Socially Responsible Private Regulation: World-Culture or World-Capitalism?

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This article analyzes the phenomenon of "corporate social responsibility" (CSR; specifically: social private regulation) in light of two sociological paradigms of globalization: "world-culture" and "world-capitalism." The study treats three analytically distinct features of CSR: the political contestation over its meaning, the role of business studies in transforming it into a managerial model, and its consolidation as a market of authorities. The study finds that (1) while CSR may be theorized as an emergent "world cultural" model, the culture paradigm does not take sufficient account of the role of corporations in shaping it, and (2) while both paradigms recognize the transition from political contestations over the character of CSR to its deployment by means of private regulation, the world-capitalism paradigm offers stronger tools for theorizing the mechanisms of change that mediate between political agency and institutionalized regulatory outcomes.

For several decades, the notion of corporate social responsibility (hereinafter CSR) had been mainly nurtured on the sidelines of corporate activity and business management scholarship (Carroll 1999). In the 1990s, consumer groups and rights organizations began to invoke the notion of CSR in order to convey their normative expectations from corporations, often in respect to the latter’s commercial operations in underregulated countries. Yet in the course of less than a decade, CSR has become associated with transnational regulatory frameworks and advanced managerial systems, all in all signaling a major relocation of political authority and important changes in the way law is deployed on a global scale (Vogel 2005).

Also in the 1990s, and in tandem with the changes in the scope and meaning of CSR, there was a major theoretical and empirical shift in the political and legal sciences from the study of governments to that of governance (or “new governance”) and a corresponding interest in private and self-regulation (or “soft law”) (Braithwaite & Drahos 2000; Rosenau & Czempiel 1992). Inas-
much as CSR announces the licensing of corporations and other nonstate entities to act as private social and environmental regulators (of themselves and of others), CSR is indeed a strong case of transnational governance in the making (Conley & Williams 2005; Scott 2008): increased participation of nonstate actors in shaping public policy, public-private collaboration, and noncoercive ordering (Lobel 2004; Prakash & Hart 1999; Rosenau 2007; Ruggie 2001).  

The phenomenon of commercial agents acting in the capacity of private authorities and engaging in norm creation and norm enforcement has many historical precedents. However, such norm creation in the past was almost exclusively concerned with ordering relations of economic exchange (Cutler et al. 1999). The novelty of CSR is that it encourages commercial and civic entities to promulgate social and environmental norms that were heretofore thought to be the domain of public authorities in general and of state governments in particular. Acting in the name of social responsibility, commercial enterprises now increasingly perform tasks that were once considered to reside within the civic domain of moral entrepreneurship and the political domain of the caring welfare state. The notion of CSR has expanded to mark the proliferation of self- and private regulatory tools and schemes covering issues such as human rights, community welfare, labor, and the environment.

In its present form, CSR denotes a system of governing that incentivizes corporations not only to obey various standards and criteria of “social responsibility” but also to regulate other commercial actors as part of their own socially responsible behavior. In its latest phase, and also within less than a decade, CSR was rediscovered by business schools and became a major area of teaching and research. In the process, CSR was transformed from being associated mainly with displays of good “corporate citizenship” to a scientifically validated form of corporate risk management and, more generally, into a perceived commercial asset.

In this article I discuss three analytically distinct yet interrelated features of CSR: political contestations over its scope and meaning, the institutionalization of CSR as a transnational form of private regulation, and its consolidation as a business-managerial model. The discussion of these features serves a theoretical purpose: analyzing the case of CSR in order to test and compare the ability of two sociological paradigms of globalization to account for such novel forms of private legal ordering and novel configurations of governance. One is the paradigm of “world-capitalism,” and the other is what I henceforth refer to as the paradigm of “world-culture.” I show that the former paradigm tends to theorize CSR in terms of the

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1 For a comprehensive discussion of the relationship between CSR, private authorities, and governance, see Shamir (2008, 2010).
ability of corporations to resist and contain challenges to their hegemony and more broadly in terms of the expansive and transformative capacities of capitalism. In seeming contrast, the world-culture paradigm tends to theorize CSR as an element of a world-culture in which corporations are embedded and to which they are compelled to adjust. I show that while both paradigms contribute to an understanding of CSR, the world-capitalism paradigm is able to offer a more plausible account of the relationship between the political drivers of CSR and its institutionalized outcomes. Specifically, I show that while the world-culture paradigm aptly captures the nature and characteristics of CSR as a global model of regulatory action, the world-capitalism paradigm sensitizes researchers to explore the means by which corporations and their affiliates are able to shape and control the development and diffusion of this new political-legal configuration.

In the first part of the article I discuss the essentials of the world-capitalist and world-culture paradigms as offering two major (and competing) theoretical frameworks for the analysis of CSR. In the second part of the article I analyze CSR in terms of its core political and institutional dimensions, followed in the third part of the article by a discussion of the scientific dimensions of CSR. I conclude with a discussion that embeds CSR, thus analyzed, within the two paradigms.

The World-Capitalism Paradigm

The transformative and expansive capacities of capitalism were articulated a century and half ago in the Communist Manifesto. First, it discussed constant transformation: “[t]he bourgeoisie cannot exist without constantly revolutionizing the instruments of production, and thereby the relations of production and with them the whole relations in society”; second, an expansive impulse: “[t]he need of a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere” (Marx [1848]1998:54). As capitalism is not only an economic system but an all-encompassing sociohistorical formation, these expansive and transformative capacities are to be found not only in the market per se but also in other spheres, such as the political domain.

Accordingly, the world-capitalism paradigm holds that globalization is not only about the expansion of markets beyond national borders but also about the expansive representation of markets as an optimal organizational principle for state and society as a whole. The logic of the market is exported to other social domains, becoming a principle of action for areas of life hitherto seen as being either outside or antagonistic to the market (Burchell 1993). Specifically, government “becomes a sort of enterprise whose task
is to universalize competition and invent market shaped systems of action for individuals, groups and institutions” (Lemke 2001:197).

The world-capitalism paradigm often relies on notions of instrumental agency and emphasizes the relationship between ideas and material interests. Sklair (1997) theorizes the global emergence of a transnational capitalist class that principally consists of corporate executives, capitalist-oriented professionals, scientific experts, and “globalizing” state bureaucrats. At the level of organizational action, multinational corporations (MNCs) are treated as primary agents of globalization. MNCs are perceived as rational, self-interested, powerful actors who act on the basis of calculated opportunities and risks. As such, MNCs (alongside global financial institutions) are assigned a key role in pursuing transnational capitalist practices and in consolidating the new global systems of production, finance, and consumption (Picciotto in press; Sklair 1995).

Another key proposition of the world-capitalism paradigm is that precisely because of its “revolutionary” character, capitalism is inherently unsecured and must constantly maintain its moral and political legitimacy. Concretely, capitalist transformations and expansions are uneven in a dual sense. First, capitalist competition entails the domination of weaker economies by stronger ones (Wallerstein 2004), creating global dependencies and uneven patterns of capitalist development. Second, the capitalist drive dialectically produces crises and resistances that may hamper its development. Specifically, hegemonic capitalist globalization dialectically produces counterhegemonic global movements that vie for alternative “social justice” types of globalization (Santos 2002). For example, Sklair (2002) refers to the appearance of transnational networks of “corporate watch” groups and a host of advocacy organizations that shift their critical attention to corporations in tandem with the growth and expansion of transnational commercial entities.

An important idea here is that capitalism relies on critiques of the existing order in order to alert it to threats, to neutralize opposition, and, moreover, to develop new moral justifications for its drive of profitability. In the process, capitalism must demonstrate a positive improvement in terms of justice and to incorporate some of the values in whose name it is criticized (Boltanski & Chiapello 2005). The transnational capitalist class is assigned a key role here. Conceptualized as “a social movement for global capitalism,” the transnational capitalist class mobilizes a host of agents and venues (e.g., public policy, regulation, and management experts, or business education, trade associations, state agencies, and nonprofit organizations) for securing its hegemony (Sklair 1997).

In light of the formulations above, one can expect the world-capitalism paradigm to generate the following account of CSR. The expansion of transnational capitalism in general and the growing
powers of MNCs in particular dialectically produce new public demands to regulate the labor, environmental, and human duties of corporations. In turn, political struggles over the taming of corporate power generate capitalist attempts to contain the challenge by incorporating some of the values in whose name they are criticized. The proposition that follows is that corporations shape CSR in voluntary terms in order to deflect the prospects of binding governmental or intergovernmental regulation and in order to justify the development of soft law mechanisms: a whole repertoire of “nonbinding” legal and quasi-legal instruments and mechanisms such as codes, standards, principles, benchmarks, and a corresponding industry of social auditing and accreditation firms.2

The world-capitalism paradigm thus assumes that the rationalization of CSR deradicalizes counterhegemonic pressures and legitimates corporations as morally responsible actors. Given the organization of the paradigm around the problem of (global) capitalist reproduction, it will tend to theorize CSR in terms of the expansive and transformative capacities of the capitalist system.

The World-Culture Paradigm

Influenced and inspired by neo-institutional theories of globalization, the paradigm of world-culture is focused on the production and diffusion of legitimate global models that stipulate “how to do things right” in any given environment (DiMaggio & Powell 1983; Meyer et al. 1997). Globalization, from this perspective, is the accumulated result of global processes of producing such models of action. Still, neo-institutional theory and the world-culture paradigm must not be treated as one and the same. While some neo-institutional writers indeed contribute to the development of the world-culture paradigm, others challenge some or all of its core assumptions and concepts.

The central concept of the paradigm is that of a world-culture: an omnipresent structure consisting of principles of universalism, individualism, rational authority, progress, and world citizenship (Boli & Thomas 1997).3 World-culture is embodied in organizations that operate at the transnational level and diffuse it as sets of

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2 Such propositions may also be held by scholars not writing from within the paradigm of world-capitalism. Still, I focus here on the interpretive move from identifying the weight of corporate interests to theorizing the transformative capacities of capitalism. I thank an anonymous reviewer for this observation.

3 The concept of culture here does not simply consist of a set of norms, values, and beliefs and does not merely refer to the informal aspects of organizational life. Treated from a constructivist and a heuristic standpoint, culture is the overarching institutional structure that determines the epistemological validity of institutions such as “science” and orientations to action such as “rationality.”
standards and models that lay out universal blueprints for legitimate action. Essentially, globalization is about the isomorphic diffusion of those cultural models of action that successfully claim the validity of scientific and rational expertise (science itself being a universalizing cultural institution).

The main diffusers of “world-culture” are international governmental organizations, transnational nongovernmental organizations (NGOs), and scientific and expert-based professions that develop and deploy the multitude of standards and norms that affect institutional processes around the globe. As such, their output tends to be naturalized as part of a general process of technical rationalization that is nonpolitical in character. Still, some of these associations gain political visibility because they advance normative tasks such as care for the environment and the protection of human rights. In such cases, they may become more controversial, particularly when they employ confrontational methods or exert direct pressures on local and national authorities.

The world-culture paradigm pays specific attention to nation-states. States are embedded within the structure of world-culture, and it is this exogenous force that allocates them “responsible and authoritative actorhood” (Meyer et al. 1997:169). Accordingly, states are increasingly responsive to emergent world-cultural standards concerning gender equality, the rights of children, environmental concerns, humanitarian assistance, and human rights (Barnett & Finnemore 2004). The extent to which world-culture brings about processes of convergence among states is a core debate within the paradigm (Fourcade-Gourinchas & Babb 2002; Prasad 2005).

A similar paradigmatic principle holds in respect to the capitalist system of production and exchange. Thus divergence in the pace and forms of capitalist development across the globe is not accounted for in terms of the transitory status of different regions and industries or in terms of an uneven location within a “world-system” but rather in terms of cultural embeddedness: varying institutionalized cultural schemes generate different “path dependencies” for capitalist development (Djelic 2006). Yet while Djelic questions the teleological character of Marxist analyses of capitalism, she nonetheless notes a process whereby one form of transnational capitalism seems to be imposing itself around the globe. This form of capitalism is embedded within two incrementally merging cultural trends: managerialization and marketization (Djelic & Quack 2003; Djelic & Sahlin-Andersson 2006).

Managerialization marks the process whereby academic business management and business consultancies produce authoritative blueprints for organizing firms, transactions, and market hierarchies in ways that increasingly look like a new “religion”
Marketization is the process whereby market-oriented policies are becoming dominant in shaping both how government is organized and how it deploys its authority. Markets are perceived to be more efficient (and ultimately also more just) in distributing resources and generating wealth than bureaucratic governments. Consequently, the blueprint of the market becomes a blueprint for governing.

Of particular importance for this article is the world-culture approach to MNCs. Whereas the paradigm of world-capitalism typically considers MNCs as the avant-garde of global capitalism, the world-culture paradigm by and large treats them quite similarly to the way it treats nation-states: as embedded recipients of world-culture. Accordingly, the world-culture paradigm emphasizes the crucial role that international NGOs play in driving corporations to adopt “socially responsible” behavior (Doh & Guay 2006). Isomorphic adoptions of socially responsible behavior simultaneously explain the general spread of CSR and the variability in its adoption by different corporations in different settings (Campbell 2007).

Bartley (2007) analyzes the rise of transnational institutions of private regulation along similar lines. Rejecting the market-based approach that assigns corporations primacy in shaping such institutions, Bartley suggests that the new regulatory forms “are not reducible to corporate strategies but rather reflect the negotiated settlements and institution-building projects that arise out of conflicts involving states, NGOs, and other nonmarket actors, as well as firms” (2007:299). Although also noting that such negotiated settlements take place within the “rules scripts” of neoliberalism, Bartley argues that the emergence of CSR-related private regulatory institutions provides yet another proof that corporations are not as powerful as the world-capitalism paradigm holds them to be.

In light of the above, one may expect the world-culture paradigm to generate the following account: CSR is an evolving world-cultural model, developed and diffused by international governmental and NGOs business consultancies, schools of business management, social auditing firms, and social accreditation agencies. Corporations, like nation-states, are embedded within this world-culture and (variably) respond to its imperatives. Consequently, corporations are (variably) compelled to incorporate CSR into their business practices.

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4 It is in respect to this point that neo-institutionalism and the paradigm of world-culture seem to have taken off in different directions. Offering an institutional analysis of globalization, some writers explicitly focus on the decisive role of corporations, count them as important global governors, and include them as key members of “global clubs” (Drahos & Braithwaite 2006; Potoski & Prakash 2005; Sell 2003).
As aforementioned, in order to consider the propositions and hypotheses of the two paradigms discussed above, the next part offers an account of two analytically distinct features of CSR: political contestations over its scope and meaning, and its institutionalization and relative emergent standardization as a transnational field of private regulation. In the next part, I also consider a third feature: the constitution of CSR as a business-managerial model. Each component exposes some elements of the dynamic evolution of CSR. Combined, these three features allow for a more comprehensive account of CSR than studies that focus on any single one of them alone. From a methodological standpoint, this three-headed analysis is especially important because the world-capitalism paradigm tends to consider CSR from the perspective of political economy, while the world-culture paradigm tends to focus on its institutional aspects. For the time being, I withhold the discussion of CSR as a business-managerial model because I later identify it as a missing link between the political and institutional features of CSR.

**CSR as Political Contestation**

The 1980s U.S. savings and loan crisis and a series of accounting frauds were followed in the 1990s by other types of corporate scandals, all in all contributing to a general sense of systemic corporate misbehavior (Campbell 2007; Locke 2003). Pressure also mounted on the legal front. In 1996, lawyer-activists for the first time tried to subject an MNC to an enforceable global regime of human rights by relying on legislation that granted American federal courts jurisdiction in cases involving a breach of the “law of nations.” In the following years, American federal courts faced dozens of like-minded legal claims (Joseph 2004). Legal scholars have also begun to design an architecture that will subject corporations to a global regime of human rights (Ratner 2001). It was also in 1996 that Corporate Watch—a nonprofit organization that undertook to track the negative social and environmental impacts of large corporations—was established, followed by numerous other civic organizations that have begun to shift their critical gaze from governments to corporations (DeWinter 2001).

In elaborating on CSR as political contestation, I primarily focus on debates that have taken place in the European Union (EU). In the United States, many such debates focused on the possibility of legalizing CSR through litigation and legislation and on the significance of particular voluntary schemes such as the

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Global Compact and the Global Reporting Initiative (Kinley & Tadaki 2004; Kinley et al. 2007). The EU, while well aware of the debates and of such developments, directly focused in its debates on the relative social responsibilities of governments and corporations and openly involved all the relevant players in public discussion and open statements. The focus on the EU, therefore, provides a rare opportunity to assess the overall political dimensions of the struggle over the scope and nature of CSR.

In the early 2000s, the debate about the nature and scope of CSR prompted the European Commission to launch a multistakeholder process of consultation on how to enhance the role of the EU in promoting CSR. The consultation process was based on a green paper titled “Promoting a European Framework for Corporate Social Responsibility” (Commission of the European Communities 2001). The green paper invited interested parties “to express their views on how to build a partnership for the development of a new framework for the promotion of corporate social responsibility” (2001:21). The consultation process yielded 266 responses from 19 countries. Anticipating that the process might involve pressure on the EU to legislate some aspects of CSR, the International Chamber of Commerce (ICC)—a most influential business association—urged its members to strengthen their lobbying efforts so as to prevent such a development. Indeed, corporations and corporate-friendly entities responded to the consultation process in full force. Forty-nine individual corporations, most of them MNCs, submitted a written opinion. Along with them, 14 commercial consultancy firms with a CSR specialty, 29 employers’ organizations, and 15 commercial cooperatives and sector organizations also made a contribution to the debate. Forty-six business groups and other market-oriented entities formally registered as nonprofit organizations were added to this list, bringing the total number of “market inputs” concerning CSR to 58 percent of the total number of responses. Six professional associations (e.g., lawyers and accountants) nine private accreditation firms, three socially responsible investment funds (SRIs), and two “social partners” groups also submitted responses that by and large came close to the position of business (7 percent). Four separate bodies of the EU and 20 governmental agencies from various countries also responded to the Green Paper (9 percent). Thirteen individual academics, independent research institutions, and a number of other individuals also submitted opinions (5 percent). Finally, responses also came from 38 rights-oriented NGOs and 18 labor groups, bringing their total input to 21 percent of the total.6

6 Data and statistics are based on author’s original analysis of materials submitted to the EU consultation process on CSR.
Thus, the EU-sponsored consultation process provides a unique opportunity to identify the substantive positions on CSR held by various actors in the field. The Green Paper stated that “most definitions of CSR describe it as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (Commission of the European Communities 2001:6). Nonetheless, the main effort of the corporations and business-friendly bodies that took part in the consultation process was to secure the prominence of this voluntary approach. The response of corporations and business organizations reflected a solid consensus among them concerning the “add-on,” “complementary,” “beyond legal compliance,” and “voluntary” essence of CSR (McBarnet 2007).

A brief of BusinessEurope—an umbrella organization representing the Industrial and Employers’ Confederations of Europe—aptly summarized this position: “A prescriptive or regulatory approach or framework-setting could undermine business commitment to CSR, while a voluntary approach will firmly embed sustainable good practice within a business. CSR must be developed from within the company; it is not a discipline that can be imposed” (Shamir 2010:540). The ICC also emphasized that CSR spreads more effectively by example rather than by prescriptive government regulations, and the British Chamber of Commerce issued dire warnings against the destructive prospects of legislation. Some corporations emphasized that social responsibility is principally a matter of governmental responsibility and that the EU should encourage third world governments to create appropriate framework of legislation, enforcement, and access to justice. Other corporate respondents emphasized the importance of developing CSR on a voluntary basis and urged the EU not to consider regulatory means because it would limit corporate “flexibility.” Many other corporations urged the EU to treat CSR not as a form of good business management that may be impeded by external intervention.

All in all, corporations and corporate-friendly bodies invested efforts in framing CSR as a voluntary matter, consistently raising a number of arguments: (1) a voluntary approach facilitates efficiency and creativity that foster “best practices” competition among corporations; (2) mandatory CSR will create a race to the lowest common denominator, will stifle business enthusiasm for CSR, and will foster a corporate culture of “ticking the box” and “creative compliance”; and (3) mandatory and uniform regulation cannot capture the complexity of different settings and will destroy corporate on-site informed flexibility. Finally, a repeated argument was that CSR had to remain a complementary practice, relative to the primary role of governments in ensuring social and environ-
mental well-being. Thus, corporations urged private and self-regulation, whereby CSR is adopted by “example” rather than by binding regulation, as the way to go (Davidsson 2002).

The position of business was countered by advocacy groups such as Oxfam, Amnesty International, and Friends of the Earth. These organizations opined that despite the preference of companies for voluntary codes of conduct, experience indicated that, ultimately, regulation was necessary to ensure that companies performed in an acceptable manner. At minimum, they emphasized the need to introduce legislation that would make directors and managers personally responsible for the social and environmental performance of their organizations, require mandatory social and environmental reporting by corporations, impose on parent corporations a legal “duty of care” toward all those affected by the actions of their subsidiaries, and enable those who are harmed by MNCs and their subsidiaries to seek judicial redress in the home countries of those corporations (i.e., extraterritorial liability).

In July 2002, the Commission of the European Communities issues a report “synthesizing” the results of the consultation process (Commission of the European Communities 2002). The report noted that trade unions and civil society organizations “advocated for a regulatory framework establishing minimum standards and ensuring a level playing field” and that “enterprises stressed the voluntary nature of CSR” and their strong resistance to formal regulation (2002:7). Nevertheless, the report reaffirmed the voluntary definition of CSR (i.e., relying on self- and private regulation), its value as a corporate risk management device, and the advisory and facilitating role that the EU should play in its further dissemination (2002:9). In order to enhance the convergence of the extant private tools of CSR, the report recommended the set-up of a multistakeholder forum that would formulate concrete suggestions on how to “responsibilize” corporate practices (Shamir 2008).

Acting upon this recommendation, the European Commission established a European Multistakeholder Forum on CSR in 2004. The conclusions and recommendations of the forum reflected the ability of business to frame CSR in voluntary terms and to shape CSR in terms of self-regulation. The starting point for the forum’s roundtable discussions was the definition of CSR on a “voluntary basis,” its conceptualization as a complementary device to governmental responsibilities, and as a “learning process” (European Multistakeholder Forum on CSR 2004:8). The forum also concluded that the convergence of CSR practices and tools should take place on “a market-basis through voluntary bottom-up and multistakeholder approaches” (2004:8). The main recommendations of the forum were that the EU would have a role in raising awareness and improving knowledge of CSR, facilitate “the capacities and
competences to help mainstream CSR,” and encourage scientific studies of CSR (2004:16).

In 2006, after two years of inaction, the European Commissioner in charge of CSR formally ended the multistakeholder process, announcing the corporations must be the prime bearers of socially responsible practices and that pressure for regulation must be stopped (Commission of European Communities 2006). Business organizations welcomed the announcement, describing it as a true success of business. Friends of the Earth Europe responded by saying that the commissioner had hijacked the CSR process and transformed it into an element in the agenda of helping them to become more competitive and profitable. What came about, then, is a political contest that has by and large been decided in favor of business. Corporations and corporate-friendly bodies succeeded in framing the debate in terms that reflected their vested interests in preventing the development of binding regulations, in the establishment of CSR mainly in terms of self- and private regulation, and in positioning the EU as a “facilitator” rather than as an authoritative regulator.

**CSR as Transnational Private Regulation**

By 2001, it became clear that one of the dynamics that had been set into motion in response to the public outcries and legal pressures for better social and environmental corporate behavior was the rapid development of CSR-related initiatives, models, and instruments. As quite a few studies show, since the middle of the 1990s, corporations began to invest considerable efforts in adopting voluntary initiatives of social responsibility, endorsing individual and industry-level codes of conduct, introducing socially responsible management systems into their structures of governance, creating market-friendly nonprofit organizations specializing in spreading the voluntary approach, and cooperating with business schools in the establishment of educational programs to that effect (Vogel 2008; Zadek 2004). A whole field of action began to develop around these efforts, leading some to speak about the evolution of a CSR industry (McBarnet 2007). The existence of this industry lends strong empirical support to regulation and governance scholars who have been observing the emergence of a global regime of transnational private regulation (Bartley 2007; Prakash & Potoski 2004).

This industry includes old and new actors: Corporations, NGOs, governments, international bodies, and global financial institutions.

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operate in the field alongside commercial, nonprofit, and hybrid entities such as SRIs, consultancies and specialists, accountancy firms and legal firms, accreditation and standard-setting organizations, and social and environmental auditing firms. Non profit entities that are directly created and sponsored by corporations are important players in this field. Such market-oriented NGOs actively distribute the message of voluntary-framed CSR, train corporate executives in the know-how of social responsibility, and organize and coordinate corporate citizenship conferences, publications, and campaigns. Other leading actors in the field consist of nonprofit partnerships between business, labor, and civic organizations. For example, the Global Reporting Initiative (GRI) is a nonprofit organization that stipulates guidelines for corporate social reporting and seems to be a leading contender for dominance in the field. The GRI brings together representatives of civic groups, UN agencies, and accountancy firms and is sponsored by corporations such as Ford, General Motors, Nike, and Royal Dutch/Shell. The reporting guidelines of GRI, in turn, generate a whole industry of consultancies that offer related services. Indeed, social reporting and social auditing through commercial-civic partnerships and independent consultancies are the fastest growing areas of high-revenue expertise related to CSR (Power 2003).

Another case in point is Social Accountability International (SAI). With corporations such as the Gap, AIG, and Dole Foods playing important leading roles, SAI developed Social Accountability 8000 (SA 8000) as a standard for workplace conditions and a system for independently verifying compliance with that standard. The process of certification involves social auditors, accreditation firms, and consultancy agencies, often blurring the line between commercial and nonprofit activities, giving rise to careers and revenues, in fact amounting to being a small industry within the broader universe of CSR. SRI is yet another related industry within the field, involving investment funds that screen companies by “triple bottom line criteria.” In tandem with these developments, the British FTSE (the Financial Times Stock Exchange Index) introduced the FTSE4Good index, and the Dow Jones in the United States has developed a Sustainability Index based on CSR criteria. The CSR industry thus produces and distributes multiple instruments of private regulation designed to facilitate, directly or indirectly, corporate compliance with a variety of standards, guidelines, indexes principles, best performance benchmarks, labeling criteria, and soft law accreditation and certification schemes that promote social responsibility and public welfare.

The adoption of CSR by self-governing corporations is driven not only by social and market pressures but also by legally sanctioned governmental policies (McBarnet 2007; Scott 2008). Governments have begun to actively experiment with “meta-
regulation,” “responsive regulation,” “reflexive regulation,” and “new governance” and “new public management” schemes in order to incentivize corporations to act responsibly (Braithwaite 2008; Parker 2007). Law has also played a direct role in facilitating business self-regulation, as in the case of U.K. legislation that requires pension funds to report on whether and how they take into account environmental and ethical considerations in their investment decisions. While the law does not create a legal obligation to take CSR into account, the duty of disclosure is meant to create two interrelated dynamics: first, to incentivize corporations that seek investments from pension funds to adopt CSR policies and, second, to incentivize pension funds to adopt such criteria by way of mimetic isomorphism (McBarnet 2007).

The green paper discussed above also highlighted the divergent nature of the CSR industry and urged the need to move toward greater uniformity of standards and procedures (Commission of the European Communities 2001:17–21). However, the significant point here is that corporations insisted that this process of convergence should take place “naturally,” on a voluntary basis, namely through the uninterrupted play of competing systems that vie for authority through market-like mechanisms of efficiency and user-friendliness. This rationale was also adopted by the Multi-stakeholder Forum (discussed above). The forum recommended that the convergence of CSR practices and tools occur on “a market-led basis through voluntary bottom-up and multi-stakeholder approaches” (European Multistakeholder Forum on CSR 2004:8).

One may therefore observe a clear conceptual and practical connection between the effort of corporations and corporate-friendly actors to frame and reconfigure the role of governmental bodies such as the EU in terms of “facilitators” rather than “regulators” and the emergence of multiple nonstate sources of authority such as civic organizations, trade and technical-professional associations, accountancy and credit rating agencies, and standard setting and accreditation firms (Cutler et al. 1999; Hauffler 2001). What is commonly referred to as “new governance” (Lobel 2004; Rosenau 2007) thus consists of an open-ended field of state and nonstate participants that shape regulatory frameworks through competition and cooperation (often designated in terms of multi-stakeholder consultation or dialogue). Indeed, the vocabulary of new governance has been fully adopted by business. Corporations that took part in the consultation process consistently argued that the EU should facilitate CSR by means of suggestive persuasion, cooperative dialogue, educational programs, civic treaties, the creation of economic incentive and an enabling, rather than prescriptive, legislation.
Interim Discussion: From Political Contestations to Private Regulation

The case of the EU consultation process suggests that corporations and their various allies have been able to significantly shape and control the process and its outcome beyond that which may fairly be described as a political compromise among relatively equal actors. The ability of corporations to resist governmental and intergovernmental regulatory efforts and to successfully frame CSR in voluntary terms has been recorded in other settings as well—for example, in the case of the U.K.’s draft “Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Respect to Human Rights” (Rowe 2005) and in the case of corporate resistance to the application of the Alien Tort Claims Act (Shamir 2004).

Of course, students of global regulation who do not necessarily adhere to Marxist theory or to a world-capitalism paradigm have also noted the influence of corporations on the shape and content of global regulatory regimes (e.g., Drahos & Braithwaite 2006). Yet the perspective of the world-capitalism paradigm may come to a fuller fruition once one also considers the corresponding emergence of a commercial CSR industry and the proliferation of private and quasi-public regulatory instruments that develop on a market-led basis. In this sense, one witnesses here what the world-capitalism paradigm would theorize as capitalism’s remarkable ability to perpetually transform not only the means and relations of production but also the means and relations of political and legal authority.

Whereas the world-capitalism paradigm considers MNCs as powerful agents of global capitalism, the world-culture paradigm by and large treats them quite similarly to the way it treats nation-states: as embedded recipients of world-culture. The world-culture paradigm assigns important roles to NGOs in the diffusion of world culture, but the evidence about CSR—to the extent that one may view it as a “world-cultural model”—suggests that MNCs also take part in the process of constituting and embedding this culture.

In other words, the discussion so far suggests that the world-culture paradigm has yet to recognize and analyze the extent to which MNCs actively shape this culture (compare Fourcade-Gourinchas & Babb 2002). Moreover, once corporations and other capitalist actors are assigned a primary and decisive role in shaping the regulatory models of CSR, one must open up the question of “the causes and mechanisms of change in the cultural structure itself” (Finnemore 1996:339). To the extent that these mechanisms may be shown to be inherently tied to capitalist actors and interests, researchers shall be in a stronger position to claim the analytical superiority of the world-capitalism paradigm over the world-
culture one. Still missing here is an enabling model and a currency that may facilitate the move from political agency to regulatory structures. In the next part of the article I discuss the development of the “business case for CSR” as this missing link.

The Consolidation of CSR as a Business-Managerial Model

The academic concept of CSR was born in American business schools in the context of a “broadly well-regulated, stable society” (Marsden & Andriof 1998:336) and has been undergoing a definitional evolution at least since the 1940s (Carroll 1999). Above and beyond the “responsibility” of business to generate profits for shareholders and to comply with formal regulations, debates erupted over the “beyond compliance” aspects of that responsibility. While skeptics claimed that any such discretionary corporate contributions to society ran against executive duties to shareholders (Friedman 1970), proponents emphasized the moral obligations of corporations to display “good citizenship” through charitable acts (Carroll 1979). For several decades, then, the term CSR was mainly nurtured on the sidelines of mainstream business management scholarship, conceived as part of the relatively marginalized area of business ethics, and by and large restricted to philanthropic activities.

It was only in the 1990s, in tandem with the political pressures mentioned above, that the term was rediscovered by business management scholars and reawakened in business education. Any analysis of CSR must consider the role of business education and business-oriented research in transforming a normative commitment into a scientific instrument of business management. Recent years have seen a proliferation of classes, executive programs, and educational centers that focus on CSR. As part and parcel of the globalization of American-style business education in general, business schools around the globe have also become hubs of CSR workshops and conferences that bring together academic experts, business executives, and multiple other interested parties. Recent years have also seen both a growing attention of leading business journals to CSR-oriented research and the establishment of new journals entirely dedicated to this issue.

Some of the CSR literature is comparative and conceptual, generating an abundance of definitions, action models, and case studies that “map the terrain” (Gariga & Mele 2004; Lee 2008). Business-oriented research is also heavily concerned with the “drivers” of CSR, focusing on issues such as regulatory pressures, organizational dynamics, managerial commitment, public expectations, and economic incentives for acting responsibly (Haigh and Jones 2006). Within this literature, the development of “the busi-
ness case for social responsibility” merits specific attention. The business case approach stipulates that the pursuit and adoption of CSR policies is not simply the morally right thing to do but also a sound business strategy on its own account. CSR, in this view, is a manifestation of “enlightened self-interest” that weds corporate conscience to corporate financial concerns (Margolis & Walsh 2001). According to the business case approach, CSR policies improve the reputation of the corporation and attract consumers and investors, strengthen stakeholder relationships and have positive effects on employees, increase the share value of firms, and serve an important role in their overall risk management strategies (from reputational risks to direct social and environmental harms that may implicate corporations in costly legal battles or in direct commercial losses).

While the question of the relationship between CSR and profitability is as old as the field itself (Aupperle et al. 1985), there has been a surge in recent years in studies debating the impact of CSR on the financial performance of corporations (Callan & Thomas 2009; Collison et al. 2008; Lankoski 2008; Orlitzki et al. 2003). While some studies question the consistency of a positive relationship between CSR and profits, the business case approach seems to hold firm ground in the common sense of the field and routinely appears as a basic taken-for-granted rationale for deploying responsible strategies. This fact is most obvious in related fields such as corporate marketing and public relations where social branding has become widespread. Yet the business case approach seems to have penetrated deeper, leading corporations to integrate CSR into their overall risk management strategies.

The successful framing of CSR in terms of risk management is a key to understanding the transition from the political terrain of conflicting interests to institutions of private ordering. The latter-day modeling of CSR aligned itself with the ascendant risk-based approach to the management of firms. During the latter half of the 1990s, this approach gained epistemic dominance and became globally known as enterprise risk management (ERM). Power has convincingly shown that ERM may be treated as an “emergent world cultural model” (2005:260). While ERM was developed in the “laboratories” of business schools, thereby enjoying the legitimacy of science, it was then perfected by international standards organizations, global accounting firms, actuarial associations, and financial institutions that diffused ERM on the basis of their ability to claim legitimacy “in the creation of collective goods and broad meaning systems” (Power 2005:259–260). By framing CSR as a risk management strategy—either broadly in terms of reputation and long-range economic performance or more narrowly in terms of verifiable risk avoidance models—business management academ-
ics were able to gain a foothold within the already legitimized world of ERM and to enjoy the cultural benefits that came with it. Accordingly, just as in the case of the all-around hovering universe of ERM, corporate consultancy firms and proliferating standards organizations have begun to pursue the implementation of CSR in terms of a risk management instrument.8

At yet a broader theoretical level, the consolidation of CSR as a business management model and specifically the attempt to articulate measurable standards of performance fits the general global process of standardization noted by Timmermans and Epstein (2010). Surveying the various ways in which the production of standards underlies social endeavors, the authors emphasize the importance of being attentive to “the complex political configurations that promote standards” on the one hand and breed politics of resistance on the other hand (2010:84). Indeed, the transformation of CSR into a commercial instrument has important practical and theoretical implications. On the one hand, the business case approach neutralizes the age-old opposition of ardent capitalists to CSR on the grounds that it may run against shareholders’ interests. On the other hand, the fusion of economic and moral considerations also allows activist shareholders and corporate watchdog groups to tactically push the idea of social responsibility in terms of a utilitarian, “business-like” rationale rather than in the less commercially appealing principles of idealistic or altruistic discourse.

The business case approach is also a crucial element in corporate resistance to governmental regulation. Corporate leaders and business associations thus speak of enlightened self-interest as a basic reason that governmental regulation may impede, rather than enhance, responsible corporate practices. They reason that the business case approach incentivizes corporations to self-regulate (through private regulation) in order to avoid the risks that come with irresponsible behavior and in order to perform better than their competitors. Governmental regulation, on the other hand, may stifle this competition.

In sum, the business case approach recodes a context of political conflict and pressure in terms of a business opportunity in general and a risk management instrument in particular. It is in the laboratories of business schools and departments of economics that the conversion from political contestations to business science takes place. The business case approach assimilates business interests into a scientific enabling model, and it is this model, in turn, that

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8 Some of the world’s major banks joined a code of commitment to social and environmental matters (the “Equator Principles”) and define it as “a financial industry benchmark for determining, assessing and managing social and environmental risk in project financing” (http://www.equator-principles.com/principles.shtml). See Wright and Rwabizambuga (2006).
provides stimuli and rationale for the development of private regulation. It is precisely at the moment that the drive for profits is converted into the currency of methodical business-science that private regulation may prosper; regulation ceases to be treated as exogenous to business, a force imposed from outside and above, but is rather treated as part of the capitalist design for generating profits.

**Conclusion: Grounding CSR**

Invoking the world-culture paradigm, CSR may indeed be conceptualized as bearing—to use the words of Power—“all the apparent hallmarks of an emerging world cultural model” (2005:260). The business case for CSR is developed in schools of management, theorized and modeled as a viable risk management device, and in turn carried into the market by a host of agencies, consultancies, business associations, and multistakeholder partnerships that design and offer corresponding self-regulatory instruments. At the same time, the analysis of the business case for CSR also helps unlock the mechanism that enables the move from a context of political contestation to a valid and legitimate field of private transnational regulation. This mechanism, to put it simply, facilitates the transformation of CSR from a device that is imposed on the market into one that becomes an element of the market.

I have noted that the business case approach recodes a context of political pressure in terms of business opportunities and risk management tactics. Subsequently, the business case approach provides a sound platform for voluntary regulatory practices, asserting that the business rationale that now underlies CSR ensures an efficient market-driven development of private and self-regulatory tools. In this respect, the business management scholarship mediates between political pressures and institutional outcomes, and business schools in general perform the task of diffusing such models of action across the globe. Fourcade (2006) makes a similar point concerning the role of economists as the primary diffuser of pro-market policies. Such roles, in turn, should alert researchers to the possible connection between world-cultural models and capitalist interests.

All in all, the role of the business case approach in defusing the tension between profits and responsibilities testifies to the remarkable ability of corporations (and their affiliates) to transform social critiques into commercial assets. On this count alone, the world-capitalist paradigm seems to offer an analytical framework that does a better job than the world-culture paradigm in stressing the relationship between agency and institutional outcomes. However,
the analysis offered in this article goes even further in substantiating the world-capitalist paradigm. I have pointed out that both paradigms recognize an empirical reality of “marketization”: a general representation of the market as an optimal organizational principle that informs general notions about “how to govern.” I have also noted that CSR, originally invoked as a battle cry by consumer groups and advocacy NGOs, has not only been transformed into a commercial asset but has also become a blueprint for the deployment of private authority. Indeed, the reliance of CSR on a whole industry of regulatory instruments such as auditing, reporting, and accreditation schemes, and the proliferation of organizations that aspire to some measure of regulatory authority (by developing or deploying social indicators) has created an assemblage that rests on a market-like representation of the very notion of authority.

In this assemblage, governments are reconfigured as one source of authority among many, operating in a vast and diversified “market of authorities” that includes private authorities such as corporations and global financial institutions, civic organizations, trade and technical-professional associations, accountancy and credit rating agencies, and standard-setting organizations. Moreover, governmental instruments of authority such as laws and rules also lose their monopoly status and compete in the market of authorities with soft law instruments such as guidelines, codes, and standards.

The institutional outcome is far-reaching: The case of CSR suggests that what researchers are currently witnessing is not merely a transformation of the technologies of government but also an expansion and transformation of the very means of governing. The business case modeling of CSR—and the constitutive role that it plays in the development of private regulation—is thus a strong example of the relationship between the global diffusion of business-based models and the very transformative and expansive capacities that the world-capitalist paradigm is centered upon. The end result is that on all counts, the world-capitalism paradigm offers a more comprehensive framework for the theoretical grounding of CSR.

References


Case Cited


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