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# **Government as a Driver of Corporate Social Responsibility: The UK in Comparative Perspective**

*Jeremy Moon*

## **Abstract**

In contrast to a lot of recent literature which focuses on business and societal drivers of corporate social responsibility (CSR) this paper examines the role of government as a driver. The paper draws on evidence of two recent UK administrations, the Thatcher (Conservative) and the Blair (Labour) governments, encouraging CSR through ministerial leadership; stimulating new and existing business associations; subsidising CSR activities and organisations; and the deployment of 'soft' regulation. It explains the findings with reference to a wider societal governance crisis which these governments chose to solve with CSR along with a variety of other measures. The concluding discussion assesses implications of and further research questions arising from the findings concerning the nature of initiative and power in business-government relations and the comparative significance of the findings.

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## **Introduction<sup>1</sup>**

Recent literature on the growth of corporate social responsibility (CSR) has tended to focus on the drivers of new business imperatives and new social demands (e.g. Jeucken 2001; McIntosh 2003; McWilliams and Siegel 2002; Zadek 2002). The purpose of this paper is to draw attention to another important and some paradoxical driver; government. This paper addresses the role of two ostensibly very different UK governments, the Thatcher Conservative government and the Blair Labour government in the remarkable growth and institutionalisation of CSR in the UK over the last twenty years or so. It contends that the mainsprings of this governmental interest in CSR are in governance deficits that government and the wider society have experienced over this period. It concludes that CSR needs to be understood as part and parcel of a wider system of national societal governance incorporating government institutions, business organisations and non-governmental organisations.

### ***CSR and Societal Governance***

The term governance denotes the system which 'provid[es] direction to society' (Peters 1996: 51-52) and is thus wider than government alone (i.e. formal authoritative institutions and organisations and processes of the public sector). Governments take a particular interest in this wider system of governance as they may be blamed for its perceived failures. The UK government role in encouraging CSR which the paper presents is therefore explained by the particular societal governance deficits which arguably reflect state and market shortfalls as well as continuing and new societal demands with which traditional institutions have struggled to meet. It is argued that because the governance deficits have been particularly profound in the UK; because governments have identified CSR as a potential contributor to their amelioration, UK CSR has arguably grown more than in other comparable countries in this period (Aaronson 2003).

It was argued by Moon (2002) that in the UK CSR was part of a wider re-orientation of governance roles whereby business was increasingly not only operating in its market mode but also in a network mode with government and non-government organisations in which the inter-dependencies of actors depend neither in authority nor market relations. Instead reciprocity is based upon the recognition and pursuit of

shared interests and values. This is illustrated by the increasing number of cross-sectoral partnerships in which firms and business coalitions engage. It is explained with reference to the 'hollowing out' of government (Rhodes 1996) which, as we shall see below, can be partly understood as a function of wider governance deficits. In the conventional post-war image of British governance, when business partnered government it was usually through involvement in policies for enhancing production or for regulating commercial activity (Grant 1993). When firms enter relationships with the non-profit sector it tended to be in a philanthropic or arms length fashion. In contrast, contemporary UK CSR draws business into participation in the formulation and enactment, or 'steering' and 'rowing', of community action (with non-profit organisations) and of public policy (with governmental organisations).

Moon (2002) identified three levels of business motivation for these developments: firm specific; collective business interest; and collective interest in society and three reasons for governments to encourage CSR: it can substitute for government effort; it can complement government effort; and it can legitimise government policies. This paper focuses on the ways in which government has encouraged the development of CSR in the UK; relates this to the wider governance problems with which governments and other social actors were faced; and argues that this has contributed to the relative growth of UK CSR.

### ***Models of CSR***

CSR is a difficult concept to pin down. It overlaps with other such concepts as corporate citizenship, sustainable business and business ethics. It is highly contextual not only in terms of its corporate environment but also in terms of its *national* environment – the context of this paper (Chambers et al 2003; Fukukawa and Moon 2004; Maignon and Ralston 2002). Moreover, CSR is an 'essentially contested concept' by virtue of its appraisive, open and internally complex nature. Thus its' definition will necessarily be challenged by those who wish to contest the reach and application of any version of CSR extant (Crane, Matten and Moon 2003). In essence CSR refers to business responsiveness to social agendas in its behaviour and to the performance of these responsibilities. There are various concepts which overlap with or are synonymous with CSR whose precise points of similarity and

difference are not the subject of this paper e.g. corporate citizenship, environmental responsibility, sustainability, social and environmental accountability.

Conventionally CSR has been regarded as philanthropic behaviour additional to the main for-profit activity and beyond the requirements of the law (though some writers, e.g. Carroll (1979) argue that obeying the law constitutes a part of business responsibility). However, certain contemporary trends have challenged these assumptions. First, there is a view that CSR is about 'how business is performed' not just its involvements outside the firm. This requires corporations to apply CSR principles to their own operations (e.g. in employment, supply chains, reporting). Secondly, there has emerged a great interest in the 'business case' which considers CSR as part of the process of adding value to the corporation. Thus CSR is increasingly seen as intrinsic to conventional business functions from research and development to marketing (McWilliams and Siegel 2002). Thirdly, with respect to the assumption that CSR is 'beyond the law' there has developed a certain amount of 'soft' legislation which seeks to encourage and enframe CSR (see below).

The paper continues by sketching the historical place of business in UK societal governance; by outlining the nature of the deficits in societal governance that emerged in the last quarter of the twentieth century; by illustrating the ways in which governments over that period have encouraged CSR; and by indicating ways that CSR in the UK has grown and become more institutionalised. The implications of these findings are discussed in the Conclusion.

### **The Historical Place of Business in UK Societal Governance**

From the late eighteenth through the nineteenth century industrialisation and urbanisation changed the face of the UK (Deane 1969; Mathias 1983). The social and environmental consequences of this were administered in a number of ways. Legislation provided a regulatory framework and inspectorates for such issues as product and labour process standards. Trade unions, generally operating on a free collective bargaining basis gradually emerged as the main vehicle for extending and protecting workers' rights and pay. Municipal government provided the major infrastructure for two main by-products of urbanisation, sewerage and fresh water. However, whilst local government had historically provided assistance of last resort to

the impoverished, it was unable to adapt to the task of providing assistance to mass urban society. Into this gap stepped general philanthropy, often premised on religious values, which sought to address poverty and what were regarded as associated social malaises of alcoholism and the neglect of children, for example.

Aside from its new and transforming market roles<sup>ii</sup>, business was principally manifest in this system of societal governance in the form of paternalism whereby certain companies provided a social infrastructure for workers and their families. This included housing (for employees and their families and even for former employees); retail outlets (sometimes perniciously trading on tokens that workers earned in lieu of pay); education; baths; pubs<sup>iii</sup>; and other recreational facilities. Companies like Cadbury's and Lever Brothers became by-words for corporate philanthropy which, in some cases, reflected the wider values of the factory owners as well as calculations about the business imperatives to maintain a loyal workforce (Cannon 1994). In sum, the contours of social responsibility provided through business in nineteenth century Britain can be understood by the social agenda which industrialisation and urbanisation had created and by the nature and extent of other sources of social provision as well as by philanthropic and business impulses within the companies.

From the beginning to the middle of the twentieth century the UK saw a major growth of state provision in areas which corporate and other forms of philanthropy had previously engaged. This was manifest in public employment, sickness and old age insurance systems; tax payer funded educational provision; tax payer funded health provision; the provision of basic utilities of water, energy and communications systems. Although these services were often delivered by local governments or devolved central government agencies they were in large part creatures of the national government (King 1973; Rose 1976; Rose 1976). As a result the scope for a direct role of business in responsibility for society appeared to narrow to a form of philanthropy. This was mainly in the form of charitable donations which were removed from the core business activity and where company chairmen could support a favourite charity rather than reflecting some broader business orientation. In addition membership of such business associations as the Rotary Clubs and Chambers of Commerce enabled individual business people to engage in local social issues, in a philanthropic mode.



This contrasts with the more substantial non-market role of business in American society. Although American foundations are strictly speaking removed from their benefactor corporations, they provide a range of social responsibilities from poverty alleviation to medical research and higher education funding (Dowie 2001). This was in part a function of a more general habit of participation of Americans in society (de Tocqueville 1966) as well as in philanthropy (Bremner 1988) but also by the 'spaces' that US governments created for CSR to fill (King 1973) and through the incentive structure of 'soft legislation' in the form of tax expenditures to employers providing employment and health insurance (Rein 1982).

More broadly, British business contributed to societal governance in rather sporadic and uneven ways through self-regulation (most significantly in the financial system); individual relations with government departments; participation of industry associations (e.g. in training systems), and through the participation of the Confederation of British Industry in industry and economic policies. (Grant 1984; Grant and Marsh 1977) and As a result, business was regarded by the distinguished American observer of British politics, Samuel Beer (1965), as part and parcel of a relatively benign and consensual social, political and economic compact between producers and consumers.

The last twenty years have seen dramatic changes in the social role of British business such that CSR has grown and become more explicit. This development and the place of CSR in broader UK societal governance can be better understood in the context of a crisis in the system of governance which was so dramatic that Beer entitled his second book on British politics *Britain Against Itself* (1982). One part of the strategy of successive governments in response to this has been the encouragement of CSR. First, though, the paper presents the factors which caused Beer and other commentators to so radically reverse their benign view of British governance.

### **The Governability Crisis, New Governance and CSR**

This section outlines the crisis in governability and legitimacy and the governance deficits that emerged in the final quarter of the twentieth century which, it is argued,

have prompted successive governments to encourage CSR and to draw it into a new system of governance.<sup>iv</sup>

In the 1970s and 1980s, political analysts in many western countries were pre-occupied with the questions of governability and legitimacy. This was from a number of theoretical perspectives, including neo-Marxism (Habermas 1975; Offe 1980) and neo-liberalism (Bell 1976; Huntington 1975). Nowhere did these issues seem more pressing than in the UK (Beer 1982; Brittan 1975; Jay 1977; King 1975; Rose and Peters 1978). Here the extent of governmental social and economic commitments coupled with the number and incommensurability of societal demands prompted perceptions that government was overloaded and losing legitimacy as a result of an inability to resolve such issues as industrial relations, prices and incomes policies, inflation, unemployment, economic growth, productivity, investment, and public debt. Although the precise causes of these problems obviously varied substantively and according to style of analysis, discipline perspective and ideological departure points, the point here is simply that there was a wide-spread belief that the UK's governance system was at breaking point.

That this perception was especially marked in the UK may have in part been a function of the comparative extent of the governmental commitment to public provision and of the associated public expectations of government. After all, the UK government was unitary and centralised; public sector industries operated more widely than in other democratic systems; and public insurance systems and health systems, for example, were unmediated by the sorts of social partners and market actors common in North American and Western European systems of governance (Heidenheimer, Hecllo and Adams 1990; Castles ed 1989).

Governments of both political hue have followed a broadly similar strategy over the last quarter of a century which, in short, consists of maintaining regulatory (Majone 1996) and fiscal capacity<sup>v</sup> whilst narrowing their responsibility for direct delivery of social goods and encouraging wider market provision. This is what, in the case of the Thatcher government, Gamble described as 'the free economy and the strong state' (1988). This is most obvious in the de-nationalisation of public utilities enacted by the Conservative governments. Although this has not necessarily led to an

increase in the use of markets, it has led to a decline in direct government responsibility as independent regulators supervise the business providers. Hence business has assumed a far greater profile in social life than hitherto by virtue of its 'for profit' mode in service delivery (e.g. in telecommunications, mass transport, water, energy). Conservative and Labour governments have both deployed markets in the public sector either in order to increase efficiencies or to increase user pays opportunities, presumably both are intended to relieve fiscal obligations as well as consumer choice.

Both governments have also sought to reduce public expectations of their own responsibility and capacity to deliver the sorts of goods that in the early pre-war years were taken for granted by both parties. (Beer 1965) For example, in the area of unemployment, where government's fiscal obligations were initially enormous, the Thatcher government successfully led a re-appraisal of responsibility for unemployment. In 1979 it was generally blamed on government but by the 1983 election public opinion had shifted to blame economic factors for the problem. (Moon 1995) Both governments have encouraged greater family and individual responsibility for social provision. This is evident in the declining value of pensions and benefits, in the advent of charges for higher education, in the incentives for personal savings. It is evident in the greater use of NGOs to deliver public services (Deakin and Walsh 1996) and in attracting private finance for public projects (the 'Private Finance Initiative') in transport and infrastructure. One other strategy, initially to accommodate and later to offset a governance crisis, has been the encouragement of CSR. We now examine how government has re-articulated and re-structured business roles in societal governance which has contributed to the growth and greater institutionalisation of CSR in the UK.

### **Government as a CSR Driver**

This analysis is divided into two sections. The first provides an overview of the way in which the Thatcher government encouraged CSR in the broad area of unemployment. The second looks at how the Blair government is seeking to encourage CSR in more general terms. Through these accounts we will see that Conservative and Labour governments have deployed a range of means to this end: ministerial leadership; stimulating new and existing business associations; and

subsidising CSR activities and organisations. In addition the Labour government has shown a greater willingness to use 'soft' regulation to encourage CSR.

### ***Unemployment and the Conservative Push for CSR***

One of the most significant junctures in growth and institutionalisation of CSR was the wave of urban riots in the context of spiralling unemployment and inner-city decay of the early 1980s. In addition to a number of other policy and political responses that the government deployed, it made clear overtures to business to share in responding to the problems. (Moon and Richardson 1985)

With respect to ministerial leadership in CSR, this was most vividly illustrated by the inner-city tours for business leaders that were conducted by Secretary of State for the Environment, Michael Heseltine, to encourage their engagement in recognising and resolving the problems. The new agenda for business that the government was attempting to stimulate was illustrated by Heseltine's speech to the Young Conservatives:

Perhaps the very survival of our institutions in this country for so long without revolution owes much to the sense of responsibility of those who enjoyed the power of capital. (quoted in Richardson 1983: 1)

In an address to the Institute of Directors he stated that government could not provide all the solutions to revitalising our society, and especially the inner cities:

... we (government) do not have the money. We do not have the expertise. We need the private sector again to play a role which, in Britain, it played more conspicuously a century ago than it does now. (*ibid*)

Turning to the government's role in stimulating CSR organisations, although public agencies had long drawn business and trade unions into public policies for training through the Industrial Training Boards (1964) and the Manpower Services Commission (MSC 1974), the early years of the Thatcher government saw a more conspicuous effort to encourage CSR to address training and work experience opportunities needs of the unemployed. For example, the MSC prompted the Confederation of British Industry (CBI) to form the Special Programmes Unit (CBI SPU) in 1984. The CBI SPU consisted of fifty secondees from individual

corporations (one manifestation of CSR) who worked to secure training and work experience opportunities in other individual business (another manifestation of CSR) under the massive Youth Training Scheme.<sup>vi</sup> It lobbied companies, organised conferences and acted as trouble-shooters when problems arose. The government recognised that without the help of business it was not able to provide training opportunities in this scheme on which 350,000 unemployed young people participated in its first year alone. (Moon and Richardson 1985)

Similarly, the government encouraged the CBI to set up the Community Action Programme. This was, first, in order to increase business awareness of the Community Programme which offered subsidies for job creation projects for community improvements which business could sponsor. Secondly it was to instigate a series of town studies sponsored by a network of other corporations. These were intended to provide information to enable further public-private cooperation in urban re-generation. (Moore et al 1989)

Less conspicuously but possible of more long-term significance was the government role in the creation of the CSR umbrella group, Business in the Community (BITC). In 1981 the Secretary of State for the Environment, Tom King, convened a conference of UK and USA business leaders to discuss business involvement in the community. Interestingly the first chair of BITC, Lord Carr, was a former Conservative government minister as well as a corporate chairman. The BITC has become the single largest business association for CSR with a membership of over 750 companies and a regional management and policy-making structure. In its first decade much of its energy was spent on stimulating the development of public-private partnerships in the form of local enterprise trusts which were to be staffed by business secondees. Subsequently it has taken a leading role in identifying and articulating a wider range of CSR issues for British business and it continues to work relatively closely with the Department of Trade and Industry.<sup>vii</sup>

Precise causal arrows are difficult to impose on these developments. Clearly corporate leaders were also reviewing business-society relations. One motivation was that of protecting their social licence to trade. As *The Economist* commented of Marks & Spencer's expenditure on community work and charity, the firm was 'making

a sensible investment in its market place. If urban disorders become a regular fact of life, many of its 260 stores would not survive.' (20.2.1982) Another motivation was offsetting threats of further regulation:

... companies fear that if they make no attempt to find solutions to community problems, the government may increasingly take on the responsibility itself. This might prove costly to employers both in terms of new obligations and greater intervention in the labour market. Many companies prefer to be one step ahead of government legislation or intervention, to anticipate social pressures themselves and hence be able to develop their own policies in response to them (CBI 1981 quoted in Moon and Richardson 1985: 137).

Notwithstanding the negative impact of government in encouraging CSR implied in this CBI quotation, we have seen that the government was encouraging business to at least share in finding solutions to community problems through the more positive means of ministerial leadership and the stimulation of CSR organisations.

In addition government was a major subsidiser of CSR. For example, the MSC contributed about half of the costs of the business organisation Practical Action to identify business resources of equipment and expertise that could be deployed in youth employment schemes. More broadly, the allowances paid to participants in the myriad government employment and training schemes (Moon 1983) constituted subsidies to the businesses which offered places within their organisations.

This theme was replicated at the regional and local levels. The enterprise partnerships, established in the wake of town studies under the Community Action Programme (above) were provided with substantial local council subsidies, leading to the conclusion that:

... one of the great myths of enterprise partnerships is that they are overwhelmingly resourced by companies, with public agencies making only a marginal topping-up contribution. This image is enhanced by the explicit policy guidelines of government departments concerning the support for enterprise agencies. (Moore et al 1989: 55)

The partnerships represented a diverse set of forms of local economic and social governance in which respective public and private resources were brought to bear to broker and manage solutions to a variety of problems (see Moore et al 1989). The point to note here though is that CSR was encouraged and underpinned by national, regional and local governments unable to govern responses to unemployment and economic development unaided. This echoes Vogel's observation that UK business is 'more susceptible to social pressure both from government officials and other forms to behave "responsibly."' (1986: 50)

### ***Labour Policies for CSR***

Turning to the more recent role of the Blair Labour government in driving CSR, we see similar strategies to those that the Conservatives applied to a wider set of CSR issues. To some extent this wider agenda has been informed by the increased societal awareness and expression of the social responsibilities of business to include, for example, a range of social issues and questions of social responsibility within mainstream business operations e.g. international supply chain issues, accountability, reporting. (Moon 2002)

Ministerial leadership has come from the very top. In his first address to the Labour Party conference as Prime Minister, Tony Blair expressed an intention to expand public-private partnerships in British schools. This call was echoed more recently by the Minister for Education, David Miliband:

we cannot do this on our own. Education is a joint enterprise - between teachers and students but also between schools and the wider community. Business can sponsor Specialist Schools and Academies. Business can contribute to curriculum enhancement. Business can offer work placements and work experience. Business can offer mentoring and governor support.<sup>viii</sup>

Under the Labour government it is clear that CSR is not seen as a piecemeal supplement to government activity. Rather it is regarded as a more systematic feature of the emerging governance mix. This is illustrated by the fact that Blair has appointed ministers within the Department of Trade and Industry with special responsibility for CSR.<sup>ix</sup> This ministerial post has provided a focal point for CSR within government with regard to the encouragement of research and development of CSR issues. Further illustrative of this commitment to CSR, the DTI publishes an

Annual CSR Report. In addition it hosts a Society and Business website which sets out different ways in which the government can support CSR:

- Help promote the business case and celebrate business achievements;
- support partnership and business participation in key priorities - including through co-funding, fiscal incentives and brokering new partnerships;
- ensure Government business services provide helpful advice and signpost other resources;
- encourage consensus on UK and international codes of practice;
- promote effective frameworks for reporting and product labelling.<sup>x</sup>

Examples of projects with which the DTI is associated are set out in Table I.

<b>Project</b>	<b>Contribution</b>
OECD Guidelines for Multinational Enterprises	Publicity, advice, deals with companies on issues raised
Business in the Community Excellence Awards	Subsidy, participation in judging.
Impact on Society Report	Subsidy of research, publication and website of BITC report
Partnership Fund	Subsidies to partnerships to improve productivity and improve job satisfaction
Source: <a href="http://www.societyandbusiness.gov.uk/government/index.html">http://www.societyandbusiness.gov.uk/government/index.html</a> 31.X.2003	

In its role as National Contact point for the OECD Guidelines for Multinational Enterprises the government has given its imprimatur to an international standard of behaviour, it works with companies seeking to conform to the standard with the last resort tool of shaming those who persistently or wantonly fail to conform. The other projects listed in Table I offer subsidies and publicity for various means to encourage greater CSR and, in the case of the Business in the Community Excellence Awards particularly, in ways which require explicit identification and verification of business performance.



In addition the DTI website provides information about and links to a full range of policies and projects undertaken across government. Table II provides examples of other government departments engaged in CSR and their respective projects.

<b>Table II Examples Government Departments Engaged in CSR Projects</b>	
<b>Department</b>	<b>Project (Government role)</b>
Cabinet Office	<i>Women Unlimited - Women and Work</i> (organises multi-departmental and multi-stakeholder project to enhance women's work opportunities)
Department of International Development	<i>Ethical Trade Initiative</i> (funds ETI – a business, NGO, TU alliance to improve labour standards in MNCs' supply chains) <i>Business Links Asia</i> (funds alliance of MNCs committed to ethical business practices and transference of knowledge and skills to local SMEs eg health and safety) <i>Just Pensions</i> (advises support to pensions industry trustees and fund managers to benefit the poor) <i>Business Partners for Development</i> (supports strategic partnerships working for the development of communities that help create stable social and financial environments)
Department for Environment Food and Rural Affairs	<i>Business Environmental Reporting</i> (Supports annual Environmental Reporting Awards, advice to business, promotes reporting, provides guidelines) <i>Working Group on Sustainability Within Companies</i> (Administrative support to Advisory Committee on Business and the Environment (ACBE), subsidy of publications) <i>Make A Corporate Commitment</i> (promotes resource efficiency and environmental improvements by encouraging organisations to set targets and report annually on progress)
Source: <a href="http://www.societyandbusiness.gov.uk/government/index.html">http://www.societyandbusiness.gov.uk/government/index.html</a> 31.X.2003	

Again many of these involve adding the government's imprimatur to CSR initiatives, providing publicity for the idea of CSR in general and advice to individual companies on their compliance with standards. In addition to its subsidies to CSR projects, like its Conservative predecessor, it also supports a range of CSR organisations (e.g. Business in the Community, International Business Leaders Forum) and NGOs working with socially responsible business (e.g. Traidcraft Exchange, War on Want). Moreover, it was the key player in the creation of the Ethical Trade Initiative. It is also worth noting that it is in the nature of many of these projects (e.g. Ethical Trade

Initiative, Business Environmental Reporting) that business performs according to defined standards and reports according to these – a key factor in the increasingly institutionalised nature of CSR in Britain. Most recently the DTI has taken the lead in announcing plans to develop a new Corporate Social Responsibility Academy to develop competencies and skills in the area. (DTI 2003a)

In addition to supporting CSR projects and organisations, the Labour government has also taken initiatives to adjust the regulatory environment for CSR.<sup>xi</sup> In 1996 an amendment was made to the Occupational Pensions Schemes (Investment) Regulations which required pension funds to disclose how they take account of social, environmental and ethical factors in their investment decisions from 2000 onwards. This is what could be called ‘soft’ regulation as it does not require any particular behaviour other than to report. This is a way of encouraging greater responsibility through the requirement for transparency which again encourages businesses to be explicit about their CSR.

Also the government has introduced fiscal changes to elicit more CSR. For example, ‘Climate Levy’ which came into effect in 2002 encouraged greater energy efficiency in industry and a Landfill Tax to encourage better disposal or re-use of waste. The 2002 Community Investment Tax Credit is a means of attracting private capital into disadvantaged areas. The 2002 White Paper on Company Law Reform (Cm 5553-1) anticipates companies having to report on how they take account of the interests of such stakeholders as employees, the community and the environment.

This section has presented clear evidence of successive governments taking a lead in drawing business into very different roles in societal governance. This was attributed to a more general strategic response to situations of not being able to meet societal expectations. In the case of the Conservative government this was in the highly dramatic circumstances of mass unemployment, urban decay and social unrest. Whilst the context for Labour’s encouragement of CSR may not appear so apocalyptic, it can clearly be linked to an inability to solve social problems alone. Moreover, the Labour government has used partnerships and soft legislation as more positive and subtle ways of re-shaping business behaviour in line with changing

social expectations than the option of more mandatory legislation which may be difficult and expensive to enforce and which may drive corporations overseas.

One point of clarification should be made here and that is that these government initiatives do not add up to 'privatisation' of public business in the strict sense of the word. Rather they add up to changes in the mix of governance roles and in the selection of government's own tools and resources therein which are broadly consistent with Deakin and Walsh's (1996) conceptualisation of 'the enabling state'.

Moreover, the means selected to stimulate CSR are also conducive to stimulating a more institutionalised version thereof. The creation of CSR organisations clearly implies that these have members. Membership of such organisations is a badge of CSR commitment which companies may, in order to deflect criticism, choose to substantiate with evidence. The advocacy of CSR standards is a further incentive for companies to institutionalise their socially responsible actions, values and reporting.

We now turn to consider the evidence that UK CSR has grown and become more institutionalised.

### **Evidence of Growing and More Institutionalised UK CSR**

There are various ways in which UK CSR has grown and become more institutionalised compared with earlier business social responsibility within the UK and with that of other comparable systems.

The first indicator is the emergence and growth of CSR business associations or umbrella organisations have emerged, the most prominent of which is Business in the Community with its membership of over 700 members, including most of the major British-based multi-nationals and accounting for 20% of private sector employment. Other business membership organisations for CSR include the London Benchmarking Group, the Institute for Social and Ethical Accountability, the Institute for Sustainability, and Tomorrow's Company.<sup>xii</sup>

A range of other organisations provide CSR consultancy services has also emerged. In a recent study 84 such consultancies were identified.<sup>xiii</sup> Of these 96% had been

created in the last 33 years and 62% in the last ten years (Fernandez Young et al 2003). In addition a range of other organisations are active in this area. For example, Ethical Corporation organises CSR conferences and publishes a newsletter and Ethical Performance publishes a newsletter and hosts of CSR jobs website. Many other organisations for whom CSR is not a core concern are engaging with it and its organisations. For example the Charities Aid Foundation recently organised a major conference to bring together representatives of the community and corporate sectors.

In addition to the emergence of a range of new organisational manifestations of CSR there is plenty of evidence that leading British corporations are much more explicit about their CSR than hitherto. This is evidenced in a number of respects. There has been an increase in CSR posts and groups of staff within companies. An increasing number of corporations have board level responsibility for this area of corporate behaviour. Many corporations embed CSR in their internal systems by, for example, the use of codes across a whole range of activities from the allocation of CSR budgets to the environmental and human rights impacts of the business. Some of these standards are imported from outside (e.g. the Institute of Business Ethics, Accountability) and other are 'home grown'. Some corporations further embed CSR in the company and its community relations through employee volunteering schemes. In some cases corporations have linked their CSR to their corporate branding.

British companies are increasingly likely to conspicuously report their CSR within their annual reports, in free-standing reports or in their general corporate communications. (Chambers et al 2003; Maignon and Ralston 2002) Reporting on CSR among the Top 250 FTSE companies increased by nearly 150%, from 54 to 132 companies between 2001 and 2003. There is also an increase in the number of these companies who have their reports independently verified (Context and Salterbaxter 2003)

As well as joining CSR business associations (see above), many individual companies are more likely to have entered partnerships with NGOs or governmental organisations in order to substantiate their CSR. These range from high profile head office level partnerships with peak non-government organisations to branch level

partnerships with community organisations. Symbolic of these specific indicators, it is interesting to note that a survey of European business leaders concluded that UK businesses are keener on CSR than their European neighbours. (Buckley 2002)

CSR is also the subject of increasing attention outside the companies and the CSR organisations. Concern about CSR has now increased in the investment community with the growth of socially responsible investment funds which act as another driver for firms to act and be seen to act more responsibly. (McCann et al 2003) CSR is the subject of increasing media attention. The *Financial Times* and the *Guardian* have dedicated CSR reporters. *The Times* carries a social responsibility index in its weekly company profile. In business education CSR in the UK appears to have a much more explicit profile than in other European countries both in terms of the nomenclature of courses and their quantity. (Matten and Moon forthcoming a)

In these various ways we have seen that CSR has grown and become more institutionalised within the UK. Although cross-national comparisons are sometimes difficult, this also appears true in comparison with other European countries and even, according to Aaronson (2003) in comparison with the USA.

## **Conclusion**

It is the argument of the paper that government has been a major, but not the only, driver of the increased and increasingly institutionalised CSR in the UK; that this stems from its articulation of governance failures, particularly in the case of mass unemployment, and also in the rhetoric that governments have used to encourage the view that they cannot manage contemporary social and economic challenges alone. Conventionally this may be regarded as 'state failure' though this may be simplistic as, firstly, the mass unemployment which prompted the landmark governance re-orientations may also embody aspects of market failure. Secondly, there may also some manufacture of a sense of governance failure. First, UK government has retained formidable fiscal and regulatory powers. Secondly, it may have an interest in 'bringing business back in' as a means of re-assuring corporations of their significance in the wider social and economic agendas.

Other drivers of CSR can be broadly categorised into business and society. Business drivers include imperatives acting on companies from investors, suppliers, partners and customers, as well as imperatives identified by corporations themselves, such as reputation (with government or with other actors and publics), marketing, branding, employee relations and knowledge. Social drivers can include demands from consumers, particular publics (e.g. residents of specific geographic areas affected by a business), organisations claiming to act on behalf of society (e.g. non-governmental organisations, community groups) and employees. It can be expected that government drivers will often be acting in relationship with some of these other drivers. For example, in developing many of its policies government has worked with business organisations dedicated to CSR and, in any case, government initiatives require a positive business response to be effective. Secondly, the articulation by governments of the view that business has social responsibilities may have nourished the development of this perception among NGOs. Moreover, governments also fear being punished for the irresponsibility of business and, more widely, for governance failures.

Certainly a number of research questions remaining here about the nature of government – business relations. For example, what should we assume about businesses which respond positively to governmental encouragement? Do they respond simply because they perceive cooperating with government as a good / prudent thing in itself; do they calculate some interest in engaging in CSR following the government's bidding; or have they already committed themselves to CSR for other reasons and only make this explicit when governments send out their signals?

There are good reasons to expect differential business responses to governments given that there is variety in the longevity, extent and nature of CSR practices themselves and in the nature of business-government relations more generally. These differences may relate to sectoral factors and to the industry structure as well as to cross-national considerations. Another area of research would be to examine the extent to which close governmental relations in general reinforce responsiveness to governmental bidding in the area of CSR.

Although the conclusion of this paper is that the state is not captured by business but rather retains areas of autonomy (Evans et al ed 1985) some researchers may wish to explore the possibility of the evidence provided in the foregoing as a function of business pressure. This can be imagined in very general terms such that there is a general business interest in taking over governmental responsibilities (Hertz 2001; Monbiot 2000). With more specific reference to CSR, another question that arises is whether high performing CSR companies will encourage governments to be a driver of CSR. This could be for reasons either of wishing to increase competitors' costs or of wishing to penalise free riders which enjoy the reputational goods and propitious governance systems that CSR may generate for business in general. In these cases, the high performers may be expected to lobby government to raise minimum reporting standards, for example. When reporting standards are raised the high performing firms may then have incentives to encourage regulators to require firms to have their CSR verified according to some specified system. However, as illustrated in the case of the EU Green Paper (below), there is also plenty of business hostility to governments mandating socially responsible behaviours.

The questions of the readiness of business to cooperate with government's governance agendas may not only be firm, sector or industry specific but also a function of the particular areas which governments identify for business participation. In this respect it is interesting that prime ministers Thatcher and Blair's overtures to business for much greater participation in school education through the Conservatives' City Technology Colleges and Labour's Education Action Zones were met by the low levels of business support for (Watling and Hallgarten 2001). This appears to be an issue area which many businesses perceive to be beyond the limit of their social responsibility and more properly that of the elected government in line with the concerns on this point raised by Friedman (1970).

Of course, the selection of the areas of governance in which business participates through CSR is not necessarily a matter for business agreement. Governments themselves may also desire to impose limits on the scope of CSR in the renewal of governance. In terms of the more strategic questions, it could be argued that governments also have an interest in being uniquely responsible for the provision of public goods as a key to attracting popular support. From the perspective of the

corporations they clearly do not have an interest in being held accountable for governance failures for which they felt inappropriate for the responsibilities. This may also vary by country which brings us to more general comparative questions.

It could be asked whether other countries facing similar governance problems would encourage CSR as one response to this. Dunleavy (1989) has argued that the relatively high levels of 'statism' in the first three quarters of the twentieth century in the UK governance was comparatively 'ungrounded' in terms of institutions and popular support. This may help explain why there appears to have been less of new drive for CSR in the Scandinavian and Germanic countries. It remains an empirical question as to whether Germany will avoid a governance crisis arising from its current economic, budgetary and integratory challenges. It could also be conjectured that the governments of other countries whose state capacities are also relatively ungrounded (e.g. those in the former USSR and soviet bloc) might have an interest in encouraging explicit CSR as part and parcel of a governance renewal, capacity building and legitimation strategy.

The case of Denmark offers interestingly parallels with that of the UK. Facing very high levels of unemployment and social exclusion in the 1990s, the Social Democratic Minister for Social Affairs, Karen Jespersen (2003), tells of how she was inspired by the CSR of the Grundfos company. This drew her attention to the capacities of business to contribute to solving social problems and informed the 'It Concerns Us All Campaign' which she designed to publicise and motivate CSR. The Campaign was followed by an institutional initiative in which she formed a National Network of Company Leaders to advise the Minister and encourage other businesses to promote employee and community social welfare. Municipal level systems to draw business and unions into addressing the problems of unemployment and social exclusion have also been designed.

The Netherlands government has long provided a framework for urban policy (*grotestedenbeleid*) which encourages municipalities to collaborate with a range of partners, including business (Sociaal-Economische Raad 2001: 55). More recently, whilst rejecting general regulation as a tool for supporting CSR indicated that it would follow a more 'personalised approach':



Bringing parties together, developing and disseminating know-how and above all, promoting transparency so that stakeholders can form a clear opinion of corporate social responsibility (Sociaal-Economische Raad 2001: 99)

There is also evidence of supra- and inter-national governments taking an interest in CSR. Through its long term environmental legislation the European Union has sought not only to mandate certain behaviours but also to deploy 'soft legislation' to encourage other environmental responsibility on the part of business. More recently, the European Commission sought to provide a Europe-wide framework for CSR in its 2001 Green Paper, *Promoting a European Framework for Corporate Social Responsibility*. This, however, was not favourably received, suggesting that its appetites for regulating CSR were rather heroic as evidenced in the light of its much more modest follow-up Communication of 2002, *Corporate Social Responsibility: A business contribution to sustainable development*. This gave greater emphasis to encouraging voluntary activity. The OECD *Guidelines for Multinational Enterprises* has proved a significant soft legislation multiplier for government as a CSR driver as most of the national contact points, as in the UK case, national government organisations themselves. The UN *Draft Norms on Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights* likewise, is designed to use values and demonstration effects as a means of encouraging socially responsible behaviour.

Notwithstanding these overlapping effects, the argument that government is a major driver of the comparatively well-developed and institutionalised CSR is precisely because government has been explicit about it (e.g. through encouragement, the Minister for CSR) and through the organisations, partnerships and standards it has precisely encouraged firms *to do* CSR be it by *joining, reporting, partnering*. The fact that there has been a greater concern with reporting and verifying CSR in the very recent years is consistent with the introduction of soft legislation by the Labour government, the only significant departure from the instruments deployed by the Conservatives. The paper therefore concludes that in general terms governments have succeeded in strengthening systems of governance and conceivably thereby in legitimising themselves and also conceivably in contributing to the legitimising of

business. It has not, however, concluded that this is a *better* system of governance than that it has replaced. This is also an area for further research.<sup>xiv</sup>

In sum, this paper has pointed to the paradox that the increasing and increasingly institutionalised CSR in the UK has been in large part a function of government which, in turn, has sought to respond to governance deficits. It is intended that the paper will encourage researchers to consider this issue. Research questions could include the long-term place of CSR in national societal governance systems; the imperatives acting on governments to choose to encourage and further institutionalise CSR; the policy instruments that they use to this end; the changing balance of government / business / societal relations which government initiatives for new CSR precipitate; the relationships between government and other drivers of CSR; the quality of the contributions of business to governance through CSR; and the comparative significance of the findings.

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## Notes

- <sup>i</sup> My thanks to Andrew Crane and Dirk Matten for their comments on an earlier draft.
- <sup>ii</sup> This was famously captured by Marx and Engels: 'The Subjection of Nature's forces to man, machinery, application of chemistry to industry and agriculture, steam navigation, railways, electric telegraphs, clearing of whole continents for cultivation, canalisation of rivers ... what earlier century had even a presentiment that such productive forces slumbered in the lap of social labour?'. (1970: 40)
- <sup>iii</sup> Though some employers, and the cooperative movement leader Robert Owen, opposed alcohol consumption. (Cannon 1994)
- <sup>iv</sup> This section draws on Moon (1995) and Moon and Richardson (1993).
- <sup>v</sup> Overall since 1979 the economy has become more taxed. Since 1979 the taxation has become less progressive in terms of the declining upper marginal rates and more dependent on indirect taxes and charges.
- <sup>vi</sup> Whilst companies participating in the scheme did receive some benefits in the form of subsidised labour there were significant costs of undertaking new short term labour.
- <sup>vii</sup> The leading international CSR business coalition, the International Business Leaders Forum, was formed from the BITC.
- <sup>viii</sup> Speech at education conference:  
[http://www.bitc.org.uk/events/event\\_proceedings/education\\_conference\\_2003/ed\\_dm\\_speech2003.html](http://www.bitc.org.uk/events/event_proceedings/education_conference_2003/ed_dm_speech2003.html) (19.II.2003)
- <sup>ix</sup> The current minister is Stephen Timms. His predecessors were Kim Howells and Douglas Alexander.
- <sup>x</sup> <http://www.societyandbusiness.gov.uk/government/index.html>
- <sup>xi</sup> The Conservative government made one regulatory change to encourage CSR in the form of a 1986 amendment to the tax laws to allow sponsorship as a tax deduction.
- <sup>xii</sup> <http://www.bitc.org.uk/index.html>; <http://www.accountability.org.uk/>;  
<http://www.sustainability.com/home.asp>; <http://www.tomorrowcompany.com/>
- <sup>xiii</sup> This included those which were dedicated CSR consultancy; those who provided this along with other consultancy services and CSR membership organisations which also operate consultancy business.
- <sup>xiv</sup> A range of evaluative issues are raised in Moon (2002).

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