martinuzzi, Barbara Krumay and Umberto Pisano, “Focus CSR: The New Communication of the EU Commission on CSR and National CSR Strategies and Action Plans” (ESDN Quarterly Report No. 23, December 2011), p. 13.

²⁸ *Ibid.*, p. 13.

and in many other countries.²⁹ The global economic competitiveness has increasingly dictated the UK social policy with social welfare especially linking to macroeconomic objectives. The drive here has aimed at promoting deregulated and flexible labour markets. The paper also stated that there are four fractions of transnational capitalist class, which consist of the corporate, state, technical, and consumerist³⁰ that carry out CSR as globalizing practices in the interests of capitalist globalization.

Fansworth and Holden argue that the developing interrelation between corporate power and globalization is shown when the private sector expands their role in the design and implementation of social policy beyond solely delivering services.³¹ CSR becomes business-centered social policy.³² Liberalization strategies allow social health and environmental regulation to be relaxing. International capital has organized and lobbied hard for a social policy orientated to economic growth, for instance, “state pensions”. The general rule of thumb is to oppose those forms of social welfare, which increases the costs of labour or decrease labour flexibility.³³ Business associations are at the forefront of the liberalizing agenda in the European Union and globally and centrally involved in CSR policy.³⁴ The European Roundtable of Industrialists (ERI) acts as a powerful player in EU policy circles to press the EU for further liberalization and deregulation.

The Commission sees CSR contributing to a strategic goal aimed by the Lisbon Summit in March 2000. The strategic goal: *for the EU to become the most competitive and dynamic knowledge-based economy*. Competitiveness is the driving force and the concept of sustainable development here is focused on the development of economic growth, not economic activity or sustainability of the planet.³⁵

²⁹ Leslie Sklair and David Miller, “Capitalist Globalization, Corporate Social Responsibility and Social Policy,” *Critical Social Policy* 30, no. 4 (2010): 472-495, doi:10.1177/0261018310376804

³⁰ *Ibid.*, 484.

³¹ *Ibid.*, 485.

³² *Ibid.*, 486.

³³ *Ibid.*, 486.

³⁴ *Ibid.*, 488.

³⁵ Sklair and Miller., 490.

CSR strategy and competitiveness, support each other in the long run when we do it right. Sustainable growth can possibly be paved if the governments and enterprises collaborate, based on mutual benefit for people, planet, and profit.



CHAPTER 2

A BRIEF HISTORY OF ALL

2.1 What is Corporate Social Responsibility?

CSR is commonly defined as a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders in a voluntary basis.¹ And the renewed definition stated in the Commission Paper 2011-14 defines that CSR is the responsibility of enterprises for their impact on society.²

A sizable body of formal literature on the definition of CSR has formerly been accumulated most evidently in the United States. The modern era of CSR in the business field began in the form of “Social Responsibility”, not “Corporate Social Responsibility”, in the 1950s because perhaps the age of corporations’ prominence and dominance had not yet occurred at that time. The very first significant publication on CSR was written by Howard R. Bowen in terms of business, which is the most notable definition of CSR in the 1950s. A significant growth attempting to formalize what CSR means occurred in the 1960s.³ Keith Davis, one of the most prominent writers, argued that social responsibility is a nebulous idea, but should be seen in a managerial context. Furthermore, he claimed that some socially responsible business decisions can be justified by a long, complicated process of reasoning, having a good chance of bringing long-run economic gain to the firm, thus paying it back for its responsible outlook.⁴ Davis’s most well-known view is the relation between social responsibility and power of business. According to his famous “Iron law of Responsibility”, the social responsibility of businessmen needs to be commensurate with their social power.” He further took the position that if social responsibility and

¹ European Commission, COM (2011) 681 final, “Commission Communication on a Renewed EU Strategy 2011-14 for Corporate Social Responsibility,” Oct. 25, 2011, [http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri= COM:2011:0681:FIN:EN:PDF](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0681:FIN:EN:PDF)

² Ibid.

³ Archie B. Carroll, “Corporate Social Responsibility: Evolution of a Definitional Construct,” *Journal of Business and Society* 38, no. 3 (2015): 268-295.

⁴ Ibid., 271.

power were to be relatively equal, “then the avoidance of social responsibility leads to gradual erosion of social power on the part of businesses.”⁵ The linkage between power and CSR clearly started from Davis.

Joseph W. McGuire stated in his book “Business and Society” (1963) that “the idea of social responsibilities supposes that the corporation has certain responsibilities to society beyond economic and legal obligations.”⁶ The definition of CSR became more precise in the extension beyond economic and legal obligations. Therefore, corporations must act justly as citizens should. Davis’s definition can be considered as one of the clear, voluntary ideas and concepts of CSR. He also revisited his definition of CSR in 1967 in that “the substance of social responsibility arises from a concern for the ethical consequences of one’s acts as they might affect the interests of others.”⁷

In 1971, Harold Johnson broadened and deepened the definition of CSR. He firstly coined the term “conventional wisdom” which he defined as a socially responsible enterprise is one whose managerial staff balances a multiplicity of interests. Instead of striving only for larger profits for its stockholders, but also takes employees, suppliers, dealers, local communities, and the nations into account. It is worth noting that Johnson is hinting at the possibility of a stakeholder approach as he references “a multiplicity of interests”.⁸ And his second view on CSR is that businesses deliver social programs to gain profit for their organization. According to Johnson, strong, profit-motivated companies may engage in socially responsible behavior. Once they attain their profit targets, they act as if social responsibility is an important goal, even though it isn’t.⁹

According to Archie B. Carroll, CSR is comprised of four parts: economic, legal, ethical, and voluntary or philanthropy. Carroll illustrated this through the so-called ‘CSR pyramid’.

⁵ Carroll.

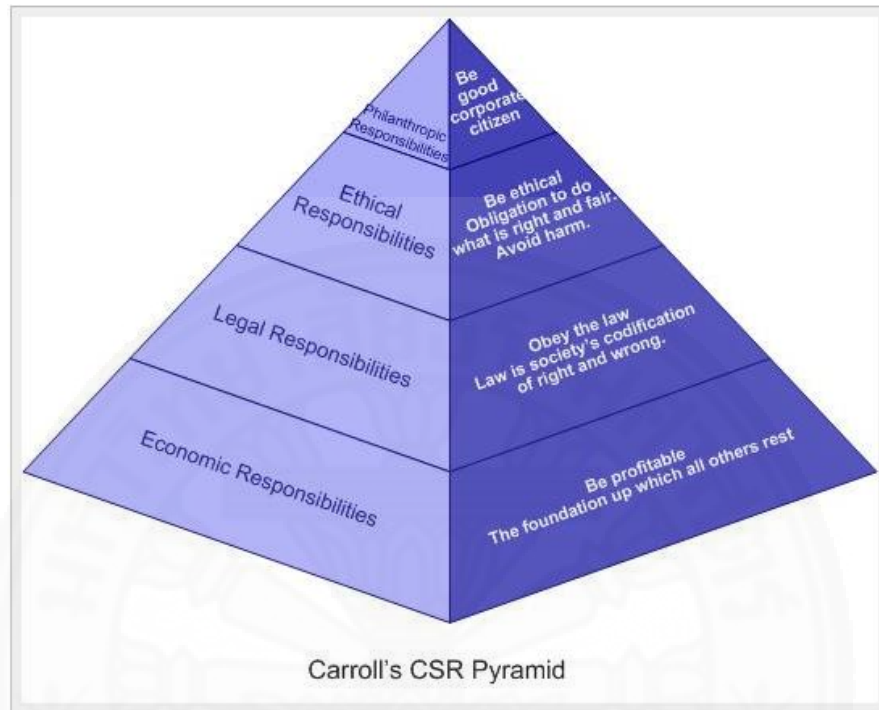
⁶ Ibid., 271.

⁷ Ibid., 272.

⁸ Ibid., 273.

⁹ Ibid., 274.

Figure 2.1
CSR Pyramid by Archie B. Carroll



Source: John Dudovskiy, "Carroll's CSR Pyramid and Its Application to Small and Medium Sized Business," Research Methodology, October 25, 2012, <http://research-methodology.net/carrolls-csr-pyramid-and-its-applications-to-small-and-medium-sized-businesses/>

The economic responsibility in the pyramid involves the responsibility of businesses in producing necessary goods and services required by society and selling them for profit. Legal responsibility demands business to abide by the law and follow the rules of the game. The ethical responsibility consists of the expectation of the society over and above economic and legal expectations. And, at the top of the pyramid, philanthropic responsibility, focuses on something more altruistic, such as improving the quality of life of employees, local community, and ultimately, society in general.

People, Planet and Profit: Triple Bottom Line

The phrase “triple bottom line was first coined in 1994 by John Elkington, the founder of a British consultancy called SustainAbility.¹⁰ It consists of three P’s: People, Planet, and Profit. People refers to fair employee and labour practices, and apart from the supply chain management, can be extended to people in the society and consumers. Planet means sustainable environmental practices. And profit is the economic value created by the organization after deducting the costs of all inputs. The Economist started with profit, people, and planet while sociologists in sustainable development call it planet, people, and profit. However, all three P’s are equal for the supporters of sustainable development. It is a particular manifestation of the balanced scorecard.¹¹ The main idea behind CSR is the triple bottom line principle, implying that businesses should not only serve as economic, but also social, and environmental ends.¹²

CSR has caught the interest of political science, international political economy and international relations in the context of theories of globalization, neoliberalism and late capitalism, and global governance.

2.2 Governments and CSR: Why Would the Government Care?

As mentioned above, globalization has brought negative effects, which is beyond the sole ability of governments to deal with. Stakeholders have been pressuring MNCs and business sectors to tackle the social and environmental problems that go beyond the frontiers. In the case of the EU, the efforts of business can help to reach policy objectives on a voluntary basis, not only sustainable development, but also foreign policy goals such as human development and development assistance, and redistributing corporate resource to public causes;

¹⁰ “Triple Bottom Line,” *The Economist*, November 17, 2009, <http://www.economist.com/node/14301663>.

¹¹ Ibid.

¹² Reinhard Steurer, “The Role of Government in Corporate Social Responsibility: Characterizing Public Policies on CSR in Europe,” *Policy Sciences* 43, no. 1 (2010): 49-72, doi: 10.1007/s11077-009-9084-4

businesses play a leading part in achieving shared objectives of public policy.¹³ The soft law, non-binding character of CSR policies imply comparatively low political costs in terms of resistance by special interest groups. Contemporarily, corporations are less likely to be intervened by state; however, it turns out to be a new form of government intervention, such as CSR policies in the EU, which the Commission and Member States' government provide fields of actions for businesses. It is not an invisible hand or laissez-faire says Adam Smith but an active, vigilant intervention by the governments according to Michel Foucault. A different point of view, such as Haufler's, who frames CSR as an element of the 'third way', between "socialism and capitalism", that provides social protections while strengthening national competitiveness.

Governments inevitably define CSR as a voluntary business contribution to sustainable development and it starts where the legal framework ends. In addition, governments seek to play a more active role in defining the concept and also fostering the respective practices positively with softer, non-binding initiatives.¹⁴

CSR leads to the shift of the public and private sectors involvement.¹⁵ The soft approach of CSR policies coincides with the new global and corporate governance, leading away from hierarchical regulation towards more network-liked and partnering modes of self and co-regulation. New governance and CSR became two complementary concepts bringing states and non-states closer together.¹⁶

CSR initiatives are all characterized by the governing principles of voluntariness and collaboration; consequently, the policy instruments are soft law in character. The UK government's approach, for example, is to encourage and incentivize the adoption of CSR, through best practice guidance and fiscal incentives.

According to Fox, Ward, and Howard (2002), there are four recognized public sector roles for CSR: partnering, endorsing, facilitating, and mandating.¹⁷

¹³ Steurer, p. 1.

¹⁴ Ibid.

¹⁵ Ibid., p. 2.

¹⁶ Ibid., p. 1.

¹⁷ Caitlin Alexandra and Thomson Holmgren, "Integrating Corporate Social Responsibility Policy in the European Union" (Master thesis, University of North Carolina at

Regulating or mandating CSR for EU countries typically involves establishing transparency and accountability norms.¹⁸ France, Denmark, Sweden, and the UK were pioneers in laws on reporting that require businesses to disclose all non-financial information in annual reports.¹⁹ The variety of capitalism practiced by EU member states often correlates with the public sector role for CSR. According to Matten and Moon, CSR can be applied by national governments to remedy deficiencies arising from the institutional characteristics specific to each type of developed economy. For instance, in the UK, a national CSR policy favors financial disclosure because of the highly competitive nature.²⁰ The key determinant of public sector roles and characteristics on CSR is the type of market. Matten and Moon also further that markets are embedded in human society and are created and maintained by state actions. The political, financial, educational, labour, and cultural systems, as well as differences in the nature of the firms, and the organization of market processes, make up the national business system of a state.²¹

2.3 CSR and International Political Economy, Global Governance and International Agreements on CSR

2.3.1 CSR and International Political Economy and Global Governance

The global governance concept built from the well-developed literature on regime theory in international relations. Regime theory involves norms, rules, principles, and decision-making procedures around which actors' expectations converge in a given area of international relations.²² CSR is one of the most striking developments of recent decades in the global political economy. Multinational

Chapel Hill, 2013), p. 9, <https://cdr.lib.unc.edu/indexablecontent/uuid:1cf490cc-1c06-423a-a976-d0d76654e9d6>

¹⁸ Ibid., p. 9.

¹⁹ Ibid.

²⁰ Ibid., p. 10.

²¹ Ibid.

²² David L. Levy and Ramy Kaplan, "CSR and Theories of Global Governance: Strategic Contestation in Global Issue Arenas," in *The Oxford Handbook of Corporate Social Responsibility*, eds., Andrew Crane et al. (New York: OUP, 2008), p. 437.

Corporations are called to respond to social and environmental externalities, leading to a new form of governing structure, such as norms, rules, guidelines, codes of conduct, and standards, which shape MNCs' behavior. Coupled with neoliberal ideology of voluntary approach, CSR is dominated by corporate governance as well as many other economic instances. Considered as one of the prominent actors in global governance, MNCs are frequently seen as a vehicle of globalization, that is, on the one hand, characterized by economic integration and convergence, and, on the other, by social tensions, uneven development, and growing inequality.²³ MNCs become key players in almost every aspect of the society.

MNCs are involved in interactive decision-making and consideration of multiple policies and practices in the creation of an instrument to address global concerns.²⁴ The social, ethical, and environmental problems corporations encounter in the pursuit of business has brought CSR to the forefront and placed it firmly under global governance.²⁵

The International Political Economy contributes to a basic understanding on why and how the European Union, the European countries, and businesses are increasingly engaging in CSR. Some IPE authors claim that the rise of CSR has less to do with a newfound corporate interest in ethics, and more to do with fundamental changes in the global political-economic system.²⁶ Likewise, World Capitalism theory believes that CSR is the strategy of capitalism in response to the counter-hegemonic movements that delegitimize corporate legitimacy. Explained through Hegel's dialectic, social and environmental externalities may not be the direct anti-thesis, but can be complementary to the direct one, which are the global expectations for corporate responsibility. Then there comes the synthesis, CSR.

IPE explains CSR with economic globalization and liberalization, and CSR cannot be isolated from the debate on power and global governance. IPE scholars portray CSR as a functional response to the new challenges presented by economic globalization and the global governance gap, and helps us to understand

²³ Levy and Kaplan, p. 438.

²⁴ Adefolake Adeyeye, "The Role of Global Governance in CSR," *Santa Clara Journal of International Law* 9, no. 1 (2011): 149.

²⁵ Ibid.

²⁶ Ibid., p. 163.

why and how government and companies increasingly engage in CSR. IPE firstly described CSR as just a functional response to external pressures by businesses and then extends to the shifting power dynamics between business, government, and society. CSR is part of a wider neoliberal agenda that tries to recast the boundaries between corporate-centered voluntarism and state-centered regulation. CSR is a political business project with important governing implications. Political processes take place outside state-centered international politics towards private actor governing, whereby business develops voluntary initiatives to regulate social and environmental behavior. The IPE conveys an understanding of a privileged role of business in public policies and implementation and certainly sees CSR as a part of the neoliberal agenda.²⁷

The public anti-globalization upheavals of the mid- to late 1990s are of particular importance to IPE analyses of CSR.²⁸

Political science has produced some research on CSR such as “Self-Regulation within the Regulatory State”, co-regulatory tools such as voluntary or negotiated environmental agreements, and a broad variety of other new governance agreements,²⁹ but still less on CSR and public policies.

2.3.2 CSR and Public Policies

Policy instruments are tools of government to address CSR public policies, which are characterized by thematic fields of action. Reinhard Steurer selected 5 policy instruments and 4 themes on CSR by the EU. The five policy instruments are: informational instruments, economic instruments, legal instruments, partnering instruments, and hybrid instruments. The four thematic fields of action are: raising awareness and building capacities, improving disclosure and transparency, facilitating socially responsible investment (SRI), and leading by example or ‘walk the talk’.³⁰

²⁷ Gjolberg, p. 18.

²⁸ Ibid., p. 19

²⁹ Steurer, p. 3.

³⁰ Ibid., p. 8.

2.3.3 Awareness Raising

Sweden can be an example of implementing economic instrument to incentivize and have an impact on awareness raising. By linking foreign investments to CSR, the government reaches companies that usually pay little attention to CSR. Furthermore, the ‘Payroll Giving’ scheme in the UK grants tax exemptions for employees who donate money to a CSO of their choice via an Approved Payroll Giving Agency.³¹

Informational instruments for raising awareness have been widely implemented by many European governments. Some examples of informational initiatives are funding of research and educational activities, information resources such as websites and reports on CSR such as the website www.csr.gov.uk of the UK government; government-sponsored guidelines that often adapt international initiatives, such as the UN Global Compact, to their respective national circumstances, and the German Corporate Governance Code, and campaign, similar to the Danish CSR campaign “Our Common Concern”.³²

A negotiated agreement between governments and businesses is the most advanced and effective partnering instrument, and according to Mol et al and Croci, this instrument will be the most effective if they are negotiated and enforced “in the shadow of hierarchy”.³³ Partnering instruments, facilitating both awareness raising and transparency, are stakeholders gatherings, such as the Multi-stakeholder Forum, the Global Reporting Initiative (GRI), the Forest Stewardship or the Marine Stewardship Council. A permanent national partnership on CSR is the Swedish “Globalt Ansvar”, meaning global responsibility.

However, both legal and economic instruments have soft characteristics. Even though legal instruments of CSR possess a mandating character that goes beyond recommendations, they are either not universally binding (businesses, for example, do not have to obey label regulations if they do not want to apply them), or enforcement is non-existent or weak.³⁴

³¹ Steurer, p. 11.

³² Ibid.

³³ Ibid.

³⁴ Ibid., p. 7.

One such case of hybrid instruments of CSR awareness raising and capacity building, that combines partnering and informational aspects, is the Dutch Knowledge and Information Centre on CSR. The Center coordinates with the CSR activities in the Netherlands that disseminate information on CSR, and dialogues, and partnerships.³⁵ Furthermore, a well-known hybrid instrument that combines informational and economic aspects in building capacities for CSR is the Eco-Management and Audit Scheme (EMAS), an environmental management system based on an EU directive. It helps organizations to improve their environmental performance on a voluntary basis.³⁶ One award for CSR is an instrument that helps to raise awareness and foster transparency, e.g. the Hungarian Family-Friendly Workplace Award.³⁷ On the contrary, the bad practice ‘naming and shaming’ and blacklists were discussed at EU level in the early 2000s but was never made public.³⁸

2.3.4 Improve Disclosure and Transparency

The French “New Economic Regulations” (NRE),³⁹ a legal instrument to boost disclosure and transparency, requires companies that are traded on French stock exchanges to include social and environmental information in their annual reports, or to publish CSR reports. However, neoliberal works its way on a voluntary basis. This law typically conveys the soft law character of CSR policies because it does not specify the quality of the information to be published, and neither enforcement mechanisms nor sanctions for non-compliance are foreseen. Similar laws exist in Denmark, the Netherlands, Sweden and Spain; however, information on CSR in companies’ annual reports remains unchecked.

The European Commission and EU member states have not adopted any stricter regulations after the serious debates on advantages and disadvantages of mandatory CSR reporting. Instead, some governments have attempted to incentivize firm disclosure by awarding good CSR reports considered as economic instrument, issuing country-specific reporting guidelines, which are mainly based on the

³⁵ Steurer, p. 12.

³⁶ Ibid.

³⁷ Ibid.

³⁸ Ibid.

³⁹ Ibid.

guidelines of the Global Reporting Initiative (informational instrument), and facilitating stakeholder forums (partnering instruments), in particular with those firms that have major effects on local communities such as ports and airports.⁴⁰

Combining information and economic instruments, labels are the oldest and the most important instrument for fostering disclosure and transparency. However, although the government-sponsored label is usually regulated, they are in line with the voluntary character of CSR because companies do not have to adopt them.⁴¹

2.3.5 Socially Responsible Investment (SRI)

SRI is an important lever for CSR because it integrates social, environmental, and/or ethical concerns into the core of shareholder capitalism.⁴² Furthermore, SRI seems to be the instrument closest to legislation. However, Belgian, Swedish, and French governments adopted the laws with soft character because the disclosure requirements for professional investors are low, and sanctions for transgressors are not foreseen. Apart from being a legal instrument, SRI is an economic instrument, like the case of the Dutch Green Fund Scheme where the government grants tax exemptions to lenders and borrowers that conduct green investments and meet certain environmental standards.

2.3.6 Lead by Example

Sustainable public procurement (SPP) is a thematic field of action that the European Commission uses through informational instruments to advise member states and businesses how to make public procurement more sustainable. The EC in 2004 published “A Hand-book on Environmental Public Procurement”. Most of the EU Member States have renewed their procurement laws in line with the two EU directives. The French government facilitates with non-binding statements that are issued by the Prime Minister which provide details and advice regarding the meaning

⁴⁰ Steurer, p. 12.

⁴¹ Ibid.

⁴² Ibid., p. 13.

of the new procurement law.⁴³ In Austria, the environmental criteria catalogue “Check it”, the guidelines “Greening Events”, and the General Government Guidelines, firstly issued in 1988, provide guidance on green public procurement (GPP). In 2004, however, the Austrian council of ministers declined to adopt a revised version of the latter because it regarded the costs of GPP to be unclear. Cost-benefit concerns are, overall, the key obstacle for SPP and GPP throughout Europe.⁴⁴

In the Netherlands, the Dutch PIANOo network is a rare partnering instrument on SPP that uses economic incentives.⁴⁵ All SPP initiatives not only have a role model function, but since they can stimulate demand for CSR, they may also unfold an economic incentive character, at least for businesses interested in supplying to the public sector.⁴⁶

2.3.7 International Agreements on CSR

1. OECD Guidelines for Multinational Enterprises

The OECD Guidelines for Multinational Enterprises are government-backed recommendations on responsible business conduct to encourage sustainable development and inclusive growth. The Guidelines aim to foster positive contributions by corporate to economic, environmental and social progress worldwide. The Guidelines provide voluntary principles and standards for responsible business conducts. The Guidelines’ unique implementation is the National Contact Point (NCP), which assists enterprises and stakeholders to take appropriate measures to support the implementation of the Guidelines. Similar to Michel Foucault’s Neoliberalism, that it is not about laissez-faire but active, perpetual intervention, the OECD Guidelines prescribe national governments to provide effective policy frameworks for business. Interestingly, the Guidelines use hard law in the form of international treaties to require member governments to implement policies which promote good business conduct and the voluntary integration of CSR norms by corporations. As we can see from the Guidelines’ General Policies section, they

⁴³ Steurer, p. 14.

⁴⁴ Ibid.

⁴⁵ Ibid.

⁴⁶ Ibid.

require that corporations respect human rights, strive for sustainable development, avoid improper involvement with local politics, *refrain from seeking exemption to regulatory frameworks*, promote diversity etc.⁴⁷

2. *The United Nations Global Compact (UNGC)*

*“Transforming business, changing the world.”*⁴⁸

The UN Global Compact works with business to transform the world, aiming to create a sustainable and inclusive global economy that delivers lasting benefits to all people, communities and markets.⁴⁹ The UN Global Compact was created to stimulate corporate action in order to support the UN goals such as the Millennium Development Goals and the Sustainable Development Goals. Membership with the UNGC is voluntary. The UNGC asks companies to operate responsibly by aligning with universal principles, take strategic actions that support the society around them, commit at the highest level in putting sustainability into the corporate identities, report annually on their efforts, and engage locally where they have a presence.⁵⁰ The features of the UNGC are principle-based, public-private, multi-stakeholder, global-local and *voluntary* yet accountable.

2.3.8 The Ten Principles:⁵¹

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and labour

Principle 2: Make sure that they are not complicit in human rights abuses.

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

⁴⁷ Constantijn Van Artsen, “CSR in Times of Neoliberal Hegemony,” (Master thesis, Maastricht University, 2013), p. 16, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2271590

⁴⁸ UN Global Compact website, accessed October 10, 2015, <https://www.unglobalcompact.org>.

⁴⁹ Ibid.

⁵⁰ Ibid.

⁵¹ “Ten Principle,” The Global Compact Network Canada, accessed October 28, 2015, <http://www.globalcompact.ca/the-ten-principles/>

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

3. The United Nations Guiding Principles on Business and Human Rights

Endorsed in June 2011, the UN Guiding Principles on Business and Human Rights divides ‘the corporate responsibility to respect human rights’ into two main sections: A. Foundational Principles and B. Operational Principles. The Guiding Principles outline how states and businesses should implement the UN “Protect, Respect and Remedy” framework in order to better manage business and human rights challenges.⁵²

2.4 CSR and Neoliberalism

Neoliberalism, is the dominant free-market oriented socio-political theory of our time. It first passed into mainstream thinking during the 1970s financial crisis, following an election of Margaret Thatcher in 1979. Following her election, Thatcher implemented a number of pro-free market policies, such as widespread privatization, reduced taxes, and deregulation- policies that reflect faith in market forces. US President Ronald Reagan, elected in 1980, was also heavily influenced by Friedrich Von Hayek and neoliberal ideology.

⁵² “UN Human Rights Council Endorses Principles to Ensure Businesses Respect Human Rights,” UN News Center, June 16, 2011, <http://www.un.org/apps/news/story.asp?NewsID=38742>

Neoliberalism reasons that free markets are the superior method of organizing a society, which consists of competing economic actors.⁵³ Neoliberal ideas of human behavior are rooted in neoclassical economic theory, which relies on three basic psychological assumptions influencing individual behavior. First, conceptualizing individuals as rational, decisions of individuals are made on the basis of reasonable calculations, limited primarily by the amount of information available. Second, human motivations are stimulated and influenced by the simple pleasure-pain principles called “materialistic hedonism”. Consumption and avoidance of pain are the predominant sources of personal motivation. And third, the outcomes to ones self weigh more heavily than outcomes to others because of egoism.⁵⁴ These assumptions are combined into a model of human behavior, which is sometimes referred to as “*homo economicus*”, reflecting a self-interested actor who behaves optimally in market environments.⁵⁵ Neoliberals trust that competition is a natural state of affairs in a society consisting of self-interested market actors seeking to maximize their own interests.⁵⁶

This paper believes that the political foundation of CSR comes from power relation and shifting of power between stakeholders, including businesses, governments, and civil societies.

Neoliberalism is selected here because it is not just an ideology and philosophy, yet it is a political economic practice. CSR took root in countries and periods that were dominated by neoliberal rather than welfare state policies, for example, in the UK under Thatcher and in the US under Reagan.⁵⁷ Consequently, Midttun and Moon conclude that CSR began under a neo-liberal concept that facilitated the reducing of government regulations. In contrast, new governance always tended to transcend ideologies of this nature by reshaping the notion of regulation and the state in entirely new ways.⁵⁸ Politics has underpinned the former

⁵³ Van Artsen, p. 30.

⁵⁴ David O Sears and Carolyn L Funk, “The Role of Self Interest in Political Attitudes,” *Advances in Experimental Social Psychology* 24 (1991): 3.

⁵⁵ Van Artsen, p. 30.

⁵⁶ *Ibid.*, p. 31.

⁵⁷ Reinhard, p. 14.

⁵⁸ *Ibid.*

philanthropic concept of CSR to the more complex triple bottom line management, and an instrument to achieve profits.

The political foundations of CSR and concepts depend upon different political circumstances. CSR is undeniably political because to study CSR is to explore a variety of socio-political forces and relations and how they affect and are, in turn, affected by modern business.⁵⁹ Friedman and Hayek argue that CSR is a distinct area from business, and if businesses take public responsibilities, they need to expand their sphere of influence beyond the market, acquire arbitrary and politically dangerous powers, and that governments, at some point, will have to step in to address the resulting imbalance.⁶⁰ In 2006, Porter and Kramer wrote a paper ‘Strategy and Society- the link between competitive advantage and corporate social responsibility’ in Harvard Business Review, marking the reflection of the influence of neoliberalism on CSR that social responsibility ‘can be much more than a cost, a constraint, or a charitable deed- *it can be a source of opportunity, innovation, and competitive advantage.*⁶¹ Porter and Kramer also put it that not only CSR, but also government and, civil society have been collapsed in the realm of the market. All political and social actions are subjected to cost-benefit analysis and economic value creation.

This paper is interested in neoliberal ideology because it believes that ideology must be considered as a practical concern with real effects.⁶² Neoliberalism is a political economic practice, and project with an ongoing endeavor to create a marketized social reality by means of economic reasoning and action.⁶³ Becoming a loose set of ideas, Neoliberalism sets how the relationship between the state and its external environment ought to be organized. Milton Friedman, consequentialist neoliberalism, believes in perceived positive consequences from the political action influencing on the overall economic situation. The practical implementation of neoliberal policies will, therefore, lead to the relocation of power from political to economic processes, from the states to markets and individuals. Brenner and

⁵⁹ Vallentin, p. 9.

⁶⁰ Ibid., p. 13.

⁶¹ Ibid., p. 14.

⁶² Ibid., p. 8.

⁶³ Ibid.

Theodore stated that the work of neoliberalism must be construed as an ongoing process market-driven transformation rather than as a fully actualized policy regime, ideological form, or regulatory framework.⁶⁴

CSR is not only considered as global economic governance with discursive legitimacy. Indeed, CSR might well conflict with the term “disciplinary neoliberalism”. Firms, workers, consumers, and even states are subject to a governance system that combines economic forces of competition with consumerist and free-market ideologies. This system is actively maintained within a political economy of corporate lobbying and influence, and is reproduced within the ideational realm of advertising, mass media, universities, and consultancies.⁶⁵ Critics argue that terms such as CSR, corporate citizenship, and sustainable development reflect a corporate-economic rather than a social or ecological rationality.⁶⁶

According to Mirowski, neoliberalism promotes an economic theory of democracy that makes everything fair game for marketization. Thus, neoliberalism is not distinct from moral contents. It constitutes moral principles to guide political action. In this respect, neoliberal demoralization (through marketization) always involves re-moralization on economic terms or the moralization of the markets.⁶⁷ Neoliberalism assumes that the market can provide solutions to any problems seemingly caused by the market in the first place. According to Mirowski, this is the ultimate goal of the constructivist direction within neoliberalism. According to Foucault, neoliberalism promotes an enterprise society that is subject to the dynamic of competition. Competition is an artificial creation that requires continual government intervention to function properly. Foucauldian notions of power refer power as a positive, productive force that transcends the repressive function of law and government as a conduct of conduct that consists, not in determining how others should act, but in structuring the possible fields of action of others.⁶⁸

It can be argued that CSR is a tool of neoliberalism to unleash capitalism from the charge of causing social and environmental problems and to produce

⁶⁴ Vallentin, p. 9.

⁶⁵ Ibid.

⁶⁶ Levy and Ramy, p. 13.

⁶⁷ Steen, p. 6.

⁶⁸ Ibid., p. 8.

freedom for enterprise and entrepreneurs. With limited state control over global corporate practices, the corporations themselves must take steps to gain trust and legitimacy through voluntary CSR initiatives.

Neoliberals believe that the state ought to be minimal or minimize its strength or size. This goes well with the new form of global governance led by corporate, because states have no authority in the global economic arena and leave the structures and implementation shaped by MNCs. Governing more, especially in the way of supranational entity, the EU allows the voluntarism of enterprises on CSR. It can also be argued that neoliberal governance on CSR differs from the welfare system. Moreover, neoliberalism is something else other than liberalism, as Foucault put it, the problem of neoliberalism is not how to cut out a free space of the market within a political society, as in the liberalism of Adam Smith and the eighteenth century. The problem of neoliberalism is rather how the overall exercise of political power can be modeled on the principles of a market economy.⁶⁹ Thus, under neoliberalism, state, social, and economy and in this case, environment, are not distinct spheres; rather the principles of economy are embedded in all other spheres, resulting in an economization of socio-political sphere.

This paper focuses mainly on Michel Foucault's neoliberalism. According to Foucault, economic rationality is generalized throughout the social body. The functioning of society becomes subservient to the economy and the market becomes the principle, underlying the working of the state and public policy.⁷⁰

It can be argued that CSR in the EU reflects Foucault's point of view on CSR, that neoliberalism is not about laissez-faire, but a call for vigilance, activism, and perpetual intervention by states. In the case of CSR in the EU, the European Commission and Member States have not legalized or enforced CSR, with legal consequences, on businesses, or intervened in market mechanism, but strongly upheld voluntarism by facilitating, and supporting business on CSR as a new form of art of governing.

⁶⁹ John Protevi, "Foucault on Neoliberalism and the Art of Governing," *Warwick Journal of Philosophy* 21 (2009): 24.

⁷⁰ Steen, p.6.

The whole session of individual life can be shaped as the pursuit of a range of different enterprises: a person's relation to his or herself, his or her ethos on professional activity, family, personal property, and environment, etc. are all aimed to be in the enterprise form. The economic rationalization of the whole society and the governing activity is to enable individuals to have an enterprise form to make the competition market possible.⁷¹ For instance, the Irish government supports all kinds of equal opportunity for employment of immigrants and disabled people, which may seem benign, but the main rationality is to facilitate the labour market.

Showing that CSR is more popular in Democratic rather than Republican US states, Linton-Heyes et al (2007) states "*in states where governments are more in favour of redistribution, firms also engage in more progressive CSR redistribution practices because pleasing governments by doing so may result in political and administrative advantages.*"⁷² It can be argued that, even though it seems that CSR is more related to a welfare state than neoliberalism; we can see from the statement mentioned above that businesses can benefit from political and administrative advantages from pleasing governments which reflects a neoliberal root of deregulation and competitiveness. Reducing the political and administrative burden reflects deregulation, and gaining advantages can be interpreted into an instilled capitalism belief. Mathis (2008) concludes that the bureaucratic costs can be lowered due to easier and quicker processes to gain licenses, permits, and other necessary official documents when firms manage CSR performance with transparency. It can be argued that neoliberalism not only has an impact on the rationality, and process on CSR but also becomes the goal of businesses in conducting CSR to achieve deregulation and minimalist state.

The middle way between regulation and self-regulation is to soften the regulation, which is called a co-regulation as an alternative form of governance between the two extremes.⁷³ The shift towards network governance and co-regulation

⁷¹ Protevi, p. 26.

⁷² Steurer, p. 15.

⁷³ Ibid., p. 16.

comes at the risk of denying the inter-play of social interests and of masking power relations.⁷⁴

An author focuses on two neoliberal characteristics: minimalist state and deregulation, and competition.

2.5 CSR and the European Union

2.5.1 How the EU Works with Member States and Businesses on CSR?

Moon and Utting conclude that many states and actors have developed CSR activities further into co-regulatory arrangements where businesses, civil society organizations, and governments test and exert their powers in collaborative and, simultaneously, confrontational ways.⁷⁵ Moreover, proactive public policies on CSR that facilitate co-regulatory arrangements are fundamental of a transformation of business-government relations altogether. This transformation leads away from the hierarchical regulatory state, which is more or less separated from the private sector, towards more networked, enabling, relational, or embedded forms of societal steering, often referred to as societal co-regulation or new governance as opposed to government.⁷⁶

The EU strategies on CSR are built upon the international guidelines and principles, including the United Nations Global Compacts (UNGC), the United Nations Guiding Principles on Business and Human Rights, ISO 26000 Guidance Standard on Social Responsibility, ILO Tripartite Declaration on Principles concerning Multinational Enterprises on Social Policy, and OECD Guidelines for Multinational Enterprises. The Commission encourages member states to set up their national policies adhering to global approaches, and they need to specify it in their annual reports.

The common EU-wide implemented CSR priorities are:

⁷⁴ Steurer.

⁷⁵ Ibid., p. 15.

⁷⁶ Steurer.

1. Member states have initiatives aimed at integrating, disseminating, or shaping global CSR approaches within their national policy framework.
2. The increasing emphasis on business and human rights and responsible supply chain management.
3. Support SMEs in the development of CSR approaches.
4. Social and employment policy aimed at social inclusion.
5. Consumer awareness and responsible business promotion.
6. Reporting and disclosure of business's CSR performance.
7. Development of curricula on CSR awareness.
8. The powerful incentive available through public procurement strategies to encourage various aspects of CSR, be it in the area of social and employment policy or environmental sustainability. Many public administrations are therefore developing toolkits for sustainable public procurement.
9. Socially responsible investment in the context of financial crisis.
10. Financial reporting obligations and anti-corruption policies.
11. Climate change and environmental sustainability.

Number 1, 2, 4, 6, and 8 adhere to OECD Guidelines for Multinational Enterprises. OECD guidelines were first adopted in 1976. Adhering to the OECD guidelines, governments are obliged to use National Contact Points (NCPs) in order to enhance effectiveness of the Guidelines by undertaking promotional activities. There are 24 EU countries that have NCPs so far, according to the data in April 2014. In 2004, the EU CSR policy changed from a pro-active to a passive approach that re-emphasizes business regulation.

According to the Communication Paper 2011-2014, CSR is applicable to all enterprises. Trade Unions and civil society organizations work constructively with enterprises. Apart from the Communication, there is also the complementary, which supports specific kinds of enterprises called the Social Business Initiative (SBI). The SBI deals with the ecosystem required for social business and social innovation to

flourish and contribute to the European social market economy.⁷⁷ Member states are encouraged to set up a national policy adhering to global approaches, and enterprises to develop their own strategic approaches to CSR.

Adhering to the OECD guidelines, governments are obliged to set up National Contact Points (NCPs) in order to enhance effectiveness of the Guidelines by undertaking promotional activities.

The Commission has launched a wide range of programmes to work with enterprises and other stakeholders on critical social and environmental issues, such as human rights and responsible supply chain management, CSR Awards, Social entrepreneurship, reporting and disclosure, and Socially Responsible Investment.

The Commission supports multi-stakeholders approaches and puts every effort in to minimize the additional administrative burden for CSR practices. The government will support the combined effort of business and NGOs where action is required that exceeds their joint capacity, such as in the case of the Dutch government.⁷⁸ Businesses that receive government loans must confirm that they are obliged to the OECD Guidelines. The Dutch government takes initiative in conducting risk analysis preventatively, and addresses an agenda of CSR issues that require urgent attention. The risk analysis will be conducted on sector level and cover the operation at home and abroad, taking the themes in OECD Guidelines as the starting points. Based on the analysis, the government will consult with the sectors identified to explore ways of improving the situation: the focus will be on the structural solutions.⁷⁹ The government offers the platform for stakeholders' cooperation. After the completion of the analysis, the government will announce the priority to be sectors and issues that they plan to set up a voluntary agreement on CSR. Then the government pledges to facilitate that businesses fulfill commitments.

⁷⁷ European Commission, COM (2011) 681 final, "Commission Communication on a Renewed EU Strategy 2011-14 for Corporate Social Responsibility," Oct. 25, 2011, [http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri= COM:2011:0681:FIN:EN:PDF](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0681:FIN:EN:PDF)

⁷⁸ "Corporate Social Responsibility Pays Off," Policy Note (Government of the Netherlands, 2013), <https://www.government.nl/documents/policy-notes/2013/06/28/csr-pays-off>.

⁷⁹ *Ibid.*, p. 7.

Facilitating roles are, as CSR Navigator website suggested by National Contact Point (NCP), originated by OECD.⁸⁰

The EU also fosters peer learning and supports capacity-building for SMEs intermediary organizations.

In the year 2000, in the UK, formal responsibility for the mistake of CSR across the country was assigned to the minister in government under the department of Trade and Industry.⁸¹ The government has also initiated schemes like the Ethical Trading Initiative (to encourage British firms to ensure the observance by their overseas suppliers of “core labour standards”), the Global Citizenship Unit in the Foreign and Commonwealth Office (to enlist business support in the conduct of British Foreign Policy), and the establishment of the Business Partnership by the Department for International Development (to promote business cooperation in meeting goals for reducing poverty in developing countries). The UK’s social responsibility-oriented coalitions are “the UK Business in the Community” (BITC) and the Prince of Wales Business Leaders Forum.⁸²

At the EU level, the approach is that the development of CSR should be led by enterprises themselves. The role for government is to facilitate the adoption of CSR norms through smart meta-regulation and to use mandatory reporting/transparency requirements, self-regulation, public procurement and subsidies as part of their regulatory mix for CSR.⁸³

One of the Commission’s recommendations on the EU policy on CSR, is that the policy should promote the consistency of reporting requirements of which the frameworks applied are soft approach and do not specify the extent or quality of the information to be published, and neither enforcement mechanisms nor sanctions for non-compliance are foreseen.⁸⁴

⁸⁰ “Corporate Social Responsibility,” p. 8.

⁸¹ Ai Leen Lim, “Corporate Social Responsibility and the Role of Transnational Corporations in Global Justice” (Master thesis, London School of Economics and Political Science, 2009), p. 8. <http://etheses.lse.ac.uk/2734/1/U615683.pdf>

⁸² Lim, p. 9.

⁸³ Van Artsen, p.19.

⁸⁴ *Ibid.*, p. 45.

The European multi-stakeholder forum on CSR is one of the Union's strategies on CSR. The Commission Communication of July 2002 formed the basis for this strategy. It is to be used as a platform to promote transparency and of CSR practices. Launched on 16 October 2002, and ran until mid-2004, a report of the forum was presented to the Commission, containing results and recommendations for further action.

The EU has relied on a multi-stakeholder approach, recognizing employees, trade unions, interest groups, communities and citizens - as well as the ecology of the planet itself - all have a legitimate interest in the company. Some say that the EU has rejected the old false dichotomy between voluntary and mandatory approaches. Instead they have built a consensus that a 'smart mix' between the two paves the way to constructive action. Public consultation showed widespread support for a new EU law passed last year requiring companies to report on their social, environmental and human rights impact. In CSR, the EU has learnt not to "blame" companies for what is bad in the world, but to recognize that business needs to be a key stakeholder itself. It is believed by the EU that Europe can engage in "CSR diplomacy" abroad, winning new adherents to UN and OECD Guidelines, championing the concept of "integrated reporting" and specifically negotiating a new 'Sustainable Development Goal' on mandatory sustainability reporting, as proposed by the UN Secretary-General. Transparency remains the key driver for CSR. Furthermore, CSR brings to centre stage the key global debate about short-termism versus long-termism and about the need for long-term investment. Today it is evident that too much of the system continues to reward short-termism. The answer will only come by redesigning the whole structure of remuneration across markets, to incorporate social and environmental goals. Financial and non-financial standard-setters and regulators must be brought together in these efforts.

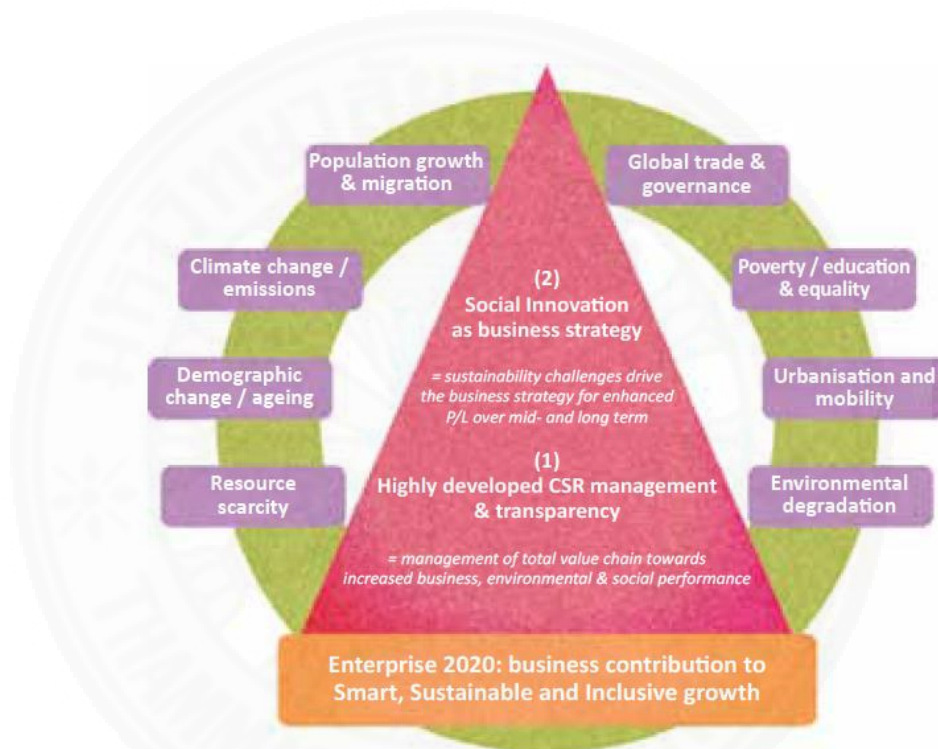
CSR Europe' President Etienne Davignon, former Vice President of the European Commission and former European Commissioner for Industrial Affairs and Energy stated in 2012 that "in the aftermath of the economic crisis, Europe is challenged with the need to integrate environmental sustainability with *economic*

growth and social welfare. Companies have a leading role in addressing these social, environmental and economic challenges that our societies face.⁸⁵

The European Commission supports and strengthens Enterprises Europe 2020 initiative.

Figure 2.2

The European Business' Strategy for Smart, Sustainable and Inclusive Growth



Source: CSR Europe, “Enterprise 2020,” CSR Europe, Belgium, 2012, http://www.csreurope.org/sites/default/files/Enterprise2020%20-%20CSREurope%202012_0.pdf

The European Union, the national government of the EU member states, and business collaborate in tackling social and environmental issues thinks that promoting CSR is a smart, inclusive, and sustainable way. In order to support the strategy of Europe 2020, the Commission invites Member States to develop or update plans and national lists of priority actions to promote CSR.

⁸⁵ “5000 Companies in 29 European Countries Collaborating and Innovating Solution for Society,” CSR Europe, http://www.csreurope.org/sites/default/files/Enterprise2020%20-%20CSREurope%202012_0.pdf

Businesses in the EU prefer soft or voluntary versions of CSR for the market freedom is indispensable if they are to do good.⁸⁶ CSR Europe, a European business network focusing on CSR, has a special relationship with the Commission in CSR policy initiatives. BusinessEurope's, the leading advocate for growth and competitiveness at European level, structural lobbying, and rhetorical power, converted EU CSR, a neoliberal imprint and orientation. The social case for CSR shifted to business case.⁸⁷ In 2002, BusinessEurope and CSR Europe sent a joint letter to the Commission rejecting a CSR approach that would undermine European competitiveness.

In 2000, CSR Europe became increasingly business-driven and put social cohesion into the background. The social inclusiveness goals were supplemented by business objectives.⁸⁸ *"We accept it is based on voluntary commitments, but we do not want to be a blank cheque. We want accountability about the outcomes of what they do. If you don't have standards, you also have free riders and false advertising. The logical step for the Commission would have been to establish transparency rules. We need to have proper information, transparency, and accountability. That's where companies said no."*⁸⁹ This statement explains that the Commission still managed the transparency and accountability to secure CSR credibility. Reflecting Foucault's neoliberalism, authority or government needs to intervene to provide justification and credibility of a market-driven stance. The first Barroso Commission prioritized competitiveness and the reduction of administrative costs over social and environmental objectives.⁹⁰

The European Alliance, becoming a business-led facilitator of competitiveness, abandoned a multi-stakeholder approach and aligned the Commission's CSR policy with neoliberal positions of business. The Commission was heavily influenced by BusinessEurope's "hard lobbying at a high level" and

⁸⁶ Daniel Kinderman, "Corporate Social Responsibility in the EU 1993-2013: Institutional Ambiguity, Economic Crises, Business Legitimacy, and Bureaucratic Politics," *Journal of Common Market Study* 51, no.3 (2013): 3, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2211532

⁸⁷ Kinderman, p. 13.

⁸⁸ *Ibid.*, p. 14

⁸⁹ *Ibid.*, p. 15.

⁹⁰ *Ibid.*, p. 16.

reduced its status to that of a cheerleader for business. Moreover, BusinessEurope is an outspoken opponent of regulation.⁹¹ It had the Commission's financial support and yet CSR Europe instilled the sense of realism in the Commission on matters CSR. CSR is part of the corporate lobbying arsenal. The Commission is committed to creating a more business friendly environment for companies as long as these companies demonstrate CSR.⁹²

CSR has been so important for the EU that the questions 'has CSR failed?' raised following the financial crisis in 2007, intensified in 2008 and impacted the Eurozone in 2010 when Europe was filled with high unemployment and social deprivation. The Commission started to consider their increasing role on CSR since the neoliberal conversion period. However, The Commission's only concrete policy proposal in the area of CSR is an amendment of the 4th Company Law Directive. The Commission's first attempt to amend this Directive to promote non-financial reporting took place in 2003, in the earlier social liberal phase of EU CSR; but this article was ineffective and failed to deliver tangible outcomes.⁹³ There are few indications that the new non-financial disclosure requirement will be unduly burdensome on business. The Commission did not want to propose a policy that was intrusive, difficult, or excessively demanding on business.⁹⁴ The Commission is clear that they have no intention to legislate CSR. BusinessEurope stated in the Multistakeholder Forum during the year 2002-2004 that 'the EU should not interfere with companies seeking the flexibility to develop an approach to CSR according to the specific needs of their stakeholders and their individual circumstances.' 'The more interventionist approach is not the way forward.'⁹⁵

⁹¹ Kinderman, p. 17.

⁹² Ibid., p. 18.

⁹³ Ibid., p. 22.

⁹⁴ Ibid.

⁹⁵ Ibid., p. 23.

CHAPTER 3

NEOLIBERAL POLICIES OF CSR IN THE EUROPEAN UNION

3.1 How Neoliberalism Plays Its Role?

Neoliberalism, is the dominant free-market oriented socio-political theory of our time. It first passed into mainstream thinking during the 1970s financial crisis, following the election of Margaret Thatcher in 1979. Following her election, Thatcher implemented a number of pro-free market policies, such as widespread privatization, reduced taxes, and deregulation policies that reflect faith in market forces. US President Ronald Reagan, elected in 1980, was also heavily influenced by Friedrich Von Hayek and neoliberal ideology.

Neoliberalism reasons that free markets are the superior method of organizing a society, which consists of competing economic actors.¹ Neoliberal ideas of human behavior are rooted in neoclassical economic theory, which relies on three basic psychological assumptions influencing individual behavior. First, conceptualizing individuals as rational, decisions of individuals are made on the basis of reasonable calculations, limited primarily by the amount of information available. Second, human motivations are stimulated and influenced by the simple pleasure-pain principles called “materialistic hedonism”. Consumption and avoidance of pain are the predominant sources of personal motivation. And third, outcomes to self weigh more heavily than outcomes to others because of egoism.² These assumptions are combined into a model of human behavior, which is sometimes referred to as “*homo economicus*”, reflecting a self-interested actor who behaves optimally in market environments.³ Neoliberals trust that competition is a natural state of affairs in a society consisting of self-interested market actors seeking to maximize their own

¹ Constantijn Van Artsen, “CSR in Times of Neoliberal Hegemony” (Master thesis, Maastricht University, 2013), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2271590.30.

² David O. Sears and Carolyn L. Funk, “The Role of Self Interest in Political Attitudes,” *Advances in Experimental Social Psychology* 24 (1991): 3.

³ Van Artsen, p. 30.

interests.⁴ Foucauldian notions of power refer to power as a positive, productive force that transcends the repressive function of law and government as a conduct of conduct that consists, not in determining how others should act, but in structuring the possible fields of action of others.⁵ This paper believes that the political foundation of CSR comes from power relation and shifting of power between stakeholders, including business, governments, and civil societies.

The political foundations of CSR and concepts depend upon different political circumstances. CSR is undeniably political because to study CSR is to explore a variety of socio-political forces and relations and how they affect and are, in turn, affected by modern business.⁶ Friedman and Hayek argue about CSR as being a distinct area from business, and if business takes public responsibilities, they need to expand their sphere of influence beyond the market, acquire arbitrary and politically dangerous powers, and that governments at some point will have to step in to address the resulting imbalance.⁷ In 2006, Porter and Kramer wrote a paper ‘Strategy and Society- the link between competitive advantage and corporate social responsibility’ in Harvard Business Review marking the reflection of the influence of neoliberalism on CSR that social responsibility ‘can be much more than a cost, a constraint, or a charitable deed- it can be a source of opportunity, innovation, and competitive advantage.’⁸ Porter and Kramer also put that CSR, government and civil society have collapsed in the realm of the market. All social actions are subjected to cost-benefit analysis and economic value creation.

The influence of neoliberalism on CSR can also be noted at the international level in the OECD Guidelines: “the ability of multinational enterprises to promote sustainable development is greatly enhanced when trade and investment are conducted in a context of open, competitive, and appropriately regulated markets. Similarly, the UN Global Compact document on ‘The Importance of Voluntarism’ notes that “Voluntarism can foster competition among organizations to be better

⁴ Van Artsen, p.31.

⁵ Vallentin, p. 8.

⁶ Ibid., p. 9.

⁷ Ibid., p. 13.

⁸ Ibid., p. 14.

corporate citizens.⁹ Considering the EU put faith in CSR as one of their growth strategies, apart from competitive advantage they aim to gain, it was said that when a well-run business applies its vast resources, expertise, and management talent to problems that it understands and in which it has a stake, it can have a greater impact on social goods than any other institution or philanthropic organization.¹⁰

The EU scope of CSR refers to companies voluntarily going beyond what the law requires to achieve social and environmental objectives. In 2006, the EU CSR policies changed from proactive to a passive approach that re-emphasizes business self-regulation. In the Netherlands, for example, the dialogue on voluntary CSR agreements has been conducted, along with the Corporate Governance Code, the code of conduct on how companies should organize their own structure of report, which is considered as an instrument of self-regulation.

The whole of section 10 in the OECD Guidelines contributes to “competition”. The goal of the competition policy is to contribute to overall welfare and economic growth by promoting market condition in which the nature, quality, and price are determined by competitive market forces.

It can be argued that the legislative dimension of CSR in the EU comes from national legislation on environmental topics, which is seen as a major driver to stimulate the majority of companies to a response on environmental issues. However, the EU and national legislations relating to CSR are just basic framework, they expect businesses to work more and above the prescribed laws which can be linked to neoliberalism. According to Michel Foucault, neoliberalism is not about laissez-faire, but it is a call for vigilance, activism, and perpetual intervention, and neoliberalism also aims to enhance state intervention to roll forward a new form of governance.

Ronen Shamir argues that the EU policy development in CSR has been dominated by corporate interests to such an extent that all other considerations have been subordinated to the project of securing economic competitiveness and growth, and replacing laws with guidelines relying on self and reflexive regulations. He also proposes that the discourse and practice of business and morality is grounded on

⁹ Van Artsen, p. 44.

¹⁰ Vallentin, p. 14.

neoliberal epistemology that dissolves the distinction between economy and society, where “the social” being is encoded as a specific instance of the economy. As a result, moral concerns become embedded in the rationality of markets. Moral problems and issues are recoded and re-emerged as business opportunities, and this process is driven by the proliferation of globalization and governance, which signifies the moving away from the legalistic, bureaucratic and centralized top-down configuration of authority to a reflexive, self-regulatory and horizontal market-like configuration. He also believes that the discourse and practice of CSR are products of neoliberal imagination and that all voluntary conceptions of CSR lend support to a neoliberal agenda by advocating deregulation. Friedman and Hayek associate CSR with socialism and see it as a subversive, collectivist force that promotes conformity and runs counter to the achievement of individual freedoms. Hanlon has challenged that the notion that CSR is in conflict with traditional business practice is somehow reflective of leftist ideology. In contrast, he argues CSR does not represent a challenge to business, but rather a further embedding of capitalist social relations and a deeper opening up of social life to the dictates of the market place.¹¹ This paper argues the following two points: First, according to Foucault’s point of view on neoliberalism, it needs active, vigilant, and perpetual intervention of governments for neoliberal governmentality; therefore, the deregulation of CSR is regulated like the OECD Guidelines that use hard law in the form of international treaties to require member governments to implement policies which promote good business conduct and the voluntary integration of CSR norms by corporations. Second, the Commission adds to the definition of CSR that “An increasing number of European companies are promoting their corporate social responsibility strategies as a response to a variety of social, environmental, and economic pressures” and if corporations do not respond adequately to these pressures they may in turn suffer economically.¹² Capitalism has always evolved and adjusted itself according to the changes of the world. Coming along with new forms of governance brought by globalization, CSR is a new strategy

¹¹ Vallentin, p. 2.

¹² European Commission.

brought by capitalism and prescribed in a neoliberal way to secure and maintain a hegemonic status of capitalism. Deregulation always involves regulation.¹³

The strong case of neoliberalism has been shown when national governments have no direct authority outside borders, MNCs act freely on CSR. The administrative burden, in the EU, will be limited which will give the companies freedom on how they want to implement CSR and structure the reports. Moreover, the OECD NCP's statement, recommendations, and procedure are not legal and will not lead to any legal consequences. The functioning of society becomes subservient to the economy and the market becomes the principle, underlying the working of the state and public policy.¹⁴ There occurs the neoliberalization of governmental approaches on CSR in the EU.

Legal opinion argues that commentators on CSR have voiced the need for harder forms of enforcement on CSR norms, but there has been political interest instilled by neoliberalism to explain this. Free markets, as conceptualized by neoliberalism, have resulted in a closed-mind discussion of regulatory options and overemphasis on the business case of CSR.¹⁵ Constantijn W. Van Aartsen, an author of CSR in Times of Neoliberal Hegemony, argues that due to its market-based, voluntary nature, CSR tends to induce only incremental changes that do not address structural unsustainabilities and governance deficits in the global economic system.¹⁶ The current legal approach to CSR has failed to achieve its greatest potential in terms of corporate social re-embedding. Politicians determine the legal structure of CSR and have, thus far, chosen a voluntary meta-regulatory approach despite the argument in favour of more direct meta-regulatory approaches. They have proven to be reluctant to use stronger forms of state intervention to regulate corporations. Neoliberalism, the free-market favouring the dominant socio-political paradigm of our time, may be influencing politicians' willingness to interfere in economic issues, even where there is a high social and environmental cost for non-interventionist policies.¹⁷ "Our

¹³ Vallentin, p. 7.

¹⁴ Ibid., p. 6.

¹⁵ Van Artsen, p. 1.

¹⁶ Ibid., p. 27.

¹⁷ Ibid.

contemporary, globalized world has developed into a distinct cultural hegemony whose norms are expressed in free market form.

The problem of neoliberalism is how to achieve the enterprise form and the market competition without hurting the mechanisms of the market. For this purpose, programs of government suggest autonomization or responsabilization of actors and privatizations of services where the ‘efficiency’ is achieved through the market competition, instead of by care of the state. In that sense, the Green Paper and Communication Paper are issued by the European Commission, and the strategy is to be followed, in order to use CSR as an instrument to boost the competition and growth in Europe. There are project-based funding programs that help put them in competition with each other; programs of public-private partnerships (PPPs) that enable state institutions to share the responsibility for the provision of certain public services with private enterprises, illustrate the programs of neoliberal government.¹⁸ Ronen Shamir suggests that the economization of social action proceeds together with the moralization of economic action.

According to the study of the link between CSR and innovation, focusing on small and large firms, companies that engage in strategic CSR tend to adopt a multi-stakeholder approach.

“We are, in other words, witnessing the neoliberal logic of marketization making inroads in governmental approaches to CSR- and obscuring possible tensions and antagonisms between business and society in the process.”¹⁹ The triumph of neoliberal CSR was facilitated by Europe’s institutional diversity and by the dominance of doctrines of liberalization, privatization, and deregulation in policymaking circles, which reflects a rise in business legitimacy.²⁰

Daniel Kinderman illustrated very clearly on the evolution of CSR in the EU and the interaction and collaboration among stakeholders. The key actors in lobbying are CSR Europe and BusinessEurope. CSR Europe has a special relationship with the Commission in CSR policy initiatives. BusinessEurope’s structural lobbying and rhetorical power converted the EU CSR, a neoliberal imprint and orientation. The

¹⁸ Protevi, p. 27.

¹⁹ Vallentin, p. 16.

²⁰ Kinderman, p. 26.

social case for CSR shifted into a business case.²¹ In 2000, CSR Europe became increasingly business-driven and put social cohesion into the background. The social inclusiveness goals were supplemented by business objectives.²² In 2002, BusinessEurope and CSR Europe sent a joint letter to the Commission rejecting a CSR approach that would undermine European competitiveness. We can see the strong support on deregulation on CSR EU from Karen Davidson, a member of CSR Europe's Board of Directors, who said that member companies felt that the EU could be moving too fast towards legislation and that could be anticompetitive for them. The influence from both organizations has shaped the EU CSR policies, and yet the Commission still managed the transparency and accountability to secure CSR credibility,²³ which reflected Foucault's neoliberalism that authority or government needs to intervene to provide justification and credibility of a market-driven stance. As Kinderman said, the commission was heavily influenced by BusinessEurope's "hard lobbying at a high level", and reduced to the status of cheerleader for business. Kinderman concluded that the triumph of neoliberal CSR was facilitated by institutional diversity and by the dominance of the doctrine of liberalization, privatization, and deregulation in policy making circles, which reflects a rise in business legitimacy.²⁴

The European Emissions Trading Scheme (ETS) is an example of market creation in EU CSR. CSR is used to provide a new kind of market, which has socially responsible corporate conduct characteristics in order to gain consumers level of trust which has been decreasing during the economic crisis. The business case for CSR, which is the calculation by the firms on how CSR will reward them financially, becomes generally applied, and the dominance of it is understandable under the current voluntary framework for CSR. Instead of tackling with as many social and environmental externalities as they can, corporations tend to focus on issues linking to their financial performance.

²¹ Kinderman, p. 13.

²² Ibid., p. 14.

²³ Ibid., p. 15.

²⁴ Ibid., p. 26.

The EU has chosen mostly non-enforceable policy modes concerning CSR, those that include endorsing, facilitating, and partnering. The EU has the capability to act as a strong player given its main community competency- the single market- yet has chosen to limit its role to that of information sharing and coordination of actors.²⁵



²⁵ Alexandra and Holmgren, p. 21.

CHAPTER 4

RESULTS AND DISCUSSION

The level of importance in CSR in the EU policy is comparatively high, as the Commission has stated clearly on its Papers and Strategies. In order to find out the rationality and motivations in pushing CSR to a supranational level, it is important to understand the benefits the European countries and businesses derive from it.

To achieve sustainable development (this paper more likely defines as ‘sustainable business’)

The European Commission has repeated its faith in CSR contribution to sustainability in its Renewed Strategy on CSR 2011-2014 by stating:

“Through CSR, enterprises can significantly contribute to the European Union’s treaty’s objectives of sustainable development and a highly competitive social market economy. CSR underpins the objectives of the Europe 2020 strategy for smart, sustainable, and inclusive growth, including the 75% employment target. Responsible business conduct is especially important when private sector operators provide public services. Helping to mitigate the social effects of the current economic crisis, including job losses, is part of the social responsibility of enterprises. CSR offers a set of values on which to build a more cohesive society and on which to base the transition to a sustainable economic system.” (European Commission, 2011)¹

The EC also cites its renewed CSR strategy as “a key element in ensuring long term employee and consumer trust”.²

To provide public goods

Another possible motive for the EU to support CSR as a public policy is the potential of business to become a provider of public goods; more social and economic public goods, like full employment, education, a stable economy, and

¹ Caitlin Alexandra and Thomson Holmgren, “Integrating Corporate Social Responsibility Policy in the European Union” (Master thesis, University of North Carolina at Chapel Hill, 2013), p. 13, <https://cdr.lib.unc.edu/indexablecontent/uuid:1cf490cc-1c06-423a-a976-d0d76654e9d6>

² Ibid.

political system.³ The situation when a market fails and the provision of public goods is decreased could be remedied by market solution.

To gain normative power in an international arena

Taking up CSR yields benefits for the European Union in terms of normative power. Many norms, such as sustainable development, social solidarity, and good governance, defined on the supranational level by the EU, generally come to be seen at the international standard. The EU is neither state nor super-state, and it is not a traditional military power; it is therefore appropriate to being conceived of an *'idée force'*, an ideological power or power over opinion to better approach the European Union's place in international politics.⁴ It can be argued that the EU must be good at what they initiate or define, and they are able to push the norms constituted to become the international standard; to be the benchmark for other countries. This can be seen as one of the long-term and sustainable strategies for competitiveness. Furthermore, the idea of normative power also includes making the European CSR policy enforceable to all European MNCs around the world.

4.1 CSR and Competitiveness

CSR is used as a policy tool to promote competitiveness. It can bring benefits in terms of cost savings, risk managements, customer relationships, human resource management, and innovation capacity. Through CSR, enterprises can contribute to the European Union's treaty objective of sustainable development and a highly competitive social market economy.⁵

According to the World Economic Forum's Global Competitiveness Report 2014-2015, policymakers, businesses, and citizens increasingly realize the that it is necessary for economic growth to be balanced by providing opportunities and benefits for all segments of the population, and also the environment. To summarise, the social and environmental dimensions of an economy, need to be fully considered

³ Alexandra, p. 14.

⁴ Ibid., p. 17.

⁵ Constantijn Van Artsen, "CSR in Times of Neoliberal Hegemony" (Master thesis, Maastricht University, 2013), p. 44, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2271590

in any growth or development agenda. Although the relationships between productivity, social development, and environmental stewardship are complex, the Forum has continued its research into how sustainability relates to competitiveness and economic performance.⁶ A concept of sustainable competitiveness in the Global Competitiveness Report aims to analyze how countries' competitiveness can be evaluated once social and environmental sustainability factors are taken into account.

The World Economic Forum defines "sustainable competitiveness" as the set of institutions, policies, and factors that make a nation productive over the long term while ensuring social and environmental sustainability. It also defines "social sustainability" as institutions, policies, and factors that enable all members of society to receive the best possible health, participation, and security; and that maximize their potential to contribute to, and benefit from, economic prosperity of the country in which they live, and environmental sustainability as the institutions, policies, and factors that ensure efficient management of resources enable prosperity for the present, and future generations.⁷ Sustainable competitiveness can be linked to a broader concept focusing on aspects that go beyond mere economic outcomes. However, sustainable competitiveness will possibly result in long-term economic outcomes.

The European Commission's sustainability objective, presented in the Europe 2020 growth strategy, is one of the key references on the sustainable competitiveness measurement, and another source comes from companies' reporting standards.

The European Union is facing increasing global competition. To secure its position in the global market, they raise awareness on social and environmental factors, and promote responsible competitiveness strategies. Continuing to manufacture in EU countries, enterprises have had to face a significant global competition and have had to be able to identify new tools to gain competitive advantage within the market. The UN Sustainable Development Goals (SDGs) - a development that is adopted in the United Nations in 2015, now appear to be linked more closely to

⁶ Klaus Schwab (ed.), *The Global Competitiveness Report 2014-2015* (Geneva, World Economic Forum, 2014), p. xiii.

⁷ *Ibid.*, p. 55.

competitiveness than they used to be. The link is one of the reasons that policymakers find them attractive.⁸

The World Economic Forum categorizes 18 out of 28 EU countries as innovation-driven economies based on the 12 pillars of competitiveness measurement from the Global Competitiveness Report. In order to face the challenge from large competitive economies, the EU needs to focus on energy efficiency and technological innovation, which also contribute to CSR. According to the World Economic Forum, competitive economies happen to be more innovative, more flexible, and better able to respond to external shocks and, therefore, maintain high levels of prosperity going forward. Strategies to compete with, and live up to, its full potential happen to be the same characters of CSR. Moreover, sustainable business, or growth, has become the global trend which creates a public expectation of growing prosperity that goes hand in hand with social justice and environmental protection.

A mandate from Lisbon European Council in 2000 stated that the European Union has committed itself to transform the European economy into the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment by 2010.⁹ In March 2010, the Europe 2020 Strategy, considered as the successor to the Lisbon Strategy, was formed. It is based on three priorities, and one of the three emphasizes on sustainable growth, aiming at building a sustainable and competitive economy, reinforcing the competitive advantages of European business, and improving competitiveness as well as climate change and energy.¹⁰

According to the research of Margolis and Walsh from 127 empirical studies, there is a positive relationship between social performance and financial performance of corporate. And due to Vilanova, Lozano and Arenas's reviews, learning and innovation are key links of CSR competitiveness. The market performance is the first variable that shows positive correlation between CSR

⁸ Schwab, p. 63.

⁹ "Lisbon European Council 23 and 24 March 2000," European Parliament, accessed 8 October, 2015, http://www.europarl.europa.eu/summits/lis1_en.htm

¹⁰ Ibid.

practices and an increase in market share. The second one is innovation capabilities, which is the most direct and effective competitive strategy originating from CSR initiatives. Organizational innovation can become an important enforcer of competitiveness. A positive relationship between green supply chain management (GSCM) practices and innovation by greening the vendor lists, not only generate environmental benefits, but also competitive advantages by developing greener markets. According to the study by the European Commission, when the European industrial sectors are in the global competitions with actors outside the EU, the promotion of CSR in order to support competitiveness of EU industry makes sense.

CSR and competitiveness can also result in a negative relationship. The EU and national environmental and social regulations will lead to an increase of production costs, and results in a competitive disadvantage. Furthermore, due to an economic crisis, access to capital becomes difficult for businesses, especially SMEs in keeping up with the investment and adaptation to environmental issues. The consumer demands also pose risks because consumers in Europe appreciate ecological friendly products, but are not willing to pay more.

The European Union can measure its position in the global arena and compare itself with other regions and define potential needs for performance improvement through best performing sector analysis. In order to secure its global market position, the EU integrates itself with other regions, while building competitiveness within the Union.

Compared to China and India, the European textile industry is disadvantageous due to higher environmental standards and higher labour costs. According to the study “Does Corporate Responsibility Pay Off?” by the Commission, to gain competitive advantages in textile industry, innovation, and niche markets are strategic success factors for the EU, by helping to decrease production costs, improve product quality, and reduce environmental impact, but they need to pay higher prices than other competitors who are not playing the same game in the short run. This is because the EU is already advanced economically and socially. Thus, the price to compete is higher in the short term but contributes to the strong competitive position in the long run.

Cost reductions and risk managements may also be achieved through CSR activities. In the case of the fashion industry in France and Italy, initial investments tend to pay off over time, due to cost savings from a better management of natural resources, lower litigation expenditure, and lower insurance costs. CSR can pave the way to innovation through the use of social, environmental or sustainability drivers to create new business models, new products, services and processes, and new market opportunities.

Seeing a significant correlation concerning the innovation process, cost and risk reductions may also be achieved through CSR activities aimed at natural environment. Moreover, tax advantages of firms can be attained through positive community relationships. Having positive impact on human resources, CSR helps lowering employee turnover rate and improve employee motivation, such as a Health and Safety program, a decrease in the costs related to retention and absenteeism, such as the case of Italian SMEs from different industries. According to semi-structured interviews with 24 UK small and medium enterprises, it is found that most of the benefits had an intangible nature, mainly connected to an increase in the motivation of human resources.

Itturioz studied 245 SMEs in Spain and found that the outcomes of CSR actions exhibit the strongest association with business value through value chain and internal community. Tantaló et al suggest three categories of CSR actions with a high impact on competitiveness: ethical production management; environmental considerations; and customer value creation.

The Europe 2020 Strategy

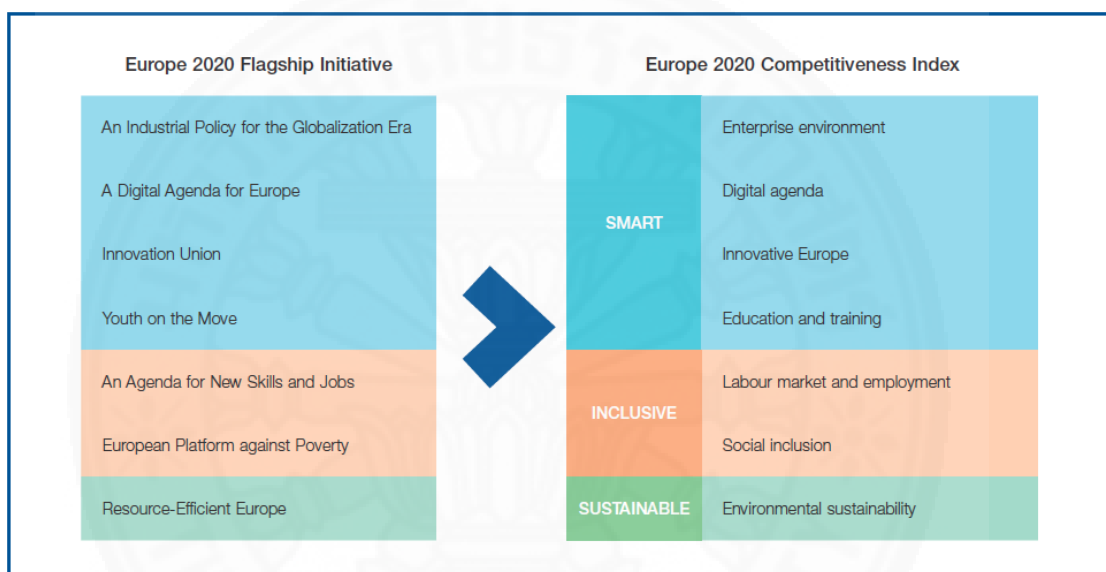
The strategy towards Europe 2020, for Europe to become more smart, sustainable, and inclusive, is comprised of three main dimensions: *smart growth*, *inclusive growth*, and *sustainable growth*. The Commission reveals that the EU is relying heavily on CSR and the business community to achieve its Europe 2020 strategy.¹¹

Due to the result of the Commission public consultation on the EU CSR strategy 2011-2014, 83% of the EC continues to engage in CSR, two-thirds found the

¹¹ Van Artsen, p. 23.

impact of policies useful. CSR impacts the EU in medium and long-term competitiveness and sustainability. It was also noted that the Commission should focus on three priorities on CSR: working at the international level, raising awareness, and improving transparency measures.

Figure 4.1
The Europe 2020 Competitiveness Index¹²



Source: World Economic Forum, The Europe 2020 Competitiveness Report: Building a More Competitive Europe (Geneva: World Economic, 2014), http://www3.weforum.org/docs/WEF_Europe2020_CompetitivenessReport_2014.pdf

4.2 CSR and Innovation

Innovation discussed here means ‘technological innovation’. Evolutionary literature sees technological innovation as a driving force for new resource management in order to sustain competitive advantage. Engaging in social and environmental programs provides valuable resources for the company and fosters product and process innovation. Nidumolu et al stated that CSR and sustainability are now considered as key drivers for technological innovation: the more strategic CSR

¹² “The Europe 2020 Competitiveness Report: Building A More Competitive Europe,” World Economic Forum, p. 8, accessed 18 November, 2015, http://www3.weforum.org/docs/WEF_Europe2020_CompetitivenessReport_2014.pdf.

is, the more radical technological innovation will be. In terms of business, there are two kinds of CSR: responsive and strategic. Responsive CSR can be explained by stakeholder theory and business ethics, strategic CSR is explained with strategic management Evolutionary theories. The strategic CSR is applied to the understanding of the link between CSR and innovation. In the study on the relationship between CSR and innovation, case studies of seven small and large sized companies in France were used. The result concluded that radical technological innovations tend to be created by companies that engaged in strategic CSR, on the contrary, those engaged in responsive CSR tends to incrementally develop their innovations.

According to the European Commission, it is believed that CSR is important for sustainability, competitiveness, and innovation of EU enterprises, and the EU economy. In the interest of the EU economy, CSR makes companies sustainable and innovative, which contribute to a more sustainable economy. And the EC also sees the interest of society because CSR offers a set of values on which we can build a more cohesive society and base the transition on a sustainable economic system.¹³ In the case of the EU, CSR needs innovative initiation and implementation, and innovation creates efficient and effective CSR. Stakeholders in CSR EU believe that increasing innovation is key for CSR and competitiveness. CSR Europe, an organization....., proposed a new EU CSR strategy 2020 by balancing CSR compliance and CSR innovation. The practical action is proposed to support companies' efforts to develop products and solutions that create shared value and sustainable living for all.¹⁴

4.3 Global Competitiveness Index (GCI), The World Economic Forum

The World Economic Forum defines “*competitiveness*” as the set of institutions, policies, and factors that determine the level of productivity of a country.

¹³ “Corporate Social Responsibility,” European Commission, accessed May 15, 2015, http://ec.europa.eu/growth/industry/corporate-social-responsibility/index_en.htm

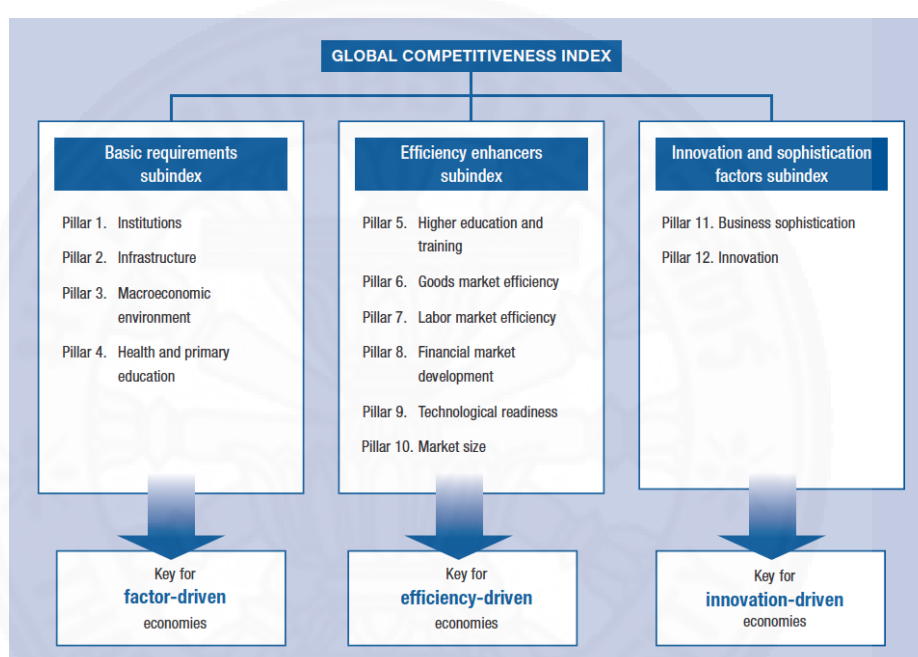
¹⁴ Marina Migliorato, “EU CSR Strategy 2020 and the Work of CSR Europe,” SODALITAS, accessed November 28, 2015, http://www.sodalitas.it/public/allegati/EUCSR_Strategy2020_2015213121453416.pdf

The level of productivity, in turn, sets the level of prosperity that can be reached by an economy.¹⁵ The measurement of competitiveness has been categorized into 12 pillars

To consider the competitiveness of the EU, we can select some related aspects based on the 12 pillars of competitiveness from the Global Competitiveness Report by World Economic Forum.

Figure 4.2

Global Competitiveness Index Pillars of Measurement



Source: Klaus Schwab, *The Global Competitiveness Report 2014-2015* (Geneva: World Economic Forum, 2014), p. 9, http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf

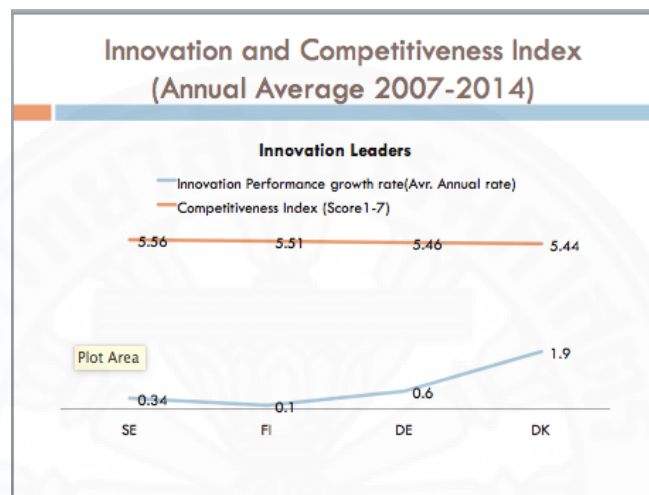
According to GCI framework, business sophistication and innovation are the keys for innovation-driven economies. Innovative performance and Competitiveness Index are selected here, to portray the links between innovation, CSR and competitiveness in the context of the EU mentioned above. The EU takes CSR as one of the main strategies for 2020 by focusing on innovation to generate competitiveness. The innovation performance is conducted by the EC and published in a paper ‘Innovation Union Scoreboard 2015’, developed under the Lisbon Strategy and revised after the adoption of the Europe2020 Strategy to provide a comparative

¹⁵ Schwab, p. 4.

assessment of the research and innovative performance of the EU member states and the relative strengths and weaknesses of their research and innovation systems.

Figure 4.3

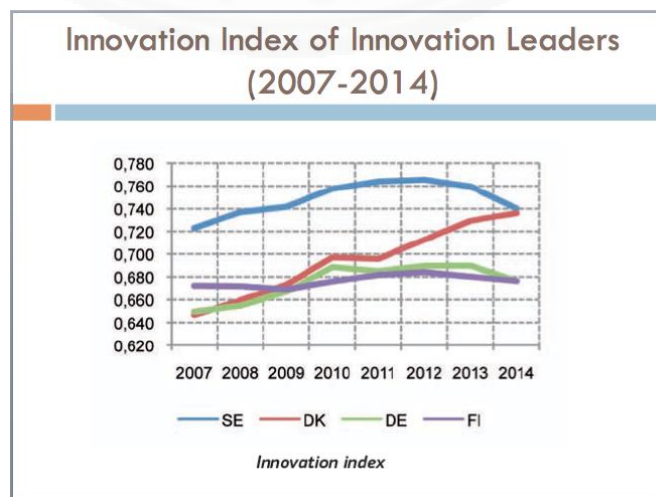
Innovation and Competitiveness Index of Innovation Leaders



The Innovation leader group consists of Sweden, Finland, Germany and Denmark.

Figure 4.4

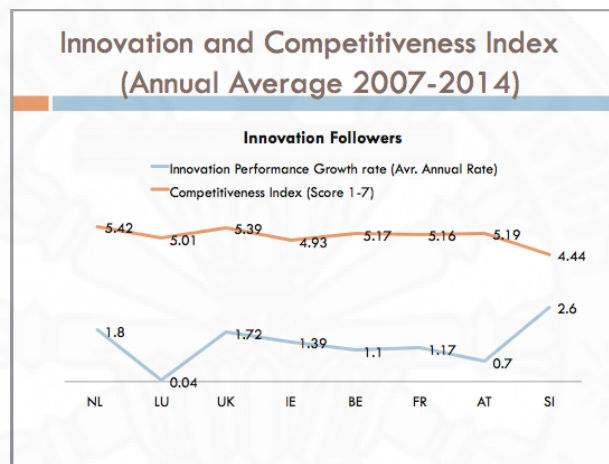
Innovation Index of Innovation Leaders



Sweden and Finland's innovation performance started to decline in the year 2013 when the Global Competitiveness Index (GCI) measured by the World Economic Forum of both countries happened to drop also. Germany's innovation performance started to drop in the year 2014 when the country's GCI also declined. These are the innovation-driven economies of which competitiveness relies on innovation.

Figure 4.5

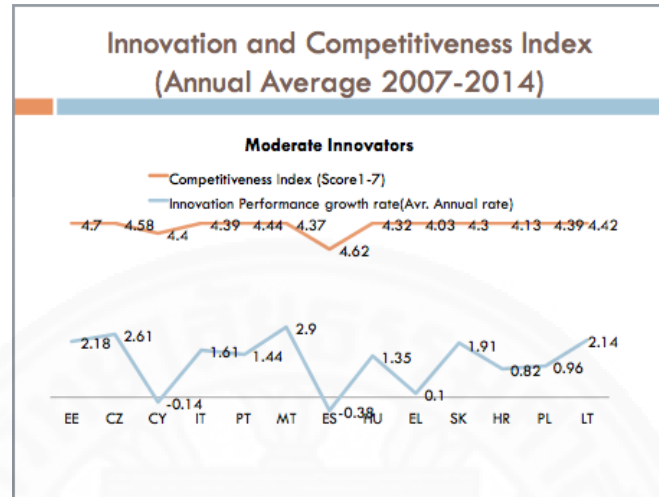
Innovation and Competitiveness Index of Innovation Followers



For the countries categorized as innovation followers, Slovenia's data varied from our assumption. An average innovation performance of Slovenia, from 2007-2014, is the highest among other countries in the group, while an average competitiveness index for the same years ranks Slovenia the lowest in the group. Slovenia's innovation strength covers co-publications, community design, and R&D expenditures in business, contributing to a high score, but these areas are still not enough to push competitiveness.

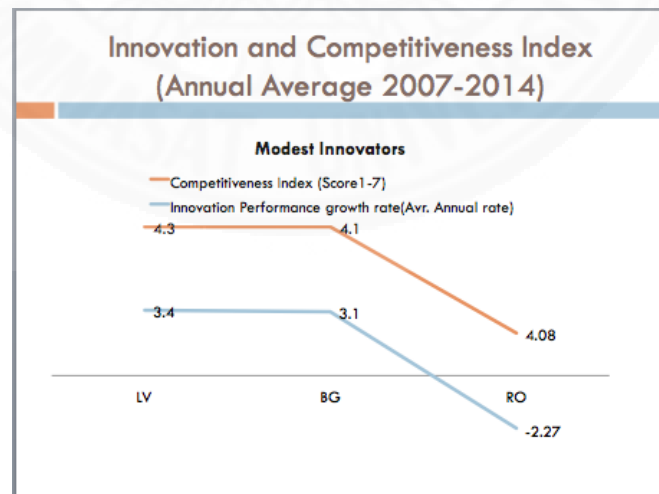
Innovation followers are the Netherlands, Luxemburg, the United Kingdom, Ireland, Belgium, France, Austria, and Slovenia.

Figure 4.6
Innovation and Competitiveness Index of Moderate Innovators



Moderate innovators are Estonia, Czech Republic, Cyprus, Italy, Portugal, Malta, Spain, Hungary, Greece, Slovak Republic, Croatia, Poland, and Lithuania.

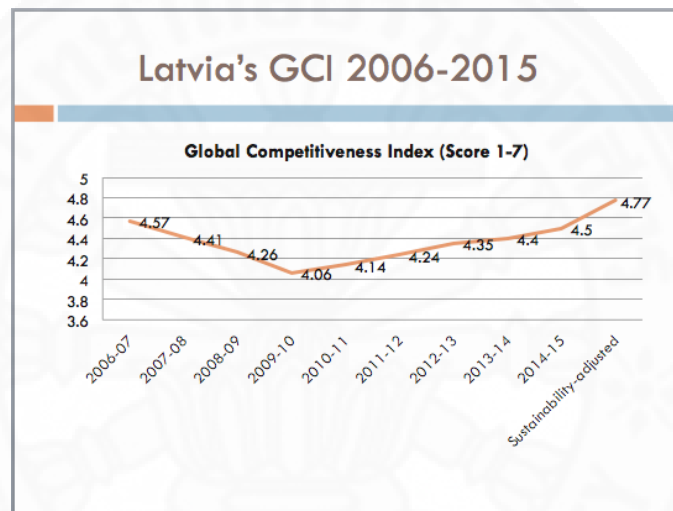
Figure 4.7
Innovation and Competitiveness Index of Modest Innovators



The countries ranked as the lowest for innovative performance are consecutively Latvia, Bulgaria, and Romania. Innovative performance has been

improving for Bulgaria and Latvia. Latvia has been the overall fastest growing country with a very strong performance increase between 2013-2014. Latvia's performance level relative to the EU has increased from 42% in 2013 to 49% in 2014 and the country is close to becoming a Moderate innovator.¹⁶ Moreover, Latvia's GCI is also the highest score among three countries in the group.

Figure 4.8
GCI of Latvia



The GCI of Latvia dropped in 2009-10 and has increased consecutively every year till present, and gets higher on environmental-adjusted GCI. In terms of sustainable public procurement, the Directives established the legal framework for green procurement in Latvia by introducing environmental criteria in tenders.¹⁷

¹⁶ European Commission, *Innovation Union Scoreboard 2015* (European Commission, 2015), p. 14, http://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards/files/ius-2015_en.pdf.

¹⁷ "Corporate Social Responsibility National Public Policies in the European Union Compendium 2014," European Commission, last modified November 3, 2014, <https://ec.europa.eu/digital-agenda/en/news/corporate-social-responsibility-national-public-policies-european-union-compendium-2014>, p.85

4.4 The Global Competitiveness Index of the European Union Countries from the Year 2006-2015 and Sustainability-adjusted Global Competitiveness Index (GCI)

Sustainable competitiveness has become a trend in the world and is also included to consider competitiveness. The concept of sustainable competitiveness underscores more than the concept of sustainable development and considered as a driver for prosperity and long-term growth. The World Economic Forum defines “*sustainable competitiveness*” as the set of institutions, policies, and factors that make a nation productive over the longer terms while ensuring social and environmental sustainability. “*Social sustainability*”, in turn, is defined as the institutions, policies, and factors that enable all members of society to experience the best possible health, participation, and security; and that maximize their potential to contribute to, and benefit from, the economic prosperity of the country in which they live. And “*Environmental Sustainability*” is defined as the institutions, policies, and factors that ensure an efficient management of resources to enable prosperity for present and future generations.¹⁸

Sustainability covers two main areas social and environmental. The World Economic Forum sets social and environmental as independent adjustments to each country’s performance in the GCI. The aggregation leads to three outcomes: an environmental sustainability-adjusted GCI, a social sustainability-adjusted GCI, and an overall sustainability-adjusted GCI that combines the two effects. Each indicator has been given an equal weight within each pillar. Each pillar is converted into “an adjustment coefficient” with a range of 0.8-1.2; this coefficient is then used to adjust the GCI score upward or downward. Consequently, the sustainability-adjusted GCI score ranges between a maximum of 20 percent lower or 20 percent higher than the underlying GCI score.¹⁹

¹⁸ Schwab, p. 55.

¹⁹ Ibid., p. 67.

Table 4.1
Summary of Indicators for Social Sustainability²⁰

Access to basic necessities	Vulnerability to economic exclusion	Social cohesion
<ul style="list-style-type: none"> • Access to sanitation • Access to improved drinking water • Access to healthcare 	<ul style="list-style-type: none"> • Vulnerable employment • Extent of informal economy • Social safety net protection 	<ul style="list-style-type: none"> • Income Gini index • Social mobility • Youth unemployment

Source: Klaus Schwab, *The Global Competitiveness Report 2014-2015* (Geneva: World Economic Forum, 2014), p. 65, http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf

Table 4.2
Summary of Indicators for Environmental Sustainability²¹

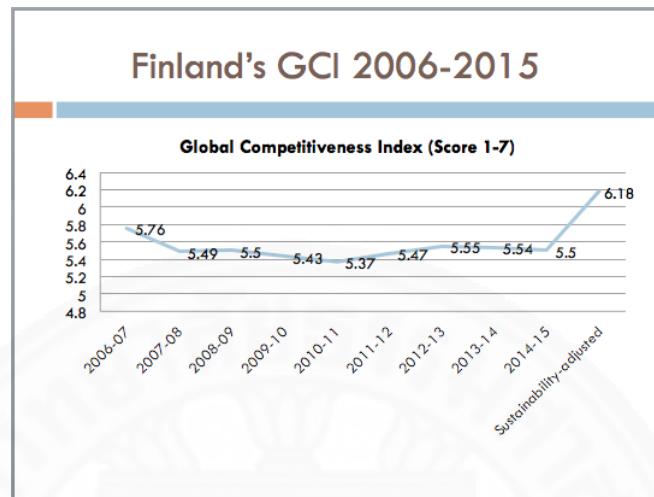
Environmental policy	Use of renewable resources	Degradation of the environment
<ul style="list-style-type: none"> • Environmental regulations (stringency and enforcement) • Number of ratified international environmental treaties • Terrestrial biome protection 	<ul style="list-style-type: none"> • Baseline water stress • Wastewater treatment • Forest cover change • Fish stocks' overexploitation 	<ul style="list-style-type: none"> • Level of particulate matter concentration • CO₂ intensity • Quality of the natural environment

Source: Klaus Schwab, *The Global Competitiveness Report 2014-2015* (Geneva: World Economic Forum, 2014), p. 66, http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf

²⁰ Schwab, p. 65.

²¹ Ibid., p. 66.

Figure 4.9
GCI of Finland



4.4.1 Case of Finland

“Finnfund (Finnish Fund for Industrial Cooperation Ltd.)”, a 92% state-owned development finance company, providing long-term risk capital for responsible private projects in developing countries, and Russia, with various forms of funding, guarantees and co-financing,²² believes that sustainability creates competitiveness and success. Sustainable business practices can have a positive impact on the competitiveness and financial performance of the company.²³ Finnfund projects must produce positive developmental and environmental impacts in their target countries. The goals are to create improved competitiveness and a social license to operate.

Improved competitiveness:

- Improved market position and/ or access to new markets
- Enhanced access to capital and financing
- Increased attractiveness as an employer, particularly for skilled employees

²² “Corporate Social Responsibility,” p. 22.

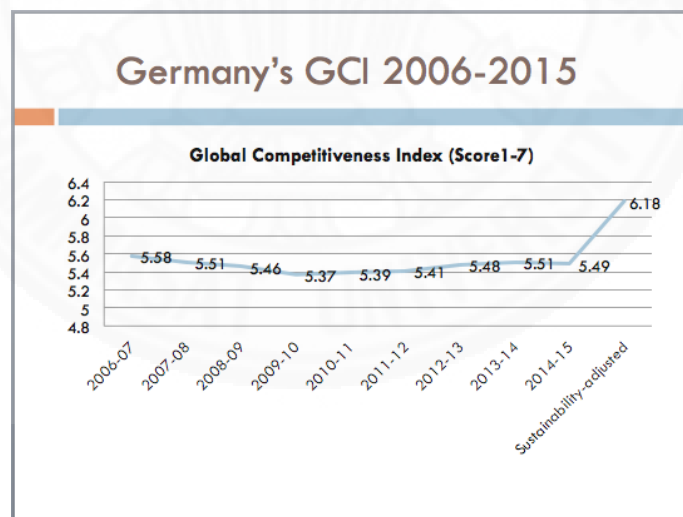
²³ “Sustainability Creates Competitiveness and Success,” FINNFUND, accessed November 28, 2015, http://www.finnfund.fi/yritys/vastuullisuus/en_GB/corporate_responsibility_report/

- Enhanced possibility to receive technical, governmental, or other grants²⁴

The government of Finland is committed to creating transparency in state-owned companies as well as complying with both national and international regulations and guidelines. In November 2011, companies with the state as a majority shareholder are now required to report on non-financial issues.²⁵ It is interesting to study what the difficulties are in requesting private companies to do the same.

The Finnish extractive industry is foreseen to have contributed significantly to the national economy. In this process, social and environmental responsibility is vital to support the credibility and competitiveness of the extractive industry. An action plan for a sustainable extractive industry was launched in April 2013.

Figure 4.10
GCI of Germany



4.4.2 Case of Germany

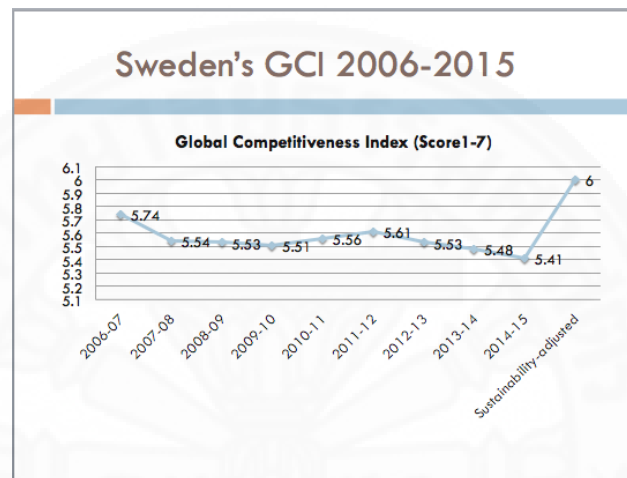
Germany's social sustainability pillar is characterized by relatively low youth unemployment, widespread access to healthcare, and the presence of a social

²⁴ "Sustainability Creates Competitiveness."

²⁵ "Corporate Social Responsibility," p. 40.

safety net. Environmental sustainability is also assessed relatively positively. In 2010, a national CSR strategy was adopted by the federal government. Germany is doing quite well in terms of both social, and environmental factors, which result in an almost skyrocketing shift to their sustainability-adjusted GCI.

Figure 4.11
GCI of Sweden



4.4.3 Case of Sweden

Setting up the link between the EU and national environmental issues, Sweden has created a specific group to work on the EU related environmental issues in alignment to the national environment and competitiveness. The government of Sweden published a national action plan on CSR. Tools for implementation of CSR, in particular, include action plans, technical tools, partnering, and financial support. Adopting NCPs led by OECD, Business Sweden and Swedish companies work closely with national government on sustainable business.²⁶ Sweden is a part of the Nordic CSR strategy, which aims to support the long-term competitiveness of the Nordic business sector, as well as to enhance Nordic collaboration on CSR issues including the promotion of ISO26000. Moreover, the project “the Drivers of Change” is promoted by the Swedish Development Cooperation Agency (Sida)” to implement sustainability and market transformation in order to support organizations that lead

²⁶ “Corporate Social Responsibility,” p. 94.

developments in the field of sustainable business.²⁷ The Swedish government proactively supports CSR in international trade by addressing sustainability of Swedish business abroad. The government also sets up a National Action Plan for the Work Environments, which addresses the use of CSR as a way to raise companies' profitability and competitiveness. Given the focus on social innovation and social entrepreneurship in the government's national innovation strategy, Sweden promotes social innovation through cooperative development and social enterprise programmes.²⁸ As part of bilateral agreements with several countries, Sweden has entered into a Memorandum of Understanding (MoU) to develop consumer awareness and responsible business promotion such as a MoU with China. The National Roadmap has been developed to eliminate climate emissions in Sweden by 2050. A considerable part of the dialogue is with the business community, which reflects neoliberalism in terms of voluntarism, not legislation. There are also national action plans on toxic-free everyday environmental and national waste management plans,²⁹ and many other programmes engaging all stakeholders, especially business. In 2012, the state-owned bilateral development finance institution "Swedfund" committed to the UN Global Compact and the UN Principles for Responsible Investment. Swedfund provides financial support and risk capital for investing in emerging countries.³⁰

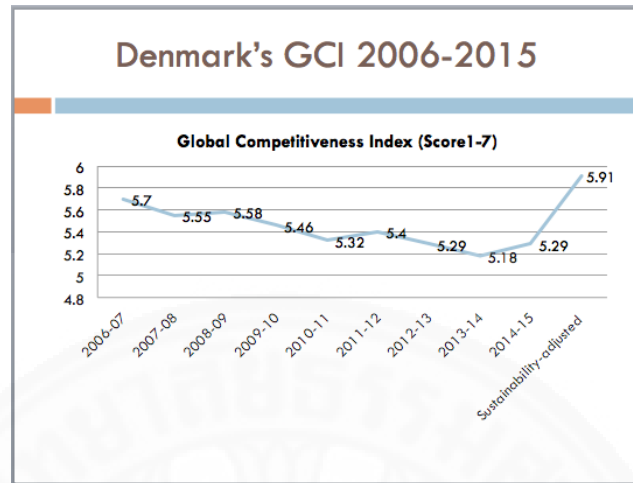
²⁷ "Corporate Social Responsibility," p. 95.

²⁸ *Ibid.*, p. 96.

²⁹ *Ibid.*, p. 97.

³⁰ *Ibid.*, p. 98.

Figure 4.12
GCI of Denmark



4.4.4 Case of Denmark

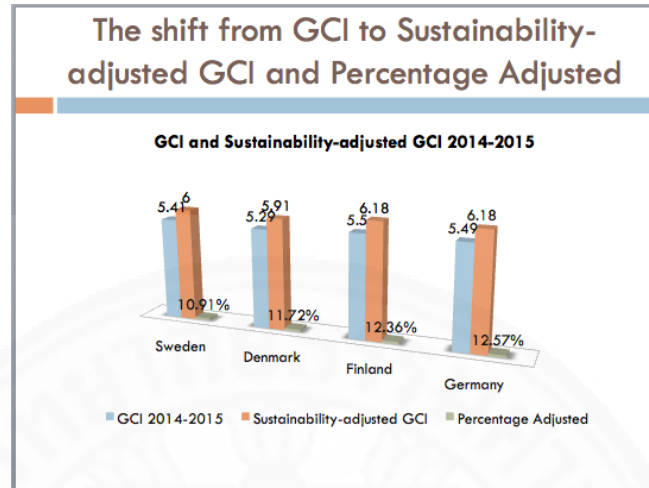
Denmark and Sweden have partnership developments with developing countries to support CSR in international trade. According to the GCI published by WEF, in the year 2014-2015, GCI of Denmark is 5.29 and increases to 5.91 after adjustment by adding two more factors: social sustainability and environmental sustainability. The social sustainability-adjusted GCI of Denmark is 6.14 and environmental sustainability-adjusted is 5.69; therefore, helping to increase sustainability-adjusted GCI to 5.91.³¹ In general, research shows that more polarized societies may undermine trust in democratic and market institutions, leading to greater political instability.³²

³¹ Schwab, p. 68.

³² Ibid., p. 54.

Figure 4.13

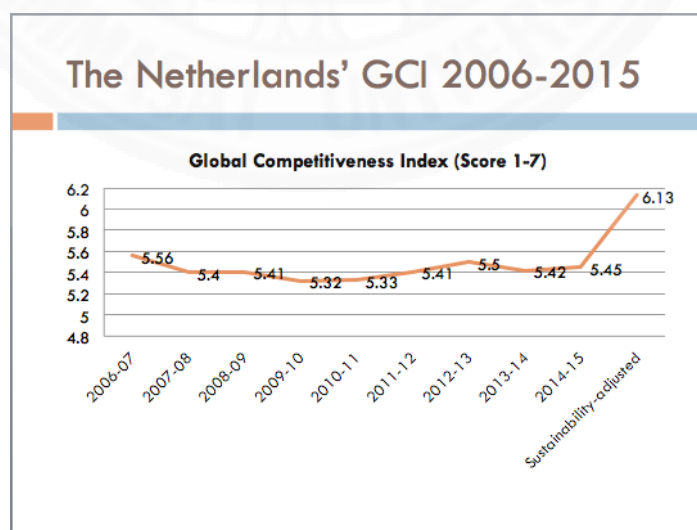
The Shift from GCI to Sustainability-Adjusted GCI



The overall sustainability-adjusted GCI rises in the four innovative leader countries after added social and environmental sustainability-adjusted factors. The minimum and maximum percentage of the study is 20%.

Figure 4.14

GCI of the Netherlands



4.4.5 Case of the Netherlands

In the Netherlands, CSR is an integrated part of sustainable business growth. The CSR Netherlands network provides entrepreneurs with practical tools to integrate People, Planet, and Profit into business processes, the aim is to create sustainable growth. The network was established in 2004 by the Ministry of Economic Affairs, so more than 100,000 entrepreneurs have joined the network.

4.4.5.1 Dutch Government Stimulus for CSR³³

The government encourages companies to take up CSR in various ways:

- The transparency benchmark. Each year, the government assesses 500 corporate annual reports concerning companies' CSR activities. The company with the highest score on the transparency benchmark is awarded a prize: the Crystal.
- The government boosts the development of sustainable products through its own sustainable procurement policy. For example, many ministries only serve organic food in their canteens.
- The government has established a national knowledge centre and network organisation for CSR, MVO Nederland (CSR Netherlands). It is the first port of call for any company wanting to make its operations more sustainable.
- Corporate social responsibility is always on the agenda of Dutch trade missions. Companies can only join these missions if they have endorsed the OECD Guidelines for Multinational Enterprises. Dutch delegations raise the subject of CSR in the host country.
- Companies that comply with the OECD Guidelines are eligible for government financial support for their international trade and investment activities.
- The Sustainable Trade Initiative (IDH) helps companies make their international production chains more sustainable. The IDH was set up with central government support. It aims to boost the sustainable trade in products like cocoa, cotton, tea, coffee, soya beans, and electronics. Dutch companies often have difficulty

³³ "Putting Corporate Social Responsibility (CSR) into Practice," Government of the Netherlands, accessed June 4, 2015, <https://www.government.nl/topics/corporate-social-responsibility-csr/contents/putting-corporate-social-responsibility-csr-into-practice>

recognising and dealing with problems like corruption, forced labour, or pollution in their supply chain.

- Dutch embassies advise companies on the CSR-related risks they may encounter in foreign markets.
- The Dutch government will conduct a sector risk analysis in early 2014 to identify the sectors where problems are most likely to occur. The government will sit down with these sectors to talk about strengthening corporate social responsibility.

4.4.5.2 CSR Guidelines and Tools³⁴

Several guidelines and tools are available for companies that want to put CSR into practice.

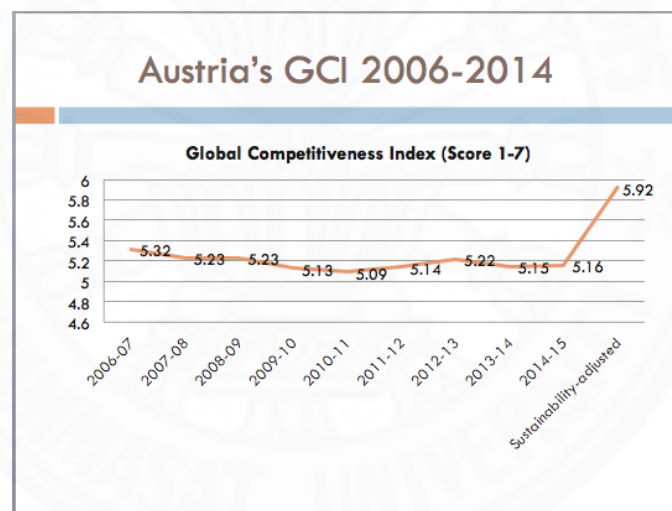
- OECD Guidelines for Multinational Enterprises. These are the main CSR guidelines used in the Netherlands. They include recommendations on environmentally responsible production, anti-corruption, equal treatment of men and women, forced labour, and exploitation. Companies that want to apply the Guidelines should contact the National Contact Point (NCP).
- CSR Navigator. This tool shows companies what guidelines and codes of conduct apply to their sector.
- ISO 26000. This standard for businesses, governments, civil society organisations, and unions offers guidance on, for instance, saving energy, combating discrimination in the workplace, and giving consumers honest information. Companies can assess their performance in the light of the standard.
- ISO 26000 CSR roadmap. NL Agency has drawn up a roadmap to help companies integrate ISO 26000 principles into their operations.
- CSR implementation plan. An online tool provided by MVO Nederland to companies that want to implement CSR.
- The government has published a brochure for companies on dealing with corrupt practices when doing business abroad ('Eerlijk zakendoen, zonder corruptie')

³⁴ "Putting Corporate Social."

- Global Compact is an international network run by the United Nations. Participating companies and organisations pledge to comply with ten principles concerning human rights, labour conditions, environmental protection, and anti-corruption.
- The Eco-Management and Audit Scheme, established by the European Commission, helps companies improve their environmental management.
- SCCM, the platform for certification of environmental and occupational health & safety (OHS) management systems, helps companies improve their policy on the internal and external environment.

Figure 4.15

GCI of Austria



4.4.6 Case of Austria

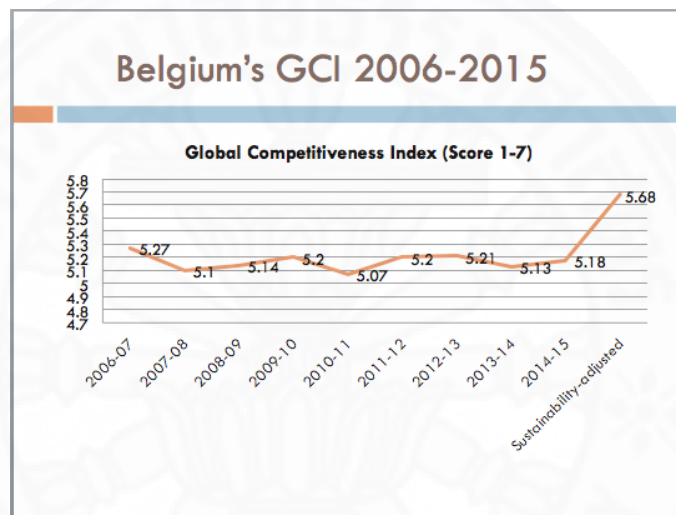
Building on the ILO concept from 1999 “Decent Work”, the Austrian NGO Women’s Solidarity (Frauensolidarität)³⁵ has raised awareness and initiated the project called ‘Toolkit- Women in the global labour market’ financed by the Federal Ministry of Labour, Social Affairs, and Consumer Protection, and the Austrian Chamber of Labour.³⁶ The Toolkit provides examples of how women in the informal economy have organized formally in local organizations and trade unions to support

³⁵ “Corporate Social Responsibility,” p. 30.

³⁶ Ibid., p. 60.

women's awareness and knowledge about their employment rights. Austria supports voluntary initiative and promoting diversity management in the workplace through Diversity Charters³⁷ consisting of a short document voluntarily signed by a company, outlining the measure which will be undertaken to promote diversity and equal opportunities in the workplace.

Figure 4.16
GCI of Belgium

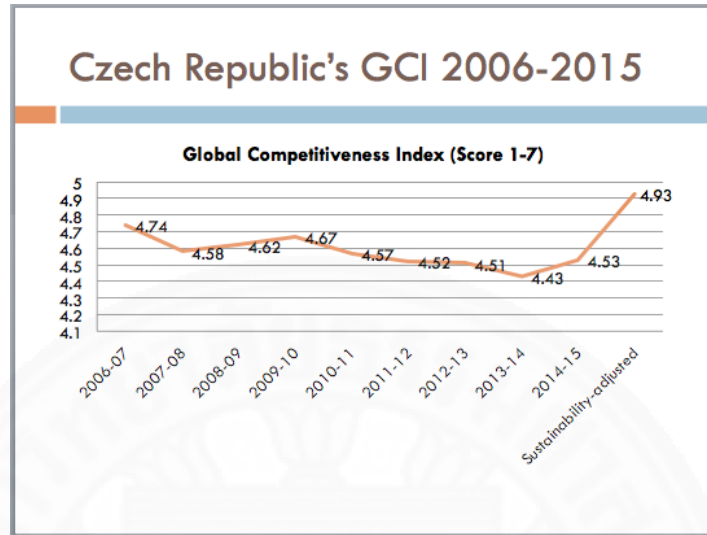


4.4.7 Case of Belgium

The government aims to support trade union's awareness and knowledge about CSR within their sectors by conducting consultations and training.

³⁷ "Corporate Social Responsibility," p. 31.

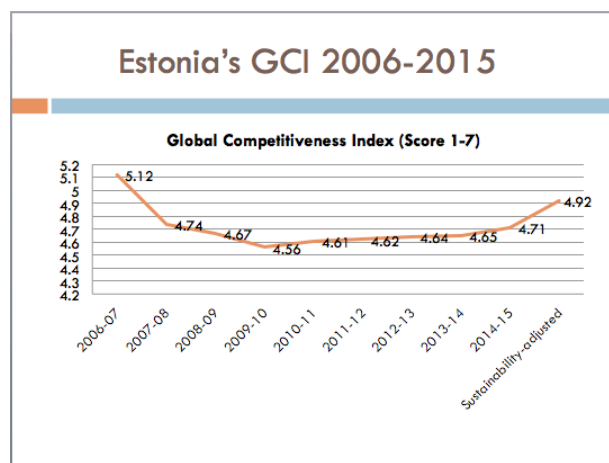
Figure 4.17
GCI of Czech Republic



4.4.8 Case of Czech Republic

The social and employment policy has been planned specifically about ‘women in management’ a plan on how to engage women in management. Czech government and stakeholders will collaborate to monitor the employment of human rights principles in businesses.

Figure 4.18
GCI of Estonia

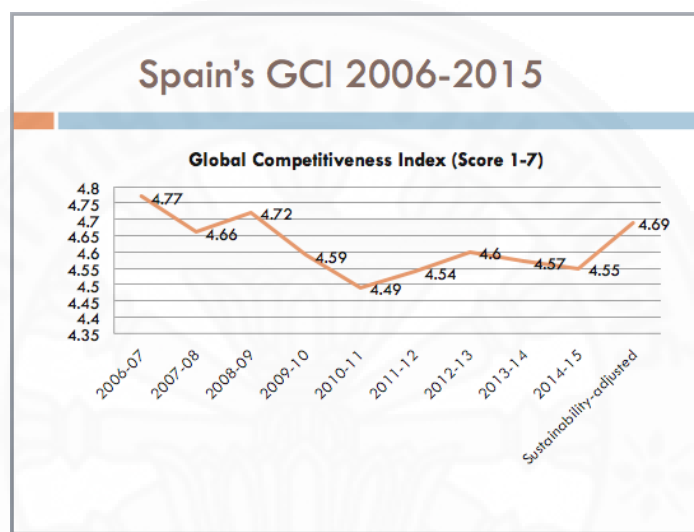


4.4.9 Case of Estonia

CSR in Estonia is focused mainly on education and training by incorporating CSR into the curriculum. The social sustainability factors of Estonia are higher than the environmental side. There is no clear environmental program on CSR.

Figure 4.19

GCI of Spain

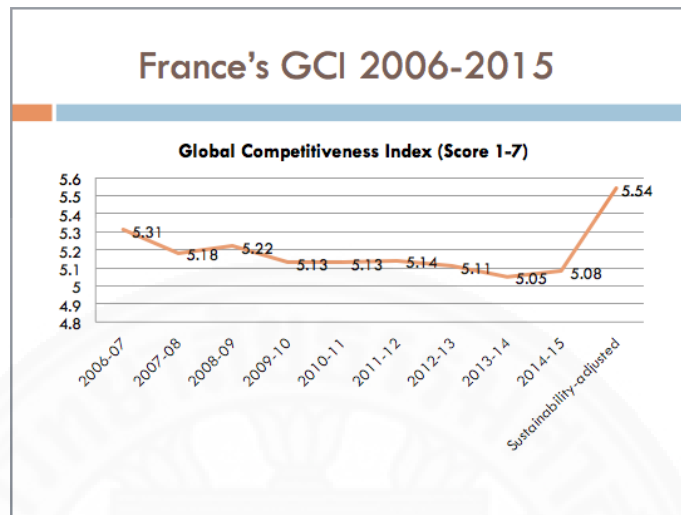


4.4.10 Case of Spain

Social and environmental development of Spain is stable. The indicators of both sides do not affect much on GCI. However, the distinguished part of the Spanish case is to legalize CSR. The Sustainable Economy Act 2011, included specific CSR articles (promotion of corporate social responsibility and sustainability in the management of public enterprises) to create a legal framework for CSR in Spain as its first law.³⁸

³⁸ “Corporate Social Responsibility,” p. 94.

Figure 4.20
GCI of France



4.4.11 Case of France

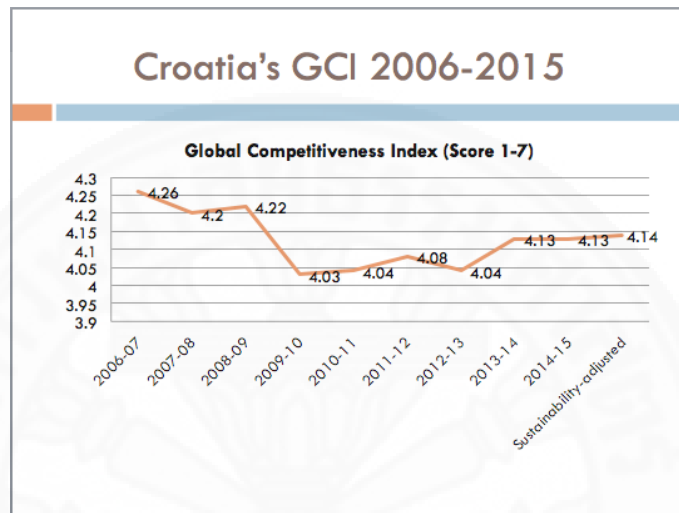
France's social sustainability-adjusted GCI is 5.56 and environmental sustainability-adjusted GCI is 5.52 contributing to a 9.06% increase in total adjusted GCI. Tackling climate change and sustainability, the government supports environmental training of employees, e.g. sustainable development and risk prevention. The government supports the creation of platforms that bring together companies with significant impacts on the environment and support the creation of common environmental management schemes for companies that are located in the same proximity.³⁹ The environmental sustainability factor that could be applied to French examples is a level of matter particulate concentration on the degradation of the environment. The French government has incorporated CSR as part of an international development policy, by providing all ambassadors with "a Roadmap on CSR"⁴⁰ in order to support the development of CSR in third world countries through international development policy. Dr. Alan Brady stated in the ACSUS conference that "we need to make sustainability as education" which means to instill elements of sustainability into an education. The French government is in the third phase of the

³⁹ "Corporate Social Responsibility," p. 74.

⁴⁰ Ibid. p.74

Generalization Plan for Sustainable Development Education that integrates CSR into all levels of the educational system.

Figure 4.21
GCI of Croatia

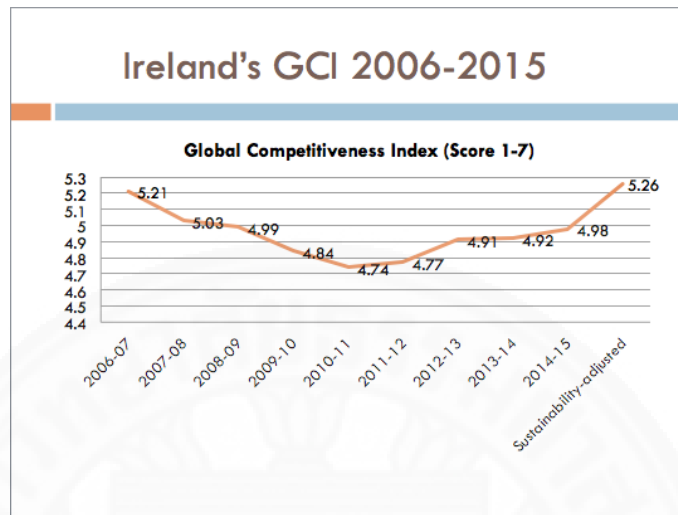


4.4.12 Case of Croatia

A national action plan for CSR in Croatia has recently being developed and adopted in 2014. A voluntary CSR assessment tool for businesses in Croatia called ‘CSR Index’ is based on certain CSR indicators against which businesses can benchmark their practices.⁴¹ Social and environmental sustainability-adjusted GCI is still low compared to other countries in the EU. There are still limited CSR programs and some initiations are at an early stage.

⁴¹ “Corporate Social Responsibility,” p. 63.

Figure 4.22
GCI of Ireland



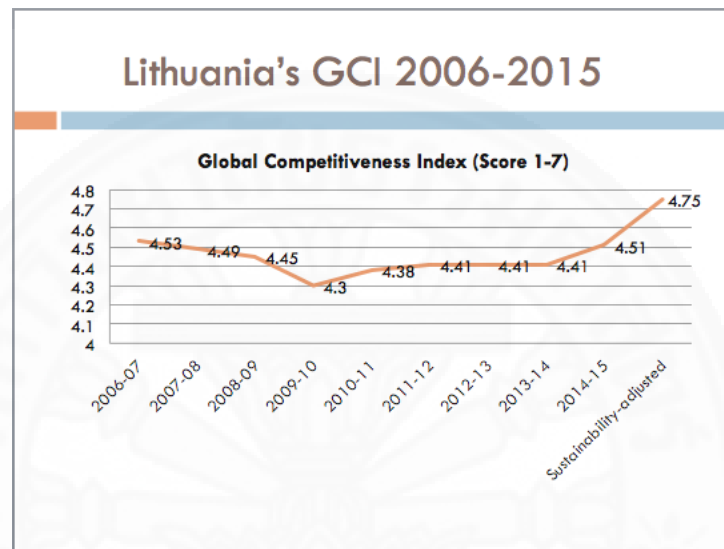
4.4.13 Case of Ireland

Ireland's social sustainability-adjusted GCI is 5.38, which is quite high and helping to push the overall GCI up. The collaboration between government and enterprises is quite distinguished in social and employment policy. To illustrate, 'Excellent Through People Scheme' provides a certification for businesses that implement a model to enhance the working environment for employees, which optimizes people's productivity. 'The Annual Work Life Balance Day' aims to promote the work-life balance. The annual 'Job Shadow Day', is the day that disabled people 'shadow' local employers at work for one day. The day is sponsored by Irishjobs.ie and promotes the importance of equal employment opportunities by demonstrating the value of disabled people. The Employment for People from Immigrant Communities (EPIC) aims to support employment opportunities for immigrants by improving their employability through training that prepares the immigrants for the Irish labour market. This shows that the current labour income is quite high, thus, the Irish could use this strategy to lower the cost of production. The initiative is managed by Business in the Community Ireland.⁴² And the 'Ready for Work Initiative' aims to support the labour market integration of disadvantaged

⁴² "Corporate Social Responsibility," p. 81.

people (e.g. homeless people, criminally convicted, and long-term unemployed) by providing them with training opportunities, work placements, and coaching.⁴³

Figure 4.23
GCI of Lithuania

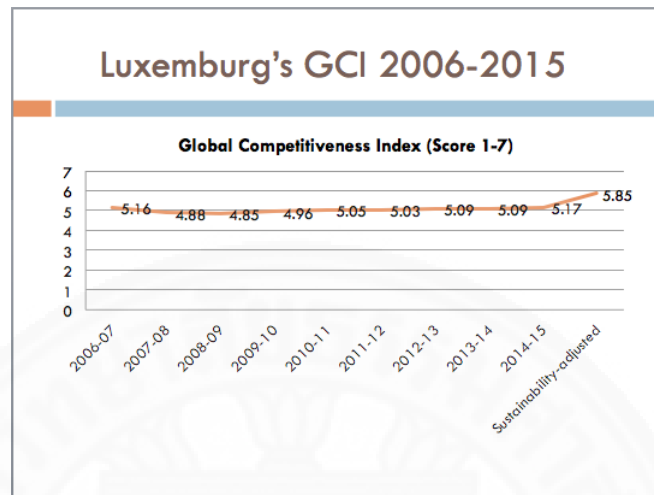


4.4.14 Case of Lithuania

Environmental sustainability-adjusted GCI is 4.85, which contributes to higher overall GCI. The GATES social and environmental business innovations are aimed at promoting CSR in business. GATES was previously operated by UNDP.

⁴³ “Corporate Social Responsibility,” p. 81.

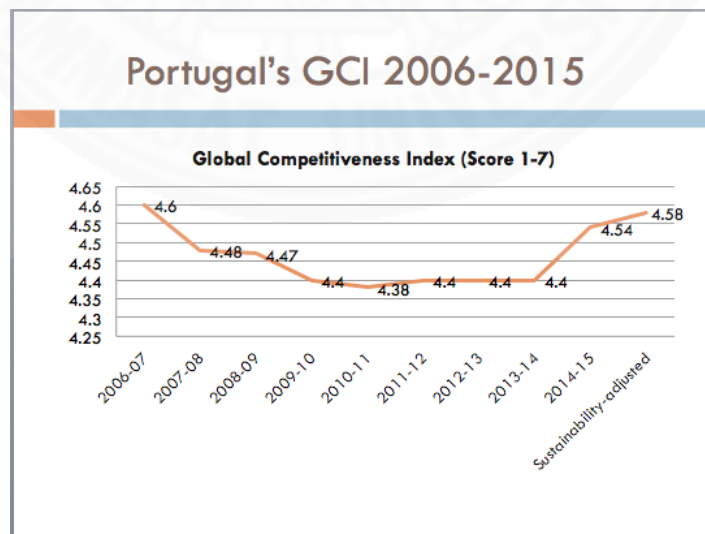
Figure 4.24
GCI of Luxemburg



4.4.15 Case of Luxemburg

Luxemburg has no plan to develop a National Action Plan on CSR yet.

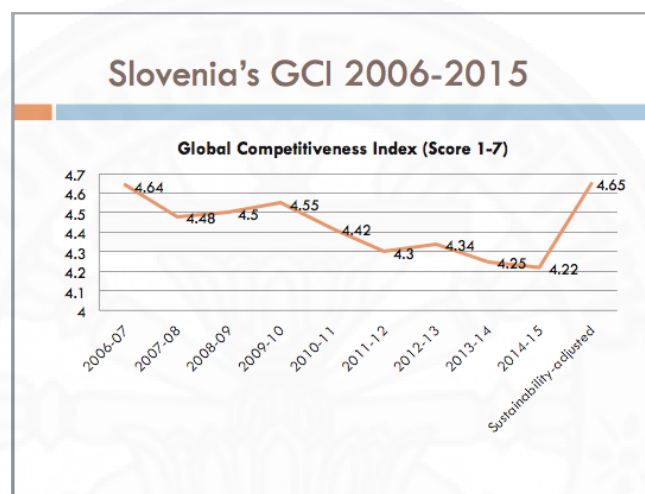
Figure 4.25
GCI of Portugal



4.4.16 Case of Portugal

Portugal's social and environmental indicators are stable and have less influence of competitiveness.

Figure 4.26
GCI of Slovenia

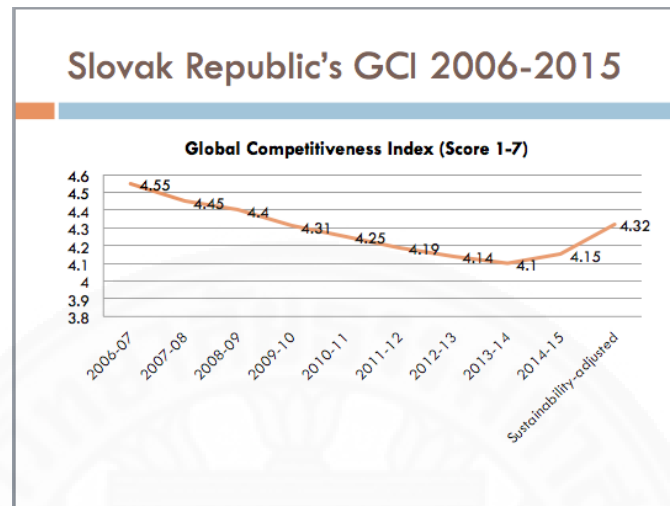


4.4.17 Case of Slovenia

The social sustainability-adjusted GCI is 4.52 and the environmental one is 4.78. Both contribute to an increase in overall sustainability-adjusted GCI. The state supports business projects that encourage the exchange of best practices on CSR and promote socially responsible investment. The Family-Friendly Enterprise certificate is provided to businesses that implement family-friendly policies. Furthermore, the government supports the lifelong learning of older workers. For sustainable public procurement, social entrepreneurship must be included in public tenders. A legal requirement for the inclusion of environmental criteria may be included in the future.⁴⁴

⁴⁴ European Commission, *Corporate Social Responsibility: National Public Policies in the European Union* (Luxembourg: Publication Office of the European Union, 2014), p. 93.

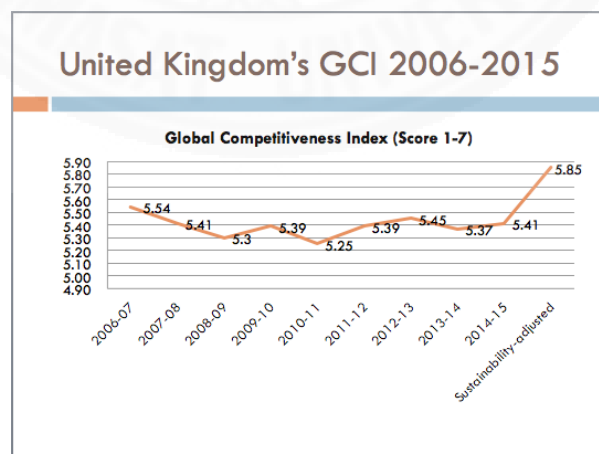
Figure 4.27
GCI of Slovak Republic



4.4.18 Case of Slovak Republic

An underlying GCI of the Slovak Republic does not change substantially when the social-sustainability factors are concerned, but environmental-sustainability adjusted GCI is high enough to help pushing the overall GCI up.

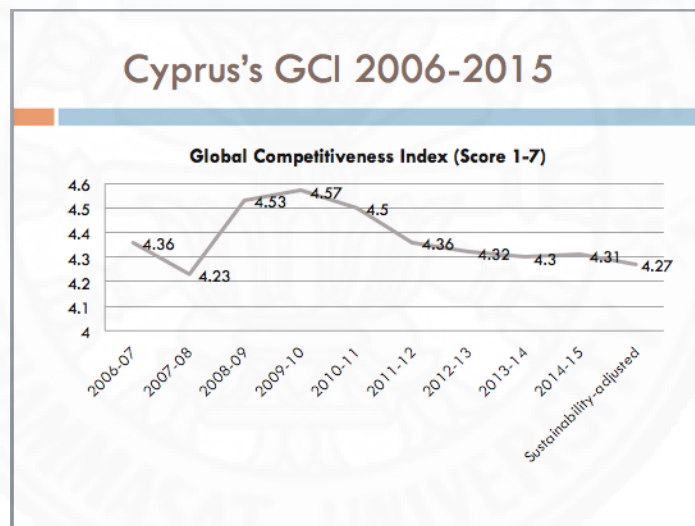
Figure 4.28
GCI of United Kingdom



4.4.19 Case of United Kingdom

The Business and Human Rights Action Plan of the UK government focuses mainly on transparent and responsible supply chain management. The Environmental Reporting Guidelines provide business with a platform to help identify the environmental issues over which they have influence and the steps they can take to address this. A number of voluntary agreements established by WRAP, such as Rippleffect, Hospitality, and Food Service Agreement, help reduce environmental impacts across sectors and the supply chain.⁴⁵

Figure 4.29
GCI of Cyprus



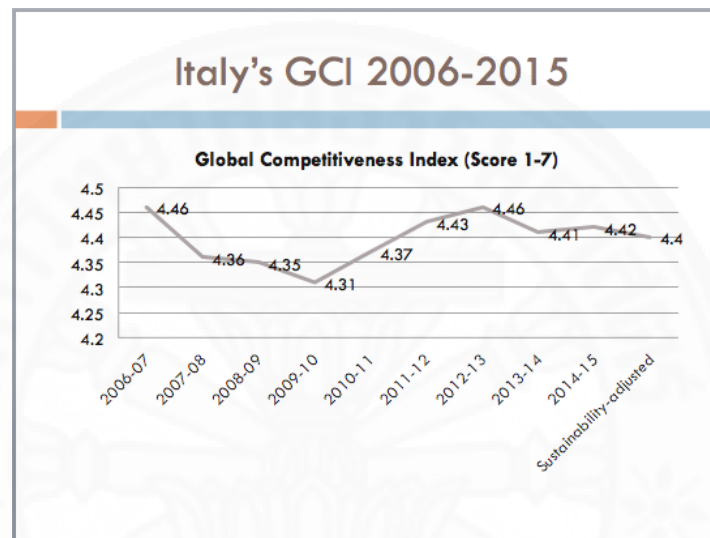
4.3.18 Case of Cyprus

Cyprus is doing fine with a score of 4.48 after social sustainability has been added to the GCI. However, the overall performance of CSR promotion is still at a beginner level, such as the dissemination of CSR guidelines, the promotion on websites, introducing a reporting scheme, general CSR conferences, and promotion of CSR on Human Rights, but no specific, fully practiced programmes or projects. The environmental sustainability has not been clearly addressed according to the CSR Compendium of the EU 2014. Thus, the environmental sustainability-adjusted GCI is

⁴⁵ "Corporate Social Responsibility," p. 100.

4.07 which contributes to the deduction of existing traditional GCI from 4.31 to 4.27. In Cyprus, legislation is being introduced to remove barriers for businesses seeking to develop CSR approaches.

Figure 4.30
GCI of Italy

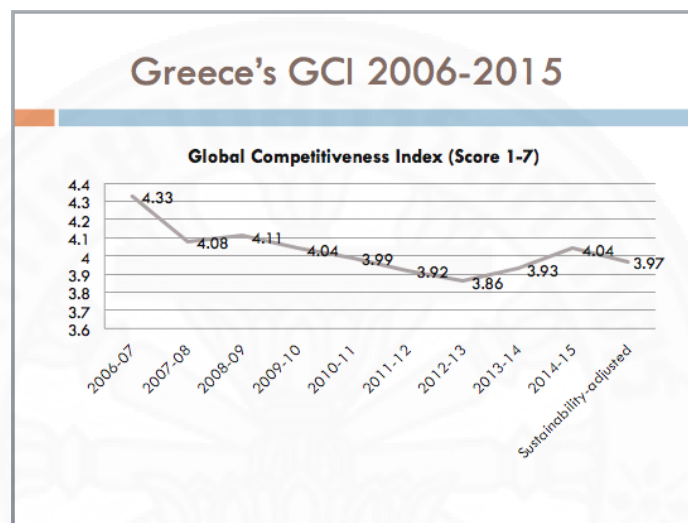


4.4.21 Case of Italy

Italy's trend in social and environmental sustainability is stable, meaning not that impressive, but not too low. However, compared to a score of 4.36 in social sustainability-adjusted GCI, the environmental-sustainability adjusted GCI score of 4.44 helps to maintain the overall sustainability-adjusted GCI, only 0.02 less than the GCI in the year 2014-15. The Italian government supports the implementation of CSR principles in Italian business operations in developing countries, which is categorized as human rights and responsible supply chain management. Social and employment policies that support CSR in this field are still at an early stage. According to CSR National Public Policies Compendium 2014, and the Italian national action plan 2012-2014, the government 'will' support the development of CSR partnerships between trade unions and businesses, and are working to develop a quality management system for businesses and self-employed people to ensure Occupational Health and

Safety (OHS) at the workplace.⁴⁶ These ongoing projects can be categorized in ‘access to healthcare’, and ‘vulnerable employment’, in the social sustainability factors according to the World Economic Forum.

Figure 4.31
GCI of Greece

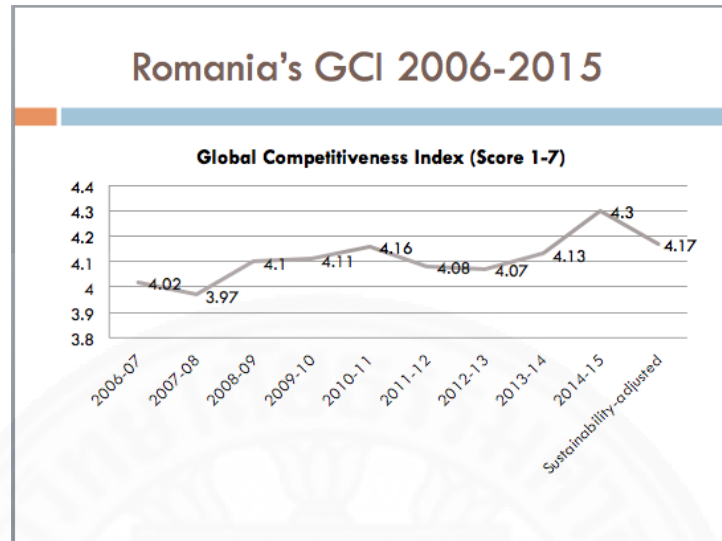


4.4.22 Case of Greece

The social sustainability-adjusted GCI of Greece is quite low at 3.85. CSR programs, in terms of social inclusion and development, are still not clearly addressed. Some initiations are still at an early stage.

⁴⁶ “Corporate Social Responsibility,” p. 83.

Figure 4.32
GCI of Romania



4.4.23 Case of Romania

Romania's score on social sustainability-adjusted GCI is 4.13, and the environmental sustainability-adjusted GCI is 4.21, resulting in lower sustainability-adjusted GCI. Although Romania has some certain CSR programs, CSR does not contribute much on competitiveness. Romania has the lowest potential in innovation and CSR among EU countries.

4.4 ASEAN and CSR

A formally initial attempt of ASEAN to become involved in Corporate Social Responsibility started in January 2007 when the ASEAN foundation organized a seminar in Jakarta on "Good Corporate and Social Governance in Promoting ASEAN's Regional Integration".⁴⁷ For ASEAN, CSR is mainly included in the ASEAN Socio-Cultural Community (ASCC) Blueprint. Thomas Thomas, the ASEAN CSR Network CEO said *'We must balance our quest for economic expansion with principles of corporate social responsibility – responding not just to the need for*

⁴⁷ "Corporate Social Responsibility in the ASEAN Region," ASEAN Foundation, p. 3, accessed December 17, 2015, http://aseanfoundation.org/documents/ed/CSR_in_ASEAN.doc

*more profits, but also ensuring that all the people of Asean benefit in the long-term.*⁴⁸

The ASEAN CSR Network presented its ‘ASEAN CSR Vision 2020’ in 2014 and the launch of this Vision is supported by the Swedish International Development Cooperation Agency.⁴⁹

A multi-stakeholder approach seems to be the strategy of CSR in ASEAN. According to the 4th ASEAN Forum on Rural Development and Poverty Eradication, themed ‘Public, Private and People Partnerships for the Post-2015 Sustainable Development in ASEAN, the recommendations are that the governments need to work in partnership with civil society and business. More expectations are on the business since business has to move beyond just making profits by embedding CSR in their business operations.

There are four notable studies and publications on CSR covering some countries of the ASEAN region that came out during the past several years. In December 2005, the Asia-Pacific Economic Cooperation (APEC) published a report, *Corporate Social Responsibility in the APEC Region: Current Status and Implications*, containing the results of the study conducted in 14 countries in the Asia-Pacific region, including five ASEAN countries, namely, Indonesia, Philippines, Singapore, Thailand, and Vietnam. In December 2001, the United Nations Research Institute for Social Development published a report on *Corporate Social Responsibility in Indonesia*. A more recent article by Edward Manik appeared in the June 2008 issue of *Frontier* entitled *Corporate Social Responsibility: The Indonesian Context*, describing several good examples of CSR programs by Indonesian corporations. In August 2005, Dr. J. L. Gonzales III, a professor from Golden Gate University, published a paper on *Corporate Social Responsibility in Asia*, providing an overview of CSR and its impact on social development with special emphasis on Asia. The APEC report is the most comprehensive of the four publications. It identifies the similarities in CSR practices among the countries of the region, describes the patterns and challenges in CSR activities in both the developed and

⁴⁸ Medilyn Manibo, “ASEAN Aims to Raise the Bar on CSR,” *ECO-Business*, June 18, 2014, <http://www.eco-business.com/news/asean-aims-raise-bar-csr/>

⁴⁹ *Ibid.*

developing countries, and provides detailed observations regarding CSR activities and practices in each of the countries covered by the study.⁵⁰

The United Nations Research Institute for Social Development produced a report on *Corporate Social Responsibility in Indonesia*, which asks and answers two questions: *Do CSR and accompanying voluntary initiatives have the capacity to change how TNCs really behave in their day-to-day operations?* In response to the first question, the report states: “While it is fair to say that CSR makes a positive contribution to the human rights of those working in TNCs, it is also fair to say that it only makes a difference to those few corporations targeted by consumers or who are already thinking ethically and responsibly. Other industries are not under such pressure.”⁵¹

The European Union, a supra-national entity, deals with enterprises and MNCs on CSR on a voluntary basis instead of legislation. ASEAN, a strong, pro-Westphalia association needs a more network-like, civil society, and non-governmental push on CSR. The case study by four countries, namely Indonesia, the Philippines, Singapore, and Thailand, on CSR by Dr. J. L. Gonzales III from Golden Gate University, results in three major conclusions:

- Profitable or competitive business climate and wealth accumulation are necessary preconditions to initiate CSR.
- CSR culture in Asian business derives from spiritual and philosophical underpinnings.
- CSR requires a legal framework that promotes openness, partnerships, and democratization.

⁵⁰ “Corporate Social Responsibility in the ASEAN Region,” ASEAN Foundation, p. 3.

⁵¹ *Ibid.* p. 3.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

According to Antonio Gramsci's belief in cultural hegemony, if you can control the information a person receives, you can influence their emotions and, therefore, their actions. The combination of a cultural hegemony and the belief in the superiority of free markets is known as neoliberalism and has been recognized as the dominant paradigm of our time.¹ Neoliberalism is not only a political, economic practice but a way of life instilled in people's mindset and some, even, do not realize they live their lives in such a way.

Neoliberalism may have caused negativity, such as the failed Structural Adjustment Programs (SAPs) in Latin America or problems in Asia, and other structural violence, which is hidden or has been embedded in many places and societies; however, we still cannot resist this force, the European Union is an example of embracing, not denying, neoliberalism in its policies and practices by using the profit motives, not by restraining it for CSR.

Neoliberalism influences rationality, procedure, and collaboration among stakeholders on CSR in the EU. Minimalist state, deregulation, and competitiveness are core characteristics. The European Commission and national governments play a facilitating role on CSR. The European Union uses profit as a motive for enterprises to conduct responsible business. Innovation seems to be the key variable that drives the European Union competitive streak to secure its global position.

The information and data from the Global Competitiveness Reports and the CSR public policies of the European Union and member countries are not absolutely linked. This paper does not try to deduct and create an absolute assumption that CSR is a main contributor on competitiveness of the EU countries; however, the data proves that CSR does, to some extent, vary according to each country's factors, contribute to each country's competitiveness, and more importantly to the European

¹ Constantijn Van Artsen, "CSR in Times of Neoliberal Hegemony" (Master thesis, Maastricht University, 2013), p. 28, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2271590

Union, competitiveness as a whole. And it helps explain the reason of the European Commission putting CSR as one of the EU main strategies and strongly promoting it.

The World Economic Forum starts to add social and environmental factors to the calculation and produces a sustainability-adjusted Global Competitiveness Index to match with Sustainable Development Goals (SDGs) adopted by the United Nations in 2015. The main references in measuring the sustainability of the World Economic Forum is the European Commission's sustainability objectives presented in the Europe 2020 Growth Strategy. The European Union also sets up measurement relating to CSR, such as Innovation Scoreboard.

Other countries can learn from the EU public policies, which engage business to be the main actor in providing public goods. Other developing regions take a long time to reach the EU level. The ASEAN CSR Network CEO recently stated about the balancing between business profit and people; however, CSR in ASEAN level is still about advocacy and awareness raising. CSR practices are the collaboration between business and non-governmental organizations and civil society, and not in an integration level like the EU yet. However, their national governments can start from analyzing social and environmental problems that impede national growth, competitiveness, and sustainability then plan strategically and improve holistically. Varying in social and environmental problems, ASEAN countries may start to set CSR competency at a national level, and for ASEAN to further work, it needs to look for coinciding competencies that need to be improved at a regional level. The key is to balance between responsibility and opportunity and not being excessively influenced by business lobbying and profits. Other regions and countries may need another model to promote CSR, and the essence of it is practice and evaluation, not only report.

We know from the traditional neoliberal point of view that the *telos* of corporations is profit or return on investment, but social and environmental impact, externalities that businesses also cause worldwide, is beyond what the governments can solely handle. In the EU, profit motives are employed to stimulate CSR. Creating value is vital to creating a better world, but when neoliberalism is the dominant paradigm, we need to select the beauty of it, no matter what the genuine purpose is.

This is another chapter of our globalizing world. If the EU can really pull it off, we are witnessing a great mutual benefit between people, planet, and profit. I believe the profit incentive is attractive enough for enterprises to engage another strategy of business management, they may perceive it that way, but it becomes the same strategy to make a better world if the EU and, in the future, governments around the world work closely with businesses, and if businesses are really sincere on every step, and on what they write in reports.



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