

# Public Policies on Corporate Social Responsibility: The Role of Governments in Europe

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**ABSTRACT.** Over the last decade, Corporate Social Responsibility (CSR) has been defined first as a concept whereby companies decide voluntarily to contribute to a better society and cleaner environment and, second, as a process by which companies manage their relationship with stakeholders (European Commission, 2001).

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Nowadays, CSR has become a priority issue on governments' agendas. This has changed governments' capacity to act and impact on social and environmental issues in their relationship with companies, but has also affected the framework in which CSR public policies are designed: governments are incorporating multi-stakeholder strategies. This article analyzes the *CSR public policies* in European advanced democracies, and more specifically the EU-15 countries, and provides explanatory keys on how governments have understood, designed and implemented their CSR public policies. The analysis has entailed the classification of CSR public policies taking into consideration the actor to which the governments' policies were addressed. This approach to the analysis of CSR public policies in the EU-15 countries leads us to observe coinciding lines of action among the different countries analyzed, which has enabled us to propose a 'four ideal' typology model for governmental action on CSR in Europe: *Partnership, Business in the Community, Sustainability, and Citizenship, and Agora*. The main contribution of this article is to propose an analytical framework to analyze CSR public policies, which provide a perspective on the relationships between governments, businesses, and civil society stakeholders, and enable us to incorporate the analysis of CSR public policies into a broader approach focused on social governance.

**KEY WORDS:** corporate social responsibility, public policies, governance, public-private partnership, welfare state

## Introduction

Over the last decade we have seen how governments have become Corporate Social Responsibility (CSR) drivers adopting public policies to promote

and encourage businesses to behave in a responsible and sustainable manner (Aaronson and Reeves, 2002a, b; Moon and Sochaki, 1996; Zappal, 2003). In this sense, governments have been involved in a new type of political relationship with businesses and civil society stakeholders to promote responsible and sustainable business practices (Aaronson and Reeves, 2002a, b; Albareda et al., 2006; Fox et al., 2002; Moon, 2004).

The purpose of this article<sup>1</sup> is to analyze the different CSR public policies adopted by European governments in order to promote responsible and sustainable business practices. This research sets out from the initial hypothesis of establishing, how the design and implementation of public policies promoting CSR reveals changes in governments' capacity for action and impact in social and environmental issues in their relationship with businesses. We mention that a unidirectional approach to the public policy analysis neither gives an answer to the needs of present-day societies (responsiveness), nor does it enable us to understand the new challenges facing social governance in depth. As a result, it seems limited to analyze public policies from the outmoded approach of 'hard power.'

The objective of the research has been to develop an analytical framework that enables us to understand, through a more adequate methodology, the approaches and perspective of governments in designing and implementing public policies to promote CSR.

From here on, the article is structured as follows. First, we present a review of specific research focused on governments and CSR. Second, we introduce the methodology developed to build an analytical framework to map CSR public policies. Third, we propose a 'four ideal' typology model for governmental action on CSR based on analysis of the CSR public policies in 15 EU countries. Fourth, we present key elements for further research.

### **What we learn from the literature focused on governments and CSR**

Over the last few years, CSR has been defined as a concept whereby companies decide voluntarily to contribute to a better society and cleaner environment (European Commission, 2001). This new

voluntary framework in which CSR is defined as a reflection of how governments' capacities to regulate the actions of businesses have been transformed in relation to social and environmental issues.

This voluntary approach to CSR changes governments' roles in relation to the promotion of business, social and environmental practices (Midtun, 2005; Matten and Moon, 2005; Moon, 2004; Roome, 2005). Related to this, most of the research conducted on governments and CSR suggests the emergence of new roles adopted by governments in CSR issues (Fox et al., 2002; Lepoutre et al., 2004; Nidasio, 2004). Fox et al. (2002) put forward new public sector roles adopted by governments to enable an environment for CSR: mandatory (legislative); facilitating (guidelines on content); partnering (engagement with multi-stakeholder processes); and, endorsing tools (publicity). In parallel, Lepoutre et al. (2004) review the strategic roles to be played by governments managing institutional uncertainty (activate, orchestrate, and modulate) and present common tools for public action managing strategic uncertainty (public information campaigns, organizational reporting, labeling, contracts, agreements, and incentives). This analysis of the role of governments promoting CSR, as a new approach has also been analyzed by other authors under the new forms of public-private partnership linked to CSR (Gribben et al., 2001; Nelson and Zadek, 2000) in order to resolve social problems, to promote coordination with companies, social organizations, and local governments and also to analyze the role of CSR in public-private partnerships as models of governance (Guarini and Nidasio, 2003).

Another approach to the understanding of CSR public policies is the *soft policy* approach introduced by Joseph (2003), in which the role of government is viewed as collaborative and facilitating through the use of soft tools and means – always in collaboration with the private sector.

Second, there is a common perception that CSR is a process through which companies manage their social and environmental impacts taking into account their relationship with stakeholders (European Commission, 2001). Most business ethics scholars have made important attempts to link CSR practices with stakeholder management (Carroll, 1989, 1991; Clarkson, 1998; Donaldson and Dunfee, 1999; Freeman, 1998) and the stakeholder approach has

been integrated as part of the concept of corporate citizenship (Waddock, 2002).

Related to this, some studies point to the development of CSR in relation to the development of multi-stakeholder dialogues as an aspect of relationship building and organizational change (Kapstein and Von Tulder, 2003; Payne and Calton, 2002, 2004). There is a common perception that new challenges created by corporate practices all over the world have to be solved through a multi-stakeholder approach (European Commission, 2001). In recent years, we have seen the appearance of multi-stakeholder dialogue proposals. Among others, these have included the UN Global Compact, the Global Reporting Initiative, and the European Multi-Stakeholder Forum on CSR, which propose dialogue among the different agents involved as a working methodology aimed at making headway in multilateral consensus proposals.

Third, other elements suggest that CSR is not a new and isolated topic among the new challenges facing governments in a globalized context (Crane and Matten, 2004; Moon, 2002). Responsible and sustainable business practices form part of the current debate on the role of companies within society in a globalized world (Frederick, 2006; Scholte, 2001). This enables us to understand why governments have adopted measures to promote CSR in their relationship with the new social governance challenges. The first documents to introduce the debate on governments' CSR role date from the last decade of the 20th century (Moon and Sochaki, 1996). Most of these texts put forward the need for governments to actively promote CSR as a response to the social and environmental problems caused by corporate action within a globalized economic context (Moon, 2004). Midttun (2005) views the development of CSR within the context of changes in the welfare state, basing his work on a comparative analysis of three governance models. He points out that a new emerging model of CSR-oriented societal governance could be analyzed as an exchange theoretical perspective to examine the distinctive characteristic of the relationship between civil society, business, and government.

Relevant documents incorporating a new government vision, with particular emphasis placed on Europe, include the official documents on CSR published by the European Commission: the Green

Paper 'Promoting a European Framework for Corporate Social Responsibility' (2001), the Communication 'Corporate Social Responsibility: A Business Contribution to Sustainable Development' (European Commission, 2002) and the Communication 'Implementing the Partnership for Growth and Jobs: Making Europe a Pole of Excellence on Corporate Social Responsibility' (2006).

Other studies include research based on geographical comparative analysis of government behavior and CSR culture in European and North American administrations. The work of Aaronson and Reeves (2002a, b) and the comparative report of CBSR (2001) shed some light on the relevance of cultural differences and elements in the development of national CSR models. Aaronson and Reeves (2002a) analyze how, in the last decade, European policymakers have taken a wide range of public initiatives to promote CSR, in contrast with a lack of policies in the U.S. They analyze European-based companies' acceptance of these CSR public policies compared with the less accepting attitude of U.S.-based companies. The authors argue that the difference is based on the countries' respective business cultures. This research reveals that European-based companies "are more comfortable working with governments to improve social conditions, and they are more comfortable in a regulated environment." "Businesses expect government to ask more of them and government does ask more of businesses. It seems that European business leaders seem to believe that CSR policies can help them find their way in the chaotic, ever-changing global economy" (Aaronson and Reeves, 2002a).

These studies lead to the hypothesis that analysis of the different CSR approaches should take into consideration a series of different elements: political and institutional structure; political style and processes; social structure; emphasis on a voluntary approach or acceptance of state guidelines and control; local and national views of the role of companies; the role and posture of NGOs and civil associations in society; the kind of educational system and the values it transmits; what is expected of their leaders; and historical traditions (Rome, 2005).

All of this comparative analysis enables us to relate these cultural differences with the research of Matten and Moon (2005) on the comparison between the European CSR model and the U.S. model. For

them, CSR as a voluntary corporate policy is a fairly recent and as yet scattered phenomenon within a European context. The reason is derived from historically different models of trust and authority relationships in contrast with the more liberal model in the U.S. As a consequence, the authors defend the view that in the U.S. there is an 'explicit CSR' as opposed to a more European 'implicit CSR.' Explicit CSR refers to corporate policies that lead companies to assume responsibility answering concrete needs of society. In the U.S., this normally involves voluntary and self-interest-driven corporate policies, programs, and strategies as part of CSR. In contrast in Europe, implicit CSR refers to a country's formal and informal institutions through which business responsibility for collective society's needs are agreed and assigned to companies in relation to the social role of business. This normally consist of values, norms and rules which, in the course of the last century, have resulted in mostly mandatory requirements for corporations to address issues of social, political, and economic interest. Nevertheless, the authors argue that over the last years explicit CSR has been gaining ground in Europe, changing the approach to a more explicit CSR under the influence of a voluntary approach to CSR.

Taking into account the following three elements which emerge from the analysis of CSR and government we propose an analytical framework to analyze CSR public policies:

- The voluntary nature of the company's initiative;
- The emerging new roles and soft tools;
- Multi-stakeholder dialogue and new governance challenges.

### **The construction of an analytical model to understand CSR governmental approaches**

The objective of this research was the analysis of CSR public policies in 15 European Union countries. In order to be able to analyze and classify CSR public policies we have built an analytical framework which serves as a methodology. The design of this analytical framework is based on a relational

approach focused on the interrelation, collaboration, and partnership between the different actors: governments, businesses, and civil society stakeholders. It has been suggested that, in a globalized world, public policies cannot simply be analyzed in the light of self-sufficient governments, but that an added value lies in exploring the intersections between public and private sectors (including the for-profit and non-profit sectors) and in broadening the areas surrounding the boundaries between these three sectors (Mendoza, 1996).

We use this relational methodology to analyze the new governmental approach to enabling an environment for CSR in 15 European Union governments in: Austria, Belgium, Denmark, France, Finland, Germany, Greece, Italy, Ireland, the Netherlands, Luxembourg, Portugal, Spain, Sweden and the United Kingdom.<sup>2</sup> These are arguably the European countries with the most advanced democracies, where the development of social and environmental regulatory frameworks for corporate action and public CSR policies is strongest.

We started out from the previous study conducted by Fox et al. (2002), which analyzed the new public sector roles enabling an environment for CSR, mostly in developing countries, based on non-explicit CSR public policies. In this research, in order to be able to conduct empirical analysis, and unlike Fox et al. (2002), we have analyzed the explicit CSR public policies of the 15 European governments. We compiled all the data: *CSR public policies, programs, and instruments* that governments have explicitly adopted to promote CSR. This involved researching each country and building a database on the policies and instruments applied by each government. The data was compiled via sources published by the governments or from official documents, reports, and governmental web pages.

We also focused on an analysis of the *contexts and political structures* to find out how CSR policy was being assimilated into government structures. We compiled the following elements for each government:

- *National public policy on CSR*: vision, mission and objectives
- *Government departments* assuming responsibilities for CSR policies
- *Institutional and relational support* from existing international agreements. United Nations

Global Compact: participation in international bodies on CSR issues

- Regulation in its diverse forms
- Organizational structure for CSR policies: centralized/decentralized; transversal/sectorial; multi-stakeholder; creation of new agencies
- Actors in the process
- Socioeconomic, political and cultural context, and administrative tradition

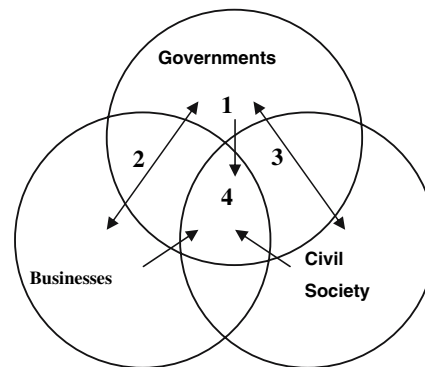
This data was then used to draw up a report for each government.

After compiling the data, we focused on the classification of CSR public policies taking *strategic and relational aspects* into account. Here we introduced a relational and multi-stakeholder approach based on a triangulation approach taking into account the relationship among governments, businesses, and civil society stakeholders.

This framework makes it possible to observe the three social agents of governments, businesses, and civil society stakeholders not as poles or opposites which repel each other, but as agents collaborating in an interrelated area. Different areas of bilateral collaboration were observed: the first between governments and companies; the second between governments and civil society and the third a framework of multilateral collaboration: governments; businesses; and civil society stakeholders (Figure 1).

We applied this analytical framework to map the government CSR public policies compiled previously. We classified all public policies taking directionality into consideration: the actors to whom government policies are addressed:

1. *CSR in governments*: CSR public policies developed by governments to improve their own social responsibility, leading by example;
2. *CSR in government-business relationships*: CSR public policies designed to improve business CSR practices;
3. *CSR in government-society relationships*: CSR public policies designed to improve civil society stakeholders' awareness, and finally;
4. *Relational CSR*: CSR public policies designed to improve collaboration between governments, businesses and civil society stakeholders. This



1. CSR in governments
2. CSR in government-business relationships
3. CSR in government-society relationships
4. CSR in government-business and society relationships

Figure 1. Relational model for CSR public policy analysis.

allowed us to gain a complete overview of the directionality of CSR public policies. This information was grouped by country and incorporated into specific reports drafted for each country analyzed.<sup>3</sup>

Subsequently, in order to obtain a general comparative analysis of the 15 EU governments, we built a transversal scheme containing all the CSR public policies in Europe<sup>4</sup> (Figure 2).

By combining this data, we elaborated a detailed comprehensive scheme to map (see Table I) specific initiatives and programs implemented by governments through their public policies on CSR.

As a result, we produced a map of CSR public policies, programs and the action that governments have taken to promote and develop CSR. This gave us a relational view of the actors who have been addressed by the policies and who governments have attempted to involve.

We have observed how European governments have developed a considerable number of policies and programs in the four relational frameworks. As a result, it can be deduced that the European governments have adopted public policies taking the different stakeholders into account. We have confirmed that, in general, for all 15 governments the most significant number of policies lie in the relational framework between government and business. These policies are intended to raise awareness of the business sector, promote, and facilitate voluntary



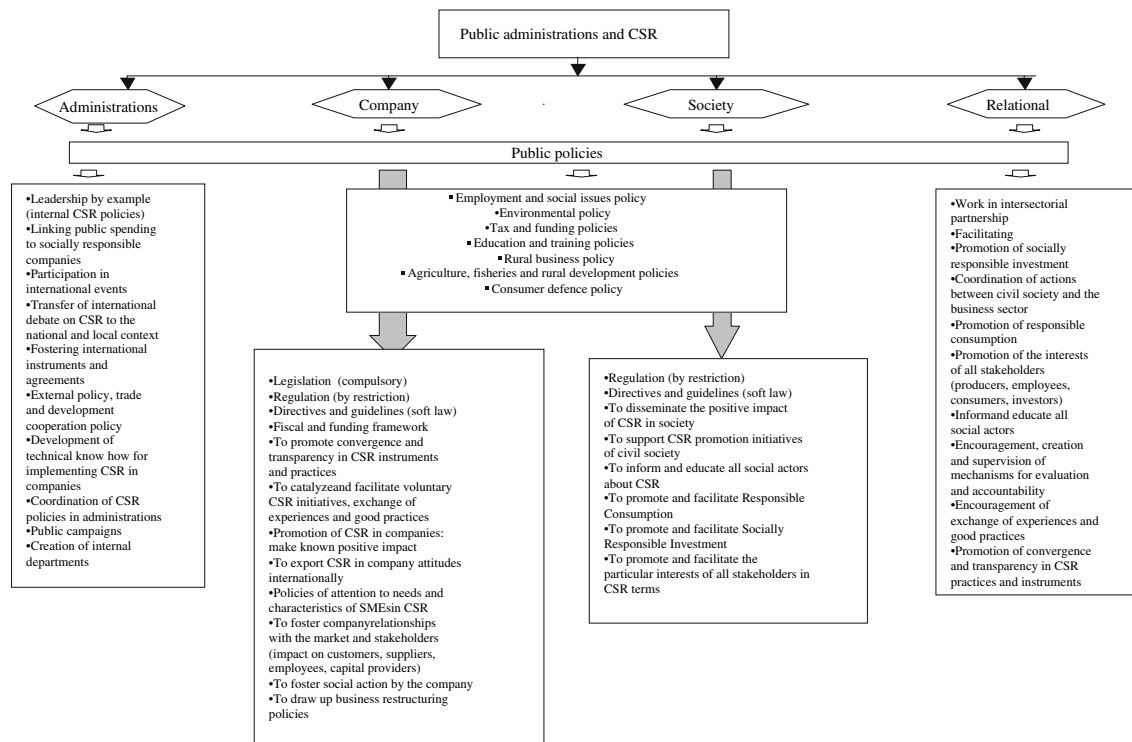


Figure 2. Implemented public policies, programs and actions promoting CSR.

initiatives, capacity building, stakeholder management, international standards, convergence and transparency, evaluation and accountability, tax and funding systems in addition to legislation.

However, we also found an important number of initiatives among the policies that governments have developed to increase their own social responsibility. These CSR public policies are aimed at leading by example, creating internal departments, coordinating government bodies, capacity building, public expenditure, public campaigns, participating in international events, transferring international debate to the local context, developing international instruments and agreements, and foreign trade policy and international development.

We also found a considerable number of government policies aimed at addressing the relationship with civil society. In addition, we found that the governments have also defined CSR public policies with the objective of linking government-businesses and civil society to promote CSR. These initiatives are equally as important as other policies and developed in much the same way.

### European models of public policy governance fostering CSR

The application of this analytical framework to European governments' public policies on CSR gave us an overview of governments changing capacities and strategies to favor the development of social and environmental corporate practices. Taking into account both the CSR public policies and the actors involved, we have observed that there is convergence between the governmental approaches and the action to develop CSR public policies in these countries. As a result of that analytical process, we built up a four-ideal typology model for European governmental action on CSR (see Table II).

#### *The partnership model*

Throughout the 20th century, the countries in this section (Denmark, Finland, the Netherlands, and Sweden) developed an extensive and comprehensive welfare state. Since the 1950s, their social policies have been directed towards improving

TABLE I  
Classification of CSR public policies in different relational perspectives

	Policies	Programs	
1. CSR in government			
Internal	1. Leadership by example	Action Plan for Government Offices Work-life balance policies/equal opportunities/ethical investment/anti-fraud and corruption policies Accreditation for good employer practices	
	2. Creation of internal departments	Creation of knowledge centers Creation of monitoring organizations and control systems	
	3. Coordinating government bodies	CSR Minister responsible for coordinating activities Cross-government CSR programs	
	4. Capacity building	CSR feasibility studies for new legislation Funding for research and innovation programs Financial assistance for companies implementing CR programs Publication of guidelines and good practice documents	
	5. Public expenditure	Social and environmental criteria in supplier policies Ethical purchasing and outsourcing CSR policies for public contracts	
	6. Public campaigns	Promotion of positive impacts of CSR in business and society Surveys on public opinion CSR Awards, communication campaigns and media influence	
	International issues		
	7. International events	International conferences on CSR European Commission events European conferences on CSR	
	8. Transferring international debate to local contexts	Agreements between national and local government Seminars on geographic or thematic areas Consideration of CSR regional and local policies	
	9. International instruments and agreements	Promotion of global regulatory frameworks Development of international certification systems Creation of evaluation and certification bodies	
10. Foreign trade policy and international development	CSR integrated into foreign affairs policies for international markets and international development Promotion of good CSR practice in overseas operations (human rights, labor standards, anti-corruption, environment etc) Link CSR to foreign investment policy and international relations		
External	Other		

TABLE I  
continued

	Policies	Programs
<i>2. CSR in government–business relations</i>		
Soft	Raising awareness	Identify and promote companies leading in CR Promote CR through websites, publications, specialist journals Offer CR services and support to CR initiatives in companies or partnerships Undertake surveys and communication campaigns
	Voluntary initiatives (facilitating and promoting)	Promotion of uptake of CR policies, publication of CR reports Encouraging sharing and promotion of good practice Promotion of SRI, environmental standards, fair trade, sustainable consumption, work–life balance, equal opportunities, employee volunteering, employee conditions, life-long learning Promotion of business networks Promotion of public–private partnerships or public–private–civil society partnerships
	Capacity building	Finance research and innovation programs Support business–university research programs (instruments, good practice, comparative studies) Develop guidelines and provide technical assistance Incentives for sustainability reports
	Stakeholders	Evaluation and communication programs on the impact of CR programs on stakeholders Market mechanisms to favor CR (price policies, competition policies, investment principles) Promotion of stakeholder dialogue
	International	Incentives for adopting international CR standards Promoting CR good practice in the south (labour standards, human rights, anti-corruption)
	Convergence and transparency	Promote standardization across CR management models, standards, reports, indicators and auditing systems Promote fair trade labeling systems Encourage standardization of SRI analysis Promote inclusion of international CR agreements in codes of conduct
	Evaluation and accountability	Accountability and auditing mechanisms Triple bottom line reporting initiatives Social and environmental labeling
	Tax and funding systems	Tax incentives for CR (employment creation, gender balance, work–personal life balance, environmental initiatives etc.) Funding streams for CR (volunteering, social projects etc) Promotion of SRI through fiscal mechanisms
	Legislation	Transparency regarding socially responsible investment (pension and investment funds) Obliging companies to produce sustainability reports Regulation regarding public contracts and selection processes Environmental legislation
Hard		Adaptation of international agreements to national standards



TABLE I  
continued

		Policies	Programs
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Sector specific issues			
	SMEs		Promotion and incentives for good CR practice in SMEs Raising awareness of impact of operations in the south Support SMEs in impact assessment Research into the social and environmental impact of SMEs Promote the exchange of good practice and business cases for CR in SMEs Public campaigns directed at SMEs Encourage cooperation between large companies and SMEs
	Community action		Favorable tax incentives for business in the community Disseminating good practice and creating networks
	Corporate restructuring		Work with facilitators to promote CR in restructuring programs Encourage good practices and their dissemination
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3. CSR in government–society relationships			
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Soft	Raising awareness		Analysis and dissemination of good practices in business operations with high impact on the community (work–life balance, social cohesion) Tax incentives for civil society–government partnership programs Knowledge dissemination of international agreements with civil society implications (human rights, labor standards)
	Voluntary initiatives (facilitating and promoting)		Campaigns for sustainable consumption, publications, seminars and dissemination Ethical investment initiatives Support SRI initiatives Support socially responsible consumption
	Capacity building		Publications, events, press Surveys and CR awards
	Stakeholders		Create communication mechanisms to foster business–community dialogue Promote transparency mechanisms Promote partnerships and participate in them
	International		Promote initiatives with international NGOs Participation in international civil society activities
	Convergence and transparency		Fair trade labeling schemes Social enterprise definitions
	Evaluation and accountability		Accountability and auditing mechanisms Triple bottom line reporting initiatives Social and environmental labeling
	Tax incentives and funding streams		Support for government–civil society partnerships for CR initiatives
	Sector specific issues		
	Management of social organizations		Improve management of social enterprise Enable SRI Environmental and social criteria for public contracts to socially financed organizations
Hard			
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TABLE I  
continued

	Policies	Programs
<i>4. Relational CSR: Government–business–society</i>		
Soft	Raising awareness	Sharing good practice and knowledge dissemination Create National Resource Centers (e.g., National Contact Point, Holland)
	Capacity building	Multi-stakeholder forums Business support networks Sharing experiences and best practices
	Voluntary initiatives (facilitating and promoting)	Round tables on codes of conduct University–business research projects, promoting dialogue Proactive role in promoting innovation, pilot projects, dialogue
	Stakeholders	Consumers; information on supply chain, sustainability index of products Investors: information on RC policies and expectations regarding pensions
	Evaluation and accountability	Accountability and auditing mechanisms Triple bottom line reporting initiatives Social and environmental labelling
	Convergence and transparency	Management standards Codes of conduct Promotion of simple and flexible indicators
	International	International partnerships Networks and alliances Multi-stakeholder forums
	Sector specific issues	
	Community action	Urban regeneration projects Education projects in poor areas
	Cross-sector partnerships	Promoting CR networks with public/private participation New social partnerships and common frameworks Local partnerships between different sectors for urban regeneration Stakeholder involvement in developing guidelines Bringing together different sectors
	Socially responsible investment and fair trade	Pension schemes with social, environmental criteria Transparency in definition of SRI Selection, retention and realization of investment with CR considerations
Hard		Consumer rights

social provision and services within this framework. Furthermore, during the final decade of the twentieth century, these governments began to acknowledge the importance of economic actors – companies above all – in addressing and resolving social problems. It is therefore safe to say that, for governments identifying with this model, the movement towards CSR mainly involves a change

in attitude by social actors (companies, trades unions, and social organizations) assuming co-responsibility in the building of a more inclusive society and a dynamic and integrated employment market. For these governments, all actors are jointly committed to building new CSR policies and actions that will promote the growth of a fairer society.

TABLE II  
Models of government action in the development of CSR-endorsing public policies in 15 EU countries

Model	Characteristics	Countries
Partnership	Partnership as strategy shared between sectors for meeting socio-employment challenges	Denmark, Finland, the Netherlands, Sweden
Business in the community	Soft intervention policies to encourage company involvement in governance challenges affecting the community (entrepreneurship and voluntary service)	Ireland, the United Kingdom
Sustainability and citizenship	Updated version of the existing social agreement and emphasis on a strategy of sustainable development	Germany, Austria, Belgium, Luxembourg.
Agora	Regulatory Creation of discussion groups for the different social actors to achieve public consensus on CSR	France Italy, Spain, Greece, Portugal

Apart from this, for many companies already involved in the social context, being socially responsible is simply inherent to their way of doing business. Social initiatives are often implemented informally or implicitly, as a response to local expectations and demands (Morsing, 2005). National settings define a framework, where public and private actors are directly involved in the process of creating public policies and establishing partnerships for social responsibility. Partnership is seen as an innovative and sometimes even key tool for solving difficult social problems. Local governments, responsible for channeling the creation of such partnerships, are also heavily involved, thus furthering the idea of social co-responsibility between administrations, companies, and social organizations. Encouraging partnerships has thus become central to CSR public policies in these countries. In fact, in the Danish context, cross-sector local partnerships practically incorporate the CSR concept (Nidasio, 2004).

One of the policies common to all these countries insists that companies should provide adequate CSR information adhering to transparency principles on social issues. It is consumers themselves who place most emphasis on socially responsible production. In the Netherlands, for example, labels are used to avoid confusion. Another differential factor in this model is that public officials take the attitude that

they should lead by example. Particularly in public tenders, for instance, every effort is made to promote the use of goods or services produced in a socially responsible manner. In short, CSR public policies are viewed as part of the regular framework for social and employment practices. A considerable commitment is made by local governments who act as the channels for partnership building, favoring the notion of social co-responsibility between administrations, companies and social organizations.

The Nordic model, linked to a long tradition of preference for cooperative agreements and consensus between different types of organizations, is largely characterized by the use of partnership as a tool, and by the creation of a shared area of welfare. In essence, the impetus towards the adoption of public-private partnerships may be construed as an heir to Scandinavian political culture, in which research always highlights cooperation, consensus, and participation (Greve, 2003). Under the political tradition of most Nordic countries over the last century, social problems are part of governments' core competences and, as such, are considered among the basic issues that their policies must resolve (Rosdahl, 2001), with these values underpinning their political-social philosophy.

The countries in this section all have considerable experience in environmental management, which now also incorporates the CSR component. They

also enjoy a tradition that historically favors social negotiation, in which relationships between government and companies are viewed as positive, and which includes certain aspects of cooperation. We use the term ‘partnership’ to refer to the format used to design and implement CSR public policies in Scandinavian countries (Denmark, Sweden, and Finland), to which we have also added the Netherlands.<sup>5</sup>

#### *The ‘business in the community’ model*

The *business in the community* concept refers to how these governments and companies interpret the role of business in society, particularly as regards social challenges and its role in community development. In this model, we have included the United Kingdom and Ireland. The British government has been one of the most innovative in the development of a political CSR framework. It links CSR to the main challenges in societal governance faced by developed countries (DTI, 2001; 2003a, b).

CSR first saw the light of day in the United Kingdom and Ireland during the final decades of the 20th century, as a response to a deficit in social governance when industrialized economies were undergoing a severe crisis, forcing companies out of business and causing severe problems of social exclusion (Moon, 2004). Both societies had to deal with acute problems of social exclusion and growing poverty in urban and rural settings, coupled with environmental degradation. The crisis also affected the welfare state, as seen in the decline of the social services offered by public administrations. The governments began to look for innovative solutions to these problems through engaging all social actors – primarily companies. They began to create corporate networks and public–private partnership projects to strengthen CSR. Firms were soon involved in social projects that invested in the community.

The concept of ‘business in the community’ arose from the idea that companies play a fundamental role in the economic development of communities in which they operate as well as in fighting social exclusion and poverty. In the United Kingdom and Ireland, it is now commonplace for governments and companies to use concepts like ‘investment in the community,’ ‘involvement in the community,’

‘regeneration strategies for less favored areas’ and ‘commitment to the community’ to define their contribution to social and community development.

The idea of corporate responsibility was first seen in the contribution of companies to sustainable development through new public social governance policies (Moon, 2004). In terms of corporate management, governments advocate voluntary involvement in CSR. Companies bring CSR initiatives into commercial practices and corporate management on a voluntary basis, quite apart from any legal requirements. However, particularly in the United Kingdom, the government adopts what is known as ‘soft intervention’ to promote and endorse corporate action in CSR areas.

In both the United Kingdom and Ireland, government action is conceived as developing, facilitating, and providing incentives for CSR, as well as encouraging public–private partnerships. In their role as facilitators, the governments seek mechanisms that provide incentives, whether through so-called ‘soft regulation’ to encourage corporate CSR actions or through tax measures. Another important idea in these countries as regards CSR is the building of partnership projects for the public and private sectors, either together or with the third sector. This allows a joint grasp on problems linked to social exclusion, poverty, lack of social services and quality of life in economically depressed areas. Companies collaborate in partnership projects with local governments in staff training, company set-ups and investment in deprived urban or rural areas.

To sum up, under this model, government actions on CSR focus on providing support to the private sector, facilitating economic and sustainable development and economic regeneration, with the support and collaboration of the private sector. These countries deal with social problems such as unemployment and social exclusion through CSR policies involving companies responding to a crisis of governance and creating the conditions for corporate action. Finally, governments base their application of CSR measures on ‘soft regulation.’

#### *The sustainability and citizenship model*

The *sustainability and citizenship model* tackles CSR from a focused perspective, above all through

companies considered as ‘good citizens.’ This is what Frederick (2006), in his scholarly conclusions, classifies as ‘public/social policy,’ where the corporation is analyzed as a political actor, and where these newer citizenship concepts of business rest on a firm theoretical foundation of political science in which corporations take their place as citizens in civil society. For the governments of this model, Austria, Belgium, France, Germany, and Luxembourg, the concept of ‘corporate citizenship’ holds that companies must not only be good citizens through the transparency of their activities and compliance with tax obligations, but that they should go beyond this. It also refers to businesses’ obligation to maintain a direct link with their local environments and to contribute to resolving social problems by forming partnerships with other actors in society. One of the main characteristics of the ‘sustainability and citizenship’ model is the value it allocates to companies’ socially responsible behavior, which undoubtedly contributes to social change. Essentially, the key notion behind this concept is for companies to function as genuine social agents, with corporate citizenship as the strategy adopted to support their actions in this sphere. In this model, government action mainly promotes CSR and creates incentives to help companies assume their social responsibility. The concept of ‘social market economy’ also responds to the same principle, combining economic and personal freedom with social justice – thus featuring social responsibility components. In these governments, the role of the corporation in society is much closer to societal goals and agendas.

The countries forming part of this ‘sustainability and citizenship’ model generally enjoy relatively sound welfare states, which, in the 1990s, had to withstand the impact of a global economic crisis, an increase in social costs and the consequences of population ageing. Consequently, over the last few years, CSR has been added to the political debate surrounding growing concerns over their economy’s lack of competitiveness and welfare state renovation. Debate on CSR, therefore, often comes from within companies themselves. These companies may join forces and create platforms, where they can share experiences and express themselves with a single voice.

The countries explored in this CSR model have a long-standing tradition of intense public discussion

on sustainable development issues, which began long before the publication of the European Commission Green Paper (2001). Nevertheless, these governments began moving towards CSR after 2001. This experience of environmental public debate, essentially based on the 1990s, views CSR initiatives as part of long-term sustainability. Among the countries included under this model, France deserves special attention. In France, CSR is well-established in government-supported activities focusing on sustainable development. So much so that, at times, such activities appear to be directed by the government, revealing a more regulatory approach, in line with the apparently more centralist orientation of the French state.

In recent years, these governments have developed national Sustainable Development strategies, considering the role of companies as fundamental points in sustainable development, innovation, and competitiveness. In Austria, for example DETE (2002) stresses the need for businesses to redefine their image as regards environmental social responsibility and proposes that it is necessary to explore new forms of cooperation with governments and their stakeholders.

In these countries, governments have promoted CSR through support for business organizations and through specific political initiatives on promotion and awareness.

#### *The Agora model*

We use the term *Agora* – a Greek word meaning a public gathering place or forum – to refer to the model used to implement and enforce CSR public policies in Mediterranean countries, including Greece, Italy, Portugal, and Spain. Although some are still at an early stage, others, such as Italy, have already begun to consolidate their CSR governmental project. We have named this model ‘Agora’ because, in Mediterranean countries, political CSR applications arose from a series of discussion processes in which governments sought to involve companies and society stakeholders, debating in groups along with political representatives. These CSR relational initiatives work by seeking a consensus that includes all social voices and viewpoints on government action.

The countries in this model were the latest to introduce CSR policies and have only recently expressed an interest in the issue, largely following the publication of the European Commission Green Paper (2001) and Communication (2002). In 2001, none of their governments took part in European Commission debates on the Green Paper. However, from 2002 onwards, most began to include CSR initiatives in their political agendas. These are countries with a less well-developed welfare state, which is less mature if compared with the other countries in Europe. The origins of CSR in governmental initiatives in Mediterranean countries can be linked to European Commission initiatives to promote a European framework for CSR and is also due to the impact of various international public and private initiatives (OECD's guidelines for multinational companies, the Global Compact and financial sustainability indexes). At the same time, CSR actions were beginning to be endorsed by large multinational companies that had invested in these countries or companies from these countries, which were starting to globalize. In all these countries, corporate CSR networks and research centers have been created to develop and incorporate the CSR concept within the national framework. It is in these CSR networks and organizations that the Mediterranean discourse is being built. Issues linked to CSR, at least in Spain, Greece, and Portugal, are mainly social in nature.

These are countries whose governmental CSR approach is under construction. In these countries the governments have not been extremely innovative or proactive in the development of CSR public policies, except in Italy, where the government has adopted specific projects and policies to promote CSR.

What characterizes governmental action most of all here is that before taking decisions, the governments need to construct a social consensus and to have engaged in dialogue with all the social agents. This dialogue produces the CSR public policies defined by these governments. In these countries, governmental action has been supported by the drafting of reports and studies on CSR, analyzing the development of CSR in more proactive European governments and the CSR public policies undertaken. These elements of public dialogue provide consensus on whether or not governmental

action has been defined or made specific through tangible political initiatives, especially in Spain, Greece and Portugal. In these countries, it seems that the governments adopt a positive attitude towards CSR.

The creation of commissions or working groups using a 'multi-stakeholder' focus to discuss the concept of CSR, to seek consensual solutions and to determine the role to be played by government, characterizes this process in Mediterranean countries. In Spain, Greece, and Portugal, similar processes occur through the creation of expert groups, working committees and forums. The Italian government has thrown open the dialogue to all intervening actors by creating an Italian multi-stakeholder forum on CSR. In short, the *Agora* model allows space for discussion with a certain public dimension. Unlike the EC's European Multi-Stakeholder Forum on CSR, these working groups or commissions are created by governments during the initial stages of government action, even before frameworks for action have been defined. The countries in this model generally have less-developed welfare states than those in northern Europe, particularly in terms of social services. But, like other European countries, they too have suffered the consequences of economic crises, increased unemployment and social exclusion.

### **Governments and CSR: implications for further research**

As we have seen, the analysis of CSR public policies leads us to consider the multi-directionality of these policies: in other words, to whom they are addressed. The new challenges of social governance in globalized societies requires new methodological instruments to analyze how companies contribute to society and how governments adopt new soft roles taking into account the new frameworks of collaboration between governments, businesses, and civil society stakeholders. All this means that companies and governments must be increasingly aware of the need to formulate their own approach to CSR. CSR no longer simply affects relationships between businesses and society. It has become a way of rethinking the role of companies in society, which



takes governance and sustainability as its core values and changes the focus of CSR public policies. As a result, this analysis highlights the following points for future research.

First, the considerable influence of a country's social, cultural and political context on the development of national CSR public policies: models of governmental CSR public policies outlined here corroborate this. Furthermore, any reader familiar with the literature on the evolution of the welfare state in Europe (Esping-Andersen, 1999, 2000) will have detected the similarities between our models for public policies on CSR and other groupings normally found when analyzing different forms and experiences of the welfare state. These parallels should come as no surprise, particularly if we then take a closer look at the itinerary of European Commission proposals on the development of CSR policies. An in-depth study of the relationship between models of public policies on CSR and models of development of the welfare state is long overdue. This is essential, and not just for historical or academic reasons. A correct orientation of public policies on CSR will in the long term form a basic element in, and a symptom of, any forthcoming discussions on the redefinition of the welfare state.

Second, while in some countries CSR policies have been defined in relation to social issues, and an independent public policy has been created, in others government action has simply incorporated CSR into national policies on sustainability. We feel that the latter approach, focusing on sustainability, ties in with countries, where there is a long-standing tradition and intense public discussion on Sustainable Development and 'green' policies. Conversely, the CSR approach in other countries ties in with business and society relationships, and CSR public policies are linked to social challenges and are closer to collective bargaining policies.

Third, there are other elements that must be considered when analyzing and developing any government framework for endorsing CSR. CSR must not be seen as being divorced from the great political and economic challenges. In fact, it is sometimes presented as a response to, and sometimes as the result of, the new challenges created by economic globalization. CSR is at once viewed as a response to the crisis of the welfare state producing a new model for social governance and as a framework linked to national competitiveness. We argue that

this debate on government action on CSR must not be confined to CSR public policies. Governments must allow it a much wider approach and context, embracing models of governance with a framework for new relationships between governments, businesses, and society stakeholders.

From these three points of view, drawing up and designing governmental approaches on CSR is therefore not just a matter of concept but a political decision. This means that governments and businesses and also society stakeholders must be increasingly aware of the need to formulate their own approach to CSR in order to adopt the CSR approach that best suits their welfare state tradition and the existing relationships between government, business and society. Currently, the role of CSR public policies has become a way of rethinking the role of businesses in society that takes relational governance and sustainability as its core values.

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<sup>2</sup> This research was begun in 2004 when the EU was still composed of 15 Member States: Austria, Belgium, Denmark, France, Finland, Germany, Greece, Italy, Ireland, the Netherlands, Luxembourg, Portugal, Spain, Sweden, and the United Kingdom, before the EU Enlargement of May 2004 when 10 States joined the EU.

<sup>3</sup> For further information on the results for each country please see: Lozano et al. (2007).

<sup>4</sup> Given the definition of the study object – focused on governments – the actions between the private, for-profit and non-profit sectors do not form part of this analytical framework.

<sup>5</sup> As Kjaer et al. (2003) suggest on partnership models, we include the Netherlands in this model of CSR due to the tendency of its policies to adopt co-responsibility and dialogue to construct alliances with other key actors.

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