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Essays on Corporate Social Responsibility
in Germany and Spain
Acknowledgements

Before getting into the body of this work, I would like to dedicate some words to all persons, who made this research possible and contributed to where I stand now, namely, to present my three research projects in the public defense of my PhD thesis.

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<th>Acronym</th>
<th>Description</th>
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<tr>
<td>3-BL</td>
<td>Triple Bottom Line</td>
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<tr>
<td>A</td>
<td>Austria</td>
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<tr>
<td>ACCA</td>
<td>Association of Chartered Certified Accountants</td>
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<tr>
<td>AISHE</td>
<td>Audit Instrument for Sustainability and Higher Education</td>
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<tr>
<td>ASPI</td>
<td>Advanced Sustainable Performance Indices</td>
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<tr>
<td>AECA</td>
<td>Spanish Association for Accounting and Business Administration (Asociación Española de Contabilidad y Administración de Empresas)</td>
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<tr>
<td>ANOVA</td>
<td>Analysis of Variance</td>
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<td>B</td>
<td>Belgium</td>
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<tr>
<td>BCCI</td>
<td>Bank of Credit and Commerce International</td>
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<td>BERD</td>
<td>Business Enterprises Sector Spending on R&amp;D</td>
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<tr>
<td>BMWi</td>
<td>Federal Ministry of Economy and Technologie (Bundesministerium für Wirtschaft und Technologie)</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<tr>
<td>CERES</td>
<td>Coalition for Environmentally Responsible Economics</td>
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<td>CFO</td>
<td>Chief Financial Officer</td>
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<td>CFP</td>
<td>Corporate Financial Performance</td>
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<td>CG</td>
<td>Corporate Governance</td>
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<td>CH</td>
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<td>CKD</td>
<td>Completely Knocked Down</td>
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<td>DK</td>
<td>Denmark</td>
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<td>EQUIS</td>
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<td>EMAS</td>
<td>Eco-Management and Audit Scheme</td>
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<td>F</td>
<td>France</td>
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<td>FEE</td>
<td>Federation of European Accountant (Fédération des Experts Comptables Européens)</td>
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<td>FEEM</td>
<td>Fondazione Eni Enrico Mattei</td>
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<td>FORÉTICA</td>
<td>Forum for the evaluation of ethical management (Foro para la Evaluación de la Gestión Ética)</td>
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<td>GC</td>
<td>Global Compact</td>
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<td>GDP</td>
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<td>GERD</td>
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<td>Institute of Auditors of Accounting of Spain (Instituto de Censores Jurados de Cuentas de España)</td>
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<td>International Labor Organization</td>
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<td>Imug</td>
<td>Institute for Market, Environment, Society (Institut für Mark, Umwelt, Gesellschaft)</td>
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<td>IÖW</td>
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<td>ISO</td>
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<tr>
<td>KWIC</td>
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<tr>
<td>LCV</td>
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<td>PERI</td>
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<td>UNEP</td>
<td>United Nations Environment Program</td>
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<td>UNRISD</td>
<td>United Nations Research Institute for Social Development</td>
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<tr>
<td>US</td>
<td>United States (of America)</td>
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<tr>
<td>RARE</td>
<td>Rhetoric and Realities in CSR</td>
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<td>TOP 500</td>
<td>500 biggest companies according to revenue</td>
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<td>VoC</td>
<td>Varieties of Capitalism</td>
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<td>WB</td>
<td>World Bank</td>
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<td>WCED</td>
<td>World Commission on Environment and Development</td>
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<td>WBCSD</td>
<td>World Business Council for Sustainable Development</td>
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<tr>
<td>ZUMA</td>
<td>Centre for surveys, methods, and analysis (Zentrum für Umfragen, Methoden und Analysen) of the University Mannheim</td>
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1. Introduction

In the introduction to this PhD thesis, which is composed of three ‘Essays on Corporate Social Responsibility in Germany and Spain’, I will point out different strands of motivation behind facing the challenge of elaborating a PhD thesis in the field of Corporate Social Responsibility (CSR), in general. Specifically, I will refer to the reasons, why I did so by a cross-country country comparison between Germany and Spain from a corporate perspective. In addition, I will give a general overview on important theoretical frameworks of CSR and on main CSR issues from a corporate perspective discussed in the CSR literature. Furthermore, I will elaborate the theoretical frameworks and highlight the CSR literature which is relevant to the three essays. I will also give an overview on the contents of the three essays in form of summaries and describe the research design, which I applied over the three research projects.

In the following, I will briefly summarize the contents of the mentioned elements of the introduction and then turn to provide a more detailed view on them.

My motivation to commence this enormous and challenging project, which doubtlessly constitutes a PhD thesis, is based upon three pillars: 1) my personal motivation, which is linked to my socialization, my academic background and professional experience; 2) the current momentum behind CSR; and 3) the gap in the literature with regard to cross-country research in CSR in Europe and, as a consequence, the call for research in this regard.

My personal motivation to do a PhD in the field of CSR is rooted in my socialization, when I was sensitized to the issue. Then, although CSR had not yet achieved the relevance at political, corporate and societal level, it possesses now, I was personally confronted with the ambivalent repercussions the operations of business can have on a community. Furthermore, during my professional life, in one of the leading car manufacturers at global level, I eye-witnessed one of the most eminent corporate scandals which has taken place in Europe ever and its serious, among others, social consequences. This hands-on experience reinforced my sensitivity and sharpened my awareness with regard to the responsibilities of corporations in society.

In addition, my academic background in business administration and political science delivered an ideal interface of two disciplines of social science to elaborate views on the contemporary role of business in society.
Moreover, the current momentum behind CSR and the corresponding increasing interest in politics, business, society and academia in this regard offered the opportunity to me, to realize my PhD project at the Solvay Brussels School of Economics and Management, where in 2005 a chair of CSR was created.

And finally, the gap in the literature with regard to cross-country studies in Europe, the call for research in this regard, my cross-cultural background in Germany and Spain and my professional experience in both countries lead me to the selection of the countries relevant to this thesis and therefore, finally, to the starting line of my PhD thesis with the title “Essays on CSR in Germany and Spain”.

The next elements of the introduction aim at giving an overview on different theoretical approaches to CSR and main CSR issues from a corporate perspective.

In general, and due to the fact that CSR is a relatively modern phenomenon, theoretical frameworks of CSR originated over time in many different disciplines of social sciences, such as philosophy, political science, political economy, sociology, economics and management science. Therefore, the resulting conceptual frameworks of CSR differ widely. The theoretical frameworks applied in this PhD refer not only to contributions from economics and management science, such as stakeholder theory, strategic management theory and agency theory. In addition, and due to the cross-country character and the resulting relevance of country context to the three research projects also theoretical frameworks rooted in political economy and sociology, namely institutional and legitimacy theory are referred to.

With regard to CSR issues from a corporate perspective, the main theoretical debates and/or empirical research evolve around the following crucial points: understanding of CSR, drivers of CSR, organization and implementation of CSR, including CSR disclosure and CSR standardization debate, CSR agendas, firm level factors and their impact on CSR and more recently, the link between Corporate Governance (CG) and CSR. The CSR issues dealt with throughout the three empirical essays are the following: understanding of CSR (CSR concepts), CSR drivers, CSR disclosure and standardization, CSR agendas and the link between CG and CSR.

The last element of the introduction gives an overview on the research design, including methodologies, applied in the three research projects. In the first essay, a postal survey of the TOP 500 companies in Germany and Spain was administered. In the second essay, quantitative contents analysis of CSR reports of companies of the utility industry listed in the
main stock indexes in both countries was conducted. And, in the third essay qualitative contents analysis of the web self-presentation of companies listed in the two main stock indexes in both countries was applied.

The following figure 1 gives an overview on the above shortly described elements of the Introduction to this PhD thesis.
Figure 1: Structure Introduction (own elaboration)

**Motivation**
- Personal Motivation
- Socialisation and Education
- Professional Background

**Momentum behind CSR**
- Call for CSR-Cross-Country Research in Europe

**Selection of Countries: Germany and Spain**

**Theoretical Frameworks**
- Origins and Main Theoretical Frameworks of CSR
- Institutional and Legitimacy Theory
- Stakeholder Theory
- Agency Theory

**CSR-Literature**
- Main CSR Issues in Theoretical Debate and Empirical research
- Firm Level Factors

**CSR Drivers**
- CSR Concepts
- CSR Disclosure/Standardisation
- CSR Agendas

**National CG Mechanisms/Convergence Debate**
- Understanding of CG and its Links to CSR

**Summaries**
- Chapter 1
- Chapter 2
- Chapter 3

**Research Designs Methodologies**
- Questionnaire based postal survey
- TOP 500 companies
- Quantitative contents analysis (CSR reports)
- Utility Industry, main stock indexes
- Companies listed in main stock indexes
1.1. Motivation

In this part of the introduction, I will highlight the three strands of my motivation to do a PhD thesis in the field of CSR, in general, and more specifically, to do so by a comparative analysis of Germany and Spain. This section includes reflections on my personal motivation based on three pillars, my socialization and my academic and professional background. In addition, I will point out the two other strands of my motivation, namely the current momentum behind CSR and the gap in the literature with regard to cross country research in CSR in Europe and corresponding calls for research.

1.1.1. Personal Motivation

1.1.1.1. Personal Socialization and Academic Background

With regard to the first pillar of my personal motivation, my socialisation, I was confronted from my early childhood on with the multifaceted effects, negative and positive ones, a corporation’s activities can have on a community. In my case, I grew up close to a ‘chemical and petro industry cluster’ in the South of Germany, in particular, in a community next to the most important production facility of said cluster.

In the 1970s, the negative effects of said business operations consisted clearly of frequent spills of chemical sewage into the river of that area and air pollution. These had serious ecological effects on the community and caused health problems among its members. Due to said incidents during my socialisation, the awareness on environmental issues and the importance of environmental protection have become an important part of my personal value system and life style. Furthermore, said experience shaped my awareness of and the interest in questions related to the responsibility of corporations’ vis-à-vis the environment, in general, and the communities which are directly affected by their activities, in particular.

By the end of the 1970s, a huge environmentalist movement emerged in Germany and the Green Party was founded. Therefore, the awareness on environmental issues was raised in the general public and pressure put on regulators and corporations. As a consequence, the latter invested heavily in environmental protection and security, which was also the case in my hometown. Hence, the quality of life of the inhabitants improved significantly.
But, besides the described negative effects on the community’s life, the presence of the factory had also positive ones. Traditionally, in the German chemical industry high wages and salaries were and are still paid. In addition, ‘Gewerbesteuer’ (local corporate tax) was levied by the local government. Both lead to an important wealth creation in the area. Furthermore, local associations (‘Vereine’) in all kind of fields such as sports and culture were generously financially supported by the corporation.

But, in the mid 1990s, the group, of which the production site at my hometown formed part, was strategically repositioned, in order to be ‘fit for the future in the era of globalisation’. As a consequence, the group was disintegrated. The different business lines operating in the factory of my hometown were sold to partially foreign multinational companies. As a consequence, the tax income of the local government decreased significantly due to ‘tax optimization’ strategies of the new investors. Hence, cultural and sports infrastructure had to be closed due to the lack of public financial resources. In addition, the new owners did not continue to support financially the local associations. As a consequence, related activities had to be discontinued. And, again, the inhabitants of my hometown had to face the negative impacts of corporate behaviour.

Said personal experiences lead to the second pillar of my personal motivation, my academic background. I studied Business Administration in Spain. I did so because as a politically interested human-being, I was especially interested in the European Integration Process. Therefore, it became clear for me to study in another European country. The selection fell on Spain, due to the fact that the country stood, at that time, in the middle of a unique and dynamic political, economic and societal transformation process.

As a result of my studies in Spain and an internship in a Spanish company, I acquired excellent language skills which were the necessary catalyst to be able to acquire deep insights into Spanish economic, corporate and cultural life, value systems, norms, traditions, customs, history and politics. I observed and experienced that these were very different to those in my home country. This was especially the case with regard to the sensitivity and awareness towards environmental issues and the importance of civic and social engagement at political, corporate and societal level, which I perceived to be less developed than in Germany.

In addition, I also hold a Master in political science which enables me to look at economic issues not only through the management science lens. The field of CSR with its broader
perspective on the rôle of corporations in society represents in this regard an ideal interface between these two disciplines.

After my studies and after a careful and reflected selection process of my future employer, I started to work at one of the leading car manufacturers: Volkswagen. This leads to the third pillar of my personal motivation, my professional background.

1.1.1.2. Personal Professional Background – The SEAT Case

Due to my tasks in the staff of the CEO of the car manufacturer Volkswagen AG, I had the opportunity to eye-witness one of the biggest corporate governance scandals in Europe, which took place at the Spanish brand of Volkswagen Group: SEAT. Said incident had a deep impact on me, more than on others, due to my value structure and due to the fact that I was able to communicate directly and without any language bias to my Spanish colleagues. They talked to me more openly about their doubts and fears, which emerged during the crisis SEAT was facing, such as to lose their jobs and the possible implications for their families.

Again, for the second time in my life, I was confronted with detrimental corporate action, in this case, socially hazardous one. This time, I had to raise questions from the inside perspective about the responsibility of corporations vis-à-vis their employees, suppliers and society as a whole. In addition, I was taught a lesson about a firm’s ‘position of power’ vis-à-vis democratic governments. And, last but not least the SEAT case constitutes a case study on hidden flaws in corporate cross-country operations, namely cultural and institutional differences.

I will describe this case more profoundly, due to the following reasons: first, it underlines my hands-on experience with regard to the importance of the awareness, understanding and knowledge at corporate level with regard to cross-border institutional differences, an aspect which therefore constitutes the overall framework of this PhD thesis. Second, it provides a lesson on bad corporate governance and a lack of corporate social responsibility. Third, it constitutes the specific driver to elaborate chapter three. And fourth, only a more detailed presentation can reflect the monstrosity of the case and its crucial impact it had on me and which ultimately led to where I stand now, to do research in the field of CSR.

In the following, I will highlight some important background information and the main aspects of the corporate scandal.
SEAT was founded in the 1950s and became as a national icon part of the Spanish national identity, comparable to Volkswagen in Germany. The objective was not less than the motorisation of Spain. After the end of the dictatorship of Franco in the mid 1970s and the subsequent decentralisation, liberalisation and privatisation efforts of the Spanish government, SEAT had to face economic turbulences during the 1980s, when Volkswagen acquired the company.

At that time, SEAT owned production facilities in Spain, two car producing factories one in Barcelona (Catalonia) and one in the North of Spain, including one R&D centre, and one plant which manufactured gearboxes also located in Catalonia. Furthermore, two financial entities, a huge company owned dealer network in Spain and importers in several countries formed part of SEAT. The company was considered a so called fully functional car producer. With the engagement of Volkswagen this status was supposed to be maintained and not to become a simple production facility at 'arm's length'.

The transaction was part of Volkswagen's growth and multi-brand strategy, designed by the CEO, Dr. Karl Hahn, who left the Presidency of Volkswagen in 1993. As a confidence-building measure, the Spanish President of the SEAT Management Board was also appointed member of the management board of Volkswagen Group. In addition, he became a member of the Board of Directors of SEAT and was conferred the status of a ‘Consejero Delegado’ (delegate member of the Board). Said status implied the possession of powers beyond the scope of an ordinary President of the Management Board. In addition, around one billion Euros were invested in a new factory in Martorell (Barcelona).

But, in 1992 the Spanish peseta had been massively devaluated. As a consequence, the financial burden for the new factory increased significantly, since it was mainly financed by foreign currency loans – also approved by Volkswagen Group treasury. In addition, the automotive industry worldwide entered into a phase of recession. As a result, in August 1993, SEAT was, according to Spanish accounting rules and the Spanish stock corporations’ law (Ley de Sociedades Anónimas –LSA), bankrupt. The main problem consisted of the fact that the Management Board of Volkswagen Group, in the meantime under a new presidency, was not aware of this dangerous situation at its Spanish subsidiary. Hence, it was not able to design strategies to cope with the problem on time.

How could this happen? First, the regular monthly reporting within the Group, designed at the German headquarters, was based only on German accounting rules. In this accounting
framework, the true situation of SEAT did not easily become evident. Given that situation, the President of SEAT and the director of controlling tried to avoid that the real situation of SEAT could be detected at the headquarters in Germany. In fact, they controlled all formal information channels between SEAT (Barcelona) and Volkswagen headquarters. Except one, a more informal reporting tool on a monthly basis, which was supposed to provide a direct communication channel between the Presidents of the two corporations. It had already been established, when Volkswagen took over SEAT. Said monthly report was traditionally elaborated in Madrid by the director of institutional relations of SEAT, not at SEAT headquarters in Barcelona. Usually, a draft of this report was sent in advance, in order to facilitate its pre-analysis on time at the Volkswagen headquarters. Moreover, said communication tool reported according to Spanish accounting rules. Therefore, in the draft version 'some unbelievable figures' arrived at Volkswagen headquarters. But, in the meantime, the President of SEAT and his director of controlling had detected this undesired 'leak' and closed it by somehow questionable means.

The precarious situation in Barcelona was revealed in August 1993, when a new CFO of SEAT was appointed. The person was an external German manager, without internal networks, neither at Volkswagen nor at SEAT. Finally, he alarmed the headquarters and, step by step, the dimensions of the scandal became clear: the accumulated loss of SEAT in 1993, according to Spanish accounting rules, reached around 1 billion Euros. Therefore, the ratio equity/subscribed capital was situated underneath ratio corridors (1/2, 1/3), described in I.S.A. Hence, SEAT was in a situation of technical bankruptcy.

I remember, when I travelled to the first crisis session to Barcelona. In the meantime, the President of SEAT had resigned from his post. In Spain, only the Board of Management of SEAT knew about the precarious situation of the company. The employees were not yet informed and the interim President of SEAT, the former responsible for R&D in the Management Board, a German manager, seemed to be overrun by the situation. In this meeting possible scenarios, including worst case exit scenarios and restructuring approaches were discussed. In addition, it was agreed upon, to sound a possible financial involvement of the Spanish government in rescuing the firm. Then, the directive personnel of SEAT, around 100 persons, were informed on the situation. They looked terrified because at this time it was not clear, if the firm would be shut down or not, if they would lose their jobs or not, or, if a restructuring of the company would be considered as feasible. And, if the latter was the case, if a restructuring program could be implemented successfully. If all failed, around 20.000
employees of SEAT would lose their jobs, not included the effects on the personnel employed at suppliers. The negative social consequences for them, their families, the suppliers and the communities in the region as a whole were not predictable.

From the Volkswagen Group management perspective, one important aspect under the LSA was the potential liability of members of the Board of Directors of SEAT and its President. Most of the members of the Board of Directors of SEAT were also members of the Management Board of Volkswagen Group. According to LSA, members of the Board of Directors are liable with all their private property in case of negligence. This fact was unknown at the Volkswagen headquarters. To sound the potential risk and to avoid potential liability problems under LSA, external advice by a Spanish law company was contracted. According to their evaluation, decisions on the future of SEAT and corresponding action had to be put into practice under extreme time pressure, in order to avoid liability claims. At the same time the coverage of the liability insurances of the Volkswagen members of the Board of Directors of SEAT was increased.

Externally, Volkswagen sounded the possibilities of a financial support from Spanish authorities for a possible restructuring and exercised pressure on their decision making. As a result, the Spanish central government (Madrid) and the regional government of Catalonia (Barcelona) signalled their financial support in rescuing SEAT, under the condition that the firm would be maintained as a fully functioning car manufacturer.

Finally, Volkswagen opted for the restructuring of SEAT and a corresponding plan was developed, which was based on the following pillars: financial, personnel and technical restructuring and the implementation of stricter CG mechanisms.

In the framework of the financial restructuring the following steps were undertaken. First, to improve the ratio subscribed capital/equity, an indicator of the technical bankruptcy, the subscribed capital was reduced from around 80.000 million to 10 million Spanish Pesetas, the minimum level, according to LSA. Second, around 500 million Euros were transferred as emergency support from Volkswagen to SEAT to an ‘equity-like position’ under the concept of capitalisation of claims. Third, liquidity of around 270 million Euros was generated through the sale of the factory in the North of Spain to other subsidiaries of Volkswagen and a transfer pricing optimization in CKD-parts. In 1994 another 200 million Euro cash transfer of Volkswagen Group followed. The Spanish authorities contributed to the financial restructuring with an amount of around 250 million Euros. In addition, liquidity should be
created by selling all kind of assets such as dealers, real estate, production lines, workshops etc.

With regard to the technical restructuring, the most important objective consisted of the reduction of over-capacities which were built up at SEAT. What turned out to be an over-capacity now, had been approved before by the corresponding committees and social organs also at Volkswagen Group level. Hence, production capacity was relocated to the efficient new factory. The old factory was to a major extent shut down by the end of 1994, with the exception of the press shop, spare parts production and a small series production of the model 'Marbella'. It was planned to transform it partially into an industrial park for suppliers. Further over-capacities should be reduced by the production of LCVs, including Volkswagen 'badges'.

Concerning the personnel restructuring, the headcount of around 18,000 employees by the end of 1993 (after the sale of the factory in the North of Spain) was reduced to 13,500. The costs of the personnel restructuring reached about 320 million Euros. Again, the Spanish authorities, in addition to the officially paid subsidies, had to participate in these costs. This time they did so indirectly, in form of contributions to pre-pensioning schemes and short-time-work ('Expediente de Regulación de Empleo').

Also consequences for the corporate governance of SEAT were drawn from the incident, namely stricter control and monitoring mechanisms. The complete Board of Management of SEAT was exchanged and substituted by German managers, with the exception of the President of the Management Board. For the implementation of the restructuring plan it was regarded as convenient to appoint an external Spanish manager, to ensure adequate communication throughout the restructuring process, internally and externally, but without being able to rely on internal networks. The new President was not appointed 'Consejero Delegado' to limit his powers. In addition, in the area of the CEO of Volkswagen a new department was created responsible for the control, the follow up of the restructuring plan, the cooperation with Spanish state authorities and the corporate governance of all Spanish subsidiaries. In this newly created government I became responsible for the CG of all Spanish companies of Volkswagen. Those included not only SEAT and its subsidiaries but also other Volkswagen companies, active in Spain. In addition, a manager from Wolfsburg participated in all weekly sessions of the Board of Management of SEAT. And finally, the Standing Orders for the Board of Management were modified to limit its members' powers.
The lessons I have learned from the SEAT case were, that bad governance in form of mismanagement, not only at SEAT but also at Volkswagen Group level, and fraud of some managers in combination with inadequate control mechanism, can end up in economic and social catastrophes. It can destroy values in many regards. In addition, the SEAT case showed that the lack of knowledge of multinational companies with regard to country specific, in this case Spanish institutional mechanisms, such as legal ones, in form of country-specific accounting, liability and bankruptcy rules and the role and powers of a ‘Consejero Delegado’ fuel the detrimental dynamics behind bad governance. In addition, the behaviour of companies vis-à-vis state authorities, in order to receive subsidies to solve problems, they have ultimately caused themselves, raises questions about the legitimacy of such corporate pressure, in general, and the role of corporations in societies, in particular. This, in my point of view questionable behaviour, was in this concrete case even further extended, by applying ‘tax optimization’ schemes in Spain, some years later. So, the Spanish state, hence, at the end of the day the Spanish tax payers, which had contributed to the survival of SEAT, paid three times - in form of direct subsidies, indirect participation in the personnel restructuring costs and by loosing tax income due to said ‘tax optimization’ schemes.

In sum, my personal motivations to take up the challenge to elaborate a PhD thesis in CSR and to do so in a form of a cross-country comparison between Germany and Spain are the following: First, during my socialisation, I was sensitized to questions related to CSR, namely the negative and positive effects of a corporation’s activities on communities. Second, also during my professional life, where I eye-witnessed one of the biggest corporate scandals in Europe, I was taught that the responsibility for employees, their families and suppliers was put at risk by bad governance and that the position of power of corporations vis-à-vis public authorities could be disproportionate. Third, my interest in CSR is also based upon my academic education, management science and political science, which provide useful interfaces for doing research in the field of CSR. And fourth, I have chosen the countries Germany and Spain, because I noticed, based upon my cross-cultural insights, which I had acquired during my studies and my professional life in Spain, important differences with regard to cultural and institutional settings, which are both relevant to CSR. This implied that a cross-country comparison in the field of CSR between these two countries seemed to be promising. In addition, due to my cross-cultural competencies and experiences, I considered my languages skills in both national languages not only as an asset, but also as a necessary catalyst for conducting a cross-country research. Finally, I decided to focus on these two
countries because I did not want to overstretch the research framework beyond manageable scope.

Another element of motivation consisted of the increasing momentum behind CSR since mid 1990s, whose relevance for me leads me to the following section.

1.1.2. Current Momentum behind CSR

After having pointed my personal background, I hope it has become clear that the current momentum behind CSR at political, social, academic and corporate level goes along with my personal attitudes. I appreciate that an issue, I have considered my whole life as important, has received the attention, importance and presence at said levels. At the end of the day, said current momentum behind CSR, reflected also in the one at academic level, offered the opportunity to me, to write a PhD thesis in this new discipline of managerial science at Solvay Brussels School, since there a Chair of CSR was installed five years ago.

As the notion 'current' in combination with momentum already indicates, CSR is not a completely new phenomenon. Its origins can be traced back to the 1950s, where modern CSR is considered to have ‘taken form’ (Carroll, 2008, Frederick, 2006), although its roots “have a long and wide ranging history, it is mostly a product of the twentieth century, especially from the early 1950s up to the present time” (Carroll, 2008, p. 19), the beginning of the post-industrial era (Ansoff, 1979).

Hence, also prior to the twentieth century, ‘early’ practices, which would nowadays be considered as CSR like had been observed.

In the following I point out the origins of CSR. I start with ‘early’ CSR like business initiatives, whose incipiciencies can be traced back to the beginning of the Industrial Revolution in the 18th century. The latter is considered as a ‘reasonable’ beginning point of CSR history (Carroll, 2008), although already before that era initiatives in this regard were described in the literature (Mantoux, 1961). Therefore, I will commence the following overview with said ‘reasonable’ starting point. Then, I will turn to the roots of ‘modern’ CSR, and specifically refer to the reasons of the current momentum behind CSR, since mid 1990s.

In the Industrial Revolution era, companies enhanced economic growth by becoming engaged in mass production (Carroll, 2008, Mantoux, 1961, Schoemaker and Jonker, 2006). As a consequence, they set up corresponding structures and processes, in order to increase
efficiency in production (Schoemaker and Jonker, 2006), such as automation (Habisch and Wegner, 2005), division of work etc. also labelled factory system (Mantoux, 1961). In this era, the care for employees and philanthropic engagement of business emerged.

With regard to employees, business, especially business leaders, which were, at that time, in many cases identical to business owners, became increasingly preoccupied with their employees, in the sense of finding ways to make them more productive (Carroll, 2008). In most cases, their engagement did not aim at increasing the workers’ personal well-being: their “needs and emotions were disregarded” (Schoemaker and Jonker, 2006, p. 54). In view of said context, also called ‘industrial betterment’ or ‘welfare movement’, Carroll (2008) draws on Wren (2005), who described business initiatives in the fields of health care and recreational facilities for the workers, and Heald (1970), who referred to programmes, to enhance workers’ living and housing conditions. Important business leaders, who acted as pioneers in this regard, were found in the US and Europe. In addition, in many European countries, among them Germany, the pillars of the current generous public social security systems, such as health insurance and pension plans, had been originally rooted in business initiatives (Habisch and Wegner, 2005) and later, unlike the US, transferred almost fully to public agencies.

Also philanthropic initiatives were taken up in said era, especially in the US e.g. in community development (Carroll, 2008). There, a huge tradition of corporate philanthropy exists (compare also corresponding paragraph in section ‘CSR concepts’). Nevertheless, also at that time, said initiatives were controversially discussed. This was due to the following reasons. First, it was perceived that the huge fortunes business leaders had created (Mantoux, 1961) were based upon ‘unscrupulous practices” (Carroll, 2008). Hence, I suggest, that the generous giving served, in the eyes of the public at that time, to compensate for negative corporate externalities, which had been ultimately caused by said practices, signalling by that a certain moral ambiguity. Second, it was difficult to differentiate between corporate and individual philanthropy (Carroll, 2008). Although the expression principal-agent conflict (Jensen and Meckling, 1976) was not yet coined, corporate philanthropy was regarded by many, already at that time, as reducing the profit which should be fully distributed to shareholders (Schröder, 2002). Hence, corporate philanthropy had even been subject to some legal restriction (pre-legalization period) until the 1900s (Carroll, 2008).

The origins of ‘modern’ CSR can be traced back to the 1950s, an era which was characterized by economic affluence and social progress. Then, the society started to question the link between economic growth and said social progress: “having filled their ‘bellies’, individuals
begin to aspire to higher levels of personal satisfaction both in their buying and in their working behavior” (Ansoff, 1979, p. 34). Also inside the firm “the traditional solidarity of the managerial class begins to disintegrate” (Ansoff, 1979, p. 34), so did the perception to work exclusively for the benefit of shareholders.

In the next decades, the external pressure on companies further increased. It was fuelled by social activism and movements, such as consumer and environmental movements, which led to a ‘significant dynamic’ in CSR at corporate level (Roome, 2005). As important triggers for the environmental movements are considered, on the one hand, critical publications on the effects of corporate behaviour on the natural environment such as ‘Silent Spring’ (Carson, 1962), the Club of Rome’s ‘Limits to Growth’ presented in 1972 and the ‘Quest for a Sustainable Society’ (Coomer, 1979). On the other hand, this was also true for environmental disasters, such as the Torrey Canyon oil spill near Cornwall (GB) in 1967, the Seveso chemical disaster (1976), the Amoco Cadiz oil spill in the Bretagne (1978) and so on.

The triggers for the current momentum behind CSR, since mid 1990s, can be ascribed to some fundamental changes in the environment of corporations (Jenkins, 2002, Utting, 2002, De Woot, 2005), which acted as a catalyst for globalisation. These changes consisted of political-historical events, such as the end of cold war, with the fall of the Berlin wall in 1989. The end of the cold war signified not only the end of a bipolar world in terms of political systems, but also the end of two antagonist economic systems: market economy vs. planned economy. This new constellation onset a ‘turbo charged’ globalization (Hopkins, 2004). Teece (1998) described globalisation as structural changes, which shape the framework conditions of the economy, such as liberalization of markets and decreasing protectionism. These encouraged the internationalisation of firms and facilitated the international flows of goods and knowledge transfer. The trend was further supported by decreasing transportation costs and modern information and communication technology. Other triggers consisted of events such as the ‘Earth Summit’ in Rio de Janeiro in 1992 and the subsequent signature of the Kyoto protocol. As a result, global environmental issues, among them climate change, became important issues in public discussion as well as on political and corporate agendas. In addition, very trusted (GlobeScan, 2004), new, powerful socio-political actors (Scholte, 2002, Chavagneux, 2002) the non-governmental organisations, (NGOs) appeared on the public scene. They did not only act as important pressure groups on the occasion of said events, but they put also more directly pressure on regulators and corporations, to deal with social and environmental issues: “attacks from NGOs are now a standard part of business life” (The Economist, 2005a, p. 58). They apply the new mass communication media in their ‘naming
and shaming' strategies or call successfully for consumer boycotts. This was for example the case in the Brent Spar incident in 1995, when the environmentally hazardous behaviour of Shell was criticized or the NGO attack on Nike in 1996, when inhumane working conditions in their supply chain were detected. Said incidents caused brand and value destruction, visible in plummeting share prices of said firms at the stock exchange. As a result, corporations commenced to become aware of CSR. CSR could be considered as a 'reputation insurance' against negative events (Rubinstein, 2004, Porter and Kramer, 2006, Klein and Dawar, 2004).

It constitutes in this sense, a risk management tool by avoiding said incidents or, when they occur, to be more likely to get a 'second chance' from the stakeholders (Rubinstein, 2004, Porter and Kramer, 2006).

Another strand of reasons for the momentum behind CSR is the loss of trust of the public vis-à-vis corporations. This lack of the reliance on another’s good will, as trust is defined by Baier (1986), was further fuelled by the New Economy bubble burst (2000), the Asian bank crisis (1997), the large number of corporate governance scandals worldwide such as, among others, SEAT (1993) and Parmalat (2004) in Europe and Enron (2001) and WorldCom (2002) in the US. This is especially true for the big and powerful players such as multinational companies (GlobeScan, 2004), since these have significantly increased their social and environmental impact and their political influence, in the framework of globalisation and the internationalisation of business. In this regard CSR could be considered as an approach to regain not only public trust in corporations but in the market economy as a whole (Jackson, 2003) and legitimacy (Clarke and Gibson-Sweet, 1999). Hence, it seemed as if the economic performance alone did no longer constitute the only basis for corporate trust and legitimacy. As a consequence, other and new demands of society had to be taken into account, such as ethical, social and environmental ones (Elkington, 1997) or the general interest (De Woot, 2005).

Another aspect of globalisation, from a political perspective, is the shift of powers from state to non-state actors (Chavagneux, 2002), from hard powers (state) to soft powers (companies) (Nye, 1990). From this perspective, CSR deals with the new, also political role, of business in society. The societal and political dimension of CSR is especially illustrated by initiatives of supranational and international institutions such as the Global Compact (GC) of the United Nations, initiated in 1998, the OECD Guidelines for Multinational Enterprises of 2000 and the tripartite declaration of the International Labour Organisation (ILO) on multinational companies and social policies presented first in 1977 and revised in 1991 and 2001. In addition, in Europe, initiatives of the European Commission (EC) emphasized that CSR has
not only become an important issue, but also regarded as a pillar of competitive advantage in Europe. It is explicitly included into the European competitiveness strategy, the Lisbon Strategy. Moreover, the EC published a Green Book on CSR in 2001. This was followed by a European Multi-Stakeholder Forum and the ‘European Year of CSR’ in 2005.

The momentum behind CSR is also visible in its media presence, beyond niche and purely academic publications (The Economist, 2005b), by publications of company and country rankings concerning CSR (Manager Magazin, 2007) and by the interest of leading rating agencies (UNEP, Sustainability and Standards and Poor's, 2006) and auditing companies (KPMG, 2005, 2008) in the issue. The latter underline the growing relevance of CSR to the financial markets in general and not only to the traditional Socially Responsible Investment (SRI) community. This is further illustrated by indexes, such as the Dow Jones Sustainability World Indexes, the FTSE4Good Index, Citizens Index and others (compare Perrini et al., 2006).

Furthermore, leading technology and strategy consulting companies deal to a major extent with CSR, such as Mc Kinsey (McKinsey, 2006) or Arthur D. Little (Arthur D. Little, 2004). This trend reflects the perceived potential of CSR as a ‘hard business issue’ (Cowe, 2001). Or, in other words, as a contributor to the long term economic success by aligning social and economic goals (Porter and Kramer, 2003, 2006).

In sum, the factors of influence described above fuelled the momentum behind CSR and the ‘explosion of interest’ since the mid 1990s at political, academic and business level (Vogel, 2006). CSR has become a “social movement that includes leading companies, policy makers, advocates, pressure groups, knowledge institutes ... business associations and sections of the investment community” (Roome and Jonker, 2006, p. 223) and a governance response to the fault lines of globalisation (Roome et al., 2006). From a business point of view, CSR is now regarded as a ‘business megatrend’ after the quality and IT megatrends in former decades (Lubin and Esty, 2010). Or, as Porter and Kramer put it (2006) an “inescapable priority for business leaders in every country” (p. 78). The latter is also underlined by a survey of 4.238 executives in 116 countries, conducted by McKinsey (2006, p. 33-39). There, only 16% of the respondents focused “solely on providing the highest possible returns to investors while obeying all laws and regulations” (p. 35). In contrast, 84% of the respondents agree that the generation of high returns has to be balanced with contributions to the public good.

In sum, the current momentum behind CSR was facilitated by the effects of globalization, triggered by events and corporate scandals. It was taken up by supra-national, international
and national organizations. Its increasing general relevance is reflected in its presence in mainstream media. The importance of CSR from an economic and business point of view finds its repercussion in consulting and rating companies dealing with the issue and the creation of specialized stock indexes. Generally speaking, CSR is a phenomenon of our time, a social movement and a new business megatrend, which deals ultimately with the relationship business-society. In view of the momentum also at academic level, the latter opened for me the possibility to become engaged in this field of research, which is increasingly attributed importance in managerial science.

In the next section, I refer to the third pillar of my motivation, the call for cross-country research in CSR in Europe.

1.1.3. Cross-Country Studies in CSR and Call for Cross-Country Research in Europe

In the following, I present the findings of a literature review conducted in view of empirical cross-country research in CSR. These underline the gap in the literature in this regard, especially in Europe, and emphasize the relevance of corresponding calls for research in said region.

Due to the selection of two European countries, which are dealt with in this research, namely Germany and Spain, and the corporate level as dimension of comparison, I took into consideration in the literature review those empirical studies, which involve Europe or European countries. Studies which deal with other regions in the world, such as Asia, Middle East and/or developing countries (compare Jamali, 2008) or other than corporate perspectives, such as the consumer perspective (compare Singh et al. 2007, Maignan, 2001) or religion and individual attitudes to CSR (compare Brammer et al., 2007) I did not include. The results of said literature review are summarized in Table 1.

The most important group of cross-country comparisons consists of studies, which focus on the comparison between one country and one geographic region: the US and Europe (Langlois and Schlegelmilch, 1990, Bennett, 1998, Maignan and Ralston, 2002, Doh and Guay, 2006, Van der Laan Smith et al., 2005, Luna Sotorrio and Fernández Sánchez, 2008, Hartmann et al., 2007, Chen and Bouvain, 2009). However, in said studies, corporations from only very few European countries are regarded as a proxy for CSR at corporate level in Europe as a whole. They consider Europe as a homogenous entity. This seems not to correspond to
European reality, since Roome (2005) argues that CSR is not Pan-European. In fact, it seems as if CSR is shaped by the country specific context (Roome, 2005). The latter is an important aspect, since Europe is from that point of view one of the most fragmented regions of the world (Nurdin, 2009). Hence, the approach followed in this group of country comparisons could be biased in this regard. In fact, it delivers sometimes-contradictory results. The latter can be illustrated by the comparison of two studies in view of the rationale behind CSR (Hartmann et al. 2007, Maignan and Ralston, 2002). In the study of Hartmann et al. (2007), the corporations, which are supposed to represent Europe as a whole, are mainly German, few Scandinavian and one British. Maignan and Ralston (2002) deal with corporations from France, UK and the Netherlands. Hartmann et al. (2007) state that the rationale behind CSR engagement in US corporations is more instrumental, whereas the one of European corporations seems to be more normative. The study of Maignan and Ralston, 2002, which differentiates between performance driven (instrumental) and value driven (normative) CSR, came to a mixed result in this regard.

The second category of studies, which is smaller in size than the first one, has international character and involves a greater deal of European countries (Fekrat et al. 1996, Gamble et al. 1996, Milne and Gray, 2008, Kolk, 2004, KPMG, 2005, 2008). However, only three of those considered Germany and Spain at the same time (KPMG, 2005, 2008, Fekrat et al. 1996, Gamble et al. 1996). In addition, said studies focused mainly on CSR disclosure, from simple report output, to scope and accuracy of disclosure. In addition, the sample size, except the study of KPMG (2005, 2008), for the two focus countries of this research is especially in the case of Spanish firms very low, e.g. Fekrat et al. (1996): Germany 22 vs. 2 Spain.

The third and smallest category of cross-country studies refers to those, which include at least one European country explicitly (Guillén et al., 2002, Bondy et al., 2004, Golop and Bartlett, 2007).

Hence, it became evident, that, so far, no cross-country study was realized which deals explicitly with two European countries, such as Germany and Spain.

The findings of the literature review correspond to what Schliereer and Seidel (2009) state: In general, empirical cross-country studies in CSR are few in number, small in scope and sample size. They are mainly based on publicly accessible documents; they focus on disclosure issues and deal mostly with US and Europe. Schliereer and Seidel (2009) further argue, that the latter is maybe related to the longer tradition of cross-country research in the field of CG. There, the two main groups of comparison consisted traditionally of continental European countries,
considered as one homogenous entity, and Anglo Saxon/Anglo American countries, as another one.

However, the findings of cross-country studies conducted so far in the field of CSR suggest that differences at country or regional level do exist. This leads me to another gap in cross-country CSR research, namely that most of the studies, so far, merely describe differences at country level, but do not refer to the country-context as explanatory variable. The establishment of a systematic link between country-context and CSR is a more recent phenomenon. The first study of this kind was published in 2005 (Van der Laan Smith et al., 2005). The ‘delay’ of this issue can be related to its only relatively current consideration in the agenda setting of CSR research. As starting points of this stream of research can be regarded two conferences on CSR: ‘Managing on the Edge’ which took place in Nijmegen in September 2003 and ‘CSR Discovery Colloquium’ held in Wildbad Kreuth in January 2004.

In general, and also with regard to country studies in CSR, a clear Anglo-Saxon/Anglo American bias is observable in CSR literature. Moreover, these are equally dominated by research on CSR disclosure (Schlierer and Seidel, 2009). This is probably due to the fact that CSR is rooted and was initiated in this sphere (Vogel, 2006). It arrived with a certain time lag to continental Europe. The CSR social movement started in UK already in the early 1980s, in continental Europe in the late 1990s (Roome et al. 2006).

In view of the literature review, it is understandable, that the following calls for research were formulated:

“In terms of research the variety of practice in CSR in Europe raises the need better to understand this diversity” (Roome, 2005, p. 330).

Or, as Campbell (2007) puts it

“in recent studies scholars have argued that ... corporate social behaviour varies across countries and that much more research is required to understand why (p.947) ... we need to pay much more attention to the institutional mechanisms that may influence whether corporations act in socially responsible ways or not (p.946).

As a consequence, the overall contribution of this PhD thesis consists of the comparison of CSR in European countries, here, in Germany and Spain. In general, it aims at filling the gap in the literature in this regard. In particular, its goal is not only to increase the knowledge on differences in CSR in Europe, but to link said differences to the country context.
<table>
<thead>
<tr>
<th>Langlois and Schlegelmilch, 1996*</th>
<th>US, Europe</th>
<th>2)</th>
<th>2)</th>
<th>2)</th>
<th>Codes of conduct: level of application</th>
<th>no</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bennett, 1998</td>
<td>US, Europe</td>
<td>2)</td>
<td>2)</td>
<td>2)</td>
<td>Questionnaire based postal survey</td>
<td>Corporate Donations: Commercial orientation</td>
</tr>
<tr>
<td>Malgman and Ratson, 2002</td>
<td>US, Europe</td>
<td>2)</td>
<td>2)</td>
<td>2)</td>
<td>Quantitative Web-site research</td>
<td>Disclosures: Extent of discussion on website, Principles, Motivating CSR, managerial processes, stakeholder issues</td>
</tr>
<tr>
<td>Vittai and Peolillo, 2004</td>
<td>US, Europe</td>
<td>2)</td>
<td>2)</td>
<td>2)</td>
<td>Questionnaires based postal survey</td>
<td>Marketing Ethics: Perceived role of ethics and SR in managerial decision-making</td>
</tr>
<tr>
<td>Van der Laan Smith et al., 2005</td>
<td>US, Europe</td>
<td>2)</td>
<td>2)</td>
<td>2)</td>
<td>Quantitative Content Research, Annual Reports</td>
<td>Disclosures: Level/Quality of Disclosure</td>
</tr>
<tr>
<td>Coh and Guay, 2008</td>
<td>US, Europe</td>
<td>2)</td>
<td>2)</td>
<td>2)</td>
<td>Quantitative Content Research, Annual Reports</td>
<td>Disclosures: Communicated Rationale</td>
</tr>
<tr>
<td>Hartmann et al., 2007</td>
<td>US, Europe</td>
<td>2)</td>
<td>2)</td>
<td>2)</td>
<td>Quantitative Content Research, Annual Reports</td>
<td>Disclosures: Consequences within CSR vs. country environment</td>
</tr>
<tr>
<td>Beaghs et al., 2007</td>
<td>Western Europe/East/Central Europe, Australia/New Zealand, US/Canada, Middle East Africa, Asia</td>
<td>2)</td>
<td>2)</td>
<td>2)</td>
<td>Quantitative Content Research, Annual Reports</td>
<td>Disclosures: Level/Components of CSR</td>
</tr>
<tr>
<td>Luna Sororrio and Fernandez Sanchez, 2008</td>
<td>North America, Europe</td>
<td>2)</td>
<td>2)</td>
<td>2)</td>
<td>Quantitative Content Research, Annual Reports</td>
<td>Disclosures: Concepts map (issues)</td>
</tr>
<tr>
<td>Chen and Bouwman, 2009</td>
<td>Anglo-Saxon (US,UK,Australia), Europe</td>
<td>2)</td>
<td>2)</td>
<td>2)</td>
<td>Quantitative Content Research, Annual Reports</td>
<td>Disclosures: Scope and accuracy of env. disclosure</td>
</tr>
<tr>
<td>Falke et al., 1996</td>
<td>International</td>
<td>2)</td>
<td>2)</td>
<td>2)</td>
<td>Quantitative Content Analysis (Scoring) Annual Reports</td>
<td>Disclosures: Individuals vs. overall env. disclosure over three years, forms of disclosure</td>
</tr>
<tr>
<td>Gambir et al., 1996</td>
<td>International</td>
<td>2)</td>
<td>2)</td>
<td>2)</td>
<td>Quantitative Content Analysis (Scoring) Annual Reports</td>
<td>Disclosures: Level of importance to managers</td>
</tr>
</tbody>
</table>

1) not identifiable
2) no access to original article quoted in Malgman and Ratson, 2002
3) US not included in original survey but reference to existing US-data
4) longitudinal, tri-annual, since 1996

- to be continued -
<table>
<thead>
<tr>
<th>Study</th>
<th>Country</th>
<th>Methodology</th>
<th>Literature Review</th>
<th>Disclosure Method</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kolk, 2004</td>
<td>International</td>
<td>D.S.U.K,N,DK</td>
<td>Literature Review</td>
<td>KPMG</td>
<td>no</td>
</tr>
<tr>
<td>Milne and Gray, 2008</td>
<td>International</td>
<td>UK,D,NL,PT</td>
<td>Database Analysis</td>
<td>KPMG</td>
<td>no</td>
</tr>
<tr>
<td>Golić et al., 2002 (3)</td>
<td>International</td>
<td>US, Spain, Spain</td>
<td>Questionnaire based postal survey</td>
<td>Ethical Policies</td>
<td>no</td>
</tr>
<tr>
<td>Bondy et al., 2004</td>
<td>International</td>
<td>UK, Canada, D</td>
<td>Quantitative Content Research: Web-Site</td>
<td>no</td>
<td>Economic dev., Regulatory context</td>
</tr>
<tr>
<td>Golk and Bartlett, 2007</td>
<td>Australia, Slovakia</td>
<td>Slovakia</td>
<td>biggest based on report output</td>
<td>no</td>
<td>Economic dev., Regulatory context</td>
</tr>
</tbody>
</table>

1) not identifiable
2) no access to original article, quoted in Meigem and Welfare, 2002
3) US not included in original survey but reference to existing US data
4) longitudinal, biannual, since 1999

Source: Own elaboration based on a literature review

In sum, the last strand of my motivation originates in the call for research for cross-country studies in Europe. So far, cross-country studies are few and deal mostly with the comparison between US and Europe. Said studies are biased since they assume that Europe as a whole can be represented by only few European countries. International studies which take into consideration a considerable number of European countries are rather superficial and focus mainly on CSR reporting output. Moreover, only recently, cross-country studies explore the country-context as an explanatory variable for CSR. So far, no cross-country studies between two European countries had been conducted.

Therefore, a comparative analyse of CSR in Germany and Spain, beyond reporting output, which takes into consideration the country-context as explanatory variable, fills this gap in the literature and answers the respective calls for research.

In the following section, I wrap up the motivational part.
1.1.3.1. Digest of the previous sections

This section aims at distilling ‘why’ I conduct a cross country comparison between Germany and Spain in view of CRS and ‘what’ I aim to address in the framework of the research of this PhD thesis.

In the previous sections, I have pointed out ‘why’ I conduct this research. First, I do so, because of my personal motivation. Second, from an academic point of view, I do so because cross-country research in CSR so far has been biased in many regards. Hence, this is also true for the outcome of cross country research in CSR, which aims at, which is the nature of a all kind of comparative research, to detect differences or similarities between two (or more) countries (Golop and Bartlett, 2007).

From a country/regional point of view, cross-country research in CSR is biased by dealing mainly with the comparison of the US (country) and Europe (region), considering as a proxy for Europe as a whole only a certain set of countries, mainly Germany and Scandinavian countries. This approach seems to be limitedate, since observers argue that CSR is not Pan-European (Roome, 2005). From a CSR issue perspective, mainly those studies, which are biased in view of the country perspective deal with CSR issues, which go beyond CSR reporting output. Hence, in cross-country research so far no study dealt explicitly with two European countries. In addition, only few and recent cross-country studies take into consideration to some extent the country context as a factor, which could shape CSR. Hence, calls for research have been formulated in this regard (Roome, 2005, Campbell, 2007). And finally, the reason for selecting the two European countries relevant to this research have to do with my personal background, observations that CSR in Europe seems to change from North to South and with reasons related to the manageability of the research.

Consequently, I aim at filling the described gap in the literature by doing what, which I will point out in the following.

What? From a country perspective, I investigate two European countries, namely, Germany and Spain, which so far has not been undertaken. Moreover, I aim at underlining that those studies, which have considered so far only few specific European countries, mainly Scandinavian countries or Germany as a proxy for Europe as a whole are biased. Hence, the focus of my research is to explore differences in view of CSR between Germany and Spain in an empirical comparative setting, since so far mainly observers state that CSR is not Pan-European. Second, from a CSR issue perspective, I go beyond reporting output, by addressing a variety of CSR issues (for an overview on said issues and the reasons behind their selection,
compare section 1.3.1.). And third, I "pay attention to the country context" (Campbell, 2007) in form of country specific institutional mechanisms, which are supposed to be influential in shaping CSR. They are considered as a factor which could contribute to understand better the diversity of CSR (Roome, 2005, Campbell, 2007). Nevertheless, also Campbell argues (2007) that "I am not making the overly deterministic claim that institutions are solely responsible for corporate social responsibility" (p. 948) variety.

Hence, in view of the previous paragraphs, I aim at the following:

First, to explore the differences between Germany and Spain in view of CSR. This is the focus of the research.

And second, I aim at finding out if specific institutional mechanisms are influential in shaping these differences.

As a consequence, the research is supposed to increase the knowledge on differences in view of CSR at European level, which is the focus of the research. In a second place, it aims at contributing to better understand the diversity of CSR in Europe by ‘paying attention’ to institutional mechanisms.

In the following sections, I give an overview on theoretical frameworks to CSR in general, and turn then to those relevant to this PhD thesis. Furthermore, main CSR issues from a corporate perspective in CSR literature are described. Those dealt with in the framework of the three essays will be pointed out in a more detailed manner. Then, I will turn to the research design applied in each of the three essays and provide a summary of the three chapters.

1.2. Main Theoretical frameworks of CSR

As already pointed out, the more recent massive momentum behind CSR at all levels of society underlines that CSR is a relatively modern phenomenon, a "first-generation attempt to discuss and redefine the role of business organizations in contemporary society" (Jonker and de Witte, 2006, p. 1). Therefore, so far, theoretical frameworks applied to redefine said role of business and to conceptualize CSR were contributed from various disciplines of social sciences, such as economics, management science, sociology, political science, philosophy and so on. In general, the debate on theoretical frameworks to CSR and/or emerging CSR
Theories is extremely complex, sometimes confusing and contradictory. Some authors refer to CSR theories (Garriga and Mélè, 2004, Mélè, 2008); others to CSR concepts, while mixing up CSR related theories, CSR concepts and CSR practice (De Bettignies, 2002). Positively speaking, the current literature does much to enrich and enliven the debate (Crane, McWilliams, Matten, Moon, Siegel, 2008).

Therefore, in the following, I do not primarily aim to contribute to this debate, but to try to systematize important current strands in the literature in this regard. An exhaustive analysis, for the purpose of setting up an ultimate coordinate system to be able to navigate through the confusing theoretical CSR landscape, is definitely an important and still missing stand-alone research project for multi-disciplinary research teams in the future. To do so is definitely beyond the manageable scope of this introduction.

In the following table, I provide an overview on disciplinary origins of theoretical frameworks and main corresponding original theories transferred to the field of CSR. In addition, I follow mainly the categorization developed by Garriga and Mélè (2004) with regard to what the author calls CSR theories, namely ethical theories, political theories, integrative theories and instrumental theories. For systematizing further the framework proposed by Garriga and Mélè (2004), I have added the categories hybrid theories and non-instrumental theories by drawing on Schröder (2002), Mélè (2008) and Solomon R.C. (2007). Moreover, I have added the "relational" category proposed by Secchi (2007), who aimed at categorizing theories which focus on the definition of the relations between the firm and the environment and on where responsibility is allocated. This is in contrast to Garriga and Mélè (2004), who according to Secchi (2007) did so by focusing on deontological perspectives. In addition, I have included in this category original theories which refer to complex adaptive systems theories. I did so, since in general and according to Córdoba and Campbell (2008), systems thinking helps individuals and organizations to make sense of the complexity encountered in CSR. Furthermore, I describe shortly the CSR approaches to said main original theories and refer to important resulting CSR concepts.
Table 2: Overview on theoretical frameworks to CSR

<table>
<thead>
<tr>
<th>Discipline</th>
<th>Category of CSR (related) Theories</th>
<th>Main Original Theories</th>
<th>CSR Approaches</th>
<th>CSR Conceptualization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philosophy</td>
<td>Ethical theories</td>
<td>Virtue Ethics</td>
<td>• Responsibility of the business (men) towards society (Bowen, 1953, Eells 1956, McGuire, 1963)</td>
<td>Business Ethics, CSR&lt;sub&gt;i&lt;/sub&gt;</td>
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<tr>
<td></td>
<td></td>
<td>Kantianism</td>
<td>• Sustainable development (Brundtland, 1987)</td>
<td></td>
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<td></td>
<td></td>
<td>Utilitarianism</td>
<td>• The common good (Méhé, 2002)</td>
<td>Corporate Social Rectitude (CSR&lt;sub&gt;3&lt;/sub&gt;)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Theory of Justice</td>
<td>• Ethical codes to enhance CSR (Frederick, 1987)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rele responsibility</td>
<td>• Integrative Social Contract Theory (Donaldson and Dunfee, 1994)</td>
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<tr>
<td></td>
<td></td>
<td>theory (Hart, 1968, Lucas, 1993)</td>
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<td></td>
<td>Political theories</td>
<td>Constitutionalism</td>
<td>• Corporate constitutionalism (Davis, 1960)</td>
<td>Corporate Citizenship</td>
</tr>
<tr>
<td></td>
<td>(focusing on a responsible use of business power in the political arena)</td>
<td>(Hobbes, 1588-1679, Locke, 1632-1704)</td>
<td>• Corporate Citizenship Theory (Wood and Logsdon, 2001, 2002, McIntosh and Andriof, 2001)</td>
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<td></td>
<td></td>
<td>Citizenship Theory</td>
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<td></td>
<td></td>
<td>(Tocqueville, 1805-1859, Durkheim (1858-1917)</td>
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<td></td>
<td></td>
<td>Social Contract Theory</td>
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<td></td>
<td></td>
<td>Hobbes (1588-1679)</td>
<td></td>
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<tr>
<td></td>
<td>Political theories</td>
<td>Integrative theories</td>
<td>• Issues Management (corporate response processes to social and political issues) (Frederick, 1978, Ackermann and Bauer, 1976)</td>
<td>Corporate Social Responsiveness (CSR&lt;sub&gt;4&lt;/sub&gt;)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Weber, 1864-1920)</td>
<td>• Public responsibility (law and public policy are taken as a reference for social performance) (Preston and Post, 1975, 1981)</td>
<td>Corporate Accountability</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Neo-Institutional/Sociological institutional Theory</td>
<td>• Identification of and communication to relevant stakeholders (Gray et al., 1996)</td>
<td>EC Concept</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Legitimacy Theory</td>
<td>• Stakeholder Management (Mitchell et al. 1997)</td>
<td></td>
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<td></td>
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<td>(Scott, 1995, Lindblom, 1994, compare Suchman, 1995)</td>
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<tr>
<td></td>
<td>Political Economy/Sociology</td>
<td>Strategic Management Theory/Stakeholder Theory</td>
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<td></td>
<td></td>
<td>(Freeman, 1984, Donald and Preston, 1985)</td>
<td></td>
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<tr>
<td></td>
<td>Management Science</td>
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</tbody>
</table>

- to be continued -
<table>
<thead>
<tr>
<th>Discipline/ Management Science</th>
<th>Category of theories</th>
<th>Main theories</th>
<th>CSR related approaches</th>
<th>CSR conceptualization</th>
</tr>
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<td></td>
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<td>Strategies based on the natural resources view of the firm and its dynamic capabilities (Hart, 1995, Uzzi, 1996)</td>
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<td>Improvement of society by abolishing private business and harms caused by its pursuit of profit maximization</td>
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*Secchi (2007) considered as relational theories of CSR also stakeholder theory, corporate (global) citizenship and social contract theory.

Theoretical frameworks mainly relevant to this PhD thesis are marked in green.


After having given an overview on the main theoretical frameworks relevant to CSR in general, I turn now to the theoretical frameworks relevant to this PhD thesis, in particular. Due to the following reasons, the following theoretical frameworks are mobilized. First, due to the cross-country character of the research and its explicit and systematic link to country context, theories from the category of integrative theories, namely institutional, legitimacy and stakeholder theory; And second, their selection is further determined by the particular
CSR issues, which are investigated throughout the three issues, and for which specific theoretical frameworks are relevant. These are, in addition, theories of the instrumental category, such as strategic management theory, which is relevant to essay one and agency theory, relevant to essay three.

In the following section, I will deal with the theoretical frameworks to CSR relevant to this PhD thesis in more detail.

1.2. 1. Theoretical Frameworks of CSR relevant to the three essays

As pointed out, the theoretical frameworks relevant to this PhD thesis are institutional and legitimacy theory, stakeholder theory, strategic management theory and agency theory. Their links to the specific chapters of this thesis are indicated in Figure 1. In the following, I explore said theoretical frameworks more profoundly.

1.2.1. 1. Institutional Theory and Legitimacy Theory

As mentioned above, one important contribution of the three essays on CSR in Germany and Spain consists of establishing the link to the country context, in order to explain differences in view of CSR at country level. Campbell (2007) argues that institutional theory could serve as a fruitful theoretical framework in this regard. Therefore, in the following, I will highlight the origin and the main strands of institutional theory and establish the link to legitimacy theory and stakeholder theory.

In 1904, the sociologist Max Weber came up with his ‘iron cage’ vision of modern society and its interactions with human beings. He is considered the creator of institutional theory. The leitmotiv among several distinctive strands of institutional theory, which have emerged since then, consists of how institutions constrain or enable human behavior and organizations (Fouc, 2007, Campbell, 2007).

‘Old institutionalism’ is based upon formal rules, compliance procedures and standards of operating practices, which structure the relationships between individuals and organizations in politics and economy (Hall, 1986). The classical comparative political economy approach to institutional theory for example focused on economic development, financial systems, and
organization of economic activity, labor movements and employer organizations (Hall and Taylor, 1996).

‘New institutionalism’ or ‘neo-institutionalism’ emerged in the 1960s/1970s, in response to the increasing concern in social science in view of behavioral aspects (Hall and Taylor, 1996). Hall and Taylor (1996) divide neo-institutionalism into three subgroups: 1) historical institutionalism, 2) rational choice institutionalism and 3) sociological institutionalism. They argue that neo-institutionalism provides, in general, two kinds of new responses: the ‘calculus approach’ and the ‘cultural approach’. According to the authors, the ‘calculus approach’ relates to rational choice institutionalism. There, institutional practices and changes are related to questions with regard to efficiency, property rights, rent seeking and transaction costs (Moe, T, 1984, North, 1991). In contrast, the ‘cultural approach’ can be related to sociological institutionalists (Meyer and Scott, 1983, Di Maggio and Powell, 1983, Scott, 1995). Hall and Taylor (1996) argue that those tend to define institutions much broader, namely beyond rationality, and consider them as culturally specific. Hence, they reflect myths, ceremonies, shared attitudes and values of society. Then, institutions deliver moral or cognitive templates for interpretation and action. Said perception broke up the distinction between institutions and culture. It tends to define culture as an institution itself (Zucker, 1991). In general, organizational behavior is influenced by all kind of institutions, which exercise coercive, competitive and normative pressure (Di Maggio and Powell, 1983). Consequently, organizations in a given context tend to behave homogenously, in order to behave conformal to said institutions. The latter is also called ‘isomorphism’ (Di Maggio and Powell, 1983). An approach, which is situated in between the ‘calculus’ and ‘cultural’ one represents the ‘historical institutionalism’ (Thelen and Steinmo, 1992). The latter is associated to the perspective of historical development, also called ‘path dependency’ (Collier and Collier, 1991).

However, Halls and Soskice (2001) considered as their novel contributions to institutional literature, the introduction of ‘strategic interactions’ of economic actors and their focus on the role of the firm. The authors argued that said strategic interactions “are central to the behavior of economic agents ... if interaction of this sort is central to political and economic outcomes, the most important institutions ... will be those conditioning such interaction” (p. 5). As main spheres of strategic interactions, they identified 1) industrial relations (coordination of bargaining between employers and workforce), 2) vocational training and education, 3) corporate governance (access to capital), 4) inter-firm relations (relations to other enterprises, suppliers, clients) and 5) employees (competences and constructive interaction). Hence, national economic systems could be compared, according to how firms resolve the coordination problems, which arise in said spheres.

Based upon said pillars, Hall and Soskice (2001, p. 8) differentiated between two types of institutional configurations: ‘liberal’ and ‘coordinated’ market economies. According to them, the ‘liberal’ market economy is characterized by the coordination of economic activities through competitive markets, competitive arm’s-length exchange of goods and services based upon formal contracting and price signaling markets. In contrast, the ‘coordinated’ market economy relies on a non-market mode of coordination. The latter implies to a major extent relational or incomplete contracting, network monitoring by exchanging private information within networks and collaborative relationships.

Another relatively new approach to comparative institutional analysis is the role of ‘National Innovation systems’ (NIS) (Lundvall, 1992, OECD, 1997). The central idea of this framework consists of explaining the size, role and performance of innovation in a country or region (Muñoz, 2000), not as traditionally by ‘inputs’ (R&D investment) and ‘output’ (number of patents), but by the interactions of actors participating in R&D. OECD (1997) highlighted that in this approach, the flow of technology and information is considered the key to ‘innovativeness’ and therefore competitiveness, or ‘knowledge based competition’ (Lundvall, 1992).

Concerning the link between institutional theory and legitimacy theory, various authors have explored said link (compare Suchman, 1995). Suchman (1995) defined legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed systems of norms, values, beliefs and definitions” (p. 574). He further emphasized the notions ‘desirable’ ‘proper’ and ‘appropriate’. Foo (2007, p. 382) highlighted the link established by Scott (1995). The latter is based upon
three pillars of legitimacy: "1) the regulative pillar which focuses on formal rule system and enforcement mechanisms sanctioned by the state; 2) the normative pillar of legitimate means to pursue valued ends; 3) the cognitive pillar of beliefs and values that are imposed on, or internalized by social actors" (p.47). In contrast to said categorization, Suchman (1995) differentiated between pragmatic, moral (normative) and cognitive types of legitimacy and did not refer to regulative legitimacy. According to him, pragmatic legitimacy, based upon Dowling and Pfeffer (1975), implies that constituents support an organization as long as the latter creates the expected value for them. The author further highlighted that moral or normative legitimacy, in contrast to pragmatic legitimacy, is 'sociotropic'. That means, it is not reduced to the evaluation of constituents, if a given organizational activity is beneficial, but rather refers to judgments, whether it is 'the right thing to do'. Finally, the cognitive legitimacy, which the author linked to Scott (1991), is about cultural models that deliver plausible explanations for organizational behavior.

In CSR literature, the definition of Lindblom (1994, p.2) of legitimacy is very frequently referred to, when exploring legitimacy motivated CSR engagement and practice. I suggest that said definition considers mainly the cognitive basis of legitimacy, namely "... a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential exists between the two value systems, there is a threat to the entity's legitimacy. Campbell et al. (2002) and Lindblom (1994) state, that societal legitimacy or the approval of society of a firm's actions are a catalyst for its survival. Hence, more generally speaking, organizations tend to adapt themselves to the institutional requirements of the context they are operating in.

Given that institutional theory refers to constituents or society, it seems obvious that legitimacy theory provides also overlapping perspectives with stakeholder theory (Gray et al. 1995). Legitimacy is then the reward of stakeholders when firms take into consideration their demands (Hooghimiestra, 2000), such as engagement and action in the field of CSR, in order to meet said demands. Shepard et al. (1997) draw in this context to the isomorphism body of institutional theory and argue that firms will be coerced to respond to the pressures exercised by stakeholders and act therefore uniformly in a given institutional context, such as country context. The latter shapes equally corporate responses, which could range from passive conformity, to pro-active compromise or strategic manipulation (Oliver, 1991).

Given that country contexts vary, CSR, comprising all kind of CSR issues (compare Figure 2), are supposed to be different between countries, reflecting country specificity.
I admit that a purely instrumental or as Suchman (1995) puts it 'strategic' legitimacy approach to CSR could be criticizable as over-rationalized. This is due to the notion, that a certain set of values, such as those related to CSR, is only included in corporate management and action, if first, pressure is exercised in this regard by stakeholders; and second, if their consideration does correspond to the interest of the company for legitimacy reasons.

In sum, from an institutional theory point of view, companies become and are engaged in CSR in order to gain and/or maintain their legitimacy vis-à-vis society and/or their stakeholders, which is a condition sine qua non for their survival. Hence, differences in institutional settings, which are the case in different country contexts, affect perceptions and expectations about CSR in society and/or among stakeholders and ultimately corporate action in this regard.

In the following, I will point out different frameworks, discussed in the CSR literature as CSR relevant institutional settings on a country basis, in general. Some of said frameworks will constitute the basis for the institutional settings, which will be explored and taken into account in particular, fully or partially, throughout the three essays, for the purpose of establishing the link between country context and CSR.

1.2.1.2. CSR-Relevant Country Context

An important question related to the CSR-relevant country context refers to institutional settings, which ultimately do have impact on CSR. In the following, I will point out those institutional frameworks, which, in this sense, have been theoretically explored in CSR literature, and/or referred to in empirical CSR cross-country research, so far.

In a theoretical paper, Campbell (2007) emphasized the notion of supportive and non-supportive country context in view of CSR. The author developed the following theoretical framework of a supportive CSR country context and draws in this regard on two strands of institutional theory, namely, in her point of view political economy (Hall and Soskice, 2005) and sociological institutionalism: 1) healthy economic environment and limited possibility for short-term profitability; 2) competition, while relationship between competition and social behavior behaves non-curvilinear; 3) corresponding regulation and enforcement capacities, industrial self-regulation, 4) active private independent organizations, social movement organizations, institutional investors and press; 5) environment, where normative calls are
institutionalized, such as important business publications, business school curricula and other educational venues; 6) trade and employee associations promoting CSR; and 7) institutionalized dialogue between unions, employees, community groups, investors and other stakeholders.

Roome (2005) explored additional institutional mechanisms, which are supposedly influential to CSR. He based his reflections on the input provided by observers on the occasion of two international conferences on CSR (Managing on the Edge’, Nijmegen in September 2003 and ‘CSR Discovery Colloquium’, Wildbad Kreuth in January 2004). But, he did not link them to a certain strand of neo-institutional theory. In general, the author referred to the following main institutional mechanisms: 1) societal concerns in relation to environmental issues and business; 2) societal concerns in relation to social issues and business; and 3) corporate community engagement. In particular, he set up the following framework of institutional analysis: political structure (e.g. centralized vs. decentralized), political style and processes (e.g. consensus, participative, hierarchy), social structure (e.g. elite, egalitarian, meritocracy), strength of commitment to ‘voluntarism’ as opposed to acceptance of the rules and controls of the state, description of the role of companies in local and national society, role and position of NGOs and citizen groups in society, characteristics of educational system (e.g. valued skills and training), societal expectations on leaders (e.g. to direct, to guide to facilitate), historical traditions (e.g. German apprentice/crafts guild system) (Roome, 2005, p.324-325).

From a cultural perspective on the CSR relevant country context, Hofstede’s (1984) four original cultural taxonomies, Power Distance Index (PDI), Individualism (IDV), Masculinity (MASC) and Uncertainty Avoidance Index (UAI) were related to CSR by Katz et al. (2001). The authors aimed at exploring the likeliness of consumer, environmental, community, employees and government activism in a given country. Van der Laan Smith (2005) applied Hofstede’s masculinity vs. femininity dimensions (1991) to set up the CSR-relevant country context in their cross-country study.

Chen and Bouvain (2009) claimed to apply the institutional framework of VoC (Soskice and Hall, 2001) in their cross-country study. I suggest, that said framework was merely referred to as an argumentation line for selecting the countries of analysis, namely countries with ‘liberal’ and ‘coordinated’ market economies. Nevertheless, in my view, the authors did not link their findings to a detailed institutional analysis of the target countries, according to the VoC framework. In said study, the VoC approach was melted down to the merely mentioning of the more powerful role of ‘private investors’ in the ‘liberal’ countries and that of banks and
governments in the ‘coordinated’ ones. This element could also have been delivered by referring to national corporate governance systems, which has, indeed, overlapping perspectives with VoC. Hence, in my view, so far in CSR literature, the full VoC institutional framework was neither explored theoretically, nor referred to in empirical studies in a sensible way.

Another important framework for institutionally induced CSR in both, theoretical exploration (Lenssen and Vorobey, 2005) and empirical application (Van der Laan Smith et al., 2005) represent national corporate governance systems. I suggest that in some aspects said approach facilitates interfaces with that of VoC proposed by Hall and Soskice (2001).

Therefore, and due to the fact, that national corporate governance systems represent an integral part of chapter three, some important governance mechanisms are highlighted in the following.

National or country specific CG systems, which seem to have impact on CSR, are shaped themselves by the national institutional context. One steady and important point of reference is the ‘legal approach’ to CG (La Porta et al. 1997, 1998, 1999, 2000), which established the ‘law and economics’ (Leech and Manjón, 2002) or ‘law and finance literature’ (Morck and Steier, 2007). Another approach is the cultural one (Mintz 2005), which draws on cultural differences, equally based on Hofstede’s (1984) four cultural dimensions, which have already been mentioned, in order to explain differences in view of CSR. Another important milestone in comparative CG research was the introduction of a ‘taxonomy of CG-systems’ by Weimer and Pape (1999).


A special interest of researchers constituted the efficiency question of different CG systems (Goergent et al., 2008), although no consensus was achieved in this regard (Hansmann and Kraakmann, 2001, Murphy and Topyan, 2005, Shliefer and Visny, 1997).
Traditionally, comparative CG research dealt with differences between Anglo Saxon/American and continental European CG systems or with heavyweights among the industrialised countries, such as USA/UK, Germany and Japan (Leech and Manjón, 2002, Goergen et al., 2008).

It was assumed that continental Europe is a relatively homogenous area. But, according to Denis and McConnell (2003) this is not the case. Hence, more recently, the research has attributed more attention to differences and specificities of national CG patterns also among continental European countries (Van den Berghe, 2002, Amotori and Colli, 2007, Barca and Becht, 2001). In addition, the convergence debate of CG-systems, mainly of the continental European CG system towards the Anglo Saxon/American one constitutes increasingly a focus of attention (Van Den Berghe 2002). Recent developments reflect a convergence in this sense (Drobetz, 2002, Amotori and Colli, 2007, Van den Berghe, 2002), but also in view of convergence between European countries (Amotori and Colli, 2007, Van den Berghe, 2002).

But, in spite of said trend some authors (Morck and Steier, 2007, Bebchuk and Roe, 1999, Mintz, 2005) emphasize the path dependent hypothesis with regard to national CG systems. Hence, according to them, national history, trajectories and specific institutional characteristics stand as barriers to convergence. Therefore, a total convergence is not expected (Bebchuk and Roe, 1999). In addition, and given the important country specific institutional differences, a 'one size fits all' CG model is likely to fail (Mintz, 2005). An in between position with regard to this debate was presented by Bebchuk and Roe (2004), who argued, that changes take place in both main CG systems which could lead in the future to 'hybrid' national CG settings.

In sum, in this section, I have aimed at providing an overview on institutional theory. I have pointed out different strands in institutional theory, including neo-institutional theory. In general, the latter, in combination with legitimacy theory and stakeholder theory, offer a framework to understand why country context could be considered as an important explanatory variable for differences in CSR. Furthermore, based on institutional theory, I have explored different possible approaches for constructing a framework for CSR relevant country context analysis. Some of these will be applied to construct the CSR relevant country context in Germany and Spain throughout the three chapters.

In the following section, I will describe another important theoretical framework of this thesis, namely stakeholder theory, which shares overlapping perspectives with institutional and legitimacy theory. Therefore, in general, stakeholder theory, like institutional and legitimacy
theory, is relevant to the three essays from a country context perspective throughout the three chapters. In addition, it serves as a theoretical framework to the 'understanding of CG and its links to CSR', which is dealt with in chapter three.

1.2.1.3. Stakeholder Theory

In this section, I provide an overview on the evolution of stakeholder theory and point out different approaches to said theory. In addition, I highlight some examples in view of the categorization of stakeholders and refer to the literature, which has established the link between stakeholder theory and CSR.

In 1984, Freeman came up with the stakeholder theory as a decision tool for strategic management. Nevertheless, Lenssen et al. 2007 argued that already Ansoff (1979) had advocated a stakeholder approach, when referring to constituencies. Over time, stakeholder theory gained increasingly prominence. Nowadays, it is considered a new theory of the firm, which has ‘redefined’ the corporation (Post et al. 2002). In stakeholder theory the ultimate goal of the firm is not ‘shareholder value’, but ‘stakeholder value’ (Jansson, 2005). Hereby, the firm recognizes and addresses their responsibilities vis-à-vis their stakeholders (Post et al. 2002).

Donald and Preston (1995) highlight the four following approaches to stakeholder theory: 1) the descriptive/empirical one, describing what the corporation is; 2) the instrumental one, which is about the examination of connections between stakeholder management and the achievement of corporate performance goals; 3) the normative one, which implies that the interests of all stakeholders do have intrinsic value, no matter if their consideration furthers the interests of other stakeholders such as shareholders; and 4) the managerial aspect, which is about stakeholder management that means that beyond 1) and 2) attitudes, structures and practices are recommended. The normative approach to stakeholder theory is for various scholars what stakeholder theory should be about (Mintz, 2005).

Freeman (1984) defined stakeholders as “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (p.46). His generic stakeholder map included the following groups: suppliers, competitors, trade associations, employees, unions, customer associations & groups, activist groups, financial community, owners, political groups and government. Since Freeman (1984), the definitions of stakeholders by different conceptual approaches and corresponding categorisation, such as primary and
secondary stakeholders, among many others, have been massive and heterogeneous. In the following I will give an overview on some of them.

Clarkson (1995) differentiated between stakeholders which are important for the survival of the firm (primary stakeholders). The author’s decision rule in this regard referred to stakeholders, who have direct impact on corporate transactions and those which have not. The author considered as primary stakeholders shareholders, employees, customers, suppliers, government and communities; as secondary stakeholders media and competitors. RARE (2005) equally differentiated between these two categories. But, in contrast to Clarkson (1995) they apply as classification rule the commercial exchange view. Hence, primary stakeholders are related to commercial exchange, secondary are not.

Wheeler and Silanpää (1998), differentiated between the social and non-social stakeholders. They introduced in each group further sub-groups: direct stakeholders and indirect ones. In their regard, indirect non-social stakeholders are for example, the natural environment and future generations. The inclusion of the latter are regarded by some authors as ‘extreme’ (Solomon, 2007). Phillips (2003) differentiated between important or legitimate (normative legitimacy) stakeholders, namely those which are vital for the firm, and others, which are not (derivative legitimacy). Sirgy (2002) divided stakeholders into three groups, internal, external and distant ones. Campell (1997) differentiated between passive and active stakeholders.

Various authors have established the explicit link of stakeholder theory to CSR (compare Garriga and Melé, 2004). Jamali (2008) argued that stakeholder theory provides a new way to organize thinking about corporate responsibilities: first, stakeholder theory suggests that the needs of shareholders cannot be met without considering those of stakeholders; and second, stakeholder theory turned the corporate ‘raison d’être’ beyond direct profit maximization. Hence, firms pay increasingly systematic attention to stakeholder management. For effective stakeholder management, relevant stakeholders can be identified and prioritized, according to Mitchell’s et al. (1997) three dimensions of relational stakeholder attributes assessment: power, legitimacy and urgency.

Garriga and Melé (2004) referred to the different approaches to stakeholder theory (Donald and Preston, 1995) and their links to CSR. They argued that in instrumental stakeholder theory, CSR could be a strategic tool to promote economic objectives. From the normative stakeholder perspective, CSR is about ethical requirements, which are considered the basis for the relationship between business and society. Moreover, in descriptive stakeholder theory,
CSR is about outlining the views of participants of the corporate mission and their action vis-à-vis different stakeholders (Brickson, 2007).

Especially at corporate or practitioner level, the establishment of a link between stakeholder theory and CSR appears to be popular. One reason in this regard could be that the language of stakeholder theory seems to be easier to grasp at said level (Jamali, 2008). Hence, most of the corporations understood and defined their responsibilities in light of their traditional stakeholders (Clarkson, 1995). Also at an academic level, the stakeholder theory framework to CSR appears to be equally widely accepted, especially in view of large firms (Perrini, 2006). It seems as if said framework could make it easier to collect and analyze CSR data, especially in empirical research. This is the case especially with regard to research in view of insights on CSR activities and motivations (Jamali, 2008).

In sum, in this section I have given an overview on important aspects of stakeholder theory, such as the evolution of the theory, the different approaches to it, different ways of categorization of stakeholders and the link of stakeholder theory to CSR in practice and academia.

In the following section, I will highlight one supposedly antagonist theory, namely 'the management serving the shareholders' view on corporations. I do so, because said theory is especially relevant to chapter three, which deals with 'the understanding of CG and its links to CSR'.

1.2.1.4. Agency theory

In this section, I highlight the evolution of agency theory and explore the main aspects of said theory. Moreover, I explore the links between agency theory CSR and CG.

US-economists Berle and Means, (1932) discussed first the separation of ownership and control in stock corporations, when ownership is widely dispersed, such as in the US. Later, Jensen and Meckling (1976) came up with the so called 'agency problem', or 'principal-agent-conflict'. Said problem is present in corporations, where management (agents) and ownership (principals) are separated.

The problem consists in 'goal conflicts' between agents and principals: the self interest of the agent, and the interests of the principals, such as maximisation of shareholder value. Another
pitfall in this regard is the so called ‘risk sharing’ aspect, since agents and principals may have different attitudes towards risk (Shankman, 1999). The behaviour of the agent to the detriment of the principal is called ‘residual loss’ (Jensen and Meckling, 1976). However, to exercise control of agents, principals have to overcome the ‘information asymmetry’, which exists between insiders (agents) and outsiders (principals) of the corporation. They can do so by disclosure, which generates ‘monitoring costs’ (Jensen and Meckling, 1976, Mello and Parsons, 1992). In addition, ‘bonding costs’ are generated by the agent, while aiming at reducing the agency conflict, in form of primes for parts of the agent’s salary exposed to risk or efforts undertaken to reduce information asymmetry. Costs which derive from the ‘agency problem’ are called ‘agency costs’. They are composed of ‘residual loss’, ‘monitoring’ and ‘bonding costs’ (Jensen and Meckling, 1976, Mello and Parsons, 1992).

One approach to tackle the agency problem and to reduce agency costs from the agency theory perspective is CG (Friese et al., 2006). Hence, the main purpose of CG is to align shareholders’ with managers’ interest by creating rules and incentives to reconcile the behaviour of agents with the expectations of the principals (Hawley et al., 1999, Lehmann and Weigand 2000).

The principal-agent problem is originally based on widely dispersed ownership. But, Murphy and Topyan (2005) argue that shareholder groups become increasingly homogenous. Therefore, they differentiate between two categories of shareholders: large and active ones, involved in managerial functions, and small and passive ones, who need to be protected. In this setting they see not anymore a principal-agent problem, but an agency problem between large and small shareholders. Moreover, Hill and Jones (1992) linked agency and stakeholder theory, when referring to problems which arise from the relationship agent- multiple principles in form of stakeholders, also called ‘the stakeholder-agent-relationship’ or ‘stakeholder-agency theory’.

In agency theory, the ultimate goal of the corporation is shareholder value maximisation. Hence, the only stakeholder group corporations are responsible for and accountable to is the one composed of shareholders. The ‘management serving the shareowners’ rationale behind agency theory stands in clear contrast to the stakeholder theory (Donald and Preston, 1995). If shareowners perceive that the management is not acting in their interest, it is ultimately them, who can discipline managerial behaviour. They can do so by selling their shares (exit), by making themselves heard in form of a shareholder resolution (voice) (Drobetz, 2002) or by voting for a hostile takeover by which the management is exchanged (Jensen and Ruback,
Hence, under that threat, the time horizon of the agents' decision making and action, in order to maximise shareholder wealth creation, is likely to be short-termism (Tencati and Zsolnai, 2005, Kim and Nofsinger, 2007, Solomon, 2007).

From an agency theory perspective, CSR could constitute a problem, since when the agent is doing good for society, this could be considered as 'wastefulness' to the detriment of the principals. Therefore in neo-liberal approaches, CSR is regarded as a danger to shareholder value maximization (Friedman, 1970, Levitt, 1958). This understanding has to be considered also from a time and context perspective, which will be done in detail in the section 'CSR concepts'.

But, increasing eminence of stakeholder theory in research and practice, the current momentum behind CSR in general, and, instrumental approaches to CSR specifically (compare Table 2) could reconcile CSR with agency theory. This constellation, is then also called 'CSR is good for business' (Stiglitz, 2006), 'enlightened self interest' or the business case for CSR (Batley, 2006).

In sum, agency theory per se seems to be irreconcilable with stakeholder theory and CSR. But, they do have interfaces. These are summarised in the instrumental view or the business case for CSR. One connecting point in this regard is the strategic view on CSR. It delivers important reasons to become engaged in CSR, namely to create a competitive advantage by doing so. These views of strategic management on CSR are relevant to chapter one, since those constitute 'CSR drivers'.

This leads me to the following section, where I will explore strategic management theory and establish links to CSR.

1.2.1.5. Strategic Management

According to Ansoff (1979), management is about creating, adapting and coping with change. In contrast, strategic management is about transforming the firm, is about strategic change. In this view, I point out in the following section important milestones in the evolution of CSR and/or CSR related issues in strategic management literature since the late 1970s.

In 1979, Ansoff (1979), who used the term 'constituencies', since the expression 'stakeholders' was not yet coined, argued that companies have to address increasingly socio-
political variables and to enhance corporate societal legitimacy (Lenssen et al., 2007). Hence, Ansoff (1979) came up with the ‘enterprise strategy’, which took into consideration these new variables.

In 1980, also Porter considered societal expectations as one (external) key factor when formulating competitive strategy. In 1984, Drucker went even further by linking social responsibility to business opportunities in the field of market, productivity, human resources and competitive context. Nevertheless, it was Freeman (1984) who established with his ‘Stakeholder Approach to Strategic Management’ the business and society field (Lenssen et al. 2007) in strategic management theory. His stakeholder theory provided the foundations of a strategic view on CSR issues (Katsoulakos and Katsoulacos, 2007), since CSR is also closely linked to a stakeholder based strategic management (Post et al. 2002).

In 2003, also Porter and Kramer considered CSR, in form of corporate philanthropy, as a source of competitive advantage, when going beyond public relations and advertising purposes. They argued that, when applied strategically, it can serve to improve the competitive context. In 2006, in addition to said ‘competitive context’, Porter and Kramer, dealt with the environmental and social dimensions of CSR. They integrated “the interests and expectations of stakeholders into a market-oriented strategy to create competitive advantage” (Lenssen et al. 2007, p. 347). Porter and Kramer (2006) differentiated between strategic and responsive CSR. Strategic CSR represents a source of opportunity, innovation and competitive advantage. It clearly goes beyond best practice. It is about choosing a unique competitive position by the transformation of activities over the value chain. The objective of said transformation consists of lowering costs and serving customer needs best by a unique value proposition which includes a social dimension. They underlined that the focus of CSR must move away from image to substance. They label the holistic approach to CSR ‘Corporate Social Integration’. Furthermore, they argue, that the closer social issues relate to the firm’s business activities, the better the outcome for firm and society. But, according to them, CSR activities so far are too fragmented and disconnected from the corporate strategy which does neither improve the competitive context nor the competitive position. In contrast to ‘strategic’ CSR, ‘responsive’ CSR focuses on generic social impacts, responds to social concerns of stakeholders and mitigates adverse effects generated by business operations.

In addition to Porter (1980) which represents one eminent school of strategic management, namely the ‘industry structure’ or ‘market based view’, Lenssen et al., (2007) referred also to the resource and knowledge based view, based upon Barney (1986). According to them said
view constitutes another important approach to CSR from a strategic management perspective. In this context, the main source of corporate success represents the access to tangible and intangible resources and knowledge. In this regard, CSR could contribute to improve the access to strategic resources, internal and external ones, such as, to mention some, intangible resources in form of enhanced reputation and image (Maignan et al., 1999). Moreover, CSR could increase the corporate attractiveness for 'high potentials' (Backhaus et al., 2002), which is reflected ultimately in tangible resources, in form of better qualified staff or create new knowledge (De la Cruz Déniz Déniz and Zárraga-Oberty, 2004) and provide new ways of learning (Roome et al., 2006, Zwetsloot, 2003) -compare also Appendix B. However, both schools consider CSR as a source of strategic advantage (Lenssen et al., 2007).

In sum, the perspective on CSR in strategic management literature has changed over time, from an aspect to be considered as some external factors to a source of competitive advantage. The latter is the case in both eminent schools of strategic management, the market and resource based view. In general, the approach to CSR adopted by corporations can be either strategic or responsive.

This section concludes the 'theoretical frameworks' relevant to this PhD thesis. The aim was to present the main theoretical frameworks, such as institutional and legitimacy theory and stakeholder theory, which have mainly implications for the comparative institutional analysis and the corresponding links between country context and CSR. In addition, I have given an overview on CSR relevant institutional settings with regard to said context. Furthermore, I have pointed out strategic management theory and agency theory, which are relevant for essay one and three, respectively.

In the following sections, I will drill more specifically into the CSR literature, which constitutes the literature framework for the CSR issues, which are dealt with throughout the three essays. I will start by giving a general overview on main CSR issues from a corporate perspective in said strand of literature. Moreover, I will highlight the reasons for the selection of specific CSR issues to be investigated throughout the three essays.
1.3. Main CSR issues in CSR literature

I commence this section by giving a general overview on main CSR issues from a corporate perspective discussed and/or explored in the CSR literature. Then, I highlight shortly the reasons why I focus on specific CSR issues in the comparative analysis of Germany and Spain. And finally, I conclude the section by pointing out the CSR literature relevant to the selected CSR issues.

As Williams and Aguilera (2008) argued more generally, comparative research can be approached in a way that a given CSR issue is compared across different countries, to compare the influence of stakeholders on said issues or to combine both. The latter approach, while enlarging the notion stakeholder influence to a broader set of institutional contexts, is what this PhD thesis is about: a cross country comparison of different CSR issues from a corporate perspective and its interaction with its institutional environment.

Nevertheless, beyond the country context, also firm characteristics are considered as influential on CSR. In this sense also Campbell (2007) states, “I am not making the overly deterministic claim that institutions are solely responsible for corporate social responsibility (p. 948)”. Hence, I present an overview on firm characteristics also called firm level factors, which are supposed to exercise said influence and which are taken into account, to a major or less extent, throughout the three essays. I am aware that the relationship between some of the firm level characteristics and CSR issues does not necessarily have one-way patterns, as indicated in figure 2. CSR engagement at firm level will not have any influence on the age of the firm, maybe on its life expectancy, but over time on other firm characteristics such as corporate culture, profitability, corporate strategy and so on.

The following figure 2 highlights important CSR issues from a corporate perspective, grouped into four major categories: ‘Understanding of CSR’, ‘CSR drivers’, ‘CSR organization and implementation’ and ‘the link between CG and CSR’. Each category of CSR issues contains corresponding sub-issues. Those to be dealt with in the framework of the three essays are marked green.
Figure 2: Overview on important CSR issues from a corporate perspective (1)

**Understanding of CSR**

**CSR Drivers**
- Stakeholder pressure (Swanson, 1995, Freeman, 1984, Donald and Preston, 1995)
- Expectations on positive internal and external effects, enhancing competitive advantage (market and resource based view) → strategy driven CSR vs. reactive CSR (compare Appendix B)
- Voluntary/encouraged vs. legal pressure (RARE, 2005, De la Cuesta González et al., 2003)
- Instrumental vs. normative (Hartmann et al., 2007)
- Improvement of competitive context (Porter and Kramer, 2006)

**WHY?**
- CSR in corporate strategy and action plans (Porter and Kramer, 2006, Roome, 2005)
- CSR in organizational structure: CSR manager (De la Cruz Déniz-Déniz and Zárraga-Oberty, 2004), CSR committee (De la Cruz Déniz-Déniz and Zárraga-Oberty, 2004)
- CSR and internally developed guidelines and processes: vision and mission statement, codes of conduct, policies, management systems, routines (Roome, 2005), controlling and reporting systems, reward structure (Chandler, 1962), development of new capabilities (Gond and Herrbach, 2006)
- CSR and externally developed/audited guidelines and processes: management systems, principles and codes of conduct, frameworks for accountability and reporting, among them Global Reporting Initiatives guidelines (GRI), product labelling and so on (Villanova et al., 2006) – compare Appendix D
- Source of knowledge for organizing and implementing CSR (Roome et al., 2005, De la Cruz Déniz-Déniz and Zárraga-Oberty, 2004)

**Firm level factors**
- Sector (Carroll, 1989, Guillén et al., 2002, Clarke Gibson-Sweet, 1999)
- Industry (Cowen et al., 1987, Patten, 1992, Cutrill, 1990, Kolk et al., 2003)
- Ownership (publicly listed) (Cowen et al., 1999, Til, 1994, Patten, 1992)
- Profitability (Waddock and Graves, 1997, Margolis et al., 2007, Margolis and Walsh, 2003)
- Nationality of headquarters (Guillén et al., 2002, Kolk et al., 2001, Patten, 1992)
- Type of corporate strategy (Jones, 1999)
- Corporate structure (Donaldson, 2001)
- Capital intensity (Bellknap & Karpik, 1989)
- Age of the firm (Roberts, 1992)
The CSR issues I deal with throughout the three essays, namely ‘CSR concepts’, ‘CSR drivers’, ‘CSR disclosure and standardization’, ‘CSR agendas’ and ‘the understanding of CG and its links to CSR’, I have chosen due to the following reasons.
With regard to ‘CSR concepts’, various authors argue that no clear-cut (Perrini, 2006) or common definition (Ebner and Baumgartner, 2006) does exist. According to them CSR is a vague concept which can mean anything to anyone (Frankenthal, 2001). This leads to a broad and unspecified discussion, above all in academia but also in business (Ebner and Baumgartner, 2006). Therefore, the purpose of analyzing different CSR concepts in a cross country comparison is to explore what CSR means to corporations in different country contexts.

Concerning the selection of ‘CSR drivers’, I took into consideration in my decision making especially critical voices in view of CSR drivers. The latter is reflected e.g. in public concerns with regard to CSR drivers, quintessentially expressed by ‘The Economist’ (2005b) as follows: ‘the psychotic corporation quite likely hiding behind CSR will continue to rape and pillage’ (p. 16) or denominating CSR as a simple ‘fashion’ (The Economist, 2006).

In general, the same motivation is true for selecting the CSR issues ‘CSR disclosure’ and ‘CSR standardisation’ (in particular in view of the ‘institutionalisation of Global Reporting Initiative (GRI) CSR reporting guidelines’) and ‘CSR agendas’. With regard to CSR disclosure, the criticism is even more specifically pronounced. It is seen by many authors as ‘window dressing’ (Gössling and Vocht, 2007), ‘green-washing’ (Jenkins, 2002), ‘bluewashing, impression management’ (Hooghiemstra, 2000) as something ‘cosmetic’ or ‘outright fraud’ (Gilbert, 2002) rather than the actual integration of environmental and social issues into corporate activities (EC, 2001). Also CSR standardisation by self regulation, in general, and in view of CSR disclosure, specifically, is subject to criticism. Corresponding approaches could serve as lobbying tools, to avoid legal regulation in order to reduce bureaucracy for the purpose of reducing costs (Vogel, 2005, Vogel, 1978). But, by reducing legal regulation (Vogel, 1978, Vogel, 2005) and/or outsourcing regulation and enforcement powers to business or other entities (WBCSD, 2007) the resulting lack of accountability regimes would be detrimental to the public (Kapstein, 2001, Vogel, 1978). As a consequence, I included in my analysis also the CSR issue ‘CSR’ agendas, in order to possibly counter said criticism and to find out, what corporations are actually undertaking in the field of CSR.

And finally, the motivation for choosing the CSR issue ‘CG and its links to CSR’ is rooted in my professional experience in CG and the CG scandal at SEAT, which I have eye-witnessed during my professional career.
In this section, I have given an overview on the huge spectrum of CSR issues which are discussed and/or explored in the CSR literature. I have referred to main CSR issues, in order to keep the overview in a manageable scope. Moreover, I have set out my motivation for selecting the CSR issues, which are investigated in the framework of the three essays, and which is mainly rooted in criticism expressed in this regard.

In the next section, I will deliver the theoretical background in view of the CSR issues, which will be relevant to the three essays.

1.3.1. CSR Issues Relevant to the Three Essays

In the following section, I highlight the CSR literature relevant to the CSR issues dealt with throughout the three essays, namely ‘CSR concepts’, ‘CSR drivers’, ‘CSR disclosure’, CSR standardization in disclosure’, ‘CSR agendas’ and the ‘Understanding of CG and its links to CSR’. In addition, I will refer to ‘firm level factors’, which are supposed to have impact on CSR, beyond country context. I do so, since these will be controlled for, to a major or less extent, in the framework of the three research projects.

1.3.1.1. Firm-level Factors and CSR

In this section, I highlight those firm level factors, which are mostly referred to in CSR literature and/or for which empirical evidence has been delivered, to have impact on CSR at corporate level, although mostly in terms of CSR disclosure. Said factors are firm size, sector of operation, industry membership, profitability, ownership scheme (publicly listed) and nationality of headquarters. Other firm-level factors, such as type of corporate strategy (Jones, 1999), organizational architecture (Donaldson, 2001), capital intensity (Belkaoui and Karpik, 1989), age of the firm (Roberts, 1992), leverage (Brammer and Pavelin, 2006) and other ‘organizational enabling factors’ (Roome et al., 2006) etc. are not considered, in order to keep the scope of the analysis manageable.

With regard to firm size, Udayasankar (2007) argued that in theory bigger firms are more likely to become engaged in CSR. This is due, to their higher visibility, better access to resources and the bigger scale of operations. From an empirical point of view, especially literature on CSR disclosure supports the link between big firm size and CSR engagement: the

With regard to the sector of operation and industry membership, Carroll (1989) differentiated between manufacturing companies and non-manufacturing companies. The author argued that manufacturing companies per se are more likely to pollute and, hence, to a major extent prone to public criticism. Therefore, this type of companies is supposed to be more active in CSR. Clarke and Gibson-Sweet (1999) and Guillén et al. (2002) refer to and support this approach by delivering empirical evidence for what they call certain ‘business categories’. With regard to industry membership, it seems, as if firms which operate in industries with environmentally and socially critical business activities may be more active than others in CSR (disclosure), in order to diffuse stakeholder concerns and to counter the threat of imposition of legal regulation (Clarke and Gibson-Sweet, 1999). Cowen, et al. (1987), Patten (1991), Cottrill (1990) and Kolk et al., 2001 have delivered empirical evidence in this regard.

The influence of the nationality of the firm’s headquarters is described by De la Cruz Déniz-Déniz and Zárrage-Oberty (2004) as the influence of the philosophy of the parent company. Empirical prove in this regard related to CSR comes from studies on ethical business policies (Guillén et al., 2002) or CSR disclosure (Kolk et al., 2001, Patten, 1992).

With regard to publicly listing status, Clarke and Gibson-Sweet (1999) argued that e.g. in the case of CSR disclosure, shareholders are the intended audience. Empirical evidence stems also here from CSR disclosure research (Cowen et al.,1987, Tilt, 1994, Patten, 1992).

In view of the link between CSR and firm profitability, empirical CSR research has traditionally focused on said issue (Campbell, 2007). Therefore, the body of research in this regard is extensive (Nelling and Webb, 2009). I have included this association in the firm level section, since the relationship between corporate financial performance (CFP) and corporate social performance (CSP) has been analyzed in both directions: CSR as dependent and independent variable. Researchers did so, in order to answer the central question: Is CSR a catalyst for a good financial performance or is a good financial performance a precondition for CSR. Studies in this regard support the latter link (Waddock and Graves, 1997, Margolis et al. 2007, Margolis and Walsh 2003). Concerning the inverse relationship the result is mixed (compare Roman et al. 1999, Griffin and Mahon, 1997, Pava and Krausz, 1996, Margolis and Walsh, 2003, Murray et al., 2006, Simpson and Kohers, 2002). Nevertheless, a more recent
study suggests only, if at all, a weak 'virtuous circle' (Nelling and Webb, 2009). Hence, it is not yet entirely clear, if Moore (2003) is right, who argued that social and financial performances seem to go 'hand in hand'.

In sum, empirical evidence in CSR literature with regard to firm level factors such as size, sector/industry membership, nationality of headquarters, publicly listing status, which seem to have impact on CSR, mostly stem from research conducted in the field of CSR disclosure. The focus of research so far has been the link between CSR and CFP and/or CFP and CSR, with inconclusive results for the relationship CSR and CFP.

This leads me to another 'inconclusive' CSR issue in the CSR literature, namely, CSR concepts.

13.1.2. CSR Concepts

In view of the current momentum behind CSR, one could conclude, that CSR is an entirely new issue on corporate, public, political and academic agenda. But, its starting point in the academic discourse can be traced back to the 1950s. It is not new (De Bettignies, 2002, RARE 2005, Karake-Shalhoub, 1999). In addition, CSR like corporate practices had already been registered before that era (compare section 'Current momentum behind CSR'). However, since the 1950s, the concept of CSR has changed and evolved constantly; due to contributions from varying social science disciplines (compare Table 2). In the following, I give an overview on said evolution.

The expression CSR was coined in the 1950s. As its 'founding father' (RARE, 2005) is considered Bowen (1953), although Drucker referred already in 1946 to the great responsibility of the management class vis-à-vis society. Bowen (1953) described CSR as an obligation of the businessmen to act in a way, which is desirable for the objectives and values of society. Bowen was followed by Eells who proposed in 1956 that business, when pursuing its economic goals, cannot be regarded as isolated from its broader social context. Karake-Shalhoub (1999) saw in these early propositions, the presence of a moral character inherent in corporations, which extends their responsibility beyond the sole economic concerns. Solomon, R.C. (2007) defined morality as “a subset of ethical rules which are of particular importance and transcend the boundaries of any particular ethos or situation” (p. 17).
Therefore, the 1950s can also be regarded as the origin of Business Ethics (De Bettignies, 2002).

But, already during the 1950s, said perceptions of CSR were not only controversially discussed, but demonized as ‘danger’, ‘responsibility syndrome’ (Levitt, 1958) or ‘double faced morality’ (Livingston, 1958). In the 1960s, this argumentation line was taken up by Nobel Prize laureate Milton Friedman (1970), an US economist. He became the most eminent representative of the neo-liberal (De Woot, 2005) or neoclassical (Ebner and Baumgartner, 2006) view on corporations’ social responsibilities. He formulated in his famous article published in The New York Times in 1970 a definition of CSR, which is very frequently referred to in CSR literature as an outdated approach. According to him, the only social responsibility of business is to increase its profits and to respect the law. But, to better understand Friedman’s concept of CSR, it should be set into the corresponding country and time context, especially, since this PhD thesis deals with the country specificity of CSR.

I start with the country context. In the US, the tradition of corporate giving in form of philanthropy and charity is deeply rooted. Although in the beginning of said engagement, it was difficult to make a distinction between personal and business philanthropy of business tycoons such as the Vanderbiits and Rockefellers (Carroll, 2008). But however, these personalities molded said tradition. The latter is still visible in the US. Also nowadays said personalities are considered as ‘the elder statesmen’ of philanthropy (The Economist, 2010). Moreover, a new generation of philanthropists, such as ‘the Gateses’, underline that the US are still the home of the world leading philanthropists (The Economist, 2010). At the same time, the US corporate governance system is characterized by a widely dispersed ownership (Berle and Means, 1932) which is especially prone to the ‘principal-agent-problem’ (Jensen and Meckling, 1976). Therefore, from an agency theory perspective, corporate giving could be considered as lack of managers’ fiduciary duties vis-à-vis their shareholders, in one word - as wastefulness. From this point of view, CSR in form of charity is not acceptable.

In addition, and from a more political and ideological perspective, the US were and still are especially sensitive to any tendencies they would consider as somehow ‘socialist’. Schröder (2002) differentiated between two antagonist poles in economic theory in the context of CSR: (neo)-liberal economic theory as the basis for capitalism and the reliance on market economy, and, socialism, based upon planned economy. The author further argued that both economic theories were also important pillars of their respective political ideologies. In socialist economic theory, private business is considered as harmful to a good and fair society.
Therefore, and due to my background in political science, I suggest that Friedman’s ‘perception’ must also be seen in the light of the political context of the 1960s and beginning 1970s. That period is (still) considered as the ultimate height of the cold war, in a then bipolar world, reflected in numerous proxy wars around the world and especially visible in Vietnam. The political and ideological dimension of Friedman’s statement becomes clearer, since he considered CSR as a nonsense, which clearly harms the foundations of a free society. In addition, he labeled his critics “unwitting puppets of the intellectual forces (of socialism) that have been undermining the basis of a free society these past decades” (1970, p. 126).

Hence, Schröder (2002) proposed, taking these two extreme points of economic theory as a coordinate system, that CSR could be found in the middle of the continuum. These are namely companies, which operate under private property laws but exercise their corporate social responsibility beyond increasing profits. From an ideological point of view CSR is then acting as a legitimating ideology for a ‘new capitalism’ (Hanlon, 2008).

In the following table, I give an overview on the evolution of CSR concepts in time, by indicating their decade of emergence, based on RARE (2005) and De Bettignies (2002). As the latter, in his original overview, mixed partially business practice, CSR related theories and CSR concepts, I focus in the following presentation on, what I consider CSR concepts (compare also Table 2).

Table 3: Overview on CSR concepts and their emergence in time

<table>
<thead>
<tr>
<th>CSR Concept</th>
<th>Decade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Ethics</td>
<td>1950s</td>
</tr>
<tr>
<td>Corporate Social Responsibility, CSR1</td>
<td>1960s</td>
</tr>
<tr>
<td>Corporate Social Responsiveness, CSR2</td>
<td>1970s</td>
</tr>
<tr>
<td>Corporate Social Performance</td>
<td>1980s</td>
</tr>
<tr>
<td>Corporate Social Rectitude, CSR3</td>
<td>1980s</td>
</tr>
<tr>
<td>Sustainability</td>
<td>1980s</td>
</tr>
<tr>
<td>Triple Bottom Line</td>
<td>1990s</td>
</tr>
<tr>
<td>Corporate Citizenship</td>
<td>1990s</td>
</tr>
<tr>
<td>Corporate Accountability</td>
<td>1990s</td>
</tr>
</tbody>
</table>

Source: Own elaboration, based on De Bettignies (2002) and RARE (2005)
During the 1960s, the conceptualisation of CSR followed the considerations of the 1950s (Bowen, 1953, Eells, 1956) and focused on ethical questions (Davis, 1960, McGuire, 1963). A change in this regard represented the introduction of 'Corporate Social Responsiveness', in the 1970s, which emphasized motivations, the reflection on social demands and its management (Frederick, 1978, Ackermann and Bauer, 1976). Given that this concept did not take into consideration the performance in this regard, in the 1980s ‘Corporate Social Performance’ (CSP) came up (Sethi 1975, Wartick and Cochran 1985, Carroll 1979).

Especially Carroll’s concept (1979) of CSP, with its four categories, is considered to represent a milestone in CSR conceptualisation. It was later transformed into the ‘CSR pyramid’ (Carroll, 1991) - from bottom to top: Economic responsibility (‘be profitable’), legal responsibility (‘obey the law’), ethical responsibility (‘be ethical’) and philanthropic (discretionary) responsibility (‘be a good corporate citizen’). In this concept, the basis of corporate responsibility is economic responsibility. Economic and legal responsibilities are socially required, ethical responsibility socially respected and philanthropic responsibility socially desired (Windsor, 2001).

In the 1980s, Frederick (1986) coined the expression ‘Corporate Social Rectitude’, which underlined again the need for the injection of a general morality in corporate action. In particular, Frederick demanded the implementation of ethical codes to enhance CSR. Also the concept of Sustainable Development (SD), which was defined by Brundtland in 1987, as “meeting the needs of the present without compromising the ability of the future generations to meet their own needs” (p. 9), provided important impulses to the CSR debate and to the labelling of CSR. The latter was reflected in expressions such as ‘sustainability’ and ‘corporate sustainability’. In the framework of this concept, CSR is considered as a contribution to sustainable development.

In the 1990s, Wood (1991) came back to the concept of CSP, combining CSR1 and CSR2 with CSP in a ‘coherent model’ (Jamali, 2008). Moreover, Elkington (1997) coined the concept ‘Triple Bottom Line (3BL)’. He referred to the three ‘Ps’: ‘People’, ‘Planet’ and ‘Profit’ as corporate responsibilities. This approach was defined by Savitz and Weber (2006, p.x), as “generating profit for the shareholders while to protect the environment and to improve the quality of life of those the company interacts with”. Equally in the 1990s, the ‘Corporate Citizenship’ concept of CSR emerged (CC) (McIntosh and Andriof, 2001). It is defined by the European Commission (EC) as "the management of the totality of relationships between a company and its host communities, locally, nationally and globally" (EC Green Book, 2001,
In contrast to the 3-BL concept of CSR, the one formulated by the EC and published in its Green Book on CSR in 2001 as "the integration of social and environmental concerns in the (companies') business operations and in their interaction with their stakeholders on a voluntary basis ... going beyond compliance" (p.9), does not explicitly focus on the economic dimension of CSR and emphasizes especially the voluntary nature of CSR. And finally, Gray et al. (1996) came up with the 'Corporate Accountability' (CA) concept, which they defined as follows: "identifying what one is responsible for and then providing information about the responsibility to those who have rights to that information" (in Gray, 2001, p.11).

I personally consider the EC definition quite succeeded and appropriate, since it underlines the voluntary character of CSR. To respect the law is a conditio sine qua non; it is a basic non-negotiable requirement to be fulfilled by all actors in society. This element is so basic and even referred to in neo-liberal approaches to CSR. Hence, to refer to it explicitly (compare also Carroll, 1979, 1991) as part of CSR does not, in my view, do justice to CSR. In addition, the EC definition is easier to grasp than other concepts, since it clearly refers to social and environmental issues to be included into business activities. Finally, it avoids referring to a purely instrumental view on CSR by not including the economic dimension of CSR, which is the case in the 3-BL concept.

In view of the EC definition (EC Green Book, 2001), I would like to highlight, that said concept is the result of a broad consultation process, conducted throughout the European Union. Hence, it can be regarded a European consensus definition of CSR at a political level.

From an academic perspective, a clear-cut definition of CSR does not exist (Perrini, 2006). Frankenthal (2001) argues that CSR is a vague concept which can mean anything to anyone. I suggest that by this statement, the author simply expressed in a provocative manner that CSR is a phenomenon which can mean different things to different people. Moreover, said lack of a common definition leads to a broad and unspecified discussion, above all in academia but also in business in view of CSR (Ebner and Baumgartner, 2006). Furthermore, Webb (2002) argued that even the term CSR is misleading, since it emphasises 'social' and excludes therefore, in his view, the environmental and economic dimension of CSR. Hence, the author proposed to label CSR 'Corporate Responsibility' (CR). According to Ebner and Baumgartner (2006), in academic literature the dominant term for CSR is 'Corporate Sustainability'. There, CSR is considered as the social pillar besides the economic and environmental one.
In spite of the described sometimes confusing debate on concepts and labelling of CSR, it is obvious that CSR has to do with the relation business-society. According to Moon (2002, p. 3), "CSR is only one of several terms ... to capture the practices and norms of new business-society relations". Or, "all become more or less synonyms for the emerging effort to determine the meaning of business in society" (Perrini et al. 2006, p. 30). And, "CSR is a complex, multi faceted phenomenon arising at the interface of business and society" (Roome, 2005, p. 317).

In sum, over time different concepts and labelling of CSR evolved. Nowadays, policy makers, researchers and practitioners face the problem that a common definition of CSR does not exist. From a European perspective, the EC became active in this regard and published, based on a broad consultation process, an EU definition in its 'Green Book'. In contrast, consensus exists to a major extent with regard to the notion that CSR has to do with the relations business-society.

After having pointed out the different understandings and labelling of CSR, which have evolved over time, I will point out in the following the reasons, why a corporation could become engaged in this business/society interface.

1.3.1.3. CSR Drivers

In this section, I highlight the background in view of drivers for CSR engagement explored in the CSR literature. I start with public concerns on drivers behind CSR engagement. Then, I turn to the two extreme points behind corporate motivation in this regard, explored theoretically analogous to stakeholder theory. Furthermore, I refer to CSR drivers, in view of strategic management. In addition, I discuss the notion of voluntariness behind CSR engagement. And finally, I refer to cross country studies, which have investigated the issue so far.

The drivers for CSR engagement of corporations are an important issue in public concern. This is reflected in the following somehow over-stylized quotation in 'The Economist': 'the psychotic corporation quite likely hiding behind CSR will continue to rape and pillage' (The Economist, 2005b, p. 16). These statements refer to the inherent abuse potential of CSR, which is subject to criticism and which had already referred to in previous sections (compare: 'Main CSR issues in CSR literature').
From an academic point of view, Garriga and Melé (2004) argued that the extreme points behind the motivation for CSR engagement can be compared to the different approaches to stakeholder theory, proposed by Donald and Preston (1995). Hence, it can be seen from an instrumental point of view. Then the rationale behind CSR engagement is self-interest. CSR is considered as good for business (Stiglitz, 2006) also called the ‘business case’ (Batley, 2006) for CSR or enlightened self-interest. It is then, a strategic instrument to promote economic objectives (Garriga and Melé, 2004). The normative perspective on CSR, underlines its intrinsic morality, whether it serves the interests of business or not. It is then about ethical requirements (Garriga and Melé, 2004).

The drivers for CSR engagement from a strategic management point of view have already been pointed out in the corresponding section on strategic management theory. The main points of references are Porter and Kramer (2003, 2006) and Barney (1986). The authors delivered potential motives for CSR engagement from a ‘market based’ and ‘resource based’ view on CSR, respectively. Porter and Kramer (2006) differentiated between ‘strategic’ and ‘responsive’ CSR. In this sense, also RARE (2005) argued that companies could either follow a ‘proactive/strategic’ or a ‘reactive’ approach to CSR. They defined ‘reactive’, as the perception of CSR as a risk, to which they have to react on an ad hoc basis, to avoid reputation damages, the loss of their license to operate and a missed business opportunity. In contrast, and according to them, the ‘proactive’ approach to CSR implies that firms tend to perceive opportunities rather than risks and tangible and intangible benefits.

Another aspect in view of CSR drivers is the notion of voluntariness of CSR, as described in the definition of the EC (EC Green Book, 2001). CSR can be ‘regulated’ or ‘stimulated’. It depends on, if ‘public sector facilitates’ (carrots) or ‘public sector mandates’ (stick) (RARE, 2005). De la Cuesta González et al. (2003) see in this constellation the two extreme points of CSR: its voluntary and compulsory character. According to them, the voluntary approach could be labelled ‘business case’, not in the traditional sense, linking CSR to profitability, but linking it to the voluntary character of CSR activities. They label the compulsory or legally regulated form of CSR ‘society case’.

With regard to empirical cross-country studies, which dealt with CSR drivers, Maignan and Ralston (2002) applied in their research a categorisation of motivation based upon Swanson (1995). The latter suggested three main approaches to CSR: 1) utilitarian - CSR as an instrument to achieve performance objectives; 2) negative duty approach - to conform with stakeholder norms; and 3) positive duty approach - self-motivation of business to have
positive impact regardless of social pressure. The negative duty approach views CSR as a
legitimacy instrument. Hence, from an institutional theory and legitimacy theory perspective
companies become engaged in CSR to react to the demands of stakeholders for legitimacy
reasons. Maignan and Ralston (2002) denominate motivations related to 1) as ‘performance
driven’; to 2) as ‘stakeholder driven’; and to 3) ‘value driven’.

Hartmann et al. (2007) differentiated in their empirical cross-country study on communicated
rationales between two main rationales, namely an instrumental and a normative one. The
authors labelled said motives ‘business case’ and ‘intergenerational morality’, respectively.
Concerning the latter the authors refer explicitly to the concept of sustainability/sustainable

In sum, CSR and the motivation of corporations to become engaged in this regard are
critically discussed in the public, due to the abuse potential of CSR. The impulse for CSR
engagement can be found, among others, in stakeholder and corresponding legitimacy
pressure. Specifically, stakeholders, such as ‘government’ and ‘political institutions’, with its
legislative power constitute another driver for CSR, which is related to the ‘voluntary’ or
‘stimulated’ vs. legally regulated character of CSR engagement. Another approach to motives
for CSR engagement stems from the strategic management literature, the market and resource
based schools, differentiating between strategic/proactive or responsive/reactive approaches to
CSR.

However, whatever the drivers for CSR engagement may be. When a company has decided to
become engaged in CSR, the next step would be to translate this decision into action and to
inform the public on said action in form of CSR disclosure. This leads me to the next sections,
where I will point out the background explored in the CSR literature with regard to ‘CSR
disclosure’, ‘CSR standardization (in disclosure)’ and ‘CSR agendas’. These three issues are
dealt with in essay two. Moreover, as already pointed out, like the motives behind CSR
engagement those behind CSR disclosure and CSR standardization are equally not free of
criticism.
1.3.1.4 CSR Disclosure

In this section, I provide a brief overview on the evolution of CSR reporting. Then, I turn to define CSR disclosure and explore its links to the main theoretical frameworks, relevant to this thesis. I conclude this section by highlighting criticism in view of CSR disclosure and discuss potential insights into CSR at corporate level, provided by said disclosure.

CSR disclosure is a relatively new phenomenon, since it is related to the current momentum behind CSR. However, first notions of CSR reporting can be traced back to the 1970s, with the publication of social reports and to the 1980s, when the first environmental reports came up (Gray, 2001). In contrast, traditional corporate disclosure started already in the 19th century and focused on the information of corporate performance measured in financial terms (Cooper, 2004). It was particularly destined to shareholders in order to assist their investment decisions (Vuontisjärvi, 2006).

Since the mid 1990s, the number of companies which provide CSR disclosure has increased significantly (KPMG, 2005, 2008, UNEP et al. 2002, 2006). Some consider this augmentation in number, but also scope as too excessive and call it “carpet bombing syndrome” (UNEP et al. 2002). Others, in view of the huge number of multinational corporations world-wide, namely 60,000, regard the number of around 2000 companies, which actually provide CSR disclosure, as a very small proportion (Milne and Gray, 2008).

Gray et al. (1987) define CSR reporting as a communication process on social and environmental effects of the organisation’s economic actions to stakeholders in society or to society at large. Before, the organisation has to find out, what the company is responsible or accountable for and to provide information in this regard to stakeholders, who have rights to that information (Gray et al. 1996.). This definition, which is equal to the corporate accountability approach to CSR, reflects the link to stakeholder theory. Hence, CSR reporting is a mean to address the demands of stakeholders (Solomion and Lewis, 2002). From the legitimacy theory view, which has ‘overlapping perspectives’ with the stakeholder theory (Gray, et al. 1995), CSR reporting can be considered as a tool of the corporate (communication) strategy to gain legitimacy (Hooghiemstra, 2000, Gotlob and Bartlett, 2007) Lindblom (1994), differentiated in this regard between four strategies: 1) education and information of relevant stakeholders; 2) change of the perceptions of relevant stakeholders; 3) manipulation of the relevant stakeholders; and 4) change of external expectations, when those in view of the organisation’s responsibilities are incorrect.
In view of criticism with regard to CSR, especially CSR disclosure is subject to such (compare section ‘Main CSR issues in CSR literature’). In addition, critics emphasize especially the lack of quantitative data in CSR disclosure, since that makes it difficult for stakeholders to evaluate corporate CSR performance (Observatorio de Responsabilidad Corporativa, 2008). Hence, quality CSR reporting goes beyond purely narrative or anecdotal reporting (IÖW and future, 2007) and must include quantitative measures. Solid data is the basis for a good report. It signals superior CSR performance (IÖW and future, 2007), since it is considered a proxy for reasonable internal CSR accounting, controlling and reporting systems. “A weak sustainability report can be an indicator for a weak sustainability performance of the company ...it is assumed that there is few to report and that social and ecological issues are only marginally taken into consideration in the management of the company” (p.3/4). The link between internal CSR accounting and reporting and external CSR reporting consists of the reliable measurement and communication of CSR performance (Wynhoven, 2006).

Nevertheless, CSR disclosure is considered as an important source of information. It could provide insights into CSR action, CSR performance (IÖW/ future, 2007) and perceptions at company level (Hartman et al., 2007, Maignan and Ralston, 2002).

In sum, the momentum behind CSR is also visible in the increasing number of corporations which provide CSR disclosure. They do so due to legitimacy and accountability reasons. But, especially the lack of quantitative data in CSR disclosure, which is supposed to be a proxy for corporate action, is a constant subject to criticism. The same is true for the standardisation debate in CSR in general, and CSR disclosure, specifically. In the following, I will highlight the corresponding background in CSR literature, namely the evolution of standards in CSR disclosure and draw on opposing positions in view of their utility.

13.1.5. Standardisation Debate in CSR (disclosure)

In this section, I give an overview on the evolution of standardisation efforts in the field of CSR disclosure. In this context, I highlight especially the Global Reporting Initiative (GRI) guidelines. Moreover, I point out cornerstones of the controversial standardisation debate in CSR, in general and in view of CSR disclosure, in particular.

According to Roome et al. (2006), it seems to be typical for social movements, such as CSR, that after a period of experimentation, a tendency towards standardized practice and the
professionalization of management of such evolves. This evolution is reflected then in codes and guidelines, here in view of CSR (compare also Appendix D). More specifically, with regard to CSR disclosure, these have evolved over time, in line with corresponding accounting and management systems and in accordance with changing legal and self-regulation (Kolk, 2004).

With regard to CSR accounting and reporting, the first voluntary standards were already set in 1970 in social accounting and reporting by Social Audit Ltd. In 1989, the first stand-alone environmental report was published by the Norwegian aluminium producer Norsk Hydro, when the ‘Coalition for Environmentally Responsible Economies’ (CERES), a group of large U.S. socially responsible institutional investors, created the “Valdez Principles” (Gilbert, 2002). These represented the first environmental code of conduct. Their elaboration constituted a reaction to the environmental catastrophe caused by the oil tanker Exxon Valdez in Alaska (US). In 1999 and 2000, said guidelines were revised, but used then by only 50 companies (Morhardt et al. 2002). In 1992, the ‘Public Environmental Reporting Initiative’ (PERI) guidelines were published by ten large manufacturing corporations. Then, “the sophistication of the content began to move from glossy brochures to detailed quantitative analyses of performance” (Gilbert, 2002, p.21). In general, many management systems and reporting-guidelines emerged, during the 1990s, such as the one elaborated by the ‘Fédération des Experts Comptables Européens’ (FEE) and the Fondazione Eni Enrico Mattei (FEEM) (Morhardt et al. 2002). The creation of the Global Reporting Initiative (GRI) in 1997, with its headquarters located in Amsterdam, signalled a European perspective on CSR reporting. The subsequent development of the GRI reporting standards were considered as the ‘turning point’ in sustainability reporting (Gilbert, 2002). The aim of GRI was to develop a globally applicable framework for reporting on sustainable development (Thurm, 2007). Therefore, various reporting standards should be integrated and one single and generally accepted standard created. The latest and third generation of GRI guidelines were released in 2006, the so called G3- guidelines.

But, these new reporting guidelines are also subject to criticism. In general, the quality of CSR reporting and, specifically, the new categorisation under G3 guidelines, is questioned since it makes it easier to be considered a GRI compliant, namely by self judgement which seems to approve lower levels of quality (Milne and Gray, 2008, Archel et al., 2008). Another practice to evaluate ‘in accordance’ status consists of graded numeric scoring systems. Morhardt (2001, et al. 2002) criticized said practice and doubts its utility in view of judgements of CSR disclosure. The author does so, since report writers could start to respond
to numeric scoring system systematically. In addition, he questioned the assumption that comprehensiveness in CSR reporting according to a certain standard, based on said scoring systems, constitutes a surrogate for CSR performance. He furthermore argued, based on empirical evidence, that the so called ‘standards’ are far from being able to be considered as such. According to him, the 40 largest global industrial companies achieved with regard to GRI 2000 and ISO 14031 standards only an overall compliance rate of around 20%. Furthermore, this rate differed according to industry membership. But, even in case of higher standardisation, ‘unnoticed differences’ can exist and the ‘one size does not fit all’ problem challenges benchmarking and rankings (Langer, 2006). So do constraining effects of country and industry environment. (Chen and Bouvain, 2009, Morhardt et al., 2001). Furthermore, only standards which are audited by third parties are signalling accountability and credibility (Thurm, 2007, EC, 2004). Hence, 59% of international stakeholders demand the verification of CSR reports by a professional assurance or verification body (Baue, 2005).

In contrast, Slater and Gilbert (2004) support the GRI guidelines as the ‘leading framework for CSR disclosure, which possess a unique credibility (Thurm 2007).

In general, standardisation aims at comparability and benchmarking for and of companies in the field of CSR. Especially voluntary standards are considered as advantageous in this regard. They save not only costs by avoiding legally binding standards and corresponding bureaucracy costs (Vogel, 1978, Vogel, 2005). In addition, they do so, since ongoing changes in accounting and reporting are costly, too (Castelo Branco and Lima Rodrigues, 2006). But, the inflation of voluntary initiatives in the field of CSR, in general, and with regard to those covering reporting and/or affecting reporting, in particular (Gilbert and Rasche, 2007), constitutes an obstacle to said aims. Hence, a ‘critical mass’ to a certain standard is necessary (Gilbert, 2002).

On the downside of said standards, critics argue that these could be used as a lobbying tool, to avoid legal regulation (Vogel, 1978, Vogel, 2005). Moreover, the reliance on voluntary standards could lead to the situation that “with all the dependence on codes and certifications government is outsourcing regulation to business and NGOs” (World Business Council for Sustainable Development, 2007, p. 19). Consequently, public policies would be privatized and no corresponding accountability regimes for affected parties established (Vogel, 1978). In general, this could lead to a loss of democratic accountability (Kapstein, 2001). The exposed criticism is countered by Gilbert (2002), who argued that voluntary reporting guidelines are part of an emerging soft law, which is a valuable complement to environmental and social regulation. He underlined that corporations would be motivated to comply also with self
regulations in the field of CSR disclosure, since going beyond legal compliance in this regard would be rewarded by the markets. In contrast to that argumentation line, White (2005) argued that the risk of non-disclosure equals the risks of high standard disclosure.

In sum, self-regulation in the field of CSR in general, and with regard to CSR disclosure, in particular, has evolved over time, aiming at standardization, in order to ensure comparability and benchmarking of corporations. Nevertheless, said trend towards standardization, based upon self-regulation, is also subject to criticism. In general, many see in that a tool of lobbying to avoid legal regulation; others emphasize the risk that legal regulation could be outsourced to private entities without establishing corresponding accountability regimes. In the light of the criticism pointed out in the sections on CSR disclosure and CSR standardization, I would like to turn in the following section to actual corporate action in the field of CSR, reflected in CSR agendas.

1.3.1.6. CSR Agendas

In this section, I highlight the changing nature of CSR agendas over time, which has been influenced by changes in the corporate environment and triggered by events. In addition, I explore differences in view of the categorization of CSR agendas.

Corporate action in the field of CSR has been subject to changes over time. This was due to the varying scope of what was perceived by the public as corporate responsibilities and what was considered as important issues to be dealt with in view of said responsibilities. Said focus of action is reflected in CSR agendas. Like CSR in general, the overall CSR agenda has evolved over time as a response to external pressure on the corporations, exerted by social activism and movements (Roome, 2005). Said activism was influenced by changing preoccupations in society which led to corresponding shifts in priorities on public, political and finally, corporate agendas. These variations were provoked by publications and events, in line with those, which have fuelled the momentum behind CSR, in general (compare section 'Current Momentum behind CSR'). So far, the cyclical nature of CSR agendas has not been explicitly explored from a country perspective, but it is rather referred to as overall changes in CSR agendas over time. This is maybe due to the fact that CSR is a relatively new phenomenon and discipline of research. In the following figure, I give a general overview on the changing general patterns of CSR agendas since the 1950s, where modern CSR ‘took shape’ (Carroll, 2008).
Figure 3.: General Overview on changes of focus of CSR agendas over time

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From the 1950s on, charity and philanthropy (De Bettignies, 2002) have constituted an important focus of the social CSR agenda, although in the beginning these activities were more or less distant from business activities. Only later, in the 2000s, Porter and Kramer (2003, 2006) argued that said activities should be applied strategically, namely to link them more closely to corporate activities, in order to improve the corporate context. The same is true for community involvement, which is closely linked to charity/philanthropy engagement and which, since the 1990s, is also considered from a more international perspective. In the 1960s, employee/employment improvement and customer relations emerged as new themes on the social CSR agenda, which was then also broadened by an economic issue, namely stockholder relations (Carroll, 2008). In the 1970s, an important consumer movement put functionality and safety of products on CSR agendas. In addition, the first environmental movement emerged and broadened the CSR agendas by environmental issues (Gamble et al., 1996). Other activists' movement put more ethical considerations on the CSR agenda and demanded international corporations to withdraw from countries with repressive or oppressive regimes (Roome, 2005). An eminent example for this movement was the pressure, which was exercised on corporations to withdraw from South Africa under the Apartheid Regime. In the 1980s, the CSR agenda was further extended, mainly by some social and environmental issues (Gamble et al., 1996), but also, due to corporate scandals, by issues related to good governance (Carroll, 2008). The 1990s have strongly revitalized the public interest in environmental issues, with its implications for CSR agendas, such as movement of waste, vehicle emissions, ozone layer, climate change, hazardous waste, protection of endangered species and climate change (Gamble et al., 1996). More currently CSR agendas embrace again employment issues and conditions, the concern for employees in case of downsizing, good labour standards, the extension of responsibilities on supply chains and the focus on issues such as bribery, corruption and good corporate governance (Roome, 2005).

Furthermore, CSR agendas reflect the focus of responsibility the company emphasizes in the framework of CSR. A broad categorisation of said responsibilities is the Triple-Bottom-Line approach, introduced by Elkington (1997). He referred to the firm's responsibilities with regard to profit (economic responsibility), people (social responsibility) and planet (environmental responsibility). This triangle of responsibilities is also labelled 'Corporate Sustainability' (Ebner and Baumgartner, 2006).
Another categorisation in this regard is proposed by Roome (2005, p. 321, 322), which he calls the ‘four main CSR agendas’:

1) **Responsible Business Practices**: including among others - management practices, which assure high standards in employment, such as health and safety, or in financial accounting and reporting to shareholders.

2) **Consumer Responsibility**: including activities to assure safe, usable and functional products and services.

3) **Responsibility for Sustainable Development or ‘Agenda for the Sustainable Enterprise’**: activities, which cover the field of environmental issues, social well-being and social concerns.

4) **Corporate Philanthropy and Corporate Community Involvement**: activities, which aim at mitigating social ill, such as regeneration of communities and neighbourhoods and social inequalities.

From a more operative point of view, Porter and Kramer (2006, p. 86) refer to CSR agendas, according to the elements of the value chain, such as firm infrastructure, human resources management, technology development, procurement, inbound logistics, operations, outbound logistics, marketing and after sales service. In the following, I highlight the main aspects of said categorization.

1) **Firm infrastructure** – financial reporting practices, government practices, transparency and use of lobbying.

2) **Human Resources Management** - education and job training, safety, diversity and discrimination, healthcare, compensation and layoff policies.

3) **Technology Development** – ethical research practices, product safety, conservation of raw materials and recycling.

4) **Procurement and supply chain practices** – bribery, child labour, uses of particular inputs (e.g. animal fur), utilization of natural resources.

5) **Inbound logistics** – transportation impacts (emissions, congestion).

6) **Operations** – emissions and waste, biodiversity and ecological impacts, energy and water usage, worker safety and labour relations, hazardous material.

7) **Outbound logistics** – packaging use and disposal, transportation impacts.
8) Marketing and Sales – marketing and advertising (truthful advertising, advertising to children), pricing practices (price discrimination among customers, anticompetitive pricing, pricing policy to the poor).

9) After-Sales-Service – disposal of obsolete products, handling of consumables (e.g. motor oil, printing ink), customer privacy.

In sum, the evolution of the overall CSR agenda evolved over time, mainly as a response to social movements, activism and events. They reflect changing preoccupations in society. CSR agendas illustrate also the focus of corporate responsibilities, which can be categorized according to the three pillars of 'Corporate Sustainability' or the four dimensions proposed by Roome (2005). In addition, the categorisation of corporate agendas can also be viewed from a more operative perspective, namely the categorization of CSR agendas by the elements of the corporate value chain.

In this section, I have also explored that corporate governance issues are more recently regarded as an important issue on the CSR agenda. This leads me to the next section, which aims at providing the literature background in view of the 'Understanding of CG and its Links to CSR', an issue which is investigated in essay three.

1.3.1.7. Understanding of CG and its links to CSR

In this section, I explore differences in view of the understanding of CG, which is reflected in varying CG concepts and which are equally supposed to be shaped by the national context. Moreover, I refer to said differences by mobilizing important theoretical angles in this regard. In addition, I highlight the links between CG and CSR, which, so far, have mainly been explored in theoretical literature. And finally, I provide a brief overview on three relational models which reflect differences in view of said links.

The understanding of CSR, reflected in different CSR concepts, which evolved over time, varies. This is also true for the understanding of CG. Definitions in this regard are heterogeneous. Hence, so far, like it is the case of CSR, no internationally recognised definition has emerged (Du Plessis and Saenger, 2007a, Mintz, 2005, Delbrück, 2006). This is due to the fact that the understanding of CG depends on national CG mechanisms and corresponding CG systems (Morck and Steier, 2007, Bebchuk and Roe, 2004). These are supposed to be country specific. But, even within one country's system, formulating one definition of CG is 'not an easy task' (Solomon, 2007). The country specificity of CG systems and the resulting differences in the understanding of CG is also reflected in the two main
underlying theoretical frameworks, to understand said differences, namely agency theory (Berle and Means, 1932, Jensen and Meckling, 1976) and stakeholder theory (Freeman, 1984, Donald and Preston, 1995). Therefore, also the tension field between said main theoretical frameworks contribute to the fact, that no generally accepted definition of CG exists (Mintz, 2005). Another important theoretical framework of CG referred to in the literature is transaction cost theory (Friese et al., 2006, Williamson, 1996). It will not be dealt with in detail since it shares important issues and problems with agency theory (Solomon, 2007). For other theoretical frameworks compare Fernández-Fernández (1999).

As a consequence, two extreme CG models emerged, the shareholder and the stakeholder model of CG (Mintz, 2005). These represent traditionally the Anglo Saxon/American understanding and the continental Europe one of CG (Barca and Becht, 2001, Murphy and Topyan, 2005, Friese et al., 2006). They move along a spectrum of two opposing views on CG. The ‘narrow’ and the ‘broad’ view of CG (Solomon, 2007). The narrow' one is traditionally dominant in Anglo Saxon/American countries. It is characterized by the focus on shareholders with regard to corporate accountability and responsibility. Hence, the ultimate raison d’être of the firm is shareholder value maximisation. This reflects a mainstream perception of CG which is dominated by the neo-classical view of the firm (Van Den Berghe and Louche, 2005). The focus on shareholder value implies also that corporate decision making and action is likely to be short-termism (Kim and Nofsinger, 2007, Solomon, 2007, Tencati and Zsolnai, 2008).

One eminent point of reference is the ‘narrow view’ definition, formulated by Sir Adrian Cadbury in the so called Cadbury Report. This report was the first code of conduct in the field of CG, which was published in UK in 1992: “Corporate Governance is the system by which companies are directed and controlled” (Cadbury, 1992, p. 15). In this context, CG is a program for the optimization of the management of companies and of the transparency of corporate structures (Rucht, 2007).

In contrast, the continental Europe approach to CG stands for the ‘broad view’ of CG (Solomon, 2007). It focuses on stakeholders in terms of accountability and responsibility and places emphasis on stakeholder value (Murphy and Topyen, 2005). Moreover, said contrary understanding of CG is also reflected in the definition presented in the ‘King Report I’, which was published in South Africa in 1994. Said definition represents another respected milestone in the understanding of CG. It is considered a holistic approach to CG, by including social, ethical and environmental concerns, in order to serve a wide range of stakeholders
A kind of ‘in-between’ perspective, in form of an extended concept of accountability of CG, namely to other primary stakeholders, in addition to shareholders only, is emphasized by Friese et al (2006). The authors argued that the vision of corporate governance should not be too narrow. Stakeholders that contribute to profitability and who have a legitimate interest should be included in accountability considerations.

But, critics of the ‘broad view’ of corporate governance argue that, if companies deviate too far from the profit maximisation paradigm, this could be equally harmful to society, since also social progress comes from profit related activities. If a wider range of goals has to be pursued, additional costs could incur and impair business performance (Solomon, 2007).

In addition, Jansson (2005) linked the stakeholder model of CG to a longer time horizon of value creation for shareholders, which, according to him, would be hardly acceptable for shareholders in countries where the ‘narrow’ view of CG is dominant. In contrast, supporters of the ‘broader’ understanding of CG underline that the latter is not necessarily inconsistent with the ‘narrow’ one. They refer to the instrumental view of stakeholder theory (Donald and Preston, 1995), which implies the ‘business case’ for the stakeholder model of CG (Hillmann and Keim, 2004).

A very current issue in the literature consists of the theoretical exploration of the links between CG and CSR. The most important link is considered the ‘broad view’ of CG (Jamali et al., 2008). From this point of view “CSR and CG are strongly connected” (p. 444), since also CSR focuses on a multi-stakeholder setting (Sacconi, 2006) rather than on a mono-stakeholder setting in form of ‘shareholders only’, which refers to the ‘narrow view’ of CG. In addition, CSR is about the societal responsibility and compensation of externalities, not about increasing profitability for shareholders (Wood and Logsdon 2001). Hence, the fiduciary duties are extended from shareholders to stakeholders (Jamali et al. 2008).

This leads to another link between CG and CSR, which refers to values and ethics (Strandberg, 2005, Elkington, 2006, Jamali et al., 2008), called also fairness (Jamali et al. 2008) or honesty (Van Den Berghe and Louche, 2005). In general, without an ethical backbone, good governance practices are merely a technical exercise, “Enron was considered
as a shining star in terms of technical governance" (Strandberg, 2005, p. 4). Ethical or value-based governance considers issues such as the kind of product and service the company produces, how it is produced and the social and environmental impacts of its production. These are ultimately CSR considerations (Strandberg, 2005).

Another link between CG and CSR represents the risk management at operational level, which is a critical governance issue and constitutes a so called ‘CSR cross over issue’ (Strandberg, 2005). That is due to the fact that CSR is about social and environmental risks and their immanent financial risk. Hence, also from a risk management perspective of governance CG and CSR are strongly connected (Strandberg, 2005).

Increasing disclosure on CSR, in addition to traditional financial disclosure, reveals another link between the two concepts, namely transparency (Van Den Berghe and Louche, 2005). The traditional financial disclosure aimed, in line with agency theory, at reducing ‘information asymmetries’ (Jensen and Meckling, 1996) between management and shareholders, but also to (re)build trust in the financial markets. CSR disclosure is about (re)building the trust of new market forces, also called the ‘new invisible hand’ (Huysse, 1999, in Van Den Berghe and Louche, 2005), such as NGOs and the public in general, which have the power to influence indirectly product and financial markets. Their rise reflects the public disappointment on corporate action in form of corporate scandals, the perception that corporations assume a broader, new role in society and that those exercise disproportionate power (compare also section ‘Current Momentum behind CSR’). Therefore, the corporate conduct is expected to be more responsible and to disclose in that regard, which is CSR (Van Den Berghe and Louche, 2005).

Based on the links between CG and CSR, Jamali et al. (2008) explored three relational models to categorise said interrelationship. The first model is based on Hancock (2005). The author considered CG as a pillar of CSR, along with human capital, stakeholder capital and the environment. This is consistent with Elkington (2006), who considered good CG as a foundational requirement for CSR. The second model refers to Ho (2005), who considered CSR as a dimension of CG. This position is shared by (Kim and Nofsinger, 2007), who consider CSR as a monitoring tool in the framework of good CG. Here, CSR broadens the CG agenda (Solomon, 2007) or extends the corporate governance model (Sacconi, 2006). The third model is based upon Bhimani and Soonavalla (2005). It refers to and ‘in between’ relational model, which considers CG and CSR as part of the accountability continuum and as complementary constituents.
In sum, I have explored differences in the understanding of CG from its main theoretical angles, namely agency and stakeholder theory. Furthermore, I have highlighted the links between CG and CSR, which have only recently emerged in theoretical literature. And finally, I have pointed out the three relational models, which aim at reflecting said interrelationship.

With this section I conclude, the overview on the CSR literature frameworks of the three essays. I have highlighted the CSR literature framework with regard to the following CSR issues: ‘CSR Concepts’ and ‘CSR Drivers’ (essay one), ‘CSR Disclosure’, ‘Standardisation in CSR Disclosure’ and ‘CSR Agendas’ (essay three) and ‘Understanding of CG and its links to CSR’. In the following section, I will turn to the summaries of the three essays.

1.4. Summaries of the Three Essays

In this section, I provide a brief overview on the contents of the three essays, of which this PhD thesis is composed.

In chapter one, I conducted an empirical study in form of a questionnaire based postal survey of the 500 biggest, according to revenue, companies (TOP 500), in Germany and Spain. The analytical framework consisted of two dimensions: CSR concepts and CSR drivers. The theoretical background explored correspondingly consisted of institutional theory, legitimacy theory, stakeholder theory and strategic management theory.

The objective of the study was twofold. First, to explore, over the dimensions of the analytical framework, the differences between the two countries and resulting approaches to CSR in view of CSR concepts and CSR drivers; and second, if in the shaping of said differences and resulting approaches to CSR, such as ‘more competitive advantage centered’ vs. ‘less competitive advantage centered’ and ‘voluntary’ vs. ‘regulated’ country specific institutional mechanisms are influential. Moreover, I explored if said differences would be statistically significant and if other firm characteristics, beyond the national context, described in the literature as having impact on CSR, would be observed. The body of literature used in the construction of the CSR-relevant national context referred to 1) cultural differences; 2) differences in environmental concerns in society, social issues and business and the stage of development of civil society; and 3) national corporate governance system; 4) public polices in view of CSR; and 5) varieties of capitalism.

The findings of the study suggested important differences between the two countries over the analytical framework. which originated mainly in the CSR-relevant national context, although
some firm characteristics such as 'membership in manufacturing sector', 'big firm size' and 'publicly listed status' showed some limited impact on CSR, beyond national context.

The national approaches to CSR, deduced from the findings, consisted in a more 'responsive' and 'regulated' approach to CSR in Germany. In contrast, for Spain, the results imply a more 'competitive advantage centered' and 'voluntary/stimulated' approach to CSR.

In chapter two, I conducted quantitative contents research of CSR reports. The sample consisted of fully integrated companies of the utility industry, listed in the main stock indexes in Germany and Spain. By that selection, I aimed at factoring out firm characteristics which are supposed to be influential in view of CSR, beyond the national context. In addition, the utility industry is considered as one of the most polluting industries with massive externalities. Hence, it is assumed to be especially sensitive to CSR. The CSR issues of which the analytical framework was composed consisted of the following: 1) institutionalisation of GRI Indicators; 2) CSR Agendas; and 3) Communicated Rationale behind CSR. The theoretical background explored correspondingly consisted of institutional theory, legitimacy theory and stakeholder theory.

The aim of the essay two was to explore differences between the two countries over the analytical framework and if specific institutional mechanisms are influential in shaping these differences. The country context which was considered in this regard corresponded to the one of essay one. The quantitative contents analysis was based upon two pillars, namely 'quantitative indicators' and 'lexical' analysis. I included the analysis of 'quantitative indicator', because the lack of quantitative indicators in CSR disclosure is subject to constant criticism, since they are regarded as a proxy for corporate action. Said set of indicators served to illustrate differences in the institutionalisation of GRI indicators and were assumed to provide insights into CSR agendas. In view of the latter, country-specific profiles in terms of the three pillars of 'corporate sustainability' (economic, social and environmental) and potentially emerging ones should be explored. In the lexical dimension of the analysis, the aim was to find out the communicated 'rationale behind CSR', in order to triangulate the results with the findings of essay one.

The results of the research suggested differences with regard to the CSR issues, which were examined. Moreover, they imply that said differences are mostly shaped by the influence of CSR-relevant national context. The institutionalisation of GRI indicators turned out to be lower in Germany than in Spain, although, in both countries, the level of institutionalisation is surprisingly low (very low and low, respectively). From a country perspective, the CSR agenda of German firms seems to focus on activities related to environmental responsibility.
In contrast, the one of Spanish companies on those related to economic responsibility. From a firm level perspective, said findings are also true for German companies, whereas those for Spanish companies are mixed. Furthermore, the CSR agenda of German companies seems to include only marginally CG related issues, whereas this issue appeared to be important to Spanish companies. And finally, the communicated rationale behind CSR corresponded to the normative ‘intergenerational morality, whereas the Spanish companies seemed to be situated in between said motive and the instrumental ‘business case’ motivation for CSR engagement.

In chapter three, I aimed at providing an overview on the traditional CG mechanisms and corresponding CG systems in Germany and Spain and I explored current signs of convergence of said systems. In view of said institutional settings, the aim of the empirical part was to explore differences in the understanding of CG and its links to CSR from a corporate perspective. As sample served companies listed in the main stock indexes in both countries, to factor out size and publicly listed status effects. The methodology was qualitative contents analysis, which was applied in the framework of a web-research. The aim of the research was to explore the following: 1) differences between the two countries in view of the understanding of CG and its links to CSR; 2) differences in corresponding different relational models CG-CSR which could be deduced; and 3) if in the shaping of these differences the traditional national corporate governance system is influential or if signs of convergence of said systems would already be reflected in the results.

Questions surrounding the links between CG and CSR and their relational models have only currently emerged in CSR/CG literature. CG in its extremes can be regarded from two theoretical angles, the agency theory perspective, ‘narrow view’, and the stakeholder perspective, ‘broad view’. Especially, the stakeholder perspective of CG constitutes an important link to CSR. In light of the two theoretical angels and the links discussed in theoretical literature so far, I constructed the analytical framework to explore said differences. The findings of the research suggest that important differences between the two countries exist with regard to the understanding of CG and its links to CSR. Furthermore, they imply that the differences originate in the traditional national corporate governance systems. In Germany, the view of CG seems to be ‘broad’, whereas in Spain it is ‘narrow’. In addition and with regard to the relational models between CG and CSR, German companies seemed to consider CSR as part of the CG agenda, whereas Spanish companies appear to move along the spectrum from CG as part of the CSR agenda to considering both as part of the accountability continuum and therefore, as complementary constituents.
In sum, in the framework of the ‘Essays on CSR in Germany and Spain’ I have explored country specific differences with regard to various CSR issues, such as ‘CSR Concepts’, ‘CSR Drivers’ (essay one), ‘CSR Disclosure’ and its insights into ‘Institutionalisation of GRI Indicators’, ‘CSR Agendas’ and ‘Communicated Rationale’ behind CSR (essay two) and ‘Understanding of CG and its Links to CSR’ (essay three). The findings of the three research projects suggest that with regard to the examined CSR issues country specific differences between Germany and Spain do exist, which do originate mostly in the CSR-relevant country specific context.

In each of the three essays I have applied different research designs and methodologies, to answer the respective research questions. This leads me to the next section, where I will describe said research designs and methodologies in detail.

1.5. Research Designs and Methodologies

In the following section, I outline the reasons for the choice of research designs and methodologies, from an epistemological perspective. Then, I turn to the detailed description of the research designs and methodologies, applied in the three essays, and provide an overview on the overall research design of the PhD thesis.

1.5.0. Excursion on Epistemology

From an epistemological point of view, the key questions of research are the following: What is the nature of knowledge produced? How is the knowledge produced? What is the value and position of that knowledge? (Perret and Séville, 2003). The answers to said questions can be inspired by three important paradigms: the positivist, the interpretativist and the constructivist paradigm (Kuhn, 1983).

In general, the three ‘Essays on CSR in Germany and Spain’ are inspired by the positivist paradigm. That means with regard to question one, the knowledge produced, reflects a reality which is independent form the researcher. Concerning question two, the knowledge is produced by an explorative and explanatory process. This means that the aim of the research is, to discover reality and the mechanisms by which it is conditioned. And, with respect to
question three, the knowledge created has to be verifiable, which means from a positivist point of view, the reality has to be empirically verifiable (Perret and Séville, 2003). Therefore, all three essays are of empirical nature. Two of them apply purely quantitative methodologies. This is in line, with Baumart and Ibert, (2003), who argue that a quantitative approach is predominant in the positivist paradigm. Equally in the tradition of the positivist approach, the objects of research were identified, by detecting deficiencies and lacks in the existing literature (Landry, 1995) (compare Table 1). The aim of the research was to reduce said deficiencies and to close existing gaps, in order to improve the knowledge on the reality in this regard.

The latter aspect can equally be linked to the status of maturity of research (Edmondson and McManus, 2007). The starting point of research in a specific area is characterised by explorative studies which are followed by more solid designs, such as quantitative studies.

1.5.1. Research Design and Methodology of Essay One

In the following, I highlight the reasons for having chosen the research design of essay one. Furthermore, I describe the research design applied. That includes, according to Edmondson and McManus (2007) and Royer and Zarlowski (2003), the type of data to be collected, the data collection tools and procedures and type of analysis of data.

In order to advance more solid research designs in form of a huge quantitative study, a self-administered questionnaire based postal survey of a reasoned choice sample, turned out to be the most feasible methodology in order to collect primary data. The main advantages of primary data consist of being ‘first hand’ data, which provide flexibility to the researcher with regard to the issues to be examined (Baumard et al., 2003). The web-survey approach resulted inappropriate, since it is biased by its low feedback rate. To achieve a reasonable number of feedbacks and to have at the same time control over the composition of the data sets, an enormous number of company data would have to be acquired. This would have been for me beyond any manageable financial scope. The analysis of free, publicly available information of corporations in Germany and Spain, to apply contents research on a huge sample, resulted equally non-feasible. This was due to the fact, that studies following said methodology and involving a relatively huge sample size and scope of countries were conducted by research teams (Maignan and Ralston, 2002, Van der Laan Smith et al., 2005). Hence, the limitation here consisted clearly in the manpower of only one person. For the selection of the sample, I applied the reasoned sample choice, and decided to target the biggest 500 companies,
according to revenue (TOP 500) in each country. The German data base was accessible via ‘Die Welt’. The Spanish data base had to be purchased from Informa, S.A., a Spanish subsidiary of the Dan and Bradstreet Group. This Group is considered as a reliable data provider and its data had already been used in cross-country studies. With the selection of the TOP 500, I have followed in this regard comparable studies (Guillén et al., 2002). In addition, I took into consideration the argumentation, that big companies could be considered as ‘role models’ (Vuontisjärvi, T, 2006) for other, smaller companies in a specific country.

With regard to the data collection tool, a draft questionnaire was formulated in English, based on a detailed bibliographic study related to the CSR issues to be examined: ‘CSR Concepts’ and ‘CSR Drivers’. In addition, in the elaboration of the questionnaire, I followed the recommendations formulated by Baumard et al. (2003). I did so, in order to increase the internal validity of the data collection tool and to avoid limitations in this regard (Campbell and Stanley, 1966). The latter could originate from fuzzy formulations and inappropriate order and structure. Hence, the questionnaire was clearly structured by thematic areas which corresponded to the dimensions of the analytical framework. The questionnaire opened with simple and closed questions with regard to firm characteristics and continued with more complicated questions. I aimed at mitigating the so called ‘halo effect’ (Evrard et al. 1993) by including open questions at the end of each thematic block. Equally for the purpose of increasing the internal validity, the original English version of the questionnaire was translated into the national languages, German and Spanish, respectively and tested. Although, I am fluent in German and Spanish, the ‘centred’ translation testing (translation and back retranslation) according to Bauer (1989) was conducted in collaboration with professional translators. During the translation test phase, it became evident that, some challenges had to be faced, such as the translation of the English term ‘stakeholder’ into Spanish. In German the English term was generally accepted and understandable, whereas in Spanish said expression had to be translated and various options emerged: (‘interesados’, ‘grupos de interés’, ‘partes interesadas’ and ‘interlocutores’). In a next step, the questionnaire in the respective national language was preliminarily tested by a pilot sample. The sample consisted of managers in the field of CSR and/or Senior Managers in Germany and Spain, which reflected the target persons in the corporations. In addition, two experienced market researchers and one specialist for textual communication overviewed the questionnaire. The aim of this test was, to increase understandability, clarity of words and adequacy of measurement tools. Here, the measurement tools to be tested were Likert-scales. According to Baumard et al., (2003), ideally the pre-test takes place in the framework of a face to face
situation. This approach would not only enable the researcher to discuss the observations of the test-person, but also to observe his/her reactions, when filling out the questionnaire. But, due to the geographical distance between the test persons and the researcher, said observations could not be taken into consideration. But, corresponding discussions have exhaustively taken place by telephone, which seemed to be the communication tool, which could be closest to the face-to-face situation. The so created feedback and comments was valuable and helpful in increasing the understandability, clarity of the questionnaire and in revising the research instruments. Corresponding changes were introduced into the final questionnaires.

In the following, I highlight some of the feedback, provided by the test sample. It turned out that the time limit for filling out the questionnaire should be 20 minutes. The latter implied a clear limitation to only four pages, which was considered by some test persons as the absolute maximum. This direct feedback contradicts to a certain extent the literature on postal surveys, where up to 10 pages are still considered as acceptable (Baumard et al., 2003). Another significant issue, which is described in the Marketing literature (Stegmüller, 1995), was detected during the feedback process, namely the interference of an incrementing Likert-scale with the German school grade system. Therefore, the effect had to be controlled for. I did so, by positioning a control variable ‘Importance of Quality’ and a corresponding five-point-Likert-scale before the scaled blocks of the questionnaire, in order to be able to identify said interferences. The underlying assumption was that in every reasonable and professionally managed company the importance of quality should be highly scored, between 4 and 5 on said scale. In case of confusion with the German school grade system, the scoring would be 1 or 2.

One peculiarity of the data collecting tool applied, a postal survey, constitutes the notion, that it is self-administered by the person, who is supposed to fill it out. Therefore, the general presentation of the corresponding documents is significant, in order to achieve reasonable feedback rates. Hence, I followed the recommendations of La Garce and Kuhn (1995). I used white paper and I elaborated a cover letter. The latter contained the following elements, as suggested by Mucchielli (1975) and Dillmann (1978): 1) identification of the person, who is doing the research project; 2) contact coordinates of the researcher; 3) description of the purpose and motivation of the research, underlining its scientific and non-commercial character; 4) incentives to participate, such as the offer to deliver a summary of the results, if desired; 5) ensuring strict confidentiality and/or complete anonymity; 6) no explicit deadline; 7) attaching a neutral, addressed and stamped envelope for the response; 8) signature of the cover letter by the researcher; and 9) consignment of a reminder; in this case four weeks after
the initial contact. The reminder included again the questionnaire, the cover letter and an envelope. I would like to highlight especially element 5), which deals with the assurance of confidentiality and/or anonymity. This issue is especially relevant in CSR research, since, by that a selection bias (Crane, 1999) or 'rating game' effects (Porter and Kramer, 2006) which could affect authenticity and reliability of empirical research in this area could be mitigated (Crane, 1999). The final questionnaire was sent with a personalised cover letter to the CEOs of the TOP 500 companies in Germany (500) and Spain (501), stating that it is addressed to companies active in CSR.

With regard to the measurement tools applied in the questionnaire, the first part of the latter dealt with the perception of five different concepts of CSR. The evaluation according to the degree of correspondence to the perception of CSR at company level was based on a measurement tool in form of a five-point-Likert-scale. Only extreme points were defined as 'does not correspond at all' (1) and 'corresponds totally' (5). The dimension of analysis 'CSR Drivers' was designed as a scaled block composed of 29 statements (compare Appendix B) to be equally evaluated on a five-point-Likert-scale, according to their importance for initiating CSR activities at company level. The extreme points of the scale were described as 'not important at all' (1) and 'very important' (5). In addition, space for open answers ('others') was included. For the purpose of analysing said statements, these were grouped in a first step into four main categories: 'external drivers', 'internal drivers', 'positive external expectations' and 'positive internal expectations'. In a second step, the statements were further segmented, in order to build specific indicators which enabled the linkage to specific CSR approaches.

The tools of analysis applied, for the purpose of analyzing the primary data, were the following: in the descriptive part, these were descriptive statistics in form of means. Based on said tools of analysis the situation in both countries and resulting differences were explored, country specific approaches deduced and both linked to differences in the CSR relevant national context; in the testing part, the statistical significance of said differences was examined. Here, I applied a comparative parametric test, such as ANOVA based on the Fisher- test for the scaled part of the questionnaire, proposed by Mbengue (2003). This test setting followed the one applied in the study of Guillén et al. (2002). In addition, the impact of other firm characteristics beyond country specific context was analyzed by 'intra-class' comparisons (Mbengue, 2003).
1.5.2. Research Design and Methodology Essay Two

The research design in essay two consisted of quantitative text analysis, based on secondary data in form of stand-alone CSR reports, released by corporations of the utility industry listed in the main stock indexes in both countries. The quantitative contents analysis applied was based upon two pillars: analysis of quantitative indicators and lexical analysis.

The CSR issues, which should be examined in the framework of essay two, determined the choice of CSR reports as the source of secondary data: ‘Institutionalization of GRI Indicators’, ‘CSR Agendas’ and ‘Communicated Rationale’ behind CSR. The advantages of secondary data are clearly that these are more easily accessible and free of charge (Baumard et al., 2003) and therefore financially manageable. But, as pointed out, under 1.5.1., due to the limitations in manpower, the sample size in this research project had to be kept in a manageable scope.

The sample selection was based on reasoned sample choice. The sample consisted of companies being active in the same industry, namely, the utilities/energy industry and listed in the leading stock indexes of Germany and Spain, DAX and IBEX 35. By that, other corporate characteristics having potentially differentiating impact on CSR were controlled for. In addition, the utility industry is considered as one of the most polluting ones, which have impact on a broad range of stakeholders (Van der Laan Smith et al., 2005). Hence, they are assumed to be especially active in CSR and CSR reporting for legitimacy reasons. Furthermore, corporations of this size and being active in a key industry, have the power for social change and serve as a benchmark for excellence (Cowen et al., 1987) or ‘peer firms’ (Logsdon and Yuthas, 1997). Therefore, the final sample consisted of the companies Eon, RWE and EnBW for Germany, and Endesa, Union Fenosa, Gas Natural, and Iberdrola for Spain. The Spanish company Red Eléctrica de España, (REE) had to be excluded from the sample, since it did not represent a fully integrated utility firm.

The data collection was realised by asking at the companies’ headquarters for the report in English and national language (German or Spanish, respectively) in paper form, also called data collection via documental method (Allard-Poesi at el., 2003). This was necessary, since one part of the research was based on human text coding. And, a human text coder works more effectively with hard copy (Franke 2000 in Neuendorf, 2002). The version in original language served as a point of reference, in case of consistency problems in the translated version. For the quantitative lexical research the CSR reports of the respective companies were downloaded from the companies’ websites in pdf – format.
The methodology applied was contents research (Allard-Poesi et al., 2003, Neuendorf, 2002, Weber, 1990, Popping 2000), also referred to as text analysis. It deals in general with the communicative act ‘post hoc’ (Popping, 2000). Hence, it is an ‘unobtrusive measure’, since when analysing the sender or receiver, they are not aware of being analysed and therefore, the act of measurement does not influence the data (Weber, 1990). Text analysis enables to draw conclusions of the source of the data from persons to ‘collectivity’ (Popping, 2000), here corporations. Contents analysis can have qualitative and quantitative character. The central idea of the qualitative approach to contents analysis, which is applied here, unlike the qualitative approach, is that the repetition of elements (words, expressions, here also quantitative indicators) in a text indicates the ‘focus of interest’ and ‘preoccupations’ of the actor, here, of corporations. In addition, many words of a text having a similar meaning can be classified into fewer categories (Allard-Poesi et al., 2003, Popping, 2002). Text analysis can serve for many purposes, to describe the structure of a text, to describe its contents, but also to compare, to show differences or similarities in contents (Laukkanen, 1994). The purpose here is: “disclosing international differences in communication contents and reveal the focus of ... institutions”, here corporations (Berelson, 1952, in Weber, 1990, p. 9).

Coupland (2003) opens an argumentation line in favour of the analysis of the contents of publicly accessible information. He does so in the light of critics, who argue that the contents of a text could be either influenced by the individual writer, and does therefore not reflect the corporate view on a specific issue, here CSR. Or, the contents reflects merely a corporate discourse on a specific issue, here CSR, highlighting corporate rhetorics in this sense, in order to communicate what is expected from stakeholders for legitimacy reasons (Kallio, 2006); or, something, which is part of a specific communication strategy, equally for legitimacy reasons (compare Lindblom, 1994). Hence, in CSR reports words would not reflect deeds (Kallio, 2006). Coupland’s (2003) argumentation line is also supported by Bondy et al., 2008. Maignan and Ralston (2002) draw in this sense on Esrock and Leichty (1998), who equally underline that web-research provides valuable information. Coupland (2003) originally referred to web-site research, but it could be transferred to CSR reports, since these are equally accessible via the corporate website and addressed to a broader set of stakeholders (Essrock and Leichty, 2000 in Maignan and Ralston, 2002). Hence, and drawing especially on Coupland (2003), CSR reports could create a plausible and legitimate version of the corporation and its activities, here CSR activities. The process of contents analysis followed in this research is summarised in Figure 2.
With regard to the lexical analysis on the ‘Communicated Rationale’ behind CSR, a computer based ‘key word search’ was conducted (Popping, 2000) by using an already existing dictionary (key-words) elaborated by Hartmann et al. (2007). In computer coding the reliability of coding is per se high (Popping, 2000). In contrast, the coding of the quantitative indicators was realised via human coding. For the purpose of increasing its reliability, or what Weber (1990) calls ‘stability’, the ‘more than once approach’ by the same coder was applied. In addition, Weber’s (1990, p. 21-24) eight steps for the creation and testing of the coding scheme, to avoid the objectivity bias of the investigators values and beliefs (Popping 2000) were followed in the computer and human coding approach 1) definition of recording units; 2) definition of categories; 3) test coding on sample of text; 4) assessment of reliability or accuracy, that the text is coded correctly; 5) if necessary, revision of coding rules; 6) return to step 3) until human coder and/or software work properly; 7) coding the whole text; and 8) assessment of reliability and accuracy e.g. control of computer output.
The counting of ‘quantitative indicators’, analogous to word counting, was conducted, since these are assumed to provide insights into CSR agendas (IÖW and future, 2006), as they demand internal controlling and reporting systems. Counting quantitative information is not an entirely new approach. Already Patten (1995) used the presence of numeric data as a proxy for quality of disclosure.

For the purpose of analyzing the quantitative indicators, in a first step, a data base was set up in which all quantitative indicators, including their variations in view of time perspective (past, future), geographic space (by region, by country, home country only); organizational area (by group, business areas, business line) and metric (total numbers, relative terms, different measurement units) were introduced. For the evaluation of the ‘Institutionalisation of the GRI Indicators, the ‘Organizational Profile’ and ‘Performance Indicators’ of the GRI guidelines were selected, since these are defined mostly in quantitative terms in the GRI ‘Indicator Protocols’. Then, a second data base was set up and the quantitative indicators categorised into the sub- and main-categories of the GRI ‘Organizational Profile’ and ‘Performance’ indicators’ (‘a priori categories’, ‘deductive coding’). The indicators were localised in the CSR reports via the corresponding indication in their respective GRI Index. In a next step, I assessed, if the quantitative indicators fully corresponded to the definitions of the GRI Protocols (GRI, ‘Indicator Protocols’) in its latest version (G3). Subsequently, only the indicators fulfilling this condition were counted. By the following example, I would like to illustrate the procedure, which I followed, in order to establish the degree of institutionalisation of GRI indicators. The main category, ‘Social Performance Indicators’, contained the main-sub-category ‘Labour Practices and Decent Work’. The latter included further sub-categories labelled, according to the GRI-guidelines terminology ‘aspects’, such as ‘Occupational Health and Safety’ (LA 7). The definition of said indicator clearly refers to “Rates of injury, occupational diseases, lost days and absenteeism, and number of work related fatalities” (GRI, ‘Indicator Protocols’). That means, only rates of injury, occupational diseases, lost days and absenteeism, and only numbers of work related fatalities representing the corresponding indicator for the Group as a whole were counted. In contrast, total numbers, where rates are explicitly asked for and vice versa or data for specific countries or business areas are not counted. Hence, in this ‘aspect’ a maximum of five quantitative indicators could be achieved. Based on said maximum vs. the actual reporting practice, the institutionalisation degree of the corresponding GRI indicators was calculated. The institutionalisation degree was considered as very high, when achieving between 100% and 81% of the maximum; as high (between 80% and 61%); as medium (between 60% and 41%); low (between 40% and 41%);
21%); and very low (between 20% and 0%). The approach of counting only ‘quantitative indicators’ which correspond fully to the definitions of the GRI guidelines aims at tackling the deficiencies in judgements on CSR disclosure, which are based on graded numeric scoring systems. There, also not fully correctly reported indicators are scored. Hence, the graded numeric scoring systems are assumed to have utility problems, such as that report writers start to respond to the graded numeric scoring system (Mohrhardt et al., 2002, Mohrhardt, 2001).

Another line of analysis of GRI indicators consisted of the differentiation of ‘core’ and ‘non-core’ indicators, labelled in the GRI indicator protocols ‘core’ and ‘additional’.

In a next step, the already counted GRI quantitative indicators were deleted in the first data base. By that step, quantitative indicators in addition to the GRI indicators were revealed. These were classified deductively in ‘a priori’ categories according to the main, main-sub and sub-categories (‘aspects’) of the GRI ‘Organizational Profile’ and ‘Performance Indicators’. Other additional quantitative indicators, which could not be linked to any ‘a priori’ existing GRI category’ were classified inductively in ‘a posteriori’ built categories. I called these categories ‘emerging’ ones. In a next step, the indicators already counted as correct GRI ‘Organizational Profile’ and ‘Performance’ Indicators and ‘Additional Indicators’ were classified deductively into the three main a ‘priori categories’ of the ‘Corporate Sustainability’ framework, which was supposed to provide insights into CSR Agendas. Then, quantitative indicators not classifiable to the categories of ‘Corporate Sustainability’ were categorised inductively in an ‘a posteriori’ built category ‘Emerging CSR agenda’.

In order to contrast the findings delivered by essay one with regard to CSR drivers, in the sense of triangulation (Edmondson and McManus, 2007), the research of the third CSR issue ‘Communicated Rationale’, was conducted. I did so by analysing purely textual information via quantitative lexical text analysis, in the framework of a computer based ‘key words count’. The corresponding key words (dictionary) and categories had been elaborated by Hartmann et al., 2007. For that purpose, I converted pdf-data files of CSR reports, which I had downloaded from the corporate websites, by ‘ABBY Fine Reader’ software into the codification, compatible with the text analysis software (Textpack by ZUMA/University of Mannheim), also called ‘encoding’ (Weber, 1990). Then, the Boolean method (word-stems counting of dictionary) (Hartmann et al., 2007) was applied. Subsequently the results have been classified deductively in the two ‘a priori’ defined categories: ‘financial’ and ‘sustainability’ nodes (Hartmann et al. 2007).
The tools of analysis, in order to detect differences with regard to the CSR issues from a country perspective were descriptive statistics in form of means, for both strands of analysis, namely ‘quantitative indicators’ and ‘lexical’ analysis.

1.5.3. Research Design and Methodology Essay Three

The third essay dealt in its empirical part with the ‘Understanding of CG and its links to CSR’ Concerning said issue, the maturity of knowledge is less accentuated than with regard to CSR issues dealt with in essays one and two, since it is only very currently discussed in theoretical literature. Therefore, the research approach here was empirical, but of qualitative nature.

A qualitative text analysis methodology was applied, analogous to the key-word-in-context (KWIC) approach, since, by that “the variation ... in word meaning” (Weber, 1990, p.44) could be detected. The sample selection was based on reasoned sample choice. It consisted of the companies listed in the main stock indices in Germany and Spain (DAX, IBEX 35). Companies listed there are considered the biggest and most influential corporations in their respective country and constitute therefore ‘role models’ for other companies (Vuontisjärvi, 2006). In addition, two firm-level factors, namely size and publicly listed status could be factored out by this sample selection.

The type of data which was analysed in the framework of essay three was like in essay two, secondary data. The data collection took place in the framework of a web-site research: all texts and linked documents which were accessible via the corporations’ websites were screened. In order to avoid language or translation constrains, the texts were analysed in both, the national language version (German and Spanish, respectively) and in the English version. The advantages of a web-site research have already pointed out in section 1.5.2. In addition, Bondy et al., 2008 argued, that researchers will be increasingly forced to apply said research method, since it has become difficult to create primary data by approaching companies directly. The authors further highlighted that this development originates from growing preoccupations at corporate level for confidentiality and data security issues, which could be touched in the framework of such research. In addition, the significant augmentation of said inquiries urged companies to change their policies and to refrain in general from participating in this kind of research projects (Bondy et al., 2008).
The aim of this web-site research was, in a first step, to detect, if the corporations had formulated a view of CG which could reflect their understanding in this regard. If this was the case, said perceptions were transferred into a data base, indicating their respective source, such as text of CG section of the website, text of CSR section of the website, linked documents such as Annual Reports, CSR Reports or other sources, such as Corporate Governance Policies documents. In case that a company had formulated various views of CG in different sources, all of them were included in the analysis. In a second step, a table was set up in order to visualise to which extent elements, which had been identified in the literature review as links between CG and CSR were included in the views of CG formulated by the corporations on their web sites (compare Appendix L and M). The elements consisted of the following: 1) stakeholder focus (with sub-elements: exclusively on shareholders, primary stakeholders (beyond shareholders) and secondary stakeholders; 2) trust (beyond trust vis-à-vis shareholders); 3) ethics/values; 4) transparency (beyond transparency vis-à-vis shareholders); 5) responsible management; 6) risk-management; 6) value création (for other stakeholders than shareholders); 7) and long time horizon in value creation. Based on said findings the corresponding relational model from a country perspective was explored.

In this section, I have pointed out the epistemological positioning and general research characteristics of the three research projects. In addition, I have described the research designs and methodologies applied in the three essays. In the first research project (essay one), I have administered a questionnaire based postal survey among the TOP 500 companies in Germany and Spain. In the second research project (essay two) I have conducted a quantitative contents analysis of CSR reports of corporations of the utility industry listed in the main stock indices in both countries. And, in the third research project (essay three), I followed a qualitative approach to contents analysis in the framework of a web-site research of the corporations listed in the main stock indexes in both countries.

With the following Figure, I aim at providing an overall overview of the research design applied in this PhD thesis, based upon the setting proposed by Frankfort-Nachmias and Nachmias (1992), which goes beyond what has been proposed as such by Edmondson and McManus (2007) and Royer and Zarlowski (2003), namely type of data, data collection tools, procedures and type of analysis of data.
Figure 5: Overall Research Design

**Overall Research Questions:**

1. Can differences between Germany and Spain in view of CSR be detected?

   **Essay One**
   - Concepts
   - Drivers
   - Approaches to CSR
     
   - 'more competitive advantage centered'
   - vs. 'less competitive advantage centered'.

   **Essay Two**
   - Institutionalisation of GRI Indicators
   - CSR agendas
   - Communicated rationale behind CSR

   **Essay Three**
   - The link between
   - CSR and CG

2. Is the countries' institutional context influential in shaping said differences?

**Hypotheses**

1. CSR in Germany and Spain is different.
2. The country specific institutional context is influential in shaping these differences.

**Units of Analysis: Large Corporations in Germany and Spain**

- Corporations, TOP 500
- Corporations in the utility industry, publicly listed
- Corporations, listed in main stock indexes

(1) Selected large corporations are considered as 'role models' (Vuontisjärvi, 2006) in Germany and Spain.

(2) Fit of the differences with country specific institutional mechanisms;

**The logic linking the data to the hypotheses**

Data collected by postal survey;
- Scores on a five-point Likert-scale on statements on CSR concepts and drivers

Data collected in CSR reports;
- Number of quantitative indicators:
  - Institutionalisation GRI Indicators,
  - CSR agendas;
- Number of key words of dictionary:
  - Communicated rationale behind CSR;

Data collected by web research;
- Qualitative contents analysis;
- Understanding of CG

**The criteria for interpreting findings**

- Differences in view of
  - Descriptive statistics (means);
  - Test statistics (ANOVA, F-test);
  - Statistical significance at 0.1, 0.05, 0.001 level

- Presence of
  - Descriptive statistics (means)
  - Thematic links to CSR in understanding of CG

Source: own elaboration, based upon structure, proposed by Frankfort-Nachmias and Nachmias, 1992.
This section concludes the Introduction to this PhD thesis. I have pointed out my different strands of motivations to do a PhD in the field of CSR in general, and more specifically, why I did so in form of a comparative analysis of Germany and Spain.

Furthermore, I have highlighted main theoretical approaches to CSR and pointed out in detail those relevant to the three essays. In addition, I have delivered an overview on the main CSR issues from a corporate perspective discussed in CSR literature and presented in detail those, which are examined in the framework of the three essays.

Moreover, I have provided insights into the contents of the three essays in form of summaries. And finally, I have concluded this Introduction by describing the research designs and methodologies applied in each of the three essays and by providing an overall overview on the research design of this PhD thesis.

In the next part of the thesis, I will present the three essays on 'CSR in Germany and Spain.'
Chapter One

A Comparative Analysis of Corporate Social Responsibility in Germany and Spain: Concepts and Drivers

2.1. Introduction

Since the mid 1990s, corporate social responsibility (CSR) has become a prominent focus for national and regional policies, supra and international institutions, academic research and corporate policy on the global, European and national levels (Vogel, 2006). In fact, CSR has become a social movement (Roome and Jonker, 2006). In Europe, although the European Commission (EC) strongly supports CSR, approaches to CSR are not homogenous across Europe on either the national policies or company levels. In other words, CSR is not pan-European (Roome, 2005).

In the course of the rise of CSR, CSR has also become subject to criticism. On the one hand, it is recognized that that CSR is about the relationship between business-society (Moone, 2002; Perrini et al. 2006; Roome, 2005). But, on the other hand, various concepts have evolved over time (De Bettignies, 2002). It is still regarded as a vague concept (Preston & Post, 1975) which could mean anything to anyone (Frankenthal, 2001). In addition, drivers behind CSR engagement at corporate level are critically viewed by the public, which perceive CSR as a tool to dispel doubts and allay concerns of the general public with regard to externalities of corporate action.

Empirical cross-country studies of CSR are few in number and limited in scope. They deal mostly with the US and Europe, they tend to view the latter as a homogenous entity and they deliver sometimes contradictory results. Furthermore, international studies involving European countries are dominated by considerations related to CSR reporting. In addition, few studies take institutional mechanisms, meant to influence corporate socially responsible behaviour into account (Campbell, 2007).

This paper attempts to fill this gap by making the following contributions: First, it increases our knowledge about differences between countries in Europe in view of CSR on the corporate level by moving beyond CSR reporting. Second, it enhances our understanding on the role of institutional mechanisms, which are supposed to be influential in shaping CSR. In view of the criticism referred to before, it focuses on CSR concepts and CSR drivers in two
European countries—Germany and Spain. In particular, it explores the differences between the two countries in this regard. Second, it explores, whether the country specific institutional environments are influential in shaping such differences and country-specific approaches to CSR, which could be deduced from said differences, such as ‘mandatory’ vs. ‘voluntary’ and ‘more competitive advantage centered’ vs. ‘less competitive advantage centered’. Finally, the study tests, whether said differences are statistically significant and explores the effects of firm level factors.

Germany and Spain were chosen as the focal countries for this study on the basis of observations that imply differences in CSR in northern and southern Europe (Chauveau and Rosé, 2003). At the same time the author possesses a cultural understanding of the two countries and corresponding language skills.

The paper is organised in four main sections. In section one, I explore the theoretical background of this paper. In section two, I explain the methodology applied. In section three, the empirical one, I present the results. And finally, in the concluding section, I discuss the limitations of the paper, provide an overview of the results and explore their implications for managerial practice and further research.

2.2. Theoretical Background

In the following theoretical section, I elucidate the reasons for the current momentum in CSR. I then highlight the gap in the literature with regard to cross-country studies involving two European countries at the same time and refer to calls for research, which had been formulated in this regard. Furthermore, I explore the relevant theoretical frameworks for establishing the country context, such as institutional theory, legitimacy theory and stakeholder theory. In addition, I highlight elements of a CSR relevant country context, explored in the CSR literature. Moreover, I elaborate, based upon said elements, the CSR relevant country context in Germany and Spain. Then, I describe the theoretical background of the analytical framework, which is composed of CSR concepts and CSR drivers. I then discuss the firm-level factors that affect CSR. And finally, prior to the methodology section, I provide a digest of the theoretical part and formulate, based upon said theoretical explorations, the corresponding hypotheses.

2.2.1. The Current Momentum in CSR

Vogel (2006) refers to the explosion of interest in CSR since the mid 1990s at political, academic and business levels. The momentum in CSR is the result of fundamental changes in
the global economy, in particular the move toward globalisation (Jenkins, 2002). In this respect, CSR is not only a governance response to the fault lines arising from globalization (Roome, Doove & Postema, 2006), but also a response to new powerful socio-political actors, such as non-governmental organisations (NGOs), and events (Van den Berghe and Louche, 2005). NGOs rely on their mobilisation potential to pressure corporations into behaving in a socially responsible way. They use such tactics as consumer boycotts, and public “naming and shaming”. As The Economist states, “attacks from NGOs are now a standard part of business life” (The Economist, 2005a: 58). Consequently, economic performance is no longer sufficient to keep a company legitimate in the public eye. Firms must take general interest (De Woot, 2005) or ethical, social and environmental demands into account (Elkington, 1997).

In Europe, CSR is politically strongly supported by the EC. This fact has been made evident by the publication of the ‘Green Book’ (2001) on CSR, the inclusion of CSR as a key driver for competitiveness in the European Union’s competitiveness strategy, the Lisbon strategy, the organisation of a European multi-stakeholder forum on CSR and the declaration of “The European Year of CSR’ in 2005”.

2.2.2. Cross-Country Studies: An Overview

The focus of this cross-country study is Europe and CSR from a corporate perspective. Therefore, a number of other studies, such as cross-country studies dealing with other regions (Jamali, 2008), are beyond the scope of this literature review. The same is true for studies focused on other perspectives, such as those taking a consumer perspective (Maignan, 2001; Singh, García de los Salmones Sánchez & Rodríguez del Bosque, 2007) or a religious perspective (Brammer, Williams & Zinkin, 2007).

Empirical cross-country studies on European CSR from a corporate perspective are few in number, small in scope and limited in sample size (Schlierer and Seidel, 2009). They generally focus on CSR disclosure or its patterns, are mainly based on publicly accessible documents, deal mostly with the US and Europe from a regional perspective (Baughn, Bodie & McIntosh, 2007; Chen & Bouvain, 2009; Doh & Guay, 2006; Hartmann, Rubin & Dhanda, 2007; Langlois & Schlegelmilch, 1990; Luna Sotorrio & Fernández Sánchez, 2008; Maignan & Ralston, 2002, Van der Laan Smith, Adhikari & Tondkar, 2005; Vitell & Paolillo, 2004) and deliver partially contradictory results (Hartmann et al., 2007; Maignan and Ralston, 2002). In such studies, Europe is often considered to be a homogenous entity, so that individual European countries are regarded as proxies for Europe as a whole. In general, this approach neglects the fact that CSR is not pan-European (Roome, 2005). The exceptions to
that trend are cross-country studies that consider one or more European countries as individual entities (Bondy, Matten & Moon, 2004; Golop and Bartlett, 2007; Guillén, Melé & Murphy, 2002).

International comparative studies, beyond the focus on the US and Europe, emphasize CSR reporting or its patterns, include only small samples of specific European countries (Fekrat, Inclan & Petroni, 1996; Gamble, Hsu, Jackson & Tollerson, 1996) or are rather superficial when sample sizes are larger (Kolk, 2004; KPMG, 2005; Milne and Gray, 2008).

In addition, Campbell (2007) argues that the institutional mechanisms, that influence corporate socially responsible behaviour, are not taken into account in cross country studies. In fact, only recently have cross-country studies begun to deal with such mechanisms (Baughn et al., 2007; Chen & Bouvain, 2009; Doh & Guay, 2006; Golop & Bartlett, 2007; Luna Sotorrio & Fernández Sánchez, 2008; Van der Laan Smith et al., 2005). However, most of these studies fall into the biased US-Europe comparison category.

In sum, cross-country studies to date have covered only a limited range of CSR aspects and they have not dealt explicitly with two European countries. In these studies, Germany and Spain are not taken into consideration at the same time, except in international studies focusing on CSR disclosure. Furthermore, cross-country studies to date have often failed to consider the impact of institutional mechanisms.

Therefore, this paper aims to answer Roome’s call for research in this regard: “the variety of ... CSR in Europe raises the need to better understand this diversity” (Roome, 2005: 330).

Not only does it offer an empirical, two-dimensional comparative analysis of CSR in two European countries, Germany and Spain, but it moves beyond CSR reporting, publicly accessible data, is based on a solid sample size and establishes links between CSR and institutional mechanisms.

2.2.3. Country Context and CSR through Different Theoretical Lenses

Although CSR is strongly supported by the EC, the creation of a uniform European approach is far from becoming reality. Differences are apparent among the European countries on the social, political and corporate levels (Habisch, Jonker, Wegner & Schmidpeter, 2005; Roome, 2005).

Hence, neo-institutional theory and legitimacy theory could offer a fruitful theoretical framework in which the notion of country-specific CSR may be embedded. These frameworks link the corporation to its external context (Di Maggio & Powell, 1983, Hall and Soskice, 2001, Scott, 1995). The external context or institutional mechanisms are described by Roome.
(2005) as country specific factors, national characteristics or national systems and include cultural norms, traditions, rules, values, customs, formal institutions and historical development of societal governance. Similarly, DiMaggio & Powel (1983) differentiate among institutions which exercise coercive, competitive and normative pressures on organizational decision making. Said pressure leads to similar behavioural patterns or isomorphisms.

Various authors have established the link between institutional theory and legitimacy theory (compare Suchman, 2005). Foo (2007: 382) emphasizes in this regard on Scott (1995) who does so by categorizing institutions into three pillars, that form the basis of legitimacy: 1) the regulative pillar, which includes formal rules systems and enforcement mechanisms sanctioned by the state, 2) the normative pillar which encompasses legitimate means to pursue valued ends, and 3) the cognitive pillar, which focuses on beliefs and values that are imposed by social actors. Lindblom (1994: 2) emphasizes the third pillar of legitimacy and defines legitimacy as “a condition or status which exists when an entity’s value system is congruent with the value system of the larger social system of which the entity is part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity’s legitimacy”. In general, legitimacy is a status rewarded by society when a firm takes society’s demands into consideration. In turn, Hooghiemstra (2000) links the notion of society explicitly to stakeholders, who are defined as “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman, 1984: 46). In this sense, Gray et al. (1995) argue that stakeholder and legitimacy theory provide overlapping perspectives with regard to the relationships firm-society.

Therefore, from an institutional and legitimacy theory perspective, CSR is an appropriate way of maintaining and enhancing the legitimacy of the firm vis-à-vis its stakeholders. Such legitimacy is important, since, society’s approval is necessary for the survival of the firm (Campbell, Craven, & Shrives, 2002; Patten, 1992)

However, as institutions differ across countries, the demands of society/stakeholders and the resulting corporate response differ as well. Roome (2005) introduces a framework of country specific institutional mechanism affecting CSR. In his basic framework the author covers not only societal concerns with regard to environmental issues and business and social issues and business but refers also to the development of civil society.

Another part of the national system that affects CSR is national governance systems, which shape the patterns of influence that stakeholders exert on managerial decision making and the stakeholder focus of corporate responsibility (Lenssen & Vorobey, 2005; Van den Berghe,
Weimer & Pape (1999) developed a taxonomy of national corporate governance systems, identifying four models: Anglo Saxon, Germanic, Latin and Japanese. They base their analysis on eight characteristics, several of which are relevant in CSR-related institutional analysis, such as the understanding of the firm, salient stakeholders and board structure.

Another approach to institutional analysis represents Hall & Soskice’s (2005) ‘Varieties of Capitalism’ (VoC) (2005). The authors differentiate between two types of market economies: “liberal”, relying on market mechanisms to govern capital and labour and “coordinated” one, where non-market mechanisms in this regard are dominant. Halls and Soskice (2001) introduce the notion of ‘strategic interactions’ between social actors, which are central to political and economic outcomes. As main spheres of interaction, where institutional mechanisms of coordination evolve, they have identified ‘industrial relations’ (coordination of bargaining between employers and workforce), ‘vocational training and education’, ‘corporate governance’ (access to capital), ‘inter-firm relations’ (relations to other enterprises, suppliers, clients) and ‘employees’ (competences and constructive interaction). So far, in CSR literature, only the differences with regard to ‘private investors’ (in liberal market economy) and that of banks and governments in ‘coordinated’ market economy were referred to (Chen and Bouvain. 2009). I suggest that these aspects are covered by national governance systems analysis and public policy analysis. But, in addition to that, I also make reference to some of the remaining ‘spheres’ of VoC in the upcoming comparative country analysis.

Public policies on CSR represent another aspect of institutional mechanisms. Albareda, Lozano & Ysa (2006) define four different clusters of CSR-endorsing public policies in Europe: “partnership”, “business in the community”, “sustainability and citizenship” and “Agora”.

Another aspect of the impact of country context is linked to the country specific cultural profile or taxonomy introduced by Hofstede (1984). Hofstede’s taxonomy consists of the dimensions Power Distance Index, Individualism, Masculinity and Uncertainty Avoidance Index. Katz, Swanson & Nelson (2001) adopt these dimensions to a framework, in order to assess the ways in which cultural factors influence CSR expectations among stakeholders and, more generally, social issues in management.
2.2.4. CSR-Relevant Country Context in Germany and Spain

In Germany, societal concerns about business and the environment have a long history (Roome, 2005). The expression Nachhaltigkeit (sustainability), which is closely linked to environmental protection, was coined in the German forestry industry already in the eighteenth century. Today, the general importance of environmental issues in German society is reflected in the prominent position of the German Green Party in the German political system. The party was founded in 1980 and constituted part of the German government from 1998 to 2005. As a result, Germany has a strict, detailed set of environmental legislation and public policies (Roome, 2005).

In terms of the link between social issues and business, Germany has an equally long tradition of integrating private commitment with the state system, also called corporatism. However, there is still a perception in Germany that a strong state, rather than non-state actors, should deal with structural issues. German civil society is generally strongly developed (Habisch & Wegner, 2005).

In Spain, societal concerns about business and environment are less common. In general, environmental issues play only a marginal role in society. A Green Party does not exist, although there is an environmentally friendly political group, that is part of the Spanish communists, a party of marginal political importance. Wieland (2006) labels this party "the green communists".

With regard to societal concerns about the link between social issues and business, labour issues have been viewed as important, already under the rule of dictatorship from 1936 until 1975, during which time the country took a centralistic, autarchic approach to economic activities. However, the development of civil society is lagging (Fernández Fernández & Melé, 2005), so that citizens, in general, and consumers, in particular, do not put pressure companies with regard to CSR, unlike in Germany (De la Cuesta González, Valor Martínez & Kreisler Merino, 2003; Fernández Fernández & Melé, 2005).

In terms of national corporate governance systems, the German understanding of the company is institutional (Weimer & Pape, 1999). Salient stakeholders are industrial banks, employees and oligarchic groups. Nevertheless, corporate responsibility is assigned to all stakeholders and society at large (Lenssen & Vorobey, 2005). On the company level, the board structure is dualistic. Another German peculiarity is the composition of the supervisory board, which is based on the co-determination act of 1976. This act suggests that half of the members of the supervisory board should be employees, represented by delegates of the trade unions. Therefore, the labour issue aspect of CSR is assumed to be not so important, as the policy of
co-determination implies that this issue is already incorporated in corporate strategy (Roome, 2005).

The Spanish national corporate governance system is characterised by Weimer & Pape (1999) as the Latin model. It is situated between the Germanic and the Anglo Saxon model (Lenssen & Vorobey, 2005). In the Latin model, the understanding of the company is more instrumental. Salient stakeholders are financial holdings, the government and oligarchic groups and families. Corporate responsibility focuses on shareholders and primary stakeholders. Therefore, Lenssen & Vorobey (2005) refer also to the “shareholder reference model”. Also the board system follows the Anglo Saxon system, with a unitary board structure.

With regard to VoC (Hall & Soskice, 2001), Germany is considered a clear cut ‘coordinated market economy’. In contrast, the positioning of the Spanish system is ambiguous, between the ‘liberal’ and the ‘coordinated’ one (Hall and Soskice, 2001).

The economic outcome of the German coordination mechanisms is characterized by high competitiveness and productivity. German firms focus on the production of high value added goods, based upon new technologies, capital intensity and highly skilled and committed work force, who are attached to companies in the long term. As a consequence, German firms compete on the high end of the global markets and export successfully, grounded on differentiation and niche strategies (Hall and Soskice, 2001). This is not only true for the ‘big players’ in Germany, but also for the backbone of the German economy, the SMEs (‘Mittelstand’) (BMWi, 2011). Jones (1999) established the link to CSR and stated that, this type of strategy is considered (1999) as an ‘optimum position’ to practice CSR.

Hall & Soskice (2001) further explored the sphere ‘industrial relations’ in Germany. It is characterized by traditional industry-level bargains between employers and unions, which constitute an effective and powerful institution to balance interests and maintain social peace. With regard to ‘education and training’ systems, German companies rely traditionally on a dual, highly effective and efficient vocational training, set up and maintained by a strong cooperation between employer associations, trade unions and the state. Concerning ‘inter-company relations’, to facilitate e.g. the diffusion of new technology, business associations work equally with public officials to find out, how firm competencies can be enhanced, e.g. how new technical standards could be supported and to which extent public programs could be helpful in this regard.

In view of Spain, Royo (2008) offers a detailed analysis of the corresponding VoC. The author highlights that, in contrast to Germany, the Spanish economic outcome is characterized
by the lack of international competitiveness and productivity, following low cost strategies in
low-to medium technology structure products, with high labour intensity and low skilled
workforce, high versatility and rapid adjustment to changing markets. In addition, the
economy is characterized by SMEs, which are flexible, but fail to use new technologies and
have difficulties to export. Moreover their size limits the application of economy of scale,
necessary to compete successfully on low costs.

The ‘industrial relations’ in Spain are characterized by a tradition of confrontation between
unions and employers, a low Union membership, a lack of social bargaining and of strong
coordination in labour relations. The latter is also relevant beyond wages and is also true with
regard to the sphere ‘education and training’. In general, Spain is characterized by the
provision of weak collective goods, such as education. In addition, employers have low
incentives to invest in education and training, due to the dominant low cost strategies and the
short time horizon of labour relationships. In general, Spanish workers seem to be unsatisfied
with their jobs and complain the lack of education and training. Therefore they seem to be less
committed to their employers, which has detrimental effects on the productivity and
ultimately on the competitiveness of the Spanish economy. Also with regard to ‘inter-
company-relations’, firms possess a limited capacity for its strategic coordination. Due to the
lack of non-market coordination of economic actors, which cannot compensate the decreasing
traditionally strong state interventionism, some suggest that Spain could evolve towards
market coordination. Others argue that Spain is increasingly adapting coordinated market
mechanisms by introducing e.g. so called social pacts. In general, social and economic actors
in Spain become increasingly aware, especially during the last decade, that the Spanish
economy has to undergo structural changes and evolve towards a more value added economic
model, which, of course, requires far reaching institutional changes.

Another country specific factor, relevant to CSR, is public policy. In Germany, the
government provides incentives for CSR as well as a regulatory framework in some fields of
CSR (Perrini, Pogutz & Tencati, 2006). This is in line with Albareda et al. (2006), who
observe a “sustainability and citizenship” public policy cluster in Germany. This cluster is
characterized by regulation and by a focus on sustainable development. The latter is important
in public discussions and has a long standing tradition in the country.

In Spain, national policies to enhance CSR are rare and government interventions are few
(Perrini et al. 2006). Most of CSR-related action is undertaken by the companies itself (De la
Cuesta González et al., 2003). Albareda et al. (2007) describe the type of public policy in
Spain as “Agora”; a Greek term, which means gathering place or forum. In other words,
political involvement in CSR arises from discussions with companies and other social stakeholders. The countries belonging to the "Agora" cluster are those that are the late-comers to CSR and are inspired by the Green Book of the EC in 2001. In fact, 2001 can be viewed as the starting point for CSR in Spain (Albareda et al., 2006), although also in Spain ‘pioneer’ firms, such as the Banco Bilbao, which published a social report already in the 1970s and a business ethics movement, which started in the 1980s were observed (Fernández Fernández and Melé, 2005). The importance of business ethics is still reflected in the name of an important think tank in view of CSR: Foro para la Evaluación de la Gestión Ética - FORETICA- (Forum for the evaluation of ethical management), founded in 1999. In contrast, in Germany the leading think tank in this regard is considered the Öko-Institut e.V. (Institute for Applied Ecology), was already founded in 1977, reflecting in its name the importance of environmental/ ecological concerns. In addition, the ‘starting point’ is in line with Royo (2008), who argued, that the EU constitutes an important point of reference for Spanish social and economic actors, since the EU is positively associated with democratic transition, modernization and economic development. According to Chauveau and Rosé (2003), in 2001, the lead in elaborating the Green Book on CSR was taken by North European countries, above all UK. Southern European countries were only marginally present. The leadership role of UK reflected, that at that time UK was considered as being exemplary in view of CSR endorsing public policies. Germany was not considered as exemplary but as ‘making efforts’ in this regard; Spain did not enter into the classifications. Hence, CSR was more prominently supported in Germany than it was in Spain, but Germany was not in the lead in this regard at European level, nor did it play, unlike UK, a decisive role with regard to the elaboration of the Green Book.

With regard to the cultural country profile and its impacts on CSR, elaborated in accordance with the Katz et al., (2001) framework, in Germany the relative likelihood of consumer and employee activism is higher than in Spain. In contrast, the likelihood of government activism is higher in Spain than in Germany. The likelihood of environmental and community activism is ambiguous in both countries.
2.2.5. Analytical Framework

2.2.5.1. The Evolution of CSR Concepts

Following a broad consultation process throughout the European Union, in 2001 the EC issued a definition of CSR in its “Green Book” as the social and environmental dimensions of corporate responsibility. In contrast, Webb (2002) supports the use of the expression “corporate responsibility”, as the term “social” excludes environmental and economic responsibilities. This underlines, that CSR is still a vague concept (Preston & Post, 1975), although there is general consensus that CSR is about the relationship between business-society (Moon, 2002; Perrini et al. 2006; Roome, 2005): “CSR is only one of several terms ... to capture the practices and norms of new business-society relations” (Moon, 2002, p.3).

The expression CSR was already coined in the 1950s. Bowen (1953), who describes CSR as an obligation of the businessmen to act in a way which is desirable in terms of the objectives and values of society, is viewed as CSR’s ‘founding father’ (RARE, 2005), although Drucker referred already in 1946 to the great responsibility of management to society. In the same decade, Eells (1956) proposes that in the pursuit of economic goals, business cannot be regarded in isolation from its broader social context. These propositions emphasise the notion of morality in CSR (Karake-Shalhoub 1999) and constitute the germination point for the field of business ethics.

However, even in the 1950s, the concept of corporate responsibility was controversial, and was referred to as a “responsibility syndrome”, “danger of social responsibility” (Levitt, 1958) or ‘double faced morality’ (Livingston, 1958). This controversy is summarised by Friedman, one of the most prominent proponents of the neo-liberal views on corporate social responsibility. According to Friedman, businesses’ only social responsibilities are to increase profits and obey the law (1970). The problem that CSR and practitioners still face is that there are a number of different concepts, definitions and labelling (Karake –Shalhoub, 1999), which leads to a broad and unspecified discussion (Ebner and Baumgartner, 2006). De Bettignies (2002) summarises the evolution of CSR-concepts and corresponding labelling as follows: business ethics (1950s), corporate social responsibility (1960s), corporate social responsiveness (1970s), stakeholder model (1970s), corporate social performance (1980s), corporate social rectitude (1980s), sustainable development (1980s), triple bottom line (1990s), corporate citizenship (1990s).

Table 1 provides an overview of four recent definitions of CSR.
Table 1: Overview of recent definitions of CSR

| Sustainability/Sustainable Development  | "Meeting the needs of the present without compromising the ability of the future generations to meet their own needs".
| Triple Bottom Line (3BL), (Elkington, 1997; Savitz and Weber (2006: x) | "Generating profit for the shareholders while protecting the environment and improving the quality of life of those the company interacts with".
| Corporate Citizenship (EC, 2001: 27) | "The management of the totality of relationships between a company and its host communities, locally, nationally and globally" |
| EC Definition (EC, 2001: p.8) | "The integration of social and environmental concerns in the (companies') business operations and in their interaction with their stakeholders on a voluntary basis ... going beyond compliance". |

2.2.5.2. CSR Drivers

The drivers behind corporation’s CSR involvement are one focus in the ongoing public discussions, reflected by statements in *The Economist* that “the psychotic corporation, quite likely hiding behind CSR, will continue to rape and pillage” (The Economist, 2005b: 16) and those that refer to CSR as a simple fashion (The Economist, 2006).

In academic literature, the extreme views of the motivations for CSR can be linked to the different approaches to stakeholder theory (Donald & Preston, 1995). From an instrumental point of view, CSR is a strategic instrument to promote economic objectives (Garriga & Melé, 2005). In this regard, the rationale behind CSR is self-interest, as CSR is ‘good for business’ (Stiglitz, 2006). Its effect on the corporate financial performance is also referred to as the “business case” for CSR. From a normative perspective, CSR is about ethical requirements (Garriga & Melé, 2004), a view that highlights CSR’s intrinsic morality, whether it serves the interests of business or not.

Maignan & Ralston (2002) apply a categorisation of motivation based on Swanson (1995), who suggests three main approaches to CSR: 1) utilitarian - CSR as an instrument to achieve performance objectives; 2) negative duty approach - to conform to stakeholder norms; and 3) positive duty approach - self-motivation of business to have positive impact regardless of social pressure. The negative duty approach views CSR as a legitimacy instrument.

Another aspect in this regard is the notion, that CSR can be voluntary or compulsory (De la Cuesta et al., 2003), although it is described in the EC’s “Green Book” definition explicitly as voluntary (EC, 2001). In actuality, CSR can be stimulated or regulated and its existence might
depend on whether the public sector facilitates (carrots) or mandates' (stick) its existence (RARE, 2005).

Also strong leadership by top management, especially CEOs, can serve as a driver for CSR (Merenda, 1981; Schröder, 2002). In addition, strategic management literature contributes a range of possible drivers for CSR involvement. Ansoff (1979) refers to “constituencies” or “environmental imperatives”, while (Porter, 1980) highlights “societal expectations” to be taken in account in strategic management. Drucker (1984) links social responsibility to business opportunities in terms of markets, productivity, human resources and competitive context. Freeman’s (1984) “Stakeholder Approach to Strategic Management” established the business and society field (Lenssen, Perrini, Tencati & Lacy, 2007) in strategic management, which finds a close link between CSR and a stakeholder-based strategic management (Post, Preston & Sachs, 2002).

Drivers for CSR can also be found in the two eminent schools of strategic management - the market based view (Porter, 1980), and the resource and knowledge based view (Barney, 1986). Porter & Kramer (2003, 2006) explicitly refer to CSR as a source of competitive advantage. In 2006, they differentiate between strategic and responsive CSR. Strategic CSR, which I would denominate the ‘more competitive advantage centered’ approach to CSR, represents a source of opportunity, innovation and competitive advantage. It goes beyond best practice and reflects the choice of a unique competitive position that implies the transformation of activities across the value chain with the goal of lowering costs and serving customer needs on the basis of a unique value proposition. The authors emphasize that the focus of CSR should move from image to substance. In addition, strategic CSR addresses the improvement of the social dimension of competitive context through strategic philanthropy and they argue, that the closer social issues relate to the firm’s business activities, the better the outcome will be for both, firm and society.

In contrast, responsive CSR, which I would label a ‘less competitive advantage centered’ approach to CSR focuses on generic social impacts, responds to concerns of stakeholders and mitigates adverse effects generated by business operations. This view corresponds in many ways to the proactive vs. reactive approach to CSR defined in RARE (2005). In the reactive approach to CSR, issues are mainly seen as risks to which corporations react on an ad hoc basis. The motivation behind CSR, in this case, is the fear that if the issues are ignored, they might damage the company’s image, or result in a loss of the license to operate. The proactive approach to CSR seeks out the opportunities provided by CSR, rather than the risks, and it expects tangible and intangible benefits.
2.2.5.3. Firm-Level Factors and CSR

Campbell states "I am not making the overly deterministic claim that institutions are solely responsible for corporate social responsibility (2007:948)". Other factors, such as firm-level factors, might affect CSR, too. These are described in the literature including the choice of strategy (Jones, 1999), organizational architecture (Donaldson, 2001), capital intensity (Belkaoui & Karpik, 1989), age of the firm (Roberts, 1992) and other 'organizational enabling' factors (Roome et al. 2006). The corporate characteristics relevant to this study - size, sector, country of origin, profitability and publicly listed status - are explored in this section. Empirical evidence on the effects of these characteristics is available, although much of it is based on CSR reporting research.

The link between firm size and CSR involvement has been verified through research on CSR-disclosure (Cowen, Ferreri & Parker, 1987; Patten, 1991, 1992). In terms of "business category" (Guillén et al. 2002), Carroll, (1989) differentiates between manufacturing companies and non-manufacturing companies, arguing that manufacturing companies are more likely to pollute and be criticized than corporations that are active in non-manufacturing sectors. Therefore, the latter are expected to be more active in CSR than others. Other arguments relate to the proximity to final consumer, and public awareness and presence (Clarke & Gibson-Sweet, 1999). Empirical evidence in this regard is provided by Clarke &Gibson-Sweet (1999) and Guillén et al. (2002).

De la Cruz Déñiz-Déniz & Zárrage-Oberty (2004) state that subsidiaries are influenced by the parent companies' philosophy. Empirical proof comes from studies on ethical business policies (Guillén et al., 2002) and CSR disclosure (Kolk, Walhains & Van der Wateringen, 2001; Roberts, 1992). Clarke& Gibson-Sweet (1999) state that shareholders are the main audience of voluntary disclosure on CSR, empirical evidence stems from reporting research (Cowen et al. 1987, Patten, 1992).

CSR research tends to focus on the relationship between CSR and a firm's financial performance (CFP) (Nelling & Webb, 2009). The relationship is analyzed in both directions: CSR as dependent and independent variable. The key question, however, remains: is CSR a catalyst for good financial performance or is a good financial performance a precondition for CSR? Empirical studies support the existence of a link from CFP to corporate social performance (CSP) (Margolis & Walsh, 2003; Waddock & Graves, 1997), while results related to the inverse relationship are mixed (Griffin & Mahon, 1997; Margolis & Walsh, 2003; Pava & Krausz 1996; Roman, Hayibor &Agle, 1999). A more recent study suggests only the existence of a weak "virtuous circle" and concludes that the benefits CSR provides to
a firm are unrelated to the financial performance (Nelling & Webb, 2009). However, social and financial performances seem to go hand in hand (Moore, 2003).

2.2.6. Digest of Theoretical Background and Formulation of Hypotheses

In the following, I wrap up the previous sections, based upon which, I formulate the hypotheses in view of the expected outcomes.

So far, cross-country research in CSR has been few and especially reluctant at European level. I have shown the gap in the literature in this regard and the corresponding calls for research. The latter do not only refer to the purely explorative aspect of cross country research, but especially to the explanatory one, namely to integrate the country context in this sense in research settings. So far, only few cross-country studies deal with the institutional context and do so rather superficially. Nevertheless, their outcomes suggest that country context seems to be an important explanatory variable for country specific differences in CSR.

Moreover, I have referred to the choice of the two countries, Germany and Spain, in biographical and literature terms.

In addition, I have pointed out, why I have chosen the two dimensions of the analytical framework, CSR concepts and CSR drivers, namely because these issues are especially subject to criticism.

Moreover, I have elucidated the theoretical framework on which the country analysis is based upon, namely neo-institutional theory, legitimacy theory and stakeholder theory. According to said theories, corporate behaviour, in general, is determined by different national country contexts or institutional settings. Hence, corporate behaviour, in search of legitimacy vis-à-vis society and/or stakeholders, is equally influenced by said country specific corporate environments. This is also supposed to be true for CSR as corporate response to legitimacy pressure.

Furthermore, I have elaborated a framework for the purpose of analysing the CSR-relevant country context and explored correspondingly for both countries. The outcome of the exploration of the country context underlines the differences in view of institutional settings between Germany and Spain. In addition, it serves as explanatory point of reference of this paper.

With regard to the dimension of analysis CSR concepts the results are expected to reflect first, in general, differences between the two countries in this regard. And second, to do so in accordance with different institutional settings in Germany and Spain. In view of CSR concepts, I aim at exploring differences of the understanding of CSR. Concerning the strand
of analysis, which deals with CSR drivers, I aim at exploring, in general, differences in this regard and related CSR approaches such as ‘mandatory’ vs. ‘stimulated/voluntary’ approach to CSR; and, based upon the strategic management literature, ‘more competitive advantage centered’ vs. ‘less competitive advantage centered’. And finally, I explore if country specific institutional settings could be influential in shaping these differences.

Taking into account the theoretical background, which I have dealt with so far, the following hypotheses (H) can be formulated in view of CSR concepts and CSR drivers:

**CSR concepts**

H 1. In general, differences between Germany and Spain with regard to the understanding of CSR, reflected in CSR concepts, will be observed.

H 2. In shaping these differences country specific institutional mechanisms are influential. Hence, we expect the following.

H 2.1. **German firms are to a major extent than Spanish firms attached to the sustainability concept.**

This is due to the following. In contrast to Spain, environmental issues in German society in general, and, more specifically, with regard to business and environmental issues have long been important. In Germany sustainability is traditionally linked to environmental protection. From a public policy perspective, the German “sustainability and citizenship model” highlights this commitment to sustainability.

H 2.2. **German firms are to a major extent than Spanish firms attached to the corporate citizenship concept.**

From a public policy perspective, the German “sustainability and citizenship” cluster underlines the attachment to community engagement, in contrast to Spain, which belongs to the “Agora” cluster.

H 2.3. **Spanish firms in relation to German firms are more attached to the 3-BL concept.**

In contrast to Germany, and from a national corporate governance perspective, the understanding of the firm in Spain is more instrumental. Hence, the economic dimension of CSR emphasized in the 3-BL concept corresponds to a major extent to that view.
H 2.4. Spanish firms in relation to German firms are more attached to the EU concept.

This is due to the following. In contrast to Germany, CSR in Spain basically started with the publication of the EC Green Book in 2001. In addition, from a VoC perspective, the less coordinated market economy in Spain and the resulting lack of political support with regard to CSR as described in the ‘Agora model’ of public policy could also force Spanish companies to rely more heavily on supranational institutions, such as the EU, in view of guidance in CSR. This is also true for the perspective, that traditionally, the EU is considered by Spanish economic actors as an important point of reference.

CSR drivers

H 3. In general, differences between Germany and Spain in view of drivers for CSR engagement and related CSR approaches will be observed.

H 4. In shaping these differences and related approaches country specific institutional mechanisms are influential. Hence, we expect the following.

H 4.1. German firms’ CSR engagement is to a major extent than the one of Spanish firms driven by secondary stakeholders.

This is due to the following. From a national corporate governance system perspective, in Germany, in contrast to Spain, the focus of responsibility of the firm is set on both, primary and secondary stakeholders. These actors influence to a major extent than in Spain managerial decision-making. Moreover, it highlights the more advanced stage of civil society (secondary stakeholder) development in Germany, in contrast to Spain.

H 4.2. German firms are to a major extent than Spanish firms influenced by internal drivers in view of their CSR engagement.

This is due to the following. From the country tradition perspective in view of CSR, the general importance of environmental issues and from a public policy perspective, the sustainability and sustainable development issues are important in Germany. This implies an attachment to intergenerational morality and the moral notion in view of CSR (Hartmann et al., 2007). Moreover, from a national corporate governance system perspective, in contrast to Spain, the view of the
firm is institutional and management decision making not per se profit driven, since responsibility is not only owed to shareholders but to the society at large. Hence, this implies that CSR is considered to a major extent than in Spain as a moral obligation and is reflected in the cognitive logics of the CEO. In addition, as another important internal driver in Germany could be considered Trade Unions, since, according to the German national governance system, in view of board structure and composition, these are represented in German firms’ Board of Directors. And, a huge deal of CSR issues covers the raison d’être of Unions.

**H 4.3.** CSR engagement of Spanish firms is to a major extent driven by voluntariness than the one of German firms.

This is due to the following reasons. From a public policy perspective, CSR in Spain is less legally regulated than in Germany. Moreover, the state in general is described as inactive in the field of CSR. This is also in line with the VoC perspective, which implies, in general, less coordination and regulation in Spain. Hence, Spanish economic actors coordinate more closely with supranational and international institutions in the field of CSR and follow their recommendations in this regard.

In contrast, from a cultural perspective, based upon Katz et al., (2001) more government activism in Spain, especially in form of regulation, would be expected.

**H 4.4.** CSR engagement of Spanish firms is more driven by competitive advantage considerations than the German firms, namely by expectations on positive internal and external effects. Hence, the Spanish approach to CSR is more competitive advantage centered than the one of German firms.

This is due to the following. From a national corporate governance perspective, the Spanish “shareholder reference” model implies that CSR, when applied, should serve as a source of competitive advantage and profitability. This is also in line with the more instrumental understanding of the firm and the focus on the responsibility vis-à-vis shareholders in Spain, unlike in Germany.
H 4.5. German firms are to major extent than Spanish firms driven by responsive considerations. The German approach to CSR is ‘less competitive advantage centered’ than the one of the Spanish firms.

This is due to the following. An important element of the ‘responsive’ approach to CSR represents the achievement of the “license to operate” as driver for CSR engagement. In contrast to Spain, civil society is strongly developed and, from a cultural perspective, the likeliness of consumer pressure in Germany is higher. Hence, the license to operate is more difficult to achieve. Moreover, due to the same reasons more pressure could be put on corporations in case of detrimental events, which is considered another element of this approach.

2.3. Methodology
Given the absence of a two-dimensional study, covering the two selected countries at the same time, the necessary primary data had to be gathered. The data collection was conducted in the framework of a questionnaire based postal survey among the top 500 companies, according to revenue, in Germany and Spain.

2.3.1. Contents of the Questionnaire and Indicator Construction
The contents of the questionnaire has been developed on the basis of the existing CSR and strategic management literature reviewed above and is available to readers upon request. The questionnaire embraces the dimensions of the analytical framework, CSR concepts and CSR drivers and firm characteristics (compare Appendix A).

CSR concepts
This dimension addresses the perception of CSR concepts on the company level. The concepts included in the questionnaire consist of the four most recent CSR definitions (Table 1). Respondents respond by using a five-point Likert scale. The extreme points are defined as does not correspond at all and corresponds totally.

CSR drivers
This dimension is designed as a scaled block composed of 29 statements to be evaluated in terms of their importance for the initiation of CSR activities on the company level. Responses
are based on a five-point Likert scale. Its extreme points are described as not important at all and very important. For the purpose of the analysis, the statements are grouped into four main categories: external drivers, internal drivers, positive external expectations and positive internal expectations. They are then further segmented into specific indicators which enable to build country-specific CSR approaches.

Most of the statements in the categories “external drivers” and “internal drivers” refer to important stakeholders. The differentiation between primary and secondary stakeholders is based on the commercial exchange view, which considers the following to be primary stakeholders: customers, shareholders (financial markets), business partners, employees (unions). Secondary stakeholders include: competitors, civil society and government (legal regulation).

Indicators for the voluntary/stimulated or compulsory/regulated approaches to CSR are provided by statements such as is encouraged by the state, is recommended by national/international (political) institutions and is an answer to legal regulation. Statements related to “expectations on positive (internal and external) effects” serve as indicators for the two strategic management approaches to CSR: strategic/proactive and responsive/reactive. Strategic/proactive or ‘more competitive advantage centered’ includes the following statements: improvement of corporate culture and values, increasing employees’ satisfaction, generates new knowledge, leads to product innovation, leads to process innovation, reduces costs, improves economic performance in the long term, increases the attractiveness for high potentials, is a possibility to gain the leadership role in CSR, improves the competitive position, improves the access to capital and is a tool of risk management.

As indicators for the responsive/reactive or ‘less competitive advantage centered’ approach the following statements are included: improves reputation and image, reduces legal regulation, stabilises the competitive position, facilitates the license to operate and has been triggered by extraordinary events.

**Firm characteristics**

In addition to the two basic dimensions of analysis, the general characteristics of the company - such as sector, size, and profitability relative to the industry average – are included. Other firm characteristics investigated here include the nationality of headquarters and ownership status (publicly listed).
2.3.2. Pre-Test of the Questionnaire and Data Collection

The draft English version of the questionnaire was translated into German and Spanish and corresponding translation testing procedures applied, in collaboration with professional translators.

The draft questionnaire was tested on a pilot sample. In addition, two market researchers and one specialist in textual communication reviewed the questionnaire. On the basis of the feedback and comments regarding the draft questionnaire, several changes were incorporated into the final questionnaire. The final questionnaire was attached to a cover letter, stating that the survey is addressed to companies which are active in CSR. Personalised letters were sent to the CEOs of the top 500 companies in Germany (500) and Spain (501). In Germany, the data base used to select the top 500 companies was the ranking supplied by *die Welt*, while in Spain the company ranking was provided by a subsidiary of the Dun & Bradstreet Group.

2.4. Results

122 usable questionnaires were returned by the German companies, which corresponds to a response rate of 24.4%. The Spanish companies sent back 73 usable questionnaires, which corresponds to a response rate of 14.6%.

2.4.1. Sample Profile

Table 2 presents the sample profile. No major differences are observed with regard to the distribution of sectors and profitability. Major differences are evident in size (revenue), headquarters' nationalities and ownership (publicly listed) status.
Table 2: Sample profile by firm characteristics in %

<table>
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<tr>
<th>Distribution by main sectors</th>
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<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
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<td>46.6</td>
</tr>
<tr>
<td>Non-manufacturing</td>
<td>54.9</td>
<td>53.4</td>
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</table>

<table>
<thead>
<tr>
<th>Distribution by size (revenue in Euros)</th>
<th>Germany</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td>100 million to 1 billion</td>
<td>7.4</td>
<td>42.5</td>
</tr>
<tr>
<td>1 billion to 5 billion</td>
<td>45.1</td>
<td>26.0</td>
</tr>
<tr>
<td>Over 5 billion</td>
<td>42.6</td>
<td>28.8</td>
</tr>
<tr>
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<td>4.9</td>
<td>2.7</td>
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<tr>
<th>Profitability</th>
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<tr>
<td>Under industry average</td>
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<td>4.1</td>
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</tr>
<tr>
<td>Over industry Average</td>
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<td>64.4</td>
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<td>0</td>
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<tr>
<td>No</td>
<td>61.5</td>
<td>39.7</td>
</tr>
</tbody>
</table>

Source: own elaboration

2.4.2. Descriptive Part: Results of the Analytical Framework

2.4.2.1. CSR concepts

The most accepted conceptualization of CSR in both Germany and Spain is the 3BL, followed by the EC definition, corporate citizenship and sustainability. However, the scoring of the Spanish companies is generally higher, especially for the 3BL and the EC definition. The basic definition of sustainability scores higher in Germany and much lower in Spain.

Graph 1 provides an overview of the results.
2.4.2.2. CSR drivers

In general, differences in view of CSR drivers are observed, although in some cases these are minor. In the following this is described in more detail.

The analysis of “external drivers”, which serves to identify the stakeholder pressure by primary and secondary stakeholders and the notion of voluntariness for CSR engagement at company level suggests the following. In view of the influence of different stakeholder groups, the influence of primary stakeholders on CSR engagement differs only slightly between German and Spanish companies. One exception, however, relates to the influence of shareholders (financial markets), which is ranked higher by Spanish companies. The influence of customer is almost the same in Germany and Spain. In terms of secondary stakeholders, the German companies rate civil society, government (legal regulation) higher than Spanish companies. With regard to whether CSR is mandatory or voluntary, the legal burden in Germany seems to be higher than in Spain, which implies more regulated CSR in German companies. In contrast, the impact of recommendations of (political) institutions and encouragement of the state on CSR engagement is more important in Spain.

For both countries, the “external drivers” are not as highly scored as most of the “internal drivers”. In terms of “internal drivers”, there is practically no difference between the two countries. CEO support scores very highly and CSR is viewed as a moral obligation in both countries. Unions do not play a major role in promoting CSR in either country.
With regard to “expectations on positive external and internal effects”, two categories, which served to analyse differences in view of different CSR approaches in terms of ‘more competitive advantage centered’ or ‘less competitive advantage centered’, Spanish companies score all factors much higher than German ones, with the exception of reputation and image gains and cost reduction, where the difference is minor. Hence, Spanish companies appear to use a ‘more competitive advantage centered’ approach to CSR. In contrast, German companies do so by a ‘less competitive advantage centered’ approach. German companies have higher means than Spanish companies only in two aspects of expectations for positive external effects. Both aspects have to do with external pressure of secondary stakeholders, the possibility to reduce legal regulation and the opportunity to facilitate the license to operate. The latter highlights the findings related to differences in view of primary and secondary stakeholders. In addition, it is consistent with the construction of indicators, in which both issues were attributed to the responsive approach.

Graph 2 provides an overview on the results.
Graph 2: CSR drivers: means of German and Spanish responses

External Drivers:
- Customers
- Financial markets
- Business partners
- Competitors
- Encouraged by the state
- Recommendation of institutions
- Civil society
- Legal regulation
- Extraordinary events

Internal Drivers:
- Moral obligation
- CEO
- Unions

Improvement of corporate culture & values
- Employees' satisfaction & motivation
- Creation of new knowledge
- Process innovation
- Product innovation
- New ways of learning
- Risk Management
- Improvement of long term performance
- Cost reduction

Expectation of internal positive effects

Improvement of reputation/image
- Attraction of high potentials
- Leadership in CSR
- Improvement of competitive position
- Stabilization of competitive position
- License to operate
- Improvement of access to capital
- Less legal regulation

Source: own elaboration
2.4.3. Testing part: Results of the Analytical Framework

In the following, the differences in view of CSR concepts and CSR drivers, which I have, so far, analysed in terms of descriptive statistics, these are tested for their statistical significance.

2.4.3.1. CSR concepts

The differences at the country level are statistically significant for the sustainability, the 3BL and the EC definition. The intra-class comparisons with regard to important firm characteristics show some shifts concerning the statistical significance of the differences highlighted in the descriptive part. To emphasize are size effects, there, middle size corporations in Germany and Spain accept the EC definition at almost the same level, and manufacturing sector membership in the same regard and concerning the 3BL definition. Table 3 provides an overview on the results.

Table 3: CSR concepts: overview of results (means) - overall and by firm characteristics

<table>
<thead>
<tr>
<th></th>
<th>Germany</th>
<th>Spain</th>
<th>Germany</th>
<th>Spain</th>
<th>Germany</th>
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<tr>
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<td>NH</td>
<td>PL</td>
<td>PL</td>
<td>POA</td>
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<td>MANU</td>
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<tr>
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<td>3.03</td>
<td>3.71*</td>
<td>3.17</td>
<td>3.87***</td>
<td>2.86</td>
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<td>3.00</td>
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<td>4.60</td>
<td>4.24**</td>
<td>4.68</td>
<td>4.36</td>
<td>4.51</td>
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<td>3.85</td>
<td>3.96</td>
<td>4.02</td>
<td>4.00</td>
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<td>4.13*</td>
<td>3.79</td>
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<td>4.41</td>
<td>4.05**</td>
<td>4.51</td>
<td>4.23</td>
<td>4.45</td>
<td>4.04*</td>
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<table>
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<tr>
<th></th>
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<th>size (1-5 bill.)</th>
<th>size (&gt; 5 bill.)</th>
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<tr>
<td>Sustainability</td>
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<td>3.52</td>
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<td>3.79</td>
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<tr>
<td>Triple Bottom Line</td>
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<td>4.30**</td>
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<td>3.76</td>
<td>3.90</td>
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<td>4.41</td>
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<td>4.46</td>
<td>4.19*</td>
</tr>
</tbody>
</table>

ANOVA (F-test): levels of significance: * p<0.1; * p<0.05; ** p<0.01; *** p<0.001
NH: national headquarters only; PL: publicly listed; POA: profitability over industry average; MANU: manufacturing sector; NON-MANU: non-manufacturing sector

Source: own elaboration
2.4.3.2. CSR drivers

In terms of "external drivers", only the country difference for civil society is statistically significant. However, the number of statistically significant differences increases when comparing corporations with national headquarters in the two respective countries. Important overall differences, although not statistically significant, disappear partially in the intra-class comparison of companies being publicly listed, belonging to the biggest size category or manufacturing sector with regard to the influence of financial markets and legal regulation on firms to become engaged in CSR. The same is true for the categories non-manufacturing sector with regard to the impact of civil society. In general, with regard to the impact of civil society, the statistical significant difference endures only for the manufacturing sector. In addition, differences not accentuated at country level, increase between German and Spanish companies belonging to the smallest and biggest size category with regard to the influence of business partners. Furthermore, the overall country trend with regard to the influence of competitors is reversed in the smallest size and national headquarters only category. The same is true for the manufacturing sector concerning the recommendations of institutions. In terms of "internal drivers" no statistically significant differences are observed.

In terms of "expectations of positive internal effects", the differences over the entire range of aspects are statistically significant in the country comparison, with the exceptions of improvement of economic performance in the long term and cost reduction. This holds when adding other firm characteristics, with the exception of publicly listed companies, with regard to new ways of learning and risk management and firms operating in the manufacturing sector with regard to risk management. Size effects are observable for improvement of corporate culture and increasing employee satisfaction for corporations of the medium size category and for creation of new knowledge, new ways of learning and risk management for firms of the biggest size category. The difference at country level with regard to improvement of economic performance in the long term, although not statistically significant, shows patterns of impact, including the reversion of the country trend, when adding the following firm characteristics: publicly listed status, operating in the manufacturing sector and belonging to the medium and big size category.

With regard to "expectations of positive external effects", four statistically significant differences are detected: attraction of high potentials, leadership in CSR, improvement of competitive position and facilitates the license to operate. However, the number of statistically significant differences increases when comparing corporations with national headquarters in the two respective countries. Effects on the statistical significance are
observable in publicly listed and corporations operating in the manufacturing sector with regard to *attraction of high potentials* and *improvement of competitive position*. In addition, size effects are observed with regard to the same aspects and *leadership in CSR* in the biggest size category and with regard to *attraction of high potentials* in the medium size category. In addition, although not statistically significant, the differences decrease between German and Spanish companies being publicly listed and belonging to the big size category with regard to *improvement of access to capital*. Furthermore, the country trend in terms of *license to operate* is reversed in the small size category. Table 4 and 5 summarize the results.
Table 4: CSR drivers: overview of results (means) - overall and by firm characteristics

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ANOVA (F-test) levels of significance: † p<0.10; *p<0.05; **p<0.01; *** p<0.001

NH: national headquarters; PL: publicly listed; POA: profitability over industry average; MANU: Manufacturing
Table 5: CSR drivers: overview of results (means) - overall and by firm characteristics

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<td>2.22‡</td>
<td>3.58</td>
<td>3.11‡</td>
<td>3.79</td>
<td>3.15†</td>
<td>3.71</td>
</tr>
<tr>
<td>New ways of learning</td>
<td>3.25**</td>
<td>3.77</td>
<td>3.18</td>
<td>3.77</td>
<td>2.78‡</td>
<td>3.81</td>
<td>3.11†</td>
<td>3.74</td>
<td>3.42</td>
<td>3.76</td>
</tr>
<tr>
<td>Manages risk</td>
<td>3.04†</td>
<td>3.53</td>
<td>2.70†</td>
<td>3.44</td>
<td>2.33‡</td>
<td>3.35</td>
<td>3.02†</td>
<td>3.63</td>
<td>3.27</td>
<td>3.62</td>
</tr>
<tr>
<td>Improve long-term econ. perf.</td>
<td>3.35</td>
<td>3.52</td>
<td>3.07</td>
<td>3.46</td>
<td>3.00</td>
<td>3.58</td>
<td>3.22</td>
<td>3.21</td>
<td>3.60</td>
<td>3.67</td>
</tr>
<tr>
<td>Cost reductions</td>
<td>2.37</td>
<td>2.47</td>
<td>2.19</td>
<td>2.49</td>
<td>2.33</td>
<td>2.65</td>
<td>2.31</td>
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</tr>
<tr>
<td>Impr. Reputation/image</td>
<td>4.15</td>
<td>4.21</td>
<td>4.04</td>
<td>4.18</td>
<td>4.00</td>
<td>4.32</td>
<td>3.91</td>
<td>4.11</td>
<td>4.38</td>
<td>4.05</td>
</tr>
<tr>
<td>Attraction of high potentials</td>
<td>3.75**</td>
<td>4.68</td>
<td>3.57</td>
<td>3.95</td>
<td>3.11**</td>
<td>4.19</td>
<td>3.73</td>
<td>3.89</td>
<td>3.90†</td>
<td>4.14</td>
</tr>
<tr>
<td>Leadership in CSR</td>
<td>2.95***</td>
<td>3.65</td>
<td>2.70***</td>
<td>4.08</td>
<td>2.67‡</td>
<td>4.00</td>
<td>2.73***</td>
<td>3.84</td>
<td>3.17</td>
<td>3.86</td>
</tr>
<tr>
<td>Improve comp. position</td>
<td>3.34**</td>
<td>3.86</td>
<td>3.22‡</td>
<td>3.95</td>
<td>2.89‡</td>
<td>3.94</td>
<td>3.29†</td>
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<td>Stabilize comp. position</td>
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<td>3.60</td>
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<td>3.74</td>
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<td>License to operate</td>
<td>3.61***</td>
<td>2.73</td>
<td>3.54**</td>
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<td>2.90</td>
<td>3.65***</td>
<td>2.47</td>
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<td>Improve access to capital</td>
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<td>2.70</td>
<td>2.28†</td>
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<td>2.35</td>
<td>2.68</td>
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<tr>
<td>Less legal regulation</td>
<td>2.85</td>
<td>2.67</td>
<td>2.67</td>
<td>2.67</td>
<td>2.56</td>
<td>2.55</td>
<td>2.76</td>
<td>3.11</td>
<td>3.02†</td>
<td>2.38</td>
</tr>
</tbody>
</table>

ANOVA (F-test): levels of significance; †p<0.10; *p<0.05; **p<0.01; ***p<0.001
NON-MANU: non-manufacturing

Source: Table 4 and 5: own elaboration
2.5. Conclusions

The limitations of this study are linked to the field of research – CSR – which could provoke what Porter & Kramer (2006) call the ‘rating game’. In studies dealing with CSR, companies that behave very well tend to participate. To mitigate this problem, confidentiality was assured to corporations participating in the survey and respondents were offered the option to answer anonymously. Another limitation consists of the focus of institutional analysis which was set, while elaborating the CSR relevant country context, on those elements which have already been referred to in CSR literature. Hence, other ex ante promising frameworks have not been taken into account. I will make allusion to these when proposing implications for further research at the end of this section.

Another limitation consists of the sample composition. Only large firms have been taken into consideration, although these are regarded as role models (Vuontisjärvi, 2006). Neverthelss, they probably behave differently to small and medium sized companies. In addition, one also should bear in mind that important regional differences exist in both countries.

However, the study contributes new insights and knowledge in view of differences in CSR, in general, between Germany and Spain, and specifically, related to CSR concepts and CSR drivers. In addition, they confirm what could have been expected in view of the, although rudimentary, cross country research in CSR, especially with regard to European countries. Moreover, it broadens the understanding of the influence of country specific institutional mechanisms on CSR.

CSR seems to be traditionally more extensive in Germany, but is increasing its intensity in Spain. In view of the descriptive differences between Germany and Spain, in terms of CSR concepts, major differences were detected in most of the concepts. Hence, H 1 can be affirmed. Both Spanish and German companies view the 3BL, the definition presented by the EC in its Green Book and corporate citizenship as the concepts that best correspond to their perceptions of CSR. However, the basic sustainability concept is much more accepted among German companies, so is the corporate citizenship concept, although to a less extent. In contrast, Spanish firms prefer the 3-BL and the EU concept. Hence, these results suggest to accept the corresponding sub-hypothesis (H 2.1.- 2.4.) and therefore the main hypothesis (H 2.) in this regard, namely that specific institutional mechanis shape differences in view of the understanding of CSR in Germany and Spain.
The overall analysis of the drivers behind CSR involvement suggests, in general that differences in view of CSR drivers have been observed in most of the cases and related approaches have been deduced. Hence, H 3 can, although not fully, be accepted.

In general, the external drivers' category, which embraces elements to analyse different groups of stakeholders, mainly the one of primary and secondary stakeholders and the voluntariness of CSR, are considered to be less influential in the adoption of CSR than internal drivers and expectations of positive internal effects or expectations of positive external effects. In view of the strand of analysis 'primary vs. secondary stakeholders', primary stakeholders, play a similar role in both countries. However, secondary stakeholders are more relevant for German companies becoming involved in CSR, which confirms H 4.1.

In addition, in Germany, CSR on the corporate level seems to be more regulated; in contrast, CSR in Spain more voluntary, which confirms H 4.3. Nevertheless, the assessment of the cultural approach, based upon the framework developed by Katz and Swanson (2001), turned out to be sub-optimal in view of mandatory vs. regulatory approach to CSR.

With regard to internal drivers, whose elements encompass elements such as moral considerations and CEO and Unions' support no major differences between the two countries were detected. Hence, H 4.2. cannot be accepted. In view of the latter, this could be, at the first sight, surprising, since especially the social pillar of CSR covers issues central to the raison d'être of unions. In addition, in Germany, from a VoC and national corporate governance systems perspective, unions play a powerful role. They are represented in the corporate governing bodies and they hold an important position as social partners. But in this regard, Roome (2005) argues that the domain of unions is associated with labour issues, which are already assumed to be integrated into corporate strategy, given said presence on the boards. In addition, the effective institutionalised mechanisms in Germany in the sphere of 'industrial relations' and 'vocational training and education' seem to imply, that important labour issues do not have to be further supported through the unions' explicit encouragement of CSR. With regard to Spanish companies, where less coordination is observed in view of 'industrial relations' and deficits do exist with regard to the coordination of 'vocational training and education', it could have been expected that CSR should be to a major extent supported by the Unions, to mitigate said deficit. But, in the light of the low membership in unions in comparison to Germany and other OECD countries (Royo, 2008), the power and influence of the unions on managerial decision making, in general, and supposedly with regard to CSR, in particular seems to be limited.
The analysis of expectations of positive internal and external effects suggests that the approach to CSR is 'more competitive advantage centered' in Spain, whereas in Germany the approach seems to be 'less competitive advantage centered.' Hence, H 4.4. and H 4.5. can be accepted. This result deserves some discussion. It means that Spanish companies consider CSR to a major extent than the German companies as a source of competitive advantage. This reflects that Spanish companies seem to be more driven by the business case for CSR. Given that Spanish companies are newcomers in the field, this implies that they had to invest a lot in CSR engagement during the last years in order to catch up and to jump on the bandwagon of the new megatrend in business, as which CSR is considered (Lubin and Esty, 2010). Hence, in their logic, rooted in the Spanish ‘shareholder reference’ model, CSR has to pay back. As a consequence, one could argue that Spanish companies pursue a more proactive strategy than their German counterparts, rather than to state that CSR in Spain is more strategic than in Germany. In contrast, in Germany CSR might be more embedded and taken for granted at firm level and probably more integrated in corporate strategy. Hence, it is to a major extent considered as the right thing to do and not necessarily explicitly linked to competitive advantage. A valuable connecting point to discuss the result could offer the implicit or explicit framework of Matten and Moon (2005, p. 341-342). According to said framework, CSR in Germany would probably be considered as implicit. Implicit CSR normally consists of values, norms and rules which are reflected in many cases in mandatory requirements. In contrast, in Spain CSR seems to be more explicit, reflected in voluntary, self interest driven policies, programmes and strategies.

Nevertheless, from a VoC perspective, it is surprising, that the German companies, which focus on high value added produce structures, apply new technologies and pursue differentiation strategies, expect less positive external and internal effects from CSR engagement. They do not seem to perceive CSR as a source of differentiation and therefore strategic advantage to the extent Spanish companies do, in spite of the fact that they should possess to a greater deal than Spanish companies interest in CSR as such.

In sum, most of the hypothesis could be confirmed in descriptive terms. Hence, in most of the cases differences in view of CSR drivers seem to be influenced by the country specific institutional mechanisms. This implies that H. 4. can be accepted, although not fully. The statistical testing of the differences at the overall country level revealed that the major differences of the descriptive part were in most cases, statistically significant, with the exception of indicators related to regulated/mandatory and stimulated/voluntary approach to CSR, this implies that 4.3. is not confirmed. Hence from a test statistics perspective, H2 can
be confirmed, H4 not fully. The inclusion of additional CSR-relevant firm characteristics in the testing process suggests that the firm characteristics “publicly listed status”, “operating in the manufacturing sector” and to a major extent “big firm size” seem to have an impact on CSR beyond the national context, although a limited one.

The implications of this study for management practice relate mainly to cross country co­perations, joint ventures and merger and acquisitions. In this respect, it should be noted that CSR has become an issue in Spain, although it is not yet as extensive as in Germany. However, Spanish companies are catching up with their German counterparts. Furthermore, the different national CSR approaches and country contexts with its varying stakeholder impacts and expectations should be taken into consideration, in order to avoid legitimacy biases in cross-border business operations.

The paper gives rise to several suggestions for further research. In general, there is a need to intensify the realisation of comparable empirical cross-country studies in Europe beyond reporting, in order to create a representative, reliable knowledge base on which to build further research. And, an increase in European cross-country studies that consider those institutional mechanisms that seem to be important explanatory variables for differences in CSR is needed.

Hence, with regard to country context it would be helpful to broaden the country-context framework to encompass future cross-country studies including other institutional mechanisms, such as those proposed by Roome (2005): political structure (e.g. centralized vs. decentralized), political style and processes (e.g. consensus, participative, hierarchy), social structure (e.g. elite, egalitarian, meritocracy), strength of commitment to ‘voluntarism’ as opposed to acceptance of the rules and controls of the state, description of the role of companies in local and national society, characteristics of educational system (e.g. valued skills and training), societal expectations on leaders (e.g. to direct, to guide to facilitate), historical traditions (e.g. German apprentice/crafts guild system) (Roome, 2005, p.324-325).

In addition, other frameworks of institutional analysis could be taken into consideration, so far not explored in CSR literature, such as the ‘National Innovation Systems’ (NIS) (Lundvall, 1992). I suggest that future empirical cross-country research in this regard should be streamed up by a theoretical exploration of the topic and its links to CSR.

In addition, the results of the paper suggest to encourage theoretical research on frameworks, which establish the links between culture and CSR, since the one developed by Katz et al., (2001), based upon Hofstede’s cultural indicators, seems to have deficiencies from an explanatory point of view.
Another promising institutional framework, for the building of country-specific CSR-approaches may be one that allows analyzing a relatively new conceptual framework of CSR, proposed by Matten & Moon (2008). There, the authors suggest the differentiation between “implicit” and “explicit” approaches to CSR.

With regard to CSR issues to be dealt with, beyond CSR reporting output, which was the focus so far in cross country research, and those issues which were dealt with in this paper, a huge range of CSR could be subject to future empirical cross-country research in Europe, some important ones I will mention in the following: 1) strategic corporate philanthropy dimension of the conceptual framework provided by Porter and Kramer (2006) to examine how corporations improve their competitive context and to determine which expectations are linked to CSR engagement with regard to the competitive context; 2) organization and implementation of CSR, including organizational structure of CSR management, processes, management systems, institutionalization of the huge set of self regulatory approaches in this regard and knowledge sources for organizing and implementing CSR; 3) CSR agendas and finally 4) a relatively new issue, which has been so far only theoretically explored in CSR and Corporate Governance (CG) literature, the link between CG and CSR.
Appendix A

Figure 1: Analytical framework: descriptive part

Concepts
- Sustainability
- Triple Bottom Line
- Corporate Citizenship
- EC CSR definition

Drivers
- External
- Internal
- Positive Expectations (internal/external)

Figure 2: Analytical framework: testing part

Concepts
- Sustainability
- Triple Bottom Line
- Corporate Citizenship
- EC CSR definition

Drivers
- External
- Internal
- Positive expectations (internal/external)

Corporate Characteristics
Size, Sector, Profitability, Location of Headquarters, Publicly Listed Status

Germany
CSR-relevant country context

Spain
CSR-relevant country context

Source: own elaboration
### Appendix B: CSR drivers: Overview on statements and literature references

<table>
<thead>
<tr>
<th>External drivers</th>
<th>Internal drivers</th>
</tr>
</thead>
</table>
| • an answer to legal regulation  
(Freeman, 1984, RARE 2005, De la Cuesta González et al. 2003) | • strongly supported by the CEO  
(Merenda, 1981, Schröder, 2002) |
| • an answer to demands of Civil Society  
(Freeman, 1984) | • demanded by the Unions  
(Freeman, 1984) |
| • demanded by business partners  
(Freeman, 1984) | • a moral obligation of the company  
| • demanded by customers  
(Freeman, 1984) | |
| • evaluated positively by the financial markets  
(Freeman, 1984, Porter and Kramer, 2006) | |
| • practiced by the most important competitors  
(Freeman 1984) | |
| • recommended by national and international (political) Institutions (RARE 2005, De la Cuesta González et al. 2003) | |
| • encouraged by the state (incentives)  
(RARE 2005, De la Cuesta González et al., 2003) | |
| • triggered by extraordinary events  
(RARE 2005, Roome et al. 2006) | |

### Expectations on positive internal effects

| • improves corporate culture and values  
(Stigl, 2005) | • improves the attractiveness of the company for “high potentials” (Backhaus et al., 2002) |
| • increases employees’ satisfaction and motivation  
(Keeble et al., 2004) | • can reduce a legal regulation  
(Vogel, 2005, RARE, 2005) |
| • generates new knowledge in the company  
(De la Cruz Déniz Déziz and Zarraga-Oberty, 2004) | • improvement of reputation and image  
(Maignan et al. 1999, Porter and Kramer, 2006) |
| • enables new ways of learning in the company  
(Roome et al., 2006, Zwetsloot, 2003) | • is a possibility, to gain the leadership role in the area of CSR  
(Roome et al., 2006, Roome, 2005) |
| • leads to product innovation  
(Porter and Kramer, 2006) | • improves the competitive position  
(Porter and Kramer 2006) |
| • leads to process innovation  
(Porter and Kramer, 2006, Keeble et al., 2004) | • stabilizes the competitive position  
(based on Porter Kramer, 2006, RARE, 2005) |
| • reduces costs  
(Porter and Kramer, 2006, Keeble et al., 2004) | • improves the access to capital  
(Keeble et al., 2004) |
| • is a tool of risk management  
(Roome, 2005, Keeble et al, 2004) | • facilitates the ‘license to operate’  
| • improves the economic performance in the long term  
(Porter and Kramer 2006) | |

Source: own elaboration based on a literature review
Chapter Two

Comparative Analysis of CSR Reporting in Germany and Spain in the Utility Industry: Insights into the Institutionalisation of GRI Indicators, CSR Agendas and Communicated Rationale behind CSR

3.1. Introduction

Although the origins of CSR reporting can be traced back to the 1970s (Gray, 2001), only recently, the number of companies which provide disclosure on CSR has massively augmented (KPMG, 2005, 2008). This is due to the general momentum behind CSR since the mid 1990s (Vogel, 2006).

In line with said externally visible evolution, corresponding internal accounting, controlling and reporting mechanisms and management systems with regard to CSR evolved (Kolk, 2004). The latter are important to effective CSR organisation, implementation and management, since only ‘what’s gets measured gets done’. Therefore, quality CSR reporting is supposed to include reasonable quantitative data. The latter can be considered as a proxy for corporate action and their disclosure could provide insights into CSR agendas.

In general, CSR is also subject to criticism. This is especially true for the rationale behind CSR, which shares perspectives of specific criticism on CSR reporting. The latter is considered by some critics as something cosmetic or outright fraud (Gilbert, 2002). Hence, especially the lack of quantitative data in CSR reporting, which makes it difficult to evaluate and compare corporate CSR action and performance, (Observatorio de Responsabilidad Social Corporativa, 2008) is considered by many as critical. This problem is supposed to be mitigated by voluntary reporting and accounting standards, which do include quantitative indicators.

The main guidelines for CSR reporting currently in place are the Global Reporting Initiative (GRI) guidelines. They underline a trend towards standardisation of CSR in general, and CSR reporting, specifically, based on voluntary guidelines. But, also said evolution has its critics, since, self regulation approaches could simply serve as a lobbying tool to avoid legal regulation (Vogel, 1978, Vogel, 2005) without providing an accountability regime for affected parties (Kapstein, 2001, Vogel, 1978).

Furthermore, also standardisation has its limitation, since CSR, in general, (Roome, 2005) and CSR reporting specifically (KPMG, 2005, 2008) are supposed to be influenced by country
context. This means, more generally speaking, that the contents of reports may vary by
country according to local circumstances, such as differing institutional settings.

In general, cross-country research in CSR between European countries is few. This is also
ture for cross-country studies on CSR reporting in this region, although, in general, reporting
constitutes a focus of cross-country research. Nevertheless, said studies are characterized by a
range of deficiencies. Some of them, which involve a couple of European countries, are rather
superficial e.g. focusing only on report output. Others have made comparisons between
Europe and US or countries with Anglo-American/Saxon tradition. The latter consider only
few specific European countries as a proxy for Europe as a whole. This approach constitutes a
limitation due to observations that CSR is not Pan-European (Roome, 2005). In addition, in
some studies firm-level factors beyond the country context, which could have impact on CSR,
are not controlled for. And finally, country context is only recently systematically explored as
explanatory variables for differences in CSR reporting.

So far, no cross-country studies which compare explicitly two European countries and set out
to systematically link to country context have been conducted. This gap is supposed to be
filled with this paper.

I have selected the countries Germany and Spain due to the following reasons: first, due to
biographical reasons, I possess a cultural understanding of both countries and I am fluent in
both national languages. Second, in Europe, in general, it has been argued that differences in
CSR increase from North to South (Chauveau and Rosé, 2003). And third, in chapter one,
empirical evidence on said differences with regard to CSR issues, such as ‘CSR concepts’ and
‘CSR drivers’ in Germany and Spain, has been delivered.

The methodology applied is contents analysis of stand-alone CSR reports of companies of the
utility industry, which are regarded as particularly sensitive to CSR, and which are listed in
the main stock indexes in Germany and Spain.

The aim of this paper is to explore differences in view of the following issues: first,
institutionalisation of GRI indicators; second, reported quantitative indicators, which are
assumed to provide insights into CSR agendas; and third, ‘communicated rationale’ behind
CSR. I included the latter strand of analysis, again, due to criticism expressed in this regard
and in order to triangulate the findings of chapter one with regard to ‘CSR drivers’. In
addition I am at finding out if the country context is influential in shaping said differences.

The paper is composed of four main sections. In section one I explore the theoretical
background of the paper. In section two, I elucidate the methodology applied. Furthermore, in
section three, the empirical section, I present the results. And finally, in the concluding
section, I discuss the limitations of the paper; provide an overview on the results and point out their implications for managerial practice and further research.

3.2. Theoretical Background

In the following theoretical section, first, I elucidate definitions and theoretical frameworks, relevant to the research questions, such as definition of CSR reporting, neo-institutional theory, legitimacy theory and stakeholder theory. Then, I provide an overview on cross-country research in CSR reporting. Furthermore, I elaborate the background with regard to the analytical framework, namely CSR issues dealt with in this paper, such as standardisation in CSR disclosure, CSR agendas and motivations and highlight corresponding criticism. Then, I refer to the relevant country context, which is supposed to have impact on said CSR issues. And finally I elaborate a digest of the theoretical part, based upon which I formulate the main hypotheses.

3.2.1. Definitions and theoretical frameworks

The catalyst for CSR reporting consists of internal accounting, controlling and reporting mechanisms and management systems (Kolk, 2004). The link between internal CSR accounting and reporting and external CSR reporting consists of the reliable measurement and communication of CSR performance (Wynhoven, 2006). Gray et al. (1987) have defined CSR reporting as a communication process on social and environmental effects of the organisation’s economic actions to stakeholders in society or to society at large. Before, the organisation has to find out, what it is responsible for and to provide information in this regard to stakeholders who have rights to that information (Gray, 2001, Gray et al., 1996). The latter constitutes also a conceptual approach to CSR, called corporate accountability. Hence, the concept of corporate accountability implies the link to stakeholder theory, a theory coined by Freeman (1984).

Another theoretical framework to CSR reporting is legitimacy theory which has ‘overlapping perspectives’ with stakeholder theory (Gray et al. 1995). Lindblom (1994), differentiates between four strategies of disclosure, by which corporations seek legitimacy for their action: 1) education and information of relevant stakeholders; 2) change of their perceptions when a legitimacy gap has arisen, due to misperceptions; 3) manipulation of the relevant stakeholders; 4) change of external expectations, when these in view of the organisation’s responsibilities are incorrect. But, more than reporting patterns, also the underlying corporate
action with regard to the integration of social and environmental issues in corporate activities (EC, 2001) in form of CSR activities, which are reflected in CSR agendas, contributes to corporate legitimacy (Pava and Krausz, 1997).

What is considered as legitimate or not depends on the country-specific context. The latter can be approached from a neo-institutional theory perspective (Di Maggio and Powell, 1983, Scott, 1995, Hall and Soskice, 2001). Several authors established the link between institutional theory and legitimacy theory (compare Suchman, 2005, Scott, 1995). In general, from said theoretical point of view, the organizational behaviour is determined by institutions which exercise coercive, normative and competitive pressure on organizations which leads to isomorphism (DiMaggio and Powell, 1983).

3.2.2. Cross-country studies in CSR reporting: an overview

In the following literature review, I refer to cross country studies conducted in CSR reporting, so far. I highlight especially those studies, which refer to the two countries relevant to this paper. In addition, I contrast some of the findings with more current statistical data available at the ‘Corporate Register’ database for CSR reporting. Moreover, I provide some background information on CSR reporting in both countries.

According to the international study of KPMG (2005) on report output, the following countries constitute the TOP five in this regard: Japan, UK, Canada, France, and Germany. Countries with the biggest growth rates (doubling) in reporting are Italy, Spain, Canada and France. The ranking of ‘Corporate Register’ sees UK, USA, Japan, Germany, and Australia (www.corporateregister.com, ‘TOP 20 countries by Report Output’) in the lead.

Germany is considered as a pioneer in CSR reporting, leading the KPMG surveys in 1993, 1996 and 1999 (Kolk, 2004). The country is traditionally considered as exemplary in reporting practices (Fekrat et al., 1996). In contrast, Spain has been a late starter in this regard. In 2002, it was still qualified as a country, which started to report (Kolk, 2004), whereas in 2005, Spain was already one of the countries with the highest progress rate in this regard (KPMG, 2005).

The delay of Spanish corporations in the field of CSR reporting is also visible in the late introduction of rankings with regard to the quality of CSR reporting. In Germany, this happened already in 1994 by initiative of the ‘Institut für ökologische Wirtschaftsforschung GmbH (IÖW)’ and ‘future e. v.’ (future). In contrast, in Spain this took place almost one decade later, supported by ‘Asociación Española de Contabilidad y Administración de Empresas’ (AECA)’ Spanish Association for Accounting and Administration- and the
Instituto de Censores Jurados de Cuentas de España -Institute of Auditors of Accounting of Spain-

In general, cross-country studies on CSR reporting, which involve European countries are either rather superficial focusing on e.g. report output (KPMG, 2005, 2008, Kolk, 2004, Milne and Gray, 2008). Others, which deal with reporting patterns beyond output, deal mostly with regional comparisons between Europe and the US or countries with Anglo-American/Saxon tradition (Chen and Bouvain, 2009, Van der Laan Smith et al., 2005, Luna Sortorio and Fernández Sánchez, 2008, Hartmann et al., 2007). There, as a proxy for Europe as a whole only few specific European countries are taken into account. By that approach, country specific differences in Europe in the field of CSR (Roome, 2005) are not taken into consideration, which constitutes a bias of said approach.

In some international studies, which cover a broader spectrum of European countries, the sample sizes of the involved European countries are small and they do not control for firm level factors, which could have impact on CSR beyond national context (Fekrat et al., 1996, Gamble et al., 1996). In addition, cross-country studies have only recently introduced the country context as explanatory variable for differences in CSR reporting (Chen and Bouvain, 2009, Luna Sortorio and Fernández Sánchez, 2008, Van der Laan Smith et al., 2005). In the following the mentioned studies are dealt with in more detail.

Fekrat et al., (1996) assessed scope and accuracy of environmental performance disclosure in annual reports in the framework of an international study. The best country in this regard turned out to be Canada, Germany (sample size: 22 corporations) was average, Spain (sample size: 2 corporations) ranked behind Germany.

Gamble et al. (1996) conducted an international study, analyzing the variation of forms of disclosure, such as short and extended form of quantitative discussion. The German sample (28 corporations) was only average, the Spanish sample (2) among the worst performing countries and US, Canada, UK turned out to be the leading countries in this regard.

Chen and Bouvain (2009) assumed in their study that the differences with regard to capitalism, based on liberal market economy, vs. coordinated market economy (Hall and Soskice, 2001) would have impact on themes in CSR disclosure. The authors referred to institutional differences mainly in order to explain the selection of countries, rather than in terms of a profound institutional analysis, to which the results could be linked. They compared companies in the UK, US and Australia (liberal market economy) with German ones (coordinated market economy) listed in the main national stock indexes. The German sample was composed of 25 companies and considered as a proxy for Europe as a whole.
authors suggest that, in spite of growing CSR standardisation at global level, national differences in this regard remain. But, surprisingly, German companies behaved not as much different from the other countries with regard to what has been expected to be a German speciality, the reporting of environmental issues.

Luna Sortorrio and Fernández Sánchez (2008) indicated their awareness on the impact of institutional differences, such as economic development and liberal democracy, on CSR. But, they did so merely to explain the selection of regions to be compared (North America and Europe), than to link the results systematically back to the country context. Their sample included 23 highly reputed European firms, without indicating their country of origin. Their analysis of CSR reports suggested that in Europe social themes are emphasized in CSR disclosure. Therefore, the authors concluded, that the social behaviour of firms there is more accentuated than in North America. In addition, European companies seem to report to a major extent on environmental, customers and employees issues. In contrast, the American companies do so with regard to community issues.

Van der Laan Smith et al. (2005) considered in their institutional framework, stakeholder vs. shareholder orientation, CG systems, ownership and cultural factors, such as masculinity vs. femininity (Hofstede, 1991). They compared 32 Norwegian and Danish firms of the utility industry, as a proxy for European firms, to US companies of the same industry. Their findings suggested that the extent and the quality of CSR disclosure is more pronounced in Europe than in the US.

### 3.2.3. Background of the Analytical Framework

In the following section, I elaborate the background provided in the literature with regard to the CSR issues which are relevant to this paper (analytical framework, compare Appendix C). Given that an important motivation for me to establish said framework roots in the criticism to which CSR, in general, and CSR reporting and its standardisation, specifically, are subject to I explore also critical points of view in this regard.

#### 3.2.3.1. Rationale behind CSR (Reporting) and Criticism

The general motivations for corporations to become engaged in CSR and the related criticism have already pointed out in Chapter One (please compare the corresponding section there). In addition, Hartmann et al. (2007) introduced in their study, based upon the analysis of CSR reports, two extreme ‘communicated rationales’ behind CSR engagement, namely the ‘normative’ and the ‘instrumental’ one. Hartmann et al. (2007) based their ‘normative’
rationale upon the sustainable development perspective on CSR (Brundtland, 1987), which they call ‘intergenerational morality’. In contrast, the instrumental rationale they link to the financial pay back of CSR, which they call the ‘business case’ of CSR. The results of their study suggested that European corporations tend to communicate the ‘intergenerational morality’ as their rationale behind CSR engagement, whereas US corporations seem to be more attached to the ‘business case’ motivation in this regard. Nevertheless, said study belonged also to the biased category of cross-country studies, where Europe and the US are compared, while only few specific European countries are considered as a proxy for Europe as a whole. In this study the European sample (8 companies) mainly consisted of German and Scandinavian corporations.


Nevertheless, firms have to face an additional dilemma in view of CSR disclosure. On the one hand side, a company, which invests in CSR activities can only achieve positive external effects by disclosing (Toms, 2002). On the other hand side, it is difficult to disclose effectively in this regard, which implies also reporting on less attractive details, while maintaining a positive image (Argenti and Forman, 2002, Bell De Tienne and Lewis, 2005). In addition, the company should perform in accordance to what has been announced, in order to avoid ‘hypocrisy’: the inconsistency of talk and action (Brunsson, 1989, Robertson and Nicholson, 1996), which is supposed to be detrimental to the integrity of the firm. Some critics consider this dilemma as insuperable. Hence, they qualify CSR disclosure more as a public relations vehicle (Hooghiemstra, 2000), an act of ‘window dressing’ (Gössling and Vocht, 2007), ‘greenwashing’ (Jenkins, 2002) and bluewashing’, ‘words which do not reflect deeds’ (Kolk, 2004) or as part of ‘impression management’ (Hooghiemstra, 2000). They further argue that it is questionable, if the need to report good news in CSR disclosure translates into actual improvement or simply into ‘cosmetic’ changes or ‘outright fraud’ (Gilbert, 2002). Others find that CSR disclosure practice is already too excessive and call this ‘carpet bombing syndrome’ (UNEP, 2002).
3.2.3.2. Criticism of Lack of Quantitative Indicators in CSR Reporting

Another point of criticism constitutes the lack of quantitative data in CSR reporting. Said deficit makes it difficult to evaluate corporate CSR action and performance (Observatorio de Responsabilidad Social Corporativa, 2008). Only quantitative data indicates that internal CSR accounting, controlling and reporting mechanism and/or management systems are in place. Hence, they are signalling that actual corporate action is undertaken in this regard. Quantitative data is also considered as an indicator for quality in CSR reporting since it goes beyond purely narrative or anecdotal reporting (IW and future, 2007, Patten 1995). In addition, said quality CSR reporting signals superior CSR performance (IW and future, 2007) and could also be considered as an indicator for financial outperformers (Slater and Gilbert 2004). As a consequence, as some authors argue, CSR reporting has become a ‘compulsory exercise’ for companies in the leading stock indexes (imug, 2007) and a form of socially responsible behaviour itself (Gerl and Strawser, 2001). In contrast, Milne and Gray (2008) state that, considering the huge number of multinational corporations, around 60,000 worldwide, the number of around 2000 companies providing CSR disclosure is still a very small proportion.

Possible reasons for such reserve consist of the threat of potential negative effects, such as additional costs generated through the implementation of accounting and reporting standards (Castelo Branco and Lima Rodrigues, 2006) or potential damage of the reputation, legal implications or waking up ‘sleeping dogs’, e.g. NGOs (Kolk, 2004), when reporting truly. Other reasons for non-reporting are doubts about the advantages, since ‘it pays to be good, but not too good’ (Ullmann, 1985) and the lack of capabilities and accounting systems to elaborate such report (Kolk, 2004).

3.2.3.3 Standards in CSR Reporting and Standardisation Debate

The evolution of CSR practice, in general, and CSR disclosure, specifically, is also characterised by the search for standardisation, aiming at comparability and benchmarking for and of companies in the field of CSR. Especially voluntary standards are considered as advantageous in this regard, since they save costs by avoiding legally binding standards (Vogel, 1978, Vogel, 2005).

But, said voluntary standards are equally a point of criticism. They could be used as a ‘lobbying tool’, to avoid legal regulation (Vogel, 1978, Vogel, 2005). As a consequence, public policies could be privatized and regulation outsourced to business and NGOs (World Business Council for Sustainable Development, 2007, p. 19). This could lead to a loss of
démocratie accountability, in general, and to a lack of accountability regimes of affected
In addition, the inflation of voluntary initiatives in the field, in general, (compare Appendix
D) and with regard to those covering reporting and/or affecting reporting, specifically,
(Gilbert and Rasche, 2007) is an obstacle to the aims of standardisation, since a ‘critical mass’
to a certain standard is necessary (Gilbert, 2002). Furthermore, a widely accepted or single
standard would be attractive from a cost perspective, since ongoing changes in accounting and
reporting are costly, too (Castelo Branco and Lima Rodrigues, 2006).
With regard to CSR accounting and reporting the first standards were set in 1970 by the
Social Audit Ltd. in UK focusing on social reporting (Gray, 2001). The first stand-alone
environmental report was published in 1989 when the ‘Coalition for Environmentally
Responsible Economies’ (CERES), a group of large U.S. socially responsible institutional
investors, created the ‘Valdés Principles’ (Gilbert, 2002). It was the first environmental code
of conduct, established as a reaction to the oil spill of the Exxon Valdez in Alaska. In 1992
the ‘Public Environmental Reporting Initiative’ (PERI) guidelines were published. During the
1990s, numerous additional management systems and guidelines in the field emerged
(compare Annex 2).
The creation of the Global Reporting Initiative (GRI) in 1997, based in Amsterdam, as a
European counterpart to the so far Anglo-American dominance in this field, and the
subsequent development of the GRI reporting standards are by some considered as the
‘turning point’ in CSR reporting (Gilbert, 2002). The aim was to develop a globally
applicable framework for reporting on sustainable development by integrating former ones
(Thurm, 2007). The latest and third generation of GRI guidelines were released in 2006, the
G3 guidelines. GRI guidelines are about structure and elements of contents of CSR reports.
The definitions of said elements include a huge set of indicators, which are described in detail
in so called GRI ‘Indicator Protocols’. Especially in view of the elements ‘Corporate Profile’
and ‘Performance Indicators’ the ‘Indicator Protocols’ are precisely and unequivocally
formulated with regard to quantitative reporting requirements. The GRI guidelines further
differentiate between ‘core’ indicators, compulsory, and ‘non-core’, voluntary, indicators.
The ‘in accordance’ status with said indicators range from A (best), B to C and ‘+’, if the
guidelines are externally verified. The latter information is important, since in the hierarchy of
standards, those audited by third parties are signalling most accountability and credibility
(Thurm, 2007, European Commission, 2004). The ‘in accordance’ status can be self declared
and in addition assessed by GRI.
Nevertheless, the quality of CSR reporting and the GRI in accordance status, namely the communicated high institutionalisation of the GRI standard at corporate level, are increasingly questioned (Milne and Gray, 2008, Archel et al., 2007, Mohrhardt 2001, Mohrhardt et al., 2002). The findings of a study conducted by Morhardt et al. (2002) imply for earlier standards of GRI guidelines that the 40 largest global industrial companies achieve a very low overall compliance rate in this regard. In contrast, Slater et al. (2004) support the GRI guidelines as "the leading framework for sustainability reporting" (Slater et al. 2004, p. 45) which possess a unique credibility (Thurm 2007).

But, even in cases of higher standardisation, 'unnoticed differences' can exist and the 'one size does not fit all' problem challenges benchmarking and rankings, which are based upon said standardized approaches to CSR, in general, and CSR disclosure, in particular (Langer, 2006). Hence, some authors generally question that global standards can overcome constraining effects of country and industry environment and could contribute to convergence in CSR practice at a global level (Chen and Bouvain, 2009, Morhardt et al., 2001). Nevertheless, Chen and Bouvain (2009) found out that the membership in a global standard such as the Global Compact could have influence on the reporting of specific themes.

3.2.3.4. CSR Agendas Insights Provided by CSR Reporting
In spite of the criticism expressed in view of CSR reporting and the fact that the contents of CSR disclosure depends ultimately on the firm's choice when possibly pursuing different communication strategies for legitimacy reasons (compare Lindblom, 1994), Coupland (2003), Maignan and Ralston (2002) and Bondy et al. (2008) have argued that publicly accessible information, such as the one provided at corporate websites, could create a plausible and legitimate version of corporate activities. Therefore, CSR reports, which are in most cases accessible via said website, are supposed to give plausible and legitimate insights into CSR activities, which reflect ultimately corporate CSR agendas. This is especially true when quantitative information is provided, since, then internal CSR accounting, controlling and reporting systems have to be in place. Hence, a lack of quantitative indicators suggests that there are few activities carried out which could be reported (IÖW and future, 2007).

Said CSR activities and their thematic focus, reflected in CSR agendas, changed over time. This was due to external pressure on the corporations, exercised by social activism and movements (Roome, 2005), which were triggered in many cases by events. In the following, I provide some more recent examples in this regard.
In the 1970s, an important consumer movement put functionality and safety of products on CSR agendas. This was also true for environmental issues, reflecting the pressure exercised by emerging environmental movements, as a reaction to environmentally hazardous events caused by corporations, such as the Seveso catastrophe in 1976 and the Amoco Cadiz spill in France 1978 (Gamble et al., 1996). Other activists’ movement demanded international corporations to withdraw from countries with repressive or oppressive regimes (Roome, 2005). In the 1980s, the corporate agenda was further extended by social and environmental issues (Roome, 2005, Gamble et al., 1996) and by questions related to good governance, as a response to important corporate scandals which took place during this decade (Carroll, 2008).

In the 1990s, the interest in environmental issues was further fuelled by the Earth summit in Rio 1992 and the subsequent signature of the Kyoto Protocol. Their thematic implications for CSR agendas were reflected in issues such as vehicle emissions, ozone layer, climate change, hazardous waste, protection of endangered species and climate change (Gamble et al., 1996). More currently CSR agendas embrace employment issues and working conditions, the concern for employees in case of downsizing, good labour standards, the extension of responsibilities on supply chains, and issues such as bribery, corruption and good corporate governance (Roome, 2005).

In view of the categorization of CSR agendas, the broadest one refers to activities which reflect the three main corporate responsibilities, namely, ‘profit’, the economic responsibility, ‘people’, the social responsibility, and ‘planet’, the environmental responsibility, also called Triple Bottom Line (Elkington, 1997) or ‘Corporate Sustainability’ (Ebner and Baumgartner, 2006). Another approach which consists of four main categories is proposed by Roome (2005): 1) Responsible business practices; 2) Consumer responsibility; 3) responsibility for sustainable development; and 4) corporate philanthropy and corporate community involvement. Another more operative framework to categorise CSR agendas was offered Porter and Kramer (2006). It is based upon the components of the value chain: Firm infrastructure (e.g. financial reporting practices), human resources management (e.g. working conditions), Technology development (e.g. recycling, product safety), procurement (e.g. supply chain practices – bribery), inbound logistics (e.g. transportation impacts – emissions) operations (e.g. emissions and waste), outbound logistics (e.g. packaging), marketing and sales (e.g. consumer information) and after-sales service (e.g. customer privacy).
3.2.4. CSR-relevant National Context in Germany and Spain
(Compare elaboration of country specific context in Germany and Spain in Chapter One)

3.2.5. Digest of the Theoretical Part and Formulation of Hypotheses
In the following, I wrap up the previous section, where I have explored the theoretical background of this paper, based upon which, I formulate the main hypotheses.
I have reviewed cross-country studies, which deal with CSR reporting. So far, only few cross-country researches has been undertaken with regard to CSR reporting at European level, which goes beyond exploring differences in view of CSR reports output. In addition, even less, and only recently, these have considered institutional mechanisms, in order to explain country specific differences in this field. I have demonstrated the gap in the literature with regard to cross-country studies involving two European countries and which establish at the same time the link to the institutional context. Furthermore, I have referred to the choice of the two countries, Germany and Spain, in biographical and literature terms.
Moreover, I have pointed out the reasons, namely criticism formulated in this regard, for the selection of the CSR issues relevant to this paper. These are ‘institutionalisation of GRI indicators’, ‘CSR agendas’ and ‘communicated rationale’ behind CSR.
In addition, I have explored the theoretical frameworks on which the analysis of the CSR relevant country context is based upon, namely neo-institutional theory, legitimacy theory and stakeholder theory. Hence, the way corporations approach CSR, in general, and specific CSR issues, are expected to be country specific, due to differences in national institutional settings.
To capture the assumed country specificity of CSR, I have elaborated a framework of institutional analysis, whose elements have been already referred to in CSR literature, either theoretically or empirically. Based upon said framework, I have explored differences in the institutional context in Germany and Spain, which seem to be important in shaping CSR.
Therefore, while mobilizing the theoretical background exposed so far, I formulate the following hypotheses:

**Institutionalisation of GRI indicators**

H 1. In general, differences between Germany and Spain with regard to the institutionalisation of GRI indicators will be observed.

H 2. The country specific context is influential in shaping these differences. Hence, we expect the following.
H 2.1. *The overall institutionalisation of GRI indicators is higher in Spanish than in German firms.*

This is due to the following reasons. From a VoC perspective, Spain lacks, unlike Germany, regulatory and coordination mechanisms. As a consequence, recommendations of international institutions and corresponding standards could be taken as benchmark, due to the lack of own mechanisms e.g. in view of inter-company relations. From a public policy perspective CSR is left to business, which is looking for guidance and standards in the field of CSR also beyond the country borders. Hence, Spanish firms are more likely to adapt such standards. In addition, Spain is a late starter in CSR, it started basically in 2001 with the publication of the Green Book of EC on CSR. This was also the time when GRI indicators started to become popular. Hence, the Spanish newcomers could have adapted the new standards to fill possibly a 'knowledge vacuum' in this regard, since no tradition in CSR accounting and reporting existed in the country before.

From a national corporate governance system perspective, Spanish corporations focus to a a major extent than German firms on their responsibility vis-à-vis their shareholders. The understanding of the firm is more instrumental. Hence, they consider to a major extent the rules and the trends of the market. In this sense, sustainability reports have become increasingly important also to the financial markets and rating agencies as a source of information. Moreover, the attachment and performance in the field of a widely accepted reporting standard, such as GRI transmits positive quality signals to the markets.

H 2.2. *The institutionalisation of GRI indicators in view of 'corporate profile' is higher in Spain than it is in Germany. (compare H.2.1.)*

H 2.3. *The institutionalisation of GRI 'performance indicators', namely economic, social and environmental, is higher in Spain than in Germany. (compare H 2.1.)*

H 2.4. *The priority of focus of institutionalisation of GRI performance indicators in Germany, unlike in Spain, is environmental, social, economic performance indicators.*

In view of the first priority, this reflects the importance and tradition of societal concerns with regard to environmental issues and business and a strong civil
society putting pressure in this regard on companies. From a national corporate governance system perspective, the institutional understanding of the firm, which emphasizes the society aspect of business activities, the long time horizon in this regard and the responsibility towards primary and secondary stakeholders. The latter could in a wide sense also include the natural environment. From a public policies perspective, which focuses on sustainability and citizenship, CSR is mainly considered as the contribution of business to sustainable development. And, sustainability is closely linked to environmental protection.

Nevertheless, from a cultural perspective, the framework set up by Katz et al. (2001), in order to analyze culturally induced CSR, suggests an ambiguous expectation of environmentalism in both Germany and Spain, which does not correspond to what has been reported in relation to environmental issues in the other elements of the institutional analysis of the country.

Concerning the second priority, social issues, this can be approached equally from the national corporate governance system perspective, with the institutional understanding of the firm and the responsibility of business vis-à-vis the society as a whole. From a VoC perspective, the German ‘education and training system’ is considered as very efficient and well established. Related issues are also regarded as important to the social CSR agenda.

Concerning the third priority, the economic one, again the national corporate governance system with its institutional understanding of the firm could explain why economic issues, especially in the framework of CSR are considered less important than the environmental and social ones.

**H 2.5. The priority of focus of institutionalisation of GRI performance indicators in Spain, unlike Germany, is economic, social and environmental performance indicators.**

In view of the first priority, economic indicators please compare H 2.1. Concerning the second priority, one has to bear in mind the traditional importance of social issues and business, especially labour issues in Spanish society, which represent also an important element of CSR. In view of the third priority, the importance in society of environmental issues and business are traditionally not as well developed as in Germany. Moreover, Spain, unlike Germany, is lagging in view of the development of civil society organisations which could put pressure on the corporations in this regard.
CSR agendas

H 3. In general, differences between Germany and Spain with regard to CSR agendas will be observed.

H 4. Country specific institutional mechanisms are influential in shaping these differences. Hence, we expect the following.

H 4.1. The priorities of focus in view of the main thematic agendas of the 'corporate sustainability' triangle will be in Germany, unlike Spain, environmental, social and economic.

(compare H 2.4.)

H 4.2. The priorities of focus in view of the main thematic agendas of the 'corporate sustainability' triangle will be in Spain, unlike Germany, economic, social and environmental issues.

(compare H 2.1.)

Communicated Rationale

H 5. In general, differences between Germany and Spain with regard to the communicated rationale will be observed.

H 6. Country specific institutional mechanisms are influential in shaping these differences. Hence, we expect the following.

H 6.1. German firms communicate to a major extent than their Spanish counterparts the 'sustainability' rationale in relation to the 'business case' rationale.

(compare H 2.4.)

H 6.2. Spanish firms communicate to a major extent than their German counterparts the 'business case' rational in relation to the 'sustainability' rationale.

(compare H 2.1.)
3.3. Methodology, Sample and Data Collection

In this section, I give an overview on the methodology applied and point out the selection of the sample and the process of data collection.

3.3.1. Methodology

The methodology applied is contents research or text analysis (Allard-Poesi and Maréchal, 2003, Neuendorf, 2002, Weber, 1990, Popping 2000). Contents analysis enables to draw conclusions of the source of the data from persons to ‘collectivity’ (Popping, 2000), here corporations. The central idea of the quantitative approach of contents analysis, unlike the qualitative approach, is that the repetition of elements (words, expressions, here also quantitative indicators) in a text indicate the ‘focus of interest’ of the actor, here corporation. In addition, many words of a text having a similar meaning can be classified into fewer categories (Allard-Poési and Maréchal, 2003, Popping, 2002). The texts to be analysed in the framework of this research are stand-alone CSR reports.

The research is composed of two strands of analysis, the ‘quantitative indicators’ and the ‘lexical’ one (compare Appendix B). The ‘quantitative indicators’ strand was elaborated by human coding (Weber, 1990) and is supposed to deliver insights into the institutionalisation of GRI Indicators and CSR Agendas. In a first step, a data base was set up, in which all quantitative indicators, including their variations in view of time perspective (past, future), geographic space (by region, by country, home country); organizational perspective (by group, business areas, business line) and metric (total numbers, relative terms, different measurement units) were introduced.

For the evaluation of the institutionalisation of the GRI Indicators two elements of the GRI guidelines were selected, ‘Organizational Profile’ and ‘Performance’ indicators, since these are defined in quantitative terms in the GRI ‘indicator Protocols’. Hence, a second data base was set up. In the latter the quantitative indicators, indicated in the GRI Index of the CSR reports with regard to ‘Organizational Profile’ and ‘Performance’ indicators were introduced. Then, I assessed, based on the GRI ‘Indicator Protocols’ (www.globalreporting.org, ‘Indicator Protocols’), in its latest version, G3, if the indicators disclosed were correct. Only those indicators which fully corresponded to the definitions described in the GRI ‘Indicator Protocols’ were counted. This approach aimed at tackling the deficiencies in judgements on CSR disclosure which are based on graded numeric scoring systems. There, also not fully correct applications of specific indicators, defined by a given standard, are scored. The graded numeric scoring systems are assumed to have utility problems. This is for example the case...
when a report writer starts to respond systematically to the numeric scoring system (Mohrhardt et al., 2002, Mohrhardt, 2001).
The degree of institutionalisation of GRI ‘Organizational Profile’ and ‘Performance’ indicators is assumed to be very high, when achieving between 100% and 81% of the maximum, as high (between 80% and 61%), as medium (between 60% and 41%), low (between 40% and 21%) and very low (between 20% and 0%). The degree of institutionalisation is also examined according to ‘core’ and ‘non-core’ indicators, labelled in the GRI-indicator protocols ‘core’ and ‘additional’ (here, ‘non-core’).

In a next step, the already counted correct GRI indicators were deleted in the first data base, in order to reveal those quantitative indicators which were reported in addition to the GRI indicators (‘additional indicators’). The ‘additional indicators’ were classified deductively in ‘a priori’ categories (Allard-Poesi and Maréchal, 2003) according to the ‘aspects’ of the GRI ‘Organizational Profile’ and ‘Performance’ indicators. Additional quantitative indicators, which could not be linked to any ‘a priori’ existing category, were classified inductively in ‘a posteriori’ built categories (Allard-Poesi and Maréchal 2003). Here, I call these categories ‘emerging’ ones.

For the purpose of exploring the focus of CSR agendas according to the ‘Corporate Sustainability’ framework, the indicators of GRI ‘Organizational Profile’ and ‘Performance’ and ‘additional/emerging’ indicators were classified deductively into the three main ‘a priori’ categories of said framework. Then, those quantitative indicators which were not attributable to the categories of ‘Corporate Sustainability’ were categorised inductively in an ‘a posteriori’ built category called ‘emerging CSR pillar’.

With regard to the lexical part of the research, which aims at finding out the ‘communicated rationale behind CSR’, a computer based ‘key word search’ with specialised software was conducted (Popping, 2000). I used the dictionary (key-words), elaborated by Hartmann et al. (2007) and the Boolean method (word-stems counting of dictionary) was applied. The results were subsequently classified deductively in the two ‘a priori’ defined categories: ‘financial’ and ‘sustainability’ nodes. These represent the instrumental or ‘business case’ and the normative or ‘intergenerational morality’ communicated rationale behind CSR, respectively (Hartmann et al. 2007).
3.3.2. Sample

The sample consisted of companies, which operate in the utility industry and which are listed in the leading stock indexes in Germany and Spain (DAX and IBEX 35). By that, corporate characteristics which are supposed to have impact on CSR, beyond country context, such as size (Cornier et al., 2005, Brammer and Pavelin, 2006, Patten, 1991, 1992, Cowen, et al., 1987, Clarke-Gibson Sweet, 1999), sector (Carroll, 1989, Clarke Gibson-Sweet, 1999, Guillén, 2002), industry (Cottrill, 1990, Cowen et al., 1987, Patten, 1992) and publicly listed status (Cowen et al., 1987, Tilt, 1994, Patten, 1992) were controlled for. In addition, the utility industry is a significantly polluting industry, which affects a huge range of stakeholders (Van der Laan Smith et al., 2005). Therefore, it is supposed to be especially active in CSR, in general, and in CSR disclosure, specifically, due to legitimacy reasons. Furthermore, corporations of this size and being active in a key industry, have the power for social change and serve as a benchmark for excellence for other corporations (Cowen et al., 1987) or ‘peer firms’ (Logsdon and Yuthas, 1997).

Therefore, the final sample consisted of the companies Eon, RWE and EnBW for Germany, and Endesa, Union Fenosa, Gas Natural, and Iberdrola for Spain. The Spanish company Red Eléctrica de España, (REE), although active in the industry, had been eliminated from this sample, since it is not a fully integrated utility company.

3.3.3. Data Collection

The data collection was realised by asking at the companies’ headquarters for the report in English and national language (German or Spanish, respectively) in paper form. This was necessary, since the research which dealt with ‘quantitative indicator’ was conducted by human coding. And, human text coders work more effectively with hard copy (Franke, 2000, in Neuendorf, 2002). The version in original language served as a point of reference in case of consistency problems in the translated version. For the quantitative textual research the CSR reports of the respective companies were downloaded from the companies’ websites in pdf-format and converted into a format compatible with the applied software (Textpack by ZUMA/ University of Mannheim).

3.4. Results

In this section, I start with presenting the results of the first strand of research, based on ‘quantitative indicators’, which is supposed to deliver insights into the country specific institutionalisation of the GRI ‘Organizational Profile’ and ‘Performance’ indicators and CSR.
agendas. Said GRI indicators and the corresponding ‘additional/emerging’ ones will be dealt with. In addition, reporting patterns with regard to ‘core’ and ‘non-core’ indicators, according to GRI, will be explored.

Then, I elaborate the categorisation of CSR agendas, based on the totality of reported ‘quantitative indicators’, according to the ‘Corporate Sustainability’ triangle, and sound emerging categories beyond said framework.

In view of the second strand of research, the ‘lexical’ one, I present the findings with regard to the two categories of ‘communicated rationale’ behind CSR. Finally, the results for both strands of research will be linked back to the country specific context.

3.4.1. Quantitative Indicators

3.4.1.1. Institutionalisation of the GRI ‘Organizational Profile’ Indicators and ‘Additional/Emerging’ Indicators

The ‘Organizational Profile’ of the GRI guidelines includes six quantitative core indicators and six non-core indicators. The following graph gives an overview on the number of reported GRI indicators (x-axis) and the ‘additional’ (additional/emerging) quantitative indicators provided in the CSR reports (y-axis), when referring to the ‘Organizational Profile’, by company and country. The institutionalisation of the GRI indicators is related to the position of the companies on the x-axis vs. the indicated maximum. This visualisation is also true for the graphs 2, 3 and 4.

**Graph 1: Institutionalisation of ‘GRI Organizational Profile’ Indicators vs. ‘Additional’ Indicators by company (number of indicators) and country (means)**
With regard to the overall number of the GRI-indicators (core and non-core), the German companies achieve a mean of 4.67, the Spanish companies one of 7.25. This corresponds to an overall coverage of the GRI ‘Organizational Profile’ indicators of 39% for the German companies and of 60% for the Spanish companies. The result implies a low institutionalisation in Germany and a medium one in Spain. Also with regard to core and non-core indicators, the Spanish companies report to a major extent ‘core’ (75%) and ‘non-core’ indicators (46%) than the German ones (56% and 33%, respectively). This result suggests a high institutionalisation of GRI core indicators in Spain (75%) and a medium one in Germany (56%) and a lower institutionalisation of non-core indicators in both countries. With regard to ‘additional’ indicators, an average number of 195,25 was counted for Spanish companies, for German ones less, namely 65,00.

3.4.1.2. Institutionalisation of GRI ‘Performance’ Indicators and ‘Additional’ Indicators

With regard to the number of GRI 'economic performance indicators' the Spanish companies achieved an overall mean of 18.5, the German companies one of 5.33. This indicates an overall coverage of 42% for Spanish companies vs. 12% for German ones. Therefore, the institutionalisation of these indicators in Spain could be qualified as medium, the German one as very low. With regard to core and non-core indicators, the Spanish companies report more extensively in this regard (16.75, 1.75, respectively) than the German ones (5.33, 0, respectively). This implies a medium institutionalisation of GRI 'economic core indicators' (45%), a low one for the 'non-core' indicators (25%) in Spain and a very low one for 'core' and 'non-core' indicators (14% and 0%, respectively) in Germany.

In view of the institutionalisation of GRI 'Economic Performance' Indicators by category, the Spanish companies are ahead of the German ones in all categories: 'Economic Performance' (25% vs. 63%), 'Market Presence' (17% vs. 0%), and 'Indirect Economic Impacts' (35% vs. 6%). Nevertheless, in both countries the category 'Economic Performance' achieves the most pronounced relative levels of institutionalisation, namely high in Spain and low in Germany. In contrast the lowest levels in this regard are observed in 'Market Presence', with a very low level of institutionalisation in both countries.

With regard to additional quantitative 'economic' indicators, an average number of 358.50 were counted for the Spanish companies, for the German ones much less, only 54.00.
With regard to the number of the GRI indicators referring to the 'Environmental Performance', the Spanish companies achieve an overall mean of 26.75, the German companies one of 21.67. This suggests an overall coverage of this category of GRI indicators in the Spanish reporting of 22%, in the German of 17%. Therefore, the results imply that the level of institutionalisation of these reporting parameters in Spain is low, in Germany very low. With regard to 'core' and 'non-core' indicators, the Spanish companies report more extensively in the 'core' category than the German ones (17.00 vs. 12.67). The mean of the number of reported 'non-core' indicators is almost the same in Germany and Spain (9.00 vs. 9.75). Hence, the institutionalisation of 'core' indicators in Spain (28%) can be considered as low, in Germany as very low (19%). The institutionalisation of 'non-core indicators' seems to be very low in both countries (17% in Spain, 15% in Germany).

In view of the institutionalisation of GRI 'Environmental Performance' Indicators by category, the Spanish companies are ahead of the German ones in three categories, namely 'Consumption' (35% vs. 27%), 'Emissions, Effluents and Waste' (27% vs. 24%) and 'Transport' (17% vs. 6%). The German firms show higher levels with regard to 'Compliance' (67% vs. 63%) and 'Environmental Costs and Investments' (67% vs. 42%). Concerning the category 'Land Occupation and Biodiversity' the same level of institutionalisation, namely 11% is achieved. But, in both countries the category...
‘Compliance’ achieves the highest levels of institutionalisation, namely a high one in Germany and Spain. In contrast, the lowest levels in this regard are observed for Germany in ‘Transport’, for Spain in ‘Land Occupation and Biodiversity’, with very low levels of institutionalisation in both countries.

The count of ‘additional indicators’ reaches an average number of 315,75 for Spanish and around half of that number, namely 162,00, for German companies.

Graph 4: Institutionalisation of the GRI ‘Social Performance’ Indicators vs. ‘Additional’ Indicators by company (number of indicators) and country (means)

Spanish companies reach in view of the GRI ‘Social Performance’ indicators an overall mean of frequency of 35,25, the German ones much less, only one of 11,67. This result suggests a coverage of the GRI indicators in this category for the Spanish companies of 23%, whereas German ones achieve only one of 8%. The findings suggest a low level of institutionalisation of said indicators in Spanish companies and a very low level of such in German ones. With regard to ‘core’ and ‘non-core’ indicators the Spanish companies report to a major extent according to the ‘non-core’ category (mean 19,25) than to the ‘core’ one (mean 16,00). In Germany these levels are in both categories much lower (mean 2,67 and 9,00 respectively). Hence, the institutionalisation of the ‘non-core’ indicators of the social performance indicators category in Spain seems to reach with a coverage of 34% a low level, the ‘core’ indicators with 16% a very low level. In Germany for both, non-core and core indicators, a
very low level of institutionalisation of GRI ‘social performance indicators’ is registered (5% and 9%, respectively).

In view of the institutionalisation of this set of indicators by category the Spanish companies are ahead of the German ones in all categories: ‘Labour Practices and Decent Work’ (28% vs. 9%), ‘Human Rights’ (10% vs. 8%), ‘Society’ (14% vs. 11%) and ‘Product Responsibility’ (28 vs. 2%). The highest levels of institutionalisation are observed in the case of German firms, although at a very low, with regard to ‘Society’. This is true for Spanish companies in view of ‘Labour Practices and Decent Work’ and ‘Product Responsibility’, although at low levels of institutionalisation.

With regard to ‘additional/emerging’ social indicators the Spanish companies are ahead of the German ones with regard to the average number of quantitative indicators counted, namely 324.50 in contrast to 119.33.

In total, the results suggest that the overall institutionalisation of the GRI ‘performance indicators’ is low in Spain (25%) and very low in Germany (11%). Including the ‘organizational profile indicators’, the overall institutionalization is low in Spain (26%) and very low in Germany (12%).

3.4.13. CSR Agendas: Corporate Sustainability Framework

In the following graph the categorisation of quantitative indicators, according to the ‘corporate sustainability’ framework with its ‘financial’, ‘environmental’ and ‘social’ pillars is presented. In addition, the main ‘emerging pillar’ is referred to. The corresponding country profile reveals the main categories of CSR reporting, which provides insights into CSR agendas.
The count of the overall number of quantitative indicators (‘GRI indicators’ and ‘additional indicators’) reveal that Spanish companies report to a major extent quantitative indicators (country mean 1217, 00) than German firms (country mean 412).

The Spanish companies disclose in their CSR reports fully over the corporate sustainability framework, but with a focus on economic issues (country mean 382,00) and to a less extent on social (country mean 361,75) and environmental ones (country mean 342,50). In contrast, German companies report mainly on environmental and social issues (country mean 183,67 and 133,33, respectively), with a focus on environmental issues, and only marginally on economic ones (61,67). At country level, the Spanish companies underline their economic and social responsibilities and less their environmental ones. Hence their CSR agenda focuses on activities in this regard. In contrast, the German companies focus on their environmental and social responsibilities and therefore on corresponding activities on their CSR agenda.

In addition to the three pillars of ‘Corporate Sustainability’, one important additional category emerges, namely ‘corporate governance’. The average frequency of quantitative indicators in
Spain in said category reaches 99.0, but only 10.7 in Germany. This result suggests that due to the relatively high frequency ‘corporate governance’ constitutes an important category for Spanish companies in CSR reporting and therefore a significant issue on their CSR agenda. In contrast, among German companies said issues seem to be only marginally relevant.

When examining the results at corporate level (compare graph 6), the findings from the country perspective are true for German companies. In contrast, for Spanish companies, the result is more mixed. But, it is still true that the latter report to a major extent than German firms fully over the ‘Corporate Sustainability’ framework and emphasizes therefore, more than their German counterparts their economic and social responsibilities.

**Graph 6: CSR agendas according to the ‘Corporate Sustainability’ Framework, by company (number of indicators)**

![Graph showing CSR agendas](image)

In sum, the results of the contents analysis based on the frequency count of quantitative indicators suggest that the institutionalisation of GRI indicators, focus of CSR reporting, with its corresponding insights into CSR agendas, are different in Germany and Spain. In the following section the results of the lexical research strand which deal with the ‘communicated rationale’ behind CSR will be pointed out.
3.4.2. The Communicated Rationale behind CSR

In the following table, the results of the lexical contents analysis with regard to the ‘communicated rationale’ are presented. It shows the frequency of key words by company and country (mean) according to the two following two categories: ‘financial node’, which relates to the ‘business case’ rationale behind CSR, and ‘sustainability node’, which is attached to the ‘intergenerational morality’ rationale in this regard.

Table 1: Financial and Sustainability Nodes by Company (key word count) and Country (mean)

<table>
<thead>
<tr>
<th>Financial Node</th>
<th>EON</th>
<th>RWE</th>
<th>EnBW</th>
<th>Mean D</th>
<th>ENDESA</th>
<th>FENOSA</th>
<th>Gas Natural</th>
<th>Iberdrola</th>
<th>Mean E</th>
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</thead>
<tbody>
<tr>
<td>Bottom-line</td>
<td>50</td>
<td>84</td>
<td>72</td>
<td>68,67</td>
<td>167</td>
<td>249</td>
<td>233</td>
<td>452</td>
<td>275,3</td>
</tr>
<tr>
<td>Budget</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>0,67</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>0,08</td>
</tr>
<tr>
<td>Finance</td>
<td>44</td>
<td>52</td>
<td>46</td>
<td>36,33</td>
<td>86</td>
<td>32</td>
<td>35</td>
<td>95</td>
<td>62,00</td>
</tr>
<tr>
<td>Profit</td>
<td>45</td>
<td>53</td>
<td>49</td>
<td>34,33</td>
<td>80</td>
<td>29</td>
<td>20</td>
<td>56</td>
<td>23,53</td>
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<tr>
<td>Shareholder</td>
<td>7</td>
<td>10</td>
<td>11</td>
<td>9,33</td>
<td>19</td>
<td>100</td>
<td>81</td>
<td>155</td>
<td>88,75</td>
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<tr>
<td>Total</td>
<td>50</td>
<td>84</td>
<td>72</td>
<td>68,67</td>
<td>167</td>
<td>249</td>
<td>233</td>
<td>452</td>
<td>275,3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sustainability Node</th>
<th>EON</th>
<th>RWE</th>
<th>EnBW</th>
<th>Mean D</th>
<th>ENDESA</th>
<th>FENOSA</th>
<th>Gas Natural</th>
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<td>0</td>
<td>4</td>
<td>4</td>
<td>0</td>
<td>0,08</td>
</tr>
<tr>
<td>Citizen</td>
<td>4</td>
<td>2</td>
<td>13</td>
<td>6,33</td>
<td>4</td>
<td>2</td>
<td>7</td>
<td>2</td>
<td>3,75</td>
</tr>
<tr>
<td>Code of Conduct</td>
<td>9</td>
<td>29</td>
<td>1</td>
<td>13,00</td>
<td>16</td>
<td>11</td>
<td>63</td>
<td>7</td>
<td>24,25</td>
</tr>
<tr>
<td>Community</td>
<td>123</td>
<td>28</td>
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<td>32</td>
<td>35</td>
<td>95</td>
<td>62,00</td>
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<tr>
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<td>0</td>
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<td>0</td>
<td>29</td>
<td>0</td>
<td>0</td>
<td>7,25</td>
</tr>
<tr>
<td>Responsible</td>
<td>103</td>
<td>218</td>
<td>78</td>
<td>123,00</td>
<td>51</td>
<td>84</td>
<td>125</td>
<td>88</td>
<td>87,00</td>
</tr>
<tr>
<td>Social</td>
<td>42</td>
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<td>56</td>
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<td>112</td>
<td>130</td>
<td>84</td>
<td>153</td>
<td>119,75</td>
</tr>
<tr>
<td>Society</td>
<td>7</td>
<td>16</td>
<td>46</td>
<td>23,00</td>
<td>24</td>
<td>45</td>
<td>40</td>
<td>41</td>
<td>37,50</td>
</tr>
<tr>
<td>Stakeholder</td>
<td>46</td>
<td>38</td>
<td>19</td>
<td>34,33</td>
<td>37</td>
<td>28</td>
<td>24</td>
<td>4</td>
<td>23,25</td>
</tr>
<tr>
<td>Sustainability</td>
<td>27</td>
<td>74</td>
<td>62</td>
<td>54,33</td>
<td>201</td>
<td>80</td>
<td>67</td>
<td>122</td>
<td>117,50</td>
</tr>
<tr>
<td>Total</td>
<td>455</td>
<td>434</td>
<td>281</td>
<td>390,00</td>
<td>535</td>
<td>441</td>
<td>449</td>
<td>512</td>
<td>484,25</td>
</tr>
</tbody>
</table>

| Ratio               | 0,11| 0,19| 0,26 | 0,19   | 0,31   | 0,56   | 0,52        | 0,88     | 0,57   |
| N° tokens           | 26,366 | 34,447 | 49,413 | 56,742 | 68,134 | 52,071 | 61,627      | 90,869   | 68,175 |

Source: own elaboration

The highest mean of frequency of key words are achieved in both countries with regard to those, which are assignable to the ‘sustainability node’ (mean 484,25 for Spanish companies
and 390,00 for German ones). In the ‘financial node’, the German companies achieve a frequency mean of 68,67, the Spanish firms one of 275,30. Hence, in both countries, the sustainability node is more important than the financial node. But, when calculating the ratios financial/sustainability node the mean of the German companies is 0,19, the one of the Spanish companies 0,57. This result implies that the financial node in relation to the sustainability node is to a major extent important in Spain than in Germany. Therefore, I suggest that the German companies communicate to a major extent the normative, namely the ‘intergenerational morality’ rationale behind their CSR engagement than their Spanish counterparts. The latter seem to communicate a mixed rationale between the two extreme points of motivation ‘business case’ and ‘intergenerational morality’.

Nevertheless, it is surprising that the social CSR agenda is not more emphasized in comparison to the environmental agenda. This could have been expected since labour issues, which are an eminent component of the social CSR agenda, are traditionally an important concern of Spanish society (Fernández Fernández and Melé, 2005), which is not true for environmental issues.

3.5. Discussion and Conclusions

In this section, I highlight the findings and discuss them. Moreover, I explore the limitations of the paper, its contributions to the literature and I point out its implications for managerial practice, public policy and further research.

Important differences in view of the patterns in CSR reporting between Spanish and German companies, which are supposed to provide corresponding insights into the institutionalization of GRI indicators, CSR agendas and the communicated rationale behind CSR.

With regard to the institutionalization of GRI indicators, important differences between the two countries were observed. Hence, H 1. can be accepted. In view of the impact of specific institutional mechanisms on said differences, the overall institutionalization of the GRI indicators in Spanish companies achieve a low level, in German firms a very low one. Hence it is higher in Spain than in Germany. As a consequence, H 2.1. can be accepted. The highest degree in this regard was achieved in both countries in view of GRI ‘Organizational Profile’ indicators, although at a much higher level among Spanish companies. The latter is also true for GRI ‘Performance’ indicators, although they move in both countries at a lower level. The GRI ‘Economic Performance’ indicators reach their highest degree of institutionalisation in Spanish companies. For German companies this is true for GRI ‘Environmental Performance’ indicators. Although the main focus in this regard is correct, the priority ranking for German
companies as expressed in H.2.4. is not fully correct, since the second priority is economic indicators, and not as expected the third. In general, the overall level of institutionalisation of GRI performance indicators is low, brought to an extreme by German companies. These results suggest that H 2.2, 2.3. and 2.5 are confirmed. Hence, in view of the institutionalisation of the GRI indicators H 2, namely that it is shaped by the country context can be confirmed, although not fully due to the inconsistency found in H 2.4.

The more advanced, although at a low level, institutionalisation of said reporting guidelines in Spain, could reflect the findings of chapter one, namely that in Spain, CSR seems to have a more voluntary character. In contrast, in Germany, CSR is more regulated and therefore the companies possibly not as attached as the Spanish ones to voluntary standards. Moreover, the findings suggest that Spanish companies in general are more attached to global standards than the German ones. This is also the case in view of another important CSR standard, the Global Compact (GC), where five times more Spanish than German corporations are signatories (www.globalcompact.org). In addition, the GC framework focuses to a major extent on social issues, in particular labour and human rights, than on environmental issues. This could correspond to traditional Spanish preferences in view of CSR, namely social ones, and therefore these have entered more easily the CSR agenda of Spanish companies.

Another line of argumentation in this regard, could be country specific traditions in view of CSR management systems. In Spain, CSR is a relatively new issue. In Germany internal accounting systems, which included also reporting mechanisms, such as EMAS (Eco-Management and Audit Scheme, created by EC in 1993) already existed. And, EMAS was and is very popular among German corporations (Roome, 2005). From a VoC perspective, the German firms with their high value added produce, capital intensity, and application of new technologies (Hall and Soskice, 2001) could possess traditionally and to a major extent than their Spanish counterparts capabilities, necessary to coordinate, including design and implementation of monitoring and reporting routines, a complex issue like CSR. Hence, in contrast to Spanish companies they could have been forced to a lesser extent, to rely on responses established by international organisations, such as GRI in this regard.

But, in general, the low level of institutionalisation of GRI guidelines is surprising, since the examined corporations are heavyweights in their industry. In addition, the industry they operate in is socially and environmentally critical, but also societally and economically vital. Therefore, their CSR disclosure was expected to be more exemplary and in this sense, to a major extent attached to global voluntary standards. But on the contrary, the results suggest, that this is not the case. In addition, all reports were externally audited, which signals, in
general, the compliance with standards. The low institutionalisation and the external auditing, which signal the contrary, lead, in my view, 'ad absurdum' the main objectives of the GRI guidelines, namely transparency, in general, and comparability and corresponding benchmarking with regard to CSR performance, in particular. Hence, the findings support the criticism of voluntary guidelines, in general, and confirm the question mark behind the communicated 'in accordance' status with the GRI guidelines (Archel et al., 2007), specifically.

With regard to CSR agendas and their categorisation, according to the 'Corporate Sustainability' framework, the findings suggest the following. First differences between the two countries were observed in view of the issue. Hence, H 3 can be accepted. The country level consideration implies that Spanish companies prioritize by their economic, social and environmental responsibility and corresponding issues on their CSR agendas. In contrast, German companies do so in view of their environmental, social and economic responsibilities. Hence, H 4.1. and H 4.2., in particular, and H 4, in general, can be confirmed, namely that these differences can be attributed to the influence of country specific institutional mechanisms. From a firm level perspective, the same is true for German companies, but for Spanish companies the result is more mixed. Furthermore, Spanish companies seem to establish a fourth main category on their CSR agendas, namely 'corporate governance'. This is also in line with the major attachment of Spanish companies to GRI indicators, since said framework considers CG elements as part of the CSR reporting scheme.

In view of the communicated rationale behind CSR engagement of German companies differences were registered. Hence, H 5 can be accepted. The normative 'intergenerational morality' is to a major extent communicated by German firms. In contrast, the Spanish companies' motivation is situated between the German companies' rationale and the 'business case' for CSR. In the light of these results, the influence of specific institutional mechanisms at country level, formulated in H 6.1 and H 6.2., can be confirmed. Hence, this is also true for H 6. Moreover, the major attachment of Spanish companies to the 'business case' of CSR is in line with the findings of chapter one. There, the findings implied that Spanish companies follow to a major extent than German firms a competitive advantage centered approach to CSR.

For managerial practice the findings of this paper suggest the following. A cross-country benchmarking of companies' CSR performance in view of Germany and Spain, which is based upon GRI reporting standards is only to a limited extent possible, since their institutionalisation is relatively low in both countries. In general, it raises the question, if
country and cross-country comparisons for benchmarking purposes, based on the GRI guidelines can be done in an effective and reasonable way.

With regard to market entries, international mergers or cross-country (co)-operations, the different focus of CSR reporting and agendas, which seem to be shaped by institutional mechanisms, present in a country, should be taken into account, in order to avoid legitimacy biases of corporate action in this regard.

In view of the implications of the findings of this paper for public policy, in general, and in Germany and Spain, specifically, I suggest the following. ‘Self regulation’ in CSR, in general, and that with regard to CSR reporting , specifically, does not seem to provide automatically the solution for transparency gaps with regard to corporate impacts on society, since their level of institutionalisation can be low. Hence, ‘voluntary guidelines’ from a regulatory point of view could only be acceptable when applied correctly, effectively and extensively. Consequently, regulators should carefully observe the compliance with voluntary standards. In case of low institutionalisation, the (national and/or supranational) regulator should intervene by providing incentives for accomplishment or regulate legally, what has turned out to be not achievable by self regulation.

Concerning further research, the findings of this paper imply the following. The analytical framework as presented here could be extended, in a first step, to other industries within the same comparative setting at country level, namely Germany vs. Spain, in order to provide a broader knowledge basis on potential industry specific behaviour in this regard. And, in a second step, other European countries than Germany and Spain could be subject to research, in order to increase the knowledge on the diversity of CSR practice at corporate level and its country-specificity in Europe. A broader knowledge basis in view of country specific CSR and the corresponding institutional mechanisms could provide a more adequate and effective decision-making at (supra) national regulatory and corporate level.

Another field of research could be, in addition to the quantitative contents analysis conducted here, qualitative text analysis. The latter strand of text analysis aims at detecting differences in understanding and meaning of expressions, which could be applied to expressions central to CSR e.g. by a ‘Key Word in Context’ (KWIC) (Weber, 1990) approach. This field of research could be especially promising for cross-country research in Europe due to the important cultural and language diversity in the region (Nurdin, 2009). I suggest in this regard, to examine ‘key words’ of the ‘dictionary’ developed by Hartmann et al. (2007) which contains CSR key expressions, such as, to mention some, stakeholder, community, governance etc.
A limitation of this paper is the small sample size, which makes it difficult to generalise its findings (for further limitations, compare Essay 1 ‘conclusions’ section). In addition, other limitations consist of large firm size and that as a framework for the institutional analysis served mainly those which have already been referred to in CSR literature. Hence, also other frameworks of institutional analysis should be explored (compare ‘Discussion and Conclusion section Chapter 1) as explanatory variable in country specific CSR.

Nevertheless, the results over the analytical framework, although biased in this regard, seem to provide new insights into differences in CSR between European countries. They contribute to broaden the knowledge in this field and to enhance the understanding in view of the influence of country specific institutional settings on country specific differences in CSR.
Appendix C

Figure 1: Analytical Framework

CSR Reports

Quantitative Indicators

Lexical Analysis

Institutionalisation of GRI Indicators:
"Organizational Profile" and "Performance" Indicators

Additional/Emerging Indicators

CSR Reporting/CSR Agendas: Corporate

CSR Rationale
Financial vs. Sustainability Node

Emerging Categories:
CSR Reporting/CSR Agendas

Germany
CSR-relevant national context

Spain
CSR-relevant national context

Source: Own elaboration
Appendix D:

Table 2

Overview on main CSR principles, codes of conduct, guidelines, management systems and auditing, indices of evaluation, frameworks for accountability and accounting and product labels

<table>
<thead>
<tr>
<th>Principles and Codes of Conducts</th>
<th>Evaluation Indices</th>
<th>Frameworks for Accountability and Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green book of the European Commission on CSR</td>
<td>Dow Jones Sustainability Group indexes</td>
<td>Global Reporting Initiative Guidelines</td>
</tr>
<tr>
<td>Global Compact of the United Nations</td>
<td>FTSE4Good Selection Criteria</td>
<td>Accountability 1000 series</td>
</tr>
<tr>
<td>Amnesty International Human Rights Guidelines for Companies</td>
<td>Advanced Sustainable Performance Indices</td>
<td>HEPS Sustainability Reporting Framework</td>
</tr>
<tr>
<td>Ethical Trading Initiative Base Code</td>
<td>(ASPI from Vigeo)</td>
<td>AISHE Audit Instrument for Sustainability</td>
</tr>
<tr>
<td>Global Sullivan Principles</td>
<td>European Sustainable and Responsible Investment Forum (Eurosif)</td>
<td>in Higher Education</td>
</tr>
<tr>
<td>CSR-Matrix</td>
<td></td>
<td>Int. Standards on Assurance Engagements</td>
</tr>
<tr>
<td>WBCSD-document</td>
<td></td>
<td>(ISAE) 3000</td>
</tr>
<tr>
<td>Copenhagen Charter*</td>
<td></td>
<td>International Auditing and Assurance</td>
</tr>
<tr>
<td>Core Conventions of ILO</td>
<td></td>
<td>Standards Board (IAASB) of the International</td>
</tr>
<tr>
<td>OECD-Guidelines for multinational enterprises</td>
<td></td>
<td>Federation of Accountants (IFAC)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Association of Chartered Certified Accountants (ACCA) guidelines</td>
</tr>
<tr>
<td></td>
<td></td>
<td>'Fédération des Experts Comptables Européens' (FEE)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fondazione Eni Enrico Mattei (FEEM)</td>
</tr>
</tbody>
</table>

| Management and Auditing                                              |                                                          | Product Labelling                           |
| SIGMA Project                                                        |                                                          | Global Ecolabelling Network                 |
| SA8000 (Social Accountability)                                       |                                                          | Fair Trade Labelling Organisation International |
| SGE21                                                                 |                                                          | EC Flower                                   |
| Eco Management and Audit Scheme (EMAS)                               |                                                          | Energy Star                                 |
| EFQM                                                                  |                                                          | Clean Clothes Campaign                      |
| EQUIS                                                                |                                                          |                                            |
| ISO 9000 (quality) series                                            |                                                          |                                            |
| ISO 14000 (environment) series                                       |                                                          |                                            |
| ISO 26000 series                                                     |                                                          |                                            |
| Responsible Care (CEFIC)                                             |                                                          |                                            |

### Table 3: GRI ‘Organizational Profile Indicators’ by company and country

<table>
<thead>
<tr>
<th>Country</th>
<th>Germany</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Eon</td>
<td>RWE</td>
</tr>
<tr>
<td>By core and non-core overall Max.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core indicators</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Non-core indicators</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>In percent of Max.</td>
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<td></td>
</tr>
<tr>
<td>Core indicators</td>
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<td>67%</td>
</tr>
<tr>
<td>Non-core indicators</td>
<td>0%</td>
<td>33%</td>
</tr>
<tr>
<td>Total</td>
<td>25%</td>
<td>50%</td>
</tr>
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</table>

**Emerging Categories (to be distributed to 4, 5, 6)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Germany</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production and Capacity</td>
<td>9</td>
<td>14</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Sales and Customers</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Procurement</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>R&amp;D</td>
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<td>2</td>
</tr>
<tr>
<td>Subsidiaries</td>
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</tr>
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<td>Total Emerging Indicators</td>
<td>30</td>
<td>110</td>
</tr>
<tr>
<td>Total Emerging &amp; GRI</td>
<td>33</td>
<td>116</td>
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</table>

### Table 4: GRI ‘Economic Performance Indicators’ by company and country

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<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Eon</td>
<td>RWE</td>
</tr>
<tr>
<td>by core and non-core overall Max.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core Indicators</td>
<td>57</td>
<td>8</td>
</tr>
<tr>
<td>Non-core Indicators</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>44</td>
<td>8</td>
</tr>
<tr>
<td>in % of Max.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core Indicators</td>
<td>22%</td>
<td>19%</td>
</tr>
<tr>
<td>Non-core Indicators</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>18%</td>
<td>16%</td>
</tr>
<tr>
<td>by aspect</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Performance</td>
<td>17</td>
<td>6</td>
</tr>
<tr>
<td>Market Presence</td>
<td>9</td>
<td>0</td>
</tr>
<tr>
<td>Indirect Economic Impacts</td>
<td>18</td>
<td>2</td>
</tr>
<tr>
<td>in % of Max. by aspect</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Performance</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>Market Presence</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Indirect Economic Impacts</td>
<td>11%</td>
<td>6%</td>
</tr>
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</table>
Table 5: Additional Economic Indicators by company and country

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<tr>
<th>Country</th>
<th>Germany</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td>Econ</td>
<td>RWE</td>
</tr>
<tr>
<td>by aspect</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Market Presence</td>
<td>3</td>
<td>44</td>
</tr>
<tr>
<td>Total add. Indicators</td>
<td>3</td>
<td>45</td>
</tr>
</tbody>
</table>

Emerging categories

| Income statement | 3 | 8 | 6 | 6,00 | 50 | 32 | 47 | 205 | 83,50 |
| Financial ratios | 1 | 0 | 5 | 2,00 | 3 | 15 | 8 | 70 | 24,00 |
| Balance sheet | 0 | 0 | 3 | 1,00 | 2 | 21 | 2 | 105 | 32,50 |
| Stockmarket/shares | 9 | 6 | 1 | 5,33 | 49 | 52 | 56 | 112 | 67,25 |
| Investment | 4 | 4 | 5 | 4,33 | 25 | 6 | 3 | 35 | 17,25 |
| Procurement | 8 | 8 | 2 | 6,00 | 4 | 8 | 10 | 33 | 13,75 |
| Financial Info subsidiaries | 0 | 2 | 21 | 7,67 | 10 | 5 | 14 | 65 | 23,75 |

Total Emerging | 25 | 28 | 43 | 32,33 | 169 | 149 | 146 | 664 | 282,00 |
| Total Add. & Emerging | 28 | 73 | 61 | 54,00 | 224 | 202 | 213 | 795 | 358,50 |
| Total GRI Add. & Emerging | 36 | 80 | 62 | 59,33 | 248 | 221 | 230 | 809 | 377,00 |

1) Includes ‘sales and customers’ category
2) transferred from ‘Organisational Profile’

Appendix G

Table 6: GRI ‘Environmental Performance Indicators’ by company and country

<table>
<thead>
<tr>
<th>Country</th>
<th>Germany</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td>Econ</td>
<td>RWE</td>
</tr>
<tr>
<td>by core and non-core Max.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core Indicators</td>
<td>65</td>
<td>8</td>
</tr>
<tr>
<td>Non-core Indicators</td>
<td>59</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>124</td>
<td>13</td>
</tr>
</tbody>
</table>

In % of Max.

| Core Indicators | 12% | 20% | 26% | 19% | 25% | 35% | 25% | 20% | 28% |
| Non-core Indicators | 8% | 20% | 17% | 15% | 5% | 24% | 19% | 19% | 17% |
| Total in % | 10% | 20% | 22% | 17% | 16% | 30% | 22% | 19% | 22% |

by aspect

| Consumption |         |       |      |      |        |        |         |          |
| Materials | 5 | 1 | 1 | 2 | 1,33 | 1 | 2 | 2 | 1 | 1,50 |
| Energy | 23 | 1 | 0 | 0 | 0,33 | 0 | 5 | 2 | 6 | 3,25 |
| Water | 8 | 0 | 0 | 3 | 1,00 | 1 | 3 | 0 | 1 | 1,25 |
| Biodiversity | 18 | 0 | 4 | 2 | 2,00 | 1 | 4 | 1 | 2 | 2,00 |
| Emissions, Effluents and Waste | 42 | 9 | 8 | 13 | 10,00 | 9 | 13 | 13 | 10 | 11,25 |
| Products and Services | 14 | 0 | 4 | 0 | 1,33 | 4 | 3 | 5 | 1 | 3,50 |
| Compliance | 2 | 0 | 2 | 2 | 1,33 | 2 | 2 | 1 | 0 | 1,25 |
| Transport | 6 | 0 | 1 | 0 | 0,33 | 0 | 0 | 3 | 1 | 1,00 |
| Overall (env. costs) | 6 | 2 | 5 | 5 | 4,00 | 2 | 5 | 1 | 2 | 2,50 |

-to be continued -
<table>
<thead>
<tr>
<th>Country</th>
<th>Germany</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td>EON</td>
<td>RWE</td>
</tr>
<tr>
<td>in % by aspect</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumption</td>
<td>Materials</td>
<td>20%</td>
</tr>
<tr>
<td>Energy</td>
<td>4%</td>
<td>0%</td>
</tr>
<tr>
<td>Water</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Biodiversity</td>
<td>0%</td>
<td>22%</td>
</tr>
<tr>
<td>Products and Services</td>
<td>0%</td>
<td>29%</td>
</tr>
<tr>
<td>Emissions; Effluents and Waste</td>
<td>21%</td>
<td>19%</td>
</tr>
<tr>
<td>in % by aspects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliance</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>Transport</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>Overall (env. costs)</td>
<td>83%</td>
<td>83%</td>
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</table>

Table 7: Additional Environmental Performance Indicators by company and country

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</tr>
</thead>
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<td>Company</td>
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<td>RWE</td>
</tr>
<tr>
<td>Consumption</td>
<td>Materials consumed</td>
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<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Water consumed</td>
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<td>10</td>
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<td>Total Consumption</td>
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<td>11</td>
</tr>
<tr>
<td>Land occupation and biodiversity</td>
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<td>38</td>
</tr>
<tr>
<td>Total Emissions, Effluents, Waste</td>
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<td>93</td>
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<tr>
<td>Emissions</td>
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<tr>
<td>Emissions GG</td>
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<td>13</td>
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<tr>
<td>Emissions SO, NO others</td>
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<td>0</td>
</tr>
<tr>
<td>Project areas GGE reduction</td>
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</tr>
<tr>
<td>Production/Capacity Infrastructure for env. friendly technology</td>
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<td>50</td>
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<td>Energy Efficiency</td>
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</tr>
<tr>
<td>Projects to reduce emissions SO, NO, others</td>
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<td>3</td>
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<tr>
<td>Effluents</td>
<td>0</td>
<td>7</td>
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<td>Waste Generation and Management</td>
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<td>3</td>
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<td>Env. Investm.</td>
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<td>11</td>
</tr>
<tr>
<td>Compliance</td>
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<td>3</td>
</tr>
<tr>
<td>Transport</td>
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<td>0</td>
</tr>
<tr>
<td>Total Add. Ind.</td>
<td>83</td>
<td>156</td>
</tr>
</tbody>
</table>

 Emerging categories

| Environ. Management | 3 | 17 | 9 | 8,57 | 18 | 13 | 9 | 12 | 13.00 |
| R & D | 3 | 0 | 3 | 2,00 | 12 | 1 | 1 | 18 | 8.00 |
| Production/Capacity | 9 | 35 | 14 | 19,33 | 23 | 35 | 30 | 128 | 54.00 |
| Total emerging categories | 15 | 62 | 36 | 34,22 | 53 | 40 | 40 | 158 | 75.00 |
| Total Add. & Emerging | 98 | 208 | 180 | 162,00 | 227 | 257 | 273 | 506 | 315.75 |
| Total GR & Add. & Emerging | 111 | 233 | 207 | 183,87 | 268 | 254 | 300 | 530 | 342.50 |

1) includes "infrastructure"
2) transferred from 'Organisational Profile'
## Appendix H

### Table 8: GRI ‘Social Performance Indicators’ by company and country (1)

<table>
<thead>
<tr>
<th>Country</th>
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<td>Core</td>
<td>Core</td>
<td>Core</td>
</tr>
<tr>
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<td>RWE</td>
<td>ENBW</td>
<td>ENOSA</td>
</tr>
<tr>
<td></td>
<td>Mean</td>
<td>Mean</td>
<td>Mean</td>
<td>Mean</td>
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<tr>
<td>Germany</td>
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<td></td>
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<td>5</td>
<td>11</td>
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<tr>
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<td>3%</td>
</tr>
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<td>Non-core total</td>
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<td>24%</td>
<td>23%</td>
</tr>
<tr>
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<tr>
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<td>4%</td>
<td>0%</td>
<td>3%</td>
</tr>
<tr>
<td>Non-core total</td>
<td>24%</td>
<td>23%</td>
<td>24%</td>
<td>23%</td>
</tr>
<tr>
<td>Total</td>
<td>58</td>
<td>6</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Mean in %</td>
<td>6%</td>
<td>7%</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>Non-core</td>
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<td>4%</td>
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<td>3%</td>
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<tr>
<td>Non-core total</td>
<td>24%</td>
<td>23%</td>
<td>24%</td>
<td>23%</td>
</tr>
<tr>
<td>Total</td>
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<td>2</td>
<td>3</td>
<td>6</td>
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<tr>
<td>Mean in %</td>
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<td>9%</td>
<td>18%</td>
<td>11%</td>
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<tr>
<td>Non-core total</td>
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<td>23%</td>
<td>24%</td>
<td>23%</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>2</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Mean in %</td>
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<td>7%</td>
<td>9%</td>
<td>8%</td>
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<td>Non-core</td>
<td>11%</td>
<td>4%</td>
<td>0%</td>
<td>3%</td>
</tr>
<tr>
<td>Non-core total</td>
<td>24%</td>
<td>23%</td>
<td>24%</td>
<td>23%</td>
</tr>
<tr>
<td>Total</td>
<td>58</td>
<td>6</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Mean in %</td>
<td>6%</td>
<td>7%</td>
<td>9%</td>
<td>8%</td>
</tr>
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<td>Non-core</td>
<td>11%</td>
<td>4%</td>
<td>0%</td>
<td>3%</td>
</tr>
<tr>
<td>Non-core total</td>
<td>24%</td>
<td>23%</td>
<td>24%</td>
<td>23%</td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
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<td>3</td>
<td>6</td>
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</table>

### By core and non-core overall

<table>
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<th>Mean</th>
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</thead>
<tbody>
<tr>
<td>Germany</td>
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<td></td>
</tr>
<tr>
<td>Eon RWE</td>
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<td></td>
</tr>
<tr>
<td>EnBW</td>
<td>11,67</td>
<td></td>
</tr>
<tr>
<td>Non-core indicators</td>
<td>11,67</td>
<td></td>
</tr>
<tr>
<td>Non-core total</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
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<td></td>
</tr>
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### By core and non-core

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<tr>
<td>Non-core indicators</td>
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</tr>
<tr>
<td>Total</td>
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<td></td>
</tr>
<tr>
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<td>2,50</td>
<td></td>
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<tr>
<td>Non-core indicators</td>
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<td></td>
</tr>
<tr>
<td>Total</td>
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</tr>
<tr>
<td>Society</td>
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<tr>
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</tr>
<tr>
<td>Total</td>
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</tr>
<tr>
<td>Product Responsibility</td>
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</tr>
<tr>
<td>Non-core indicators</td>
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<tr>
<td>Total</td>
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</tbody>
</table>

### In percentage of Max. (overall)

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<th>Mean</th>
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</thead>
<tbody>
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<td>Labour Practices &amp; Work</td>
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<td></td>
</tr>
<tr>
<td>Human Rights</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Society</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Product Responsibility</td>
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</tr>
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</table>
Table 8: GRI ‘Social Performance Indicators’ by company and country (2)

<table>
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<th>Gas Net.</th>
<th>Europe</th>
<th>ENDESA</th>
<th>FENOSA</th>
<th>Reservoir</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bon RWE</td>
<td>ENBW</td>
<td>ENBW</td>
<td>ENBW</td>
<td>ENBW</td>
<td>ENBW</td>
<td>ENBW</td>
<td>Mean</td>
</tr>
<tr>
<td>Employment</td>
<td>17</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>1,67</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
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<td>0</td>
<td>0,00</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Occupational Health and Safety</td>
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<td>1</td>
<td>1</td>
<td>2</td>
<td>1,33</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Training and Education</td>
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<td>3</td>
<td>1</td>
<td>0</td>
<td>1,33</td>
<td>0</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Diversity and Eq. Opp.</td>
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<td>1</td>
<td>1</td>
<td>1</td>
<td>1,00</td>
<td>1</td>
<td>0</td>
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</tr>
</tbody>
</table>

By main categories and aspects

Labour Practices & Decent Work

<table>
<thead>
<tr>
<th>Category</th>
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<th>Gas Net.</th>
<th>Europe</th>
<th>ENDESA</th>
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<th>Reservoir</th>
<th>Mean</th>
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</thead>
<tbody>
<tr>
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<td>1</td>
<td>3</td>
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<tr>
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in per cent of max. (overall)

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<tr>
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<tr>
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<td>0%</td>
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<tr>
<td>Occupational Health and Safety</td>
<td>5%</td>
<td>16%</td>
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<tr>
<td>Training and Education</td>
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<td>0%</td>
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Human Rights

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</tr>
<tr>
<td>Freedom of Association</td>
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</tr>
<tr>
<td>Child Labor</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Forced and Compulsory Work</td>
<td>50%</td>
<td>0%</td>
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<tr>
<td>Security Practices</td>
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in per cent of max. (overall)

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</tr>
<tr>
<td>Child Labor</td>
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<td>0%</td>
</tr>
<tr>
<td>Forced and Compulsory Work</td>
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<td>Security Practices</td>
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<td>0%</td>
</tr>
<tr>
<td>Indigenous Rights</td>
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in per cent of max. (overall)

Society

<table>
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<td>1</td>
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<tr>
<td>Anti Competitive Behavior</td>
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</tr>
<tr>
<td>Compliance (total)</td>
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</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Category</th>
<th>Max.</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community</td>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>Corruption</td>
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<tr>
<td>Public Policy</td>
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<tr>
<td>Anti Competitive Behavior</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
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<td>1</td>
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in per cent of max. (overall)

Product Responsibility

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<th>Mean</th>
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</thead>
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<td>Product and Service</td>
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<td>2</td>
</tr>
<tr>
<td>Labelling</td>
<td>9</td>
<td>0</td>
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<tr>
<td>Marketing Communications</td>
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<tr>
<td>Customer Privacy</td>
<td>1</td>
<td>0</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Max.</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Health and Safety</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>Product and Service</td>
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<td>2</td>
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<tr>
<td>Labelling</td>
<td>9</td>
<td>0</td>
</tr>
<tr>
<td>Marketing Communications</td>
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</table>

-in to be continued -

172
Table 9: Additional Social Performance Indicators by company and country

<table>
<thead>
<tr>
<th>Country</th>
<th>Germany</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Eon</td>
<td>RWE</td>
</tr>
<tr>
<td>in per cent of max. (overall)</td>
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<td></td>
</tr>
<tr>
<td>Customer Health and Safety</td>
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<td>0%</td>
</tr>
<tr>
<td>Product and Service Labelling</td>
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<tr>
<td>Marketing Communications</td>
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<td>Customer Privacy</td>
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<td>0%</td>
</tr>
<tr>
<td>Compliance (use of products/services)</td>
<td>0%</td>
<td>0%</td>
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</tbody>
</table>

Table: Additional Social Performance Indicators by company and country

<table>
<thead>
<tr>
<th>Country</th>
<th>Germany</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td>RWE</td>
</tr>
<tr>
<td>B y main category and aspect</td>
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<tr>
<td>Labour Practices &amp; Decent Work</td>
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<td></td>
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<td>Employment</td>
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<td>16</td>
</tr>
<tr>
<td>Labor/Management Relations</td>
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<td>Training and Education</td>
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<tr>
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<tr>
<td>Society</td>
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</tr>
<tr>
<td>Corruption</td>
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<td>3</td>
</tr>
<tr>
<td>Public Policy/Lobbying</td>
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<td>3</td>
</tr>
<tr>
<td>Anti Competitive Behavior</td>
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<td>0</td>
</tr>
<tr>
<td>Compliance (total)</td>
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<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
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<tr>
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<tr>
<td>Customer Health and Safety</td>
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<td>Customer Privacy</td>
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<tr>
<td>Compliance (use of products/services)</td>
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<td>Total additional indicators</td>
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<tr>
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### Appendix I

**Table 10: Overall Institutionalization GRI 'Organizational Profile' and 'Performance' Indicators**

<table>
<thead>
<tr>
<th>Country</th>
<th>Germany</th>
<th>Spain</th>
<th>Gas</th>
<th>Iberdrola</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td>En</td>
<td>RWE</td>
<td>EnBW</td>
<td>Mean</td>
<td>ENDESA</td>
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<td></td>
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<td>4</td>
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<td>1,33</td>
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<td>3</td>
<td>6</td>
<td>5</td>
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<td>50%</td>
<td>67%</td>
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<td>33%</td>
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<td>22%</td>
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<td>11,97</td>
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<td>31</td>
<td>43</td>
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### Appendix J

**Table 11: Emerging additional reporting/agendas pillar: 'Corporate Governance' Indicators by company and country**

<table>
<thead>
<tr>
<th>Country</th>
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<th>Spain</th>
<th>Gas</th>
<th>Iberdrola</th>
<th>Mean</th>
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</thead>
<tbody>
<tr>
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<td>RWE</td>
<td>EnBW</td>
<td>Mean</td>
<td>ENDESA</td>
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<td>18</td>
<td>12</td>
<td>10,70</td>
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### Table 12: Overview on main pillars of reporting/agendas: ‘Economic, Environmental, Social, Governance’ by company and country

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</thead>
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<td>Company</td>
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<td>RWE</td>
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<td>Organizational Profile</td>
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<td>(to be distributed to pillars)</td>
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<td>11</td>
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<td>GRI (Profile)</td>
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Chapter Three

The Understanding of Corporate Governance and its Links to Corporate Social Responsibility from a Corporate Perspective: A Comparative Analysis of German and Spanish Companies Listed in the Main Stock Indices

4.1. Introduction

Since mid 1980s, changing patterns in the environment of corporations (Becht et al., 2002), such as globalisation, growth in savings, wider distribution of share ownership, electronic share trading etc. moved corporate governance (CG) into the focus of researchers (Amotori and Colli, 2007), practitioners (Van der Bawuwhe and Willekens, 2008) and international institutions and policy makers (Leech and Manjón, 2002), although the term had already been coined in the 1970s in the legal literature (Friese et al., 2006). The interest in CG was further fuelled by eminent corporate scandals in form of ‘white collar crime’ (Kim and Nofsinger, 2007) which took place in the 1990s and the following decade. As a consequence, the notion of ‘good corporate governance’ became a focus of attention. This led to recommendations of international institutions on ‘good corporate governance’, to numerous legal reforms, new institutional settings, introduction of codes of good governance in many countries, and subsequently, to a change in corporate governance practice at company level.

Moreover, a huge bulk of academic research dealt with CG during this period of time. An important focus of empirical research was to detect differences in national CG systems and to link them to idiosyncratic institutional settings. Traditionally, different CG clusters are found in the Anglo Saxon/Anglo American region and continental Europe. But, this categorisation is regarded as too simplistic, since also at a continental European level CG is traditionally not homogenous, and still not is, in spite of some signs of convergence ((Morck and Steier, 2007, Bebchuk and Roe, 1999, Mintz, 2005, Goergen et al., 2008, Gómez-Ansón, 2006).

Since mid 1990s, parallel with the increasing interest in CG, the ‘explosion of interest’ (Vogel, 2006) in another issue took place, namely Corporate Social Responsibility (CSR). Although the origins of modern CSR can be traced back to the 1950s (De Bettignies, 2002, RARE, 2005, Carroll, 2008), the current momentum behind it was equally fuelled by globalization and specific events, such as, among others, environmentally and socially detrimental corporate action. The latter raised questions about the relationship of business,
society and the environment. CSR is considered a social movement, which includes all kind of actors, such as leading companies, policy makers, pressure groups, think tanks, academia, consulting companies and sections of the investment community (Roome and Jonker, 2006, p. 223). Like it was the case in the evolution of CG, also in view of CSR, international and supra-national organisations started to deal with the issue in form of issuing corresponding recommendations and guidelines. Nevertheless, unlike the CG research, empirical cross country studies in CSR are few and deal only recently with the systematic link of CSR patterns to the country context. This is especially true for cross-country studies of European countries in this regard.

The rise of interest in CSR has begun to influence ideas about CG. A current issue in theoretical literature on CG and CSR is the link of CG and CSR and the development of corresponding relational models.

So far, empirical research in Europe, neither in the field of CG nor in CSR has dealt with said linkage at cross-country level. Given that empirical studies, both, on CG and CSR, suggest that patterns of both concepts are influenced by country specific institutional settings a cross country study of two European countries dealing with said link could make an important contribution in this regard.

I have chosen Germany and Spain, two European countries, since in both strands of literature, a focus of research is set on comparisons between Europe, in many cases represented by one or few European countries and the US or countries of Anglo American/Anglo Saxon tradition. I do so by an empirical study, based on a website research and I apply qualitative text analysis. The choice of countries is based on the following reasons: first, the observation that differences with regard to CSR increase from North to South (Chaveau and Rosé, 2003); second the author is a former practitioner in CG in Germany and Spain; and third, the researcher is fluent in German and Spanish, which is a catalyst for the methodology applied.

The paper aims at the following. First, to explore differences in the understanding of CG in view of its links to CSR at corporate level in Germany and Spain. And second, if said differences and resulting relational models of CG and CSR are influenced by the traditional country specific national CG systems, in spite of current signs of convergence of said systems.

The paper is organised in four main sections. In section one, I give an overview on the theoretical background, relevant to this paper. In section two, I explain the methodology applied. In section three, the empirical one, the results are presented. And finally, I conclude
the paper by providing an overview on the results and discussing its limitations along with the implications of the findings for managerial practice and further research.

4.2. Theoretical Background

In the following, I explore the theoretical background of this paper. I start with giving an overview on the main theoretical frameworks of CG and CSR, namely agency theory and stakeholder theory and draw on corresponding concepts. I equally highlight the theoretical literature, which has been published with regard to the links between CG and CSR and point out corresponding relational models. Then, I refer to the evolution of the CG and CSR debate. Furthermore, I give an overview on important cross-country studies in CG and CSR, conducted so far, and present their main findings, while especially focusing on CG mechanisms and systems in Germany and Spain. In addition, I highlight the convergence debate in CG. And finally, I turn to provide a digest of the theoretical background and formulate, based upon it, the main hypotheses.

4.2.1. Main theoretical frameworks of CG and CSR and the links of CG and CSR

This paper is about exploring country specific differences in the understanding of CG and its links to CSR at corporate level. Hence, in the following, I give an overview on the main theoretical frameworks and corresponding concepts of CG and CSR. In addition, I highlight the current ideas in the theoretical literature with regard to the links between CG and CSR and elucidate the resulting relational models.

4.2.1.1. Theoretical frameworks of CG

In general, the understanding of CG differs traditionally between the Anglo American/Saxon and the continental European approach to CG (Barca and Becht, 2001, Murphy and Topyan, 2005, Friese et al., 2006). The resulting two extreme perceptions of CG are rooted in two different theoretical frameworks, namely agency theory and stakeholder theory. Another important theoretical framework of CG referred to in the literature is transaction cost theory (Friese et al., 2006, Williamson, 1996). It will not be dealt with in detail since it shares important issues and problems with agency theory (Solomon, 2007). For other theoretical frameworks compare Fernández-Fernández (1999).
4.2.1.1. Agency theory

In Anglo American/Anglo Saxon tradition CG has its starting point in agency theory considerations. According to Friese et al., (2006) these are about tackling dysfunctional impacts of the separation of ownership (shareholders or principals) and control (management or agents) as described by Jensen and Meckling (1976). The context in which agency theory has emerged is widely dispersed ownership of stock corporations (Berle and Means, 1932), which is especially the case in countries with said tradition.

The dysfunctional impacts arise from 'goal conflicts' between agents and principals; the self interest of the agent and the interests of the principals, such as maximisation of their returns on investment or of shareholder value. The costs which arise from said conflicts are called 'residual loss' (Jensen and Meckling, 1976). 'Residual loss 'and other costs, among them 'monitoring costs', which arise from the agency problem, constitute the agency costs. 'Monitoring costs' stem from activities related to bridging the information asymmetry between principal and agent. Said activities are necessary for the principal, in order to be able to control and monitor the agent and to minimize therefore the 'residual loss' (Jensen and Meckling, 1976). Therefore, from an agency theory perspective CG is about reducing 'agency costs' (Drobetz, 2002, Hawley, 1999), in order to maximise profits and therefore ultimately shareholders' wealth.

However, at the end of the day, shareholders can exercise control and discipline managerial behaviour by selling their shares (exit), by making themselves heard in form of a shareholder resolution (voice) (Drobetz, 2002) or by voting for a hostile takeover, by which the management is exchanged (Jensen and Ruback, 1983). Hence, under that threat, the time horizon of agents' decision making and action aiming at maximal wealth creation of shareholders is likely to be short-termism (Tencati and Zsolnai, 2005, Kim and Nofsinger, 2007, Solomon, 2007).

This theoretical îproach to CG reflects a mainstream perception of CG which is dominated by the neo-classical view of the firm (Van Den Berghe and Louche, 2005), 'narrow view' (Solomon, 2007) or shareholder model of CG (Mintz, 2005). It reflects the sole focus on and accountability vis-à-vis and responsibility for shareholders.

Concepts of CG which refer to the agency theory framework are pointed out in the following. A classical definition in this sense is the one proposed in the Cadbury Report (1992) in UK, which constitutes an important milestone, since it was the first code of CG which has been published in Europe.
• "The systems by which companies are directed and controlled". (Cadbury Report, 1992, p.15)

• "... a set of mechanisms through which outside investors protect themselves against expropriation by the insiders". (La Porta et al. 2000, p. 4)

• "... the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment". (Shleifer and Vishny, 1997, p. 737)

4.2.1.2. Stakeholder theory

In contrast, in continental Europe, CG is traditionally considered from a stakeholder theory point of view, coined as 'stakeholder model' of CG (Mintz, 2005) or 'broad view' on CG (Solomon, 2007). This point of view suggests that CG is not only about serving the interests of shareholders, but also about taking into account the corporation’s other constituencies, namely stakeholders others than shareholders (Murphy and Topyan, 2005). Hence, this approach extends the focus, accountability and responsibility of the firm from shareholders to stakeholders.

The underlying theoretical framework is stakeholder theory. It is considered a new theory of the firm (Donald and Preston, 1995), opposed to the neo-classical view pronounced in agency theory. Freeman (1984, p. 46) defined stakeholders as "... any group or individual who can affect or is affected by the achievement of the organisation’s objectives".

Since Freeman (1984), the definitions of stakeholders by different conceptual approaches and corresponding categorisations have been massive and heterogeneous (compare Wheeler and Silanpää, 1998, Sirgy, 2002, Campbell, 1997, Clarkson, 1995). Some authors include as stakeholders also the natural environment and future generations (Wheeler and Silanpää, 1998), which is regarded as an extreme proposition (Solomon, 2007). Categorisations of stakeholders according to ‘primary’ and ‘secondary’ stakeholders are suggested by Clarkson (1995) and RARE (2005). Clarkson (1995) differentiated between stakeholders, which are necessary for the survival of the firm (primary) and those which are not (secondary). In contrast, RARE (2005) stated that one common notion of all definitions and categorisation developed so far in this regard lies in the commercial exchange view, which could serve as decision rule for said categorization.

Donald and Preston (1995) differentiate between four approaches to stakeholder theory: 1) the descriptive one, which points out what is the situation like at corporate level in this
respect; 2) the instrumental one, where stakeholder management is applied to reach conventional corporate performance goals; 3) the normative one, which is opposed to the instrumental one and which suggests that the interests of all stakeholders are of intrinsic value; and 4) the managerial approach, where attitudes, structures and practices are recommended that constitute stakeholder management.

The normative approach to stakeholder theory is for many scholars what stakeholder theory should be about (Mintz, 2005), and reflected in CG. Others argue that in the instrumental view of stakeholder theory, CG is about tackling problems which arise from the relationship agent- multiple principles in form of stakeholders also called 'the stakeholder-agent-relationship' or ‘stakeholder-agency theory’ (Hill and Jones, 1992).

In the following some definitions in the light of the stakeholder model of CG are presented. They include also one published in a code of CG, as antipode to the Cadbury Report (1992) definition, namely the King Report in its version I (1994). The definition of CG proposed there, although published in a framework of a CG code, which is basically considered as a tool to reduce agency costs (Friese et al., 2006, Solomon, 2007), corresponds to a ‘broad view’ of CG.

- “Reports and communications must be made in the context that society now demands greater transparency and accountability from corporations regarding their non-financial affairs, including for example their employment policies and environmental issues”. (King Report I, 1994, p. 3)

- “... the system of checks and balances, both internal and external to companies, which ensures that companies discharge their accountability to all their stakeholders and act in a socially responsible way in all areas of their business activity”. (Solomon, 2007, p. 14)

- “... the mechanisms that ensure that corporations take responsibility for directing their activities in a manner fair to all stakeholders”. (Kim and Nofsinger, 2007, p. 147)”.

The key question with regard to the exposed different theoretical frameworks to CG is, if the shareholder and stakeholder model of CG from an accountability point of view can be reconciled. The latter is confirmed by Hillmann and Keim (2004), who argue that from an instrumental point of view, empirical evidence suggests that while serving the stakeholder interests, the shareholders wealth can be maximised. Hence, if they do so, they ultimately act
in the best interests of the shareholders (Murphy and Topyan 2005). In contrast, Jansson (2005) doubts that: “that investors in global markets will wait for long-term profits ... capital markets will not favour the stakeholder model” (p.10). Especially said short-termism is critized by Tencati and Zsolai, 2008, who stated that the short-term shareholder value model is detrimental to the environment, society and future generations, and hence, finally for the business itself. In contrast, critics of the ‘broad view’ of corporate governance state, that if the companies deviate too far from the profit maximisation, this could be harmful to society, since economic progress comes from profit related activities (Solomon, 2007).

Another aspect is the reconciliation of the normative stakeholder view and agency theory. According to Garriga and Melé (2004), normative stakeholder theory is based on notions of moral theory. Hence, it is morally indicated to take stakeholders into account, since morality can be described “as a subset of ethical rules which are of particular importance and transcend the boundaries of any particular ethos or situation” (Solomon, R.C. 2007, p. 17). Quinn and Jones (1995) argue in view of CG, that also for agents said rules are binding and that the principal-agent model of modern stock corporations can only work if these are taken into account, such as reliability, honesty, prudence and respect.

In general, some consider the agency theory related approach to CG as the superior paradigm (Hansmann and Kraakman, 2001); others argue that the ‘competing’ stakeholder-oriented model is gaining ground Aguilera (2005).

In sum, the understanding of CG differs according to the theoretical angle from which it is approached (shareholder model of CG vs. stakeholder model of CG). The latter is determined, as pointed out, by country or region specific (Anglo Saxon/American vs. continental Europe) factors. Hence, the understanding of CG seems to be determined by different socio-economic, cultural and legal-historic developments, which are ultimately reflected in different national CG systems (Du Plessis and Saenger, 2007a, Morck and Steier, 2007, Mintz, 2005). As a result, so far no homogenous and internationally recognised definition of CG, which would reflect a mainstreaming in the understanding of CG has emerged (Du Plessis and Saenger, 2007a, Mintz, 2005, Delbrück, 2006).

4.2.1.2. Theoretical frameworks of CSR

Like it is the case of CG, also with regard to CSR, so far, no clear-cut (Perrini, 2006) definition or a commonly concept does exist (Ebner and Baumgartner, 2006). Instead, numerous concepts and definitions have evolved over time (Bettignies, 2002). These were based upon different theoretical frameworks, rooted also in other social science disciplines,
beyond economics and management science. In general, CSR is more phenomenon than theory driven, since it can be viewed as a multifaceted phenomenon, which arises at the interface of business and society (Roome, 2005).

Garriga and Melé, 2004 (p. 63/64) categorized various different theoretical frameworks of CSR into four main categories: 1) ethical theories - focusing on the right thing to achieve a good society; 2) political theories – focusing on a responsible use of business power in the political arena; 3) integrative theories - focusing on why and how business integrates social demands; and 4) instrumental theories – focusing on achieving economic objectives through social activities.

In the following, I highlight CSR concepts of each category, but I will refer in detail to the theoretical frameworks of agency and stakeholder theory.

4.2.1.2.1. Agency theory

From an agency theory perspective, the only corporate social responsibility of business is to increase its profits and to obey the law (Friedman, 1970). In this sense, CSR constitutes a threat to the ultimate corporate goal, according to neo-classical theory, namely shareholders’ wealth maximisation. Said famous definition of the Nobel Prize laureate and US economist, Milton Friedman, is often referred to in the CSR literature as an increasingly outdated view of CSR. To understand his view on CSR, it should be put into its geographic and time context.

In US, the practice of CSR in form of corporate giving, such as philanthropy and charity is long and deeply rooted (Carroll, 2008). Also nowadays, a new generation of philanthropists, such as ‘the Gateses’, underline that the US is still the home of the world leading philanthropists (The Economist, 2010). At the same time, the US corporate governance system is characterized by a widely dispersed ownership (Berle and Means, 1932). Therefore, from an agency theory perspective, corporate giving could be considered as a lack of fiduciary duties of the managers, in one word: as wastefulness. In addition, and from a more political and ideological perspective, the US were and still are especially sensitive to any tendencies they would consider as somehow ‘socialist’ or ‘communist’. Therefore, I suggest that Friedman’s ‘perception’ has also be seen in the light of the political context of the 1960s and beginning 1970s. This period is considered as the ultimate height of the cold war, in a then bipolar political and ideological world, when the US was engaged in numerous proxy wars.
4.2.1.2.2. Stakeholder theory

Jamali (2008) described the general link between CSR and stakeholder theory as a new way to think about corporate responsibilities, namely about those for stakeholders, beyond shareholders and to turn the raison d'être of a firm beyond profit maximization. In contrast, Garriga and Melé (2004) refer to two different approaches to stakeholder theory (Donald and Preston, 1995) and their links to CSR. They argued that in instrumental stakeholder theory CSR, which is categorized in the instrumental theories category, could be a strategic tool to promote economic objectives. From the normative stakeholder perspective, CSR is about ethical requirements which are the basis for the relationship between business and society. With regard to ‘descriptive stakeholder theory’ (compare Donald and Preston, 1995) Brickson (2007) stated that CSR is about describing the perceptions of corporations of and their action vis-à-vis different stakeholders. Concerning the ‘management approach’ (compare Donald and Preston, 1995) to stakeholder theory, CSR is about organizing stakeholder management (Gariga and Melé, 2004). CSR concepts, which are related explicitly to stakeholder theory are presented in the following, namely corporate accountability (CA) and stakeholder management – which represent concepts based on integrative theories –.

- “Accountability is ... simply about identifying what one is responsible for and then providing information about the responsibility to those who have rights to that information”. (Gray, 2001, p. 11)

- “Stakeholder management tries to integrate groups with a stake in the firm into managerial decision making” (Garriga and Melé, 2004, p. 59)

The following definitions of CSR stem from further theoretical categories of CSR. For the ethical theories category, the sustainable development/sustainability concept of CSR is presented. The latter underlines the intergenerational morality (Hartmann et al., 2007) and the inherent long time horizon of corporate decision-making and action in view of CSR. For the political theories category, the corporate citizenship concept of CSR, a community-based approach, is mentioned; and finally, and from the integrative theories perspective, the definition of the European Commission published in its Green Book on CSR in 2001, with its focus on environmental and social responsibilities, based upon voluntariness and stakeholder management respectively is described.
• To behave as a corporation in a way to meet “the needs of the present without compromising the ability of the future generations to meet their own needs”. (Brundtland Report, 1987, p. 9)

• “The management of the totality of relationships between a company and its host communities, locally, nationally and globally”. (EC-Green Book, 2001, p. 27)

• “The integration of social and environmental concerns in the (companies’) business operations and in their interaction with their stakeholders ... on a voluntary basis ... going beyond compliance.” (EC-Green book, 2001, p. 8)

In sum, from a theoretical point of view, CSR extends the firm’s focus of attention to a huge set of constituents and its responsibility and accountability to other stakeholders than shareholders. Hence, CSR is about extending the purely economic responsibility of the firm to social and environmental ones. In addition, it is about morality and ethics, about transparency to all stakeholders, not only shareholders. Moreover, CSR reflects a long time horizon in business decision-making.

In this section, I have pointed out the theoretical background to CG and CSR. In the following one, I highlight the theoretical literature, which has dealt so far with establishing the links between CG and CSR.

4.2.1.3. The links between CG and CSR and relational models

An issue more currently raised by scholars in theoretical literature consists of the identification of dimensions, which constitute the link between CG and CSR (Van Den Berge and Louche, 2005, Jamali et al., 2008, Sacconi, 2006, Strandberg, 2005) and the development of corresponding relational models between CG and CSR (Hancock, 2005, Ho, 2005, Bhimani and Soonawalla, 2005 in Jamali et al., 2008). In the following I elucidate said new strands in the CG/CSR literature.

4.2.1.3.1. The links between CG and CSR

The ‘multi stakeholder setting’ (Sacconi, 2006) or the ‘broad view’ on CG underlines the firm’s accountability and responsibility to a huge range of internal and external stakeholders. The latter constitutes the main link between CG and CSR, “CSR and CG are strongly and intricately connected ... previous literature has fallen short in capturing the nature and
essence of the relationship” (Jamali et al., 2008, p. 444). Hence, the focus of corporate action is then about societal responsibility, compensation of externalities and value creation for stakeholders, beyond to increase profitability for shareholders (Wood and Logsdon, 2001).

In contrast, the ‘mono stakeholder’ setting (Sacconi, 2006) or the ‘narrow view’ of CG does not constitute a link, since CG is in this case only a program for the optimization of the management of companies, which focuses on the corporate responsibility of wealth creation for shareholders, taking into consideration questions related to transparency of corporate structures and the appropriate compensation of the management (Rucht, 2007).

But, also this main link between CG and CSR is discussed controversially. Smerdon (2004) argued with regard to the accountability of business that CSR is to a major extent about businesses which need to fulfil the expectations of other groups than shareholders, but that its formal accountability could only refer to shareholders. A kind of ‘in-between’ perspective, an extended concept of accountability of CG, the one to primary stakeholders, is emphasized by Friese et al. (2006), who draw on the OECD Principles of CG. The authors argued that the view of corporate governance should not be too narrow. Stakeholders that contribute to profitability and have a legitimate interest should be included in accountability considerations. Interests of other stakeholders than those or issues of more general nature (environmental issues, interest of society) are then understood as the domain of CSR.

However, both, CG and CSR are increasingly considered as catalysts for competitiveness, growth and superior economic performance. For good CG this interrelationship with corporate financial performance is supported by empirical evidence (compare Drobetz et al. 2004, Lehmann and Weigand, 2000). In contrast empirical, evidence in this regard for CSR is mixed (Roman et al., 1999, Griffin and Mahon, 1997, Pava and Krausz, 1996, Margolis and Walsh, 2003, Murray et al., 2006, Nelling and Web, 2009, Simpson and Kohers, 2002). Nevertheless, some authors argue that market parties do see the business case for both, CG and CSR (Vand Den Berghe and Louche 2005).

The notion of morality could constitute another link between CG and CSR. It includes reflections on the inclusion of moral responsibilities towards stakeholders (Jamali et al. 2008). This is reflected in ethical or value based governance. The latter considers not only questions related to the kind of product and service a firm produces, but also those related to, how it is produced and to social and environmental impacts caused by its production (Strandberg, 2005). Or, as Elkington, 2006 puts it “a growing proportion of SustainAbility’s work has seen the spot-welding of corporate governance with such wider societal concerns” (p.522). Moreover, it deals, with the ethical backbone of CG (Strandberg, 2005, Elkington, 2006)
form of fairness (Jamali et al., 2008) and honesty (Van den Berghe and Louche, 2005). Without said backbone good governance practices would merely be a technical exercise – e.g. "Enron (was) considered by many to be a shining star in terms of technical governance" (Strandberg, 2005, p. 4).

The increasing disclosure on CSR and CG reveals another link between the two concepts - transparency (Van Den Berghe and Louche, 2005). From an agency perspective of CG, transparency is necessary to reduce ‘information asymmetry’ and to reduce therefore agency costs. Said transparency is necessary to build trust in the financial markets, to make Adam Smith like markets work. From a stakeholder perspective on CG, with its overlapping perspectives with CSR, transparency does not only serve the financial markets, aiming at building trust vis-à-vis corporations there. It is also about to inform and to dialogue with ‘new market forces’ beyond the traditional ‘investor relations’ channel, since said new market forces are considered as acting as a ‘new invisible hand’ (Huysse, 1999 in Van den Berghe and Louche, 2005). They consist of civil society organisations in all kind of fields of activity, which exercise, although not as active players in financial market, indirect influence on the latter. They act as a market regulative, which claims business to assume its new role in society, beyond serving the shareholders’ interest, due to its increasingly disproportionate power and to force it to behave in a socially responsible way (Van Den Berghe and Louche, 2005).

According to Strandberg (2005), a so called CSR ‘cross over issue’ constitutes the risk-management at operational level, which is generally considered a critical governance issue. The cross-over notion refers to the fact that CSR is about social and environmental risks and hence, their immanent financial risk. Therefore, if the risk management perspective on CG is pronounced, the importance of CSR in this regard would increase and the links between CG and CSR from the risk management perspectives of governance strengthened (Strandberg, 2005).

4.2.1.3.2. Relational Models of CG and CSR

Based on the different links between CG and CSR, Jamali et al. (2008) explored three relational models in order to categorise said interrelationships.

First, the authors referred to Hancock’s model (2005), where CG is considered as a pillar of CSR, along with human capital, stakeholder capital and the environment. This is consistent with Elkington (2006), who considers good CG as a foundational requirement for CSR.
For the second model, Jamali et al. (2008) elucidated Ho’s (2005) approach. Ho (2005) constructed a model, based upon some theoretical considerations of Kendall (1999). Both consider CSR as an attribute or dimension of CG and propose to gauge CG more holistically. Their theoretical approach in CG literature is in line with what the King Report II (2002) understands as best practice on corporate governance, namely the inclusion of corporate social responsibilities in CG. According to said report (p. 10/11) good corporate governance is characterized by the following: 1) discipline (correct and proper behaviour); 2) transparency (disclosure of accurate and available economic fundamental data and non-financial aspects pertinent to the business; 3) independence (mechanisms to control conflicts of interests between strong CEOs or large shareholders, such as board composition, appointments of committees of the board and external parties); 4) accountability (individuals or groups in a corporation who make decisions or take action, need to be accountable for their decisions by mechanisms, which allow said accountability); 5) responsibility (while the board is accountable to the company, it must act responsively towards all stakeholders); 6) fairness (rights of various groups have to be acknowledged and respected) and 7) social responsibility:

“A well managed company will be aware of, and respond to, social issues, placing high priority on ethical standards. A good corporate citizen is increasingly seen as one that is non-discriminatory, non-exploitive and responsible with regard to environmental and human rights issues.” (King Report II, p. 11).

In this sense, CSR broadens the CG agenda (Solomon, 2007) or extends the corporate governance model (Sacconi, 2006).

The third model is based upon Bhimani and Soonavalla (2005), who referred to and ‘in between’ relational model. There, CG and CSR are considered as part of the accountability continuum and as complementary constituents. According to Jamali et al. (2008) this model implies that, although CG has been the focus of attention in research and practice, this is increasingly counterbalanced by interest in CSR (Jamali et al., 2008).
4.2.2. Cross country studies in CG and CSR: an overview

During the last two decades, a huge bulk of research in form of empirical cross-country studies had analysed in a comparative perspective the governance patterns in most industrialised countries of the world (Amotori and Colli, 2007). It turned out that differences in that regard do exist and that these are shaped by country specific institutional settings. In contrast, cross country comparisons in CSR are few, especially in view of European countries, and biased in many regards. Moreover, only very recently differences in CSR are linked systematically to the country context as explanatory variable for said differences. But, empirical evidence, although few, so far, suggests that CSR like CG is determined by the country specific institutional environment, among others, the national CG systems.

In the following, I give an overview on cross-country studies, conducted so far, in both, CSG and CG. That aims at underlining that so far, neither in CG literature nor in CSR literature, a cross-country study has been conducted in order to explore differences between two European countries in view of the understanding of CG at corporate level and its interrelationship to CSR, while linking it back to the country context, in form of relevant aspects of the national CG system.

4.2.2.1. Cross country studies in CG: an overview
The ultimate goal of cross country studies was to compare different country specific CG mechanisms, in order to establish country specific CG systems and to explore to which extent these are shaped by differences in national institutional environments such as law and economics (La Porta et al., 1997, 1998, 1999, 2000) and culture (Mintz, 2005). The research focused for a long time on the comparison of continental Europe and those dominated by the Anglo Saxon/American governance tradition, regarded as the two main CG systems (Denis and Mc Connell, 2003), or, on economic heavy weights among the industrialised countries such as UK/USA, Germany and Japan (Lecch and Manjón, 2002, Goergen et al., 2008). More recently, also differences and specificities of national CG patterns among continental European countries are investigated (Weimer and Pape, 1999, Van Den Berghe, 2002, Amotori and Colli, 2007). Also the convergence debate of CG systems in this sense has increasingly become an important issue on the CG research agenda (compare Van Den Berghe 2002, Amotori and Colli, 2007).

The main traditional CG mechanisms, dealt with in cross country studies so far, are summarised in Table 1 (Appendix L). The corresponding outcomes are highlighted for Germany and Spain and for countries with Anglo Saxon/American tradition. The latter should serve as appoint of reference, since those are supposed to represent the other main CG system.
German and Spanish corporate governance systems are similar in some patterns of CG such as, ownership identity, ownership and control, role of the capital markets for funding and in view of disclosure mechanisms, such as CG codes. In some CG mechanisms, they differ slightly, namely in view of shareholder protection and investor protection, which is less pronounced in Spain than in Germany. Moreover, they do so in view of the market for corporate control, which is more active in Spain than in Germany. And finally, the most important differences exist with regard to the following CG mechanisms: board model - two tier in Germany vs. one tier in Spain; board composition with employee representatives on German boards; the concept of the firm which is more instrumental in Spain than in Germany; the time horizon of economic relationships, which is in Germany more long term than in Spain; and, the responsibility for stakeholders, which in Germany is extended to all stakeholders, primary and secondary ones. In contrast, in Spain in the framework of the Latin governance system or the shareholder reference model, the stakeholder focus lies on shareholders and primary stakeholders.

The timing of the introduction of a CG code constitutes another important difference. It took place earlier in Spain than in Germany. In Spain, in 1998 the ‘Olivencia Report’ was presented which was based upon the Cadbury Report (Fernández Fernández, 1999). One peculiarity of the Spanish case was that until the reform in 2005, when the ‘Conthe Code’ or ‘Unified Code’ was published, several reports or codes were in vigour at the same time, such as the already mentioned ‘Olivencia Report’ but also the ‘Aldama Report’.

In its latest version the ‘Unified Code’ (2006, p. 11/12) states a rather ‘narrow view’ on CG, namely that that the corporate interest should be interpreted in a contractualist way, “... which prizes the common interest of the company’s shareholders ... to whom the board is finally accountable ... the ultimate goal of the company ... should be the maximising of its economic value ....” Nevertheless, the Code also includes, that “this is by no means, to say that shareholders’ interests must be pursued at any price” (p. 11).

In Germany, the ‘German Corporate Governance Code’ was presented in 2001. The purpose of the code is described in its latest version (2009) as follows and seems to communicate a ‘broader view’ of CG: “The Code aims at making the German Corporate Governance system transparent and understandable. Its purpose is to promote the trust of international and national investors, customers, employees and the general public in the management and supervision of listed German stock corporations” p. 2).
4.2.2.3. CG Convergence debate

The debate on the convergence of corporate governance systems, in the light of globalization pressure, is considered as ‘classical’ (Aguilera, 2005). This is especially true for the question about the convergence of the continental European system towards the Anglo Saxon/American one. Recent developments reflect a convergence in this sense (Drobetz, 2002, Amotori and Colli, 2007, Van den Berghe, 2002).

But, in spite of said trend some authors (Morck and Steier, 2007, Bebchuk and Roe, 1999, Mintz, 2005) emphasize the path dependent hypothesis with regard to national CG systems. Said ‘path dependency’ is anchored in the historical institutionalism strand of neo-institutional theory (Collier and Collier, 1991) and explained by Morck and Steier, (2007, p.28) as “‘things happen’ and constrain what can happen next”. Hence, according to them, national history, trajectories and specific institutional characteristics stand as barriers to convergence. Therefore, a total convergence is not expected (Bebchuk and Roe, 1999). In addition, and given the important country specific institutional differences, a ‘one size fits all’ CG model is likely to fail (Mintz, 2005).

Concerning Germany and with regard to external CG mechanisms, the differences between the ‘capital market system’ and the German and Spanish ‘bank oriented system’ have decreased (Amotori and Colli, 2007). So did the traditional identity of shareholders in Germany and Spain (compare Van Den Berghe, 2002, compare Amotori and Colli, 2007, Pfundt and von Rosen, 2008, Gómez-Ansón, 2006, Goergen et al., 2008). In comparison to Germany, in Spain foreign investors’ and individuals’ ownership (compare Gómez-Ansón, 2006, Denis and McConnell, 2003, compare Amotori and Colli, 2007, Pfundt and von Rosen, 2008, compare Van den Berghe, 2002) have increased to a major extent. Nevertheless, ownership is still concentrated in both countries (Pfundt and von Rosen, 2008, compare Gómez-Ansón, 2006, compare Amotori and Colli, 2007, Barca and Becht, 2001, compare Van Den Berghe, 2002, Fernández Mendez and Arrondo García, 2007, Becht and ), although it is more pronounced in Germany than in Spain (Barca and Becht, 2001, Becht and Mayer, 2001, compare Goergen et al., 2008, compare Amotori and Colli, 2007, compare Van Den Berghe, 2002). There, traditional block-holders are still present, although crossholdings and interlocking directorships of other non-financial corporations, also called ‘Deutschland AG’, have decreased (Pfundt and von Rosen, 2008). Nevertheless, in both the market for corporate control, has grown, although it reaches higher levels in Spain than in Germany (compare Van Den Berghe, 2002, compare Goergen et al., 2008). Also with regard to the role of capital markets for funding, signs of convergence towards the Anglo Saxon/American CG system in
both countries have been registered (compare Van Den Berghe, 2002, Pfundt and von Rosen, 2008). But, the latter is again more pronounced in Spain than in Germany (compare Van Den Berghe, 2002, Pfundt and von Rosen, 2008).

With regard to codes of CG, Collier and Zamann (2005) observed a convergence of codes towards those of Anglo Saxon countries. The latter seems to be equally fuelled by the convergence of the capital markets towards the Anglo Saxon countries’ model (Mc Kean, 2003), which is considered the ‘role model’ by institutional investors (Drobetz, 2002). Moreover, convergence seems to be further encouraged by trans-national institutions such as the WB and OECD, as their principles in view of CG are more in line with the Anglo Saxon model (Roberts, 2004). In Spain, in this regard a trend towards convergence seems to be evident, since the Anglo Saxon Cadbury report served explicitly as a template for the first Spanish CG code (Fernández-Fernández, 1999), which was not the case in Germany.

In sum, in both, Germany and Spain, some signs of convergence with the ‘market oriented system’ are observed. This trend is more pronounced in Spain than it is in Germany.

4.2.2.3. Cross-country studies in CSR: an overview
(compare corresponding section in chapter one)

4.2.4. Digest of the theoretical part and formulation of hypotheses

In the following, I wrap up the previous section, where I have set out the theoretical cornerstones of this paper. Based on said theoretical outlines, I formulate the main hypotheses.

I have explained the selection of countries mainly in biographical terms. Then, I have given an overview on CSR and CG concepts from an agency and stakeholder theory perspective, aiming at emphasizing the differences in CSR and CG concepts, respectively, framed by said theories. The understanding of CG differs, according to the theoretical angle from which the issue is approached: it can provide either a ‘narrow’ or ‘broad’ view of CG. In general, the understanding of CG is considered to be country specific, shaped by the national institutional context.

The ‘broad’ view of CG constitutes an important link to CSR. In addition, also other elements which constitute a link between CG and CSR and which are, so far, mainly explored in the theoretical literature have been presented. Both, the ‘narrow’/‘broad’ view and said elements constitute the analytical framework, based upon which I deduce the corresponding country specific relational models, such as ‘CG as a pillar of CSR’, ‘CSR as a pillar of CG’ and an ‘in between’ model.
Furthermore, I have shown, by reviewing cross-country studies in both, the field of CG and CSR, that so far the link between CG and CSR has not been dealt with empirically. I have also referred to the evolution of the debates on CG and CSR. In addition, I have highlighted that the consideration of differences with regard to institutional factors in cross-country research and the corresponding country specificity of CG and CSR, is far more traditional and, therefore, advanced in CG research. Moreover, I have elaborated a synopsis, in order to first, emphasize the differences in view of the main, traditional CG mechanisms of the CG systems in Germany and Spain; and second, I have done so, since these constitute the focal point of institutional analysis to this paper, to which the results of the empirical part will be linked. In addition, I have highlighted the convergence debate of national CG systems, in general, and with regard to Germany and Spain, in particular. I have done so, since that aspect will complement the institutional analysis framework.

Hence, and based on the theoretical background, I come to the formulation of the following hypothesis:

**H 1. Differences will be observed between Germany and Spain concerning the understanding of CG in view of its links to CSR.**

**H 2. The traditional national CG system is influential in shaping these differences and corresponding relational models CG-CSR. Hence, we expect the following.**

**H 2.1. Spanish firms focus on shareholders and primary stakeholders, have a more "narrow" view on CG than German firms.**

The Spanish national corporate governance system, the Latin system or shareholder reference model emphasizes its responsibility vis-à-vis shareholders and primary stakeholders. It is de facto situated between the Anglo Saxon and the Germanic system, between the shareholder and the stakeholder centered model of CG.

**H 2.2. German firms focus on primary and secondary stakeholders, their view of CG is "broader" than the one of Spanish firms.**

The German national corporate governance system or Germanic model implies a focus on primary and secondary stakeholders. It corresponds traditionally fully to the stakeholder model of CG.
H 2.3. In view of thematic links between CSR and CG, German firms will express those to a major extent than Spanish ones.

In the German national corporate governance system the understanding is, unlike in Spain, institutional. Hence, it implies that firms are responsible to the society as a whole. In addition, the time horizon of business is long term. Hence, some characteristics of the traditional Germanic CG system have per se inherent interfaces with CSR.

H 2.4. German firms to a major extent than Spanish firms consider CSR as part of CG.

(compare H 2.3.)

H. 2.5. Spanish firms to a major extent than German firms consider CG as part of CSR or as complementary constituents.

The understanding of the traditional Latin system is more instrumental than the German one. Also in view of the time horizon in business it is de facto situated between the Anglo Saxon and Germanic CG model. Hence, per se few interfaces could be expected between CG and CSR in Spain.

4.3. Methodology

A qualitative text analysis in the framework of a web research was applied, analogous to the key-word-in-context (KWIC) approach, since it aims at detecting “the variation ... in word meaning” (Weber, 1990, p.44).

The sample consists of companies listed in the main stock indices in Germany and Spain, the Deutsche Aktienindex (DAX) and the IBEX 35, as companies listed there are the biggest and most influential corporations in their respective country and constitute therefore ‘role models’ for other companies in the country (Vuontisjärvi, 2006).

All texts and linked documents which were accessible via the samples’ websites were screened, in order to detect, in a first step, if the corporations had formulated a corporate specific perception of CG. If this was the case, those were transferred into a data base, indicating their source, such as text of CG section of the website, text of CSR section of the website, linked documents, such as annual reports, CSR reports or other sources. In case that a company formulated various perceptions in different sources all of those were included in the
analysis. Hence, all German companies were included in the analysis. Four Spanish corporations had to be excluded due to the exposed reasons.

For the purpose of analysing the textual information, tables were set up, one for each country (compare Appendix L and M). The aim was to visualise, to which extent elements, identified in the theoretical frameworks and theoretical literature as relevant to the research questions, form part of the understanding of CG and its links to CSR at corporate level. The elements consist of the following:

1) Shareholder focus (with subcategories: shareholders, primary stakeholders and secondary stakeholders, representing the 'narrow', and 'broad vision of CG); 2) trust (beyond shareholders); 3) ethics/values; 4) transparency (beyond shareholders); 5) responsible management; 6) risk-management; 7) value creation (beyond shareholders) and 8) long time horizon of business.

The reasons for applying web-research corresponded to the argumentation line, stated by Bondy et al. (2008), drawing on Coupland (2003), and Maignan and Ralston (2002), with reference to Esrock and Leichty (1998), who have argued that the corporate website transports the corporation's formal and accepted perspective on a set of issues. Hence, in the authors' view it creates a plausible and legitimate picture of the corporation.

In order to avoid language or translation constraints, the texts were analysed in the national language version (German and Spanish, respectively) and in the English version. In cases of discrepancy the national language prevailed.

This was an important issue, since, as the research progressed, language and translation peculiarities of the German and Spanish firms with regard to main-stream expressions used in the context of CG became evident.

4.4. Results

The results suggest that differences between the two countries are observable in view of the understanding of CG and its links to CSR. In particular, German companies consider themselves not solely responsible for the 'classical' stakeholder group, predominant in the traditional CG discussion, based upon agency theory, the 'shareholders'. On the contrary, they seem to focus on primary stakeholders, others than shareholders, and on 'secondary stakeholders'. The findings further imply that their view of CG is 'broad'. In contrast, the Spanish companies seem to opt for the 'narrow view' of CG, with its main focus on shareholders and dedicating less importance to primary and secondary stakeholders in view of
their corporate responsibility. Therefore, the ‘broad’ vision of CG of the German companies constitutes a strong link to CSR, the ‘narrow’ one of Spanish companies does not.

The findings with regard to the ‘narrow’ and ‘broad’ view of CG and the corresponding differences at country level are presented in the following graph.

**Graph 1: The understanding of Corporate Governance: ‘narrow’ vs. ‘broad’ view, by country**

With regard to further interfaces between CG and CSR, the German companies incorporate to a major extent than the Spanish ones all elements of CSR, identified as links between CG and CSR, into their perception of CG. The most important interfaces in this regard are those with regard to the ‘long time horizon of value creation’, the ‘responsible management’ notion of CSR and ‘ethics/and values’. In contrast the Spanish corporations formulate fewer interfaces between CG and CSR in their perception of CG. Additional links of CG and CSR, beyond the ‘broad view’ of CG, are summarized in the following graph, in a comparative country setting.
German companies seem, to a major extent than their Spanish counterparts, to include elements of CSR in their perception of CG. Hence, and in view of the relational model between CG and CSR, German companies seem to link to a major extent elements of CSR to CG. Consequently, the results further imply that CSR is considered among German firms, in comparison to the Spanish ones, as part of the extended CG agenda, namely that CSR is part of CG. In contrast, Spanish companies do not seem to consider CSR as part of CG. Therefore, the findings suggest for Spain, that CG is to a major extent seen as part of the accountability continuum and as complementary constituents or CG as part of CSR.

In the following some exemplary descriptions of CG, which reflect the understanding of CG at corporate level and which were formulated by German and Spanish, companies are presented.
1) German companies:

"Responsible management aimed at sustainable value creation and geared to shareholder rights is ensured at the Lufthansa Group by efficient structures and processes. Transparency is an important precondition for maintaining and expanding confidence in Lufthansa among our lenders, our employees and the general public." (Lufthansa, 2009, www.lufthansa.com).

"Corporate Governance is the set of processes, customs, policies, laws and institutions, affecting the way in which a corporation is directed, administered or controlled. CG also includes the relationships among the many players involved (the stakeholders) and the goals for which the corporation is governed. The principal players are the shareholders, management and the board of directors. Other stakeholders include employees, suppliers, customers, banks and other lenders, regulators the environment and the community at large." (Deutsche Post/DHL, 2009, www.dp-dhl.com)

2) Spanish companies:

"Corporate Governance consists of a series of mechanisms through which decisions are taken and companies are controlled ... transparent Corporate Governance that respects the recommendations of the Unified Code of Good Governance is key winning the trust of our domestic and international investors, as well as that of financial markets. This is why our objective is to guarantee the transparency, independence and good governance in the company in managing its holdings and, at the same time, safeguarding the interest of all shareholders." (Criteria Caixa, 2009, www.criter ia.com).

"Board of Directors recognizes the importance of a system of corporate governance for large institutions. This system should guide the structure and operations of its corporate bodies for the benefit of the company and its shareholders." (BBVA, www.bbva.com)

4.5. Discussion and Conclusions

In this last section, I highlight the results of the research and discuss them. Moreover, I elucidate the limitations of the paper and point out implications for further research and managerial practice.

The understanding of CG in view of its links to CSR at corporate level differs between the two countries. Hence H1 can be accepted. In Germany, the ‘broad view’ of CG, related to the firm’s responsibility for primary stakeholders, beyond shareholders, and secondary stakeholders, rooted in the stakeholder theory and expressing the classical continental European approach to CG seems to be dominant. This result is fully in line with the traditional ‘Germanic system’ of CG, in spite of some authors, who argued having observed signs of
convergence of the German CG system towards the Anglo Saxon/American one. Hence H 2.2. can be confirmed.

In contrast, Spanish firms seem to opt for the ‘narrow view’ of CG. They focus to a major extent than German companies exclusively on shareholders and less on other primary and secondary stakeholders. This perception seems to be linked more closely to agency theory and therefore to the Anglo Saxon model of CG. They correspond to the ‘Latin’ CG system or ‘shareholder reference model’, which is situated de facto in between the ‘Germanic’ and the ‘Anglo Saxon’ system. But, shareholders are also to a major extent than primary stakeholders in the focus of Spanish companies. In this regard, the convergence of the Spanish CG system towards the Anglo Saxon/American one, which seems to be more pronounced than in Germany, could be an explanation. Hence, H 2.1. cannot be fully confirmed.

Concerning the interrelationships between CG and CSR, German firms include to a major extent than the Spanish ones elements, which could be attributed to CSR, into their understanding of CG. Hence, H 2.3. can be confirmed. Therefore, in terms of relational models, German companies seem to consider CSR as an extension of the CG agenda and hence, CSR as part of CG, which corresponds to what has been formulated in H 2.4. In contrast, Spanish companies seem to view CG and CSR as part of the accountability continuum and as complementary constituents or CG as part of CSR. That result confirms H 2.5. Taking into consideration the findings of chapter two, namely that CG is considered by Spanish corporations as part of their CSR agenda, this result could propose that the ‘narrow’ view of CG is seen as part of CSR.

Hence, the results suggest the acceptance of H 2, namely that the understanding of CG and its links to CSR are mostly shaped by the traditional corporate governance system, also in view of H 2.1. not fully.

The limitations of the paper consist of the relatively small sample size and the limited control for firm characteristics, which are supposed to have impact on CSR patterns (compare further limitations in the “Conclusions” section of chapter one and firm level factors and CSR in the “Introduction” to this PhD thesis). In the present sample the following firm characteristics have been controlled for: 1) ownership scheme - publicly listed status and 2) size. These limitations lead me to implications for further research with regard to the interrelationship between CG and CSR.

The analytical framework applied here, which ultimately reflects the results of theoretical work undertaken so far, could be further applied in empirical cross-country research in Germany and Spain, while increasing the sample size, e.g. beyond firms listed in the main
stock indexes. This could enable a reasonable control for further firm characteristics, while bearing in mind that the understanding of CG and its links to CSR could also be influenced by membership in others than main stock indexes. Moreover, the range of countries to be investigated, based upon the same analytical framework, should be extended, too; especially at European level, in order to advance the knowledge in this sense. Nevertheless, I strongly encourage to continuing the theoretical research in view of the links between CG and CSR, in order to explore further links, on which an extended analytical framework could be based upon. The latter would possibly allow, to refine the establishment of corresponding (country specific) relational models.

Another field of further research suggested by this paper, although not directly related to the research questions, consists of the linguistic differences between German and Spanish with regard to some ‘main stream’ CG expressions in their national languages. In Germany, said expressions seem to be to a major extent used as Anglicisms. The latter corresponds to observations expressed by Du Plessis and Seanger, (2007a), who stated that the term CG was adopted directly from English into German. Moreover, they argued that it seems, as if the English terminology in view of CG had infiltrated the German vocabulary. In contrast, Spanish firms appear to avoid said Anglicisms and try to translate CG-specific expressions into Spanish. With the translation also the original meaning of the English may change.

The awareness and knowledge of such country specific linguistic peculiarities and differences in meaning could enable leaders in politics, inter- and supra national institutions, researchers, and practitioners to avoid communication biases, when discussing CG issues.

In general, the managerial implications of the findings of this paper refer mainly to cross-country operations of corporations, cross-country co-operations and cross-border mergers and acquisitions activities, and specifically, to those in Germany and Spain. There, managers should bear in mind that the understanding of CG and its interrelationship with CSR is different in the two countries. As a consequence, knowledge on, awareness of and sensitivity with regard to said differences should be conveyed in the framework of management development activities. By that, hidden flaws in communication, misunderstanding and resulting conflicts with corresponding detrimental effects on work efficiency and performance could be prevented or at least mitigated.
# Appendix L Table 1: Overview on traditional CG mechanisms in Germany and Spain

<table>
<thead>
<tr>
<th>Country Context</th>
<th>Germany</th>
<th>Spain</th>
<th>Anglo Saxon/American</th>
<th>References</th>
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<tbody>
<tr>
<td>Culture</td>
<td>collectivism/high = less shareholder protection, 'inclusive approach' of important stakeholders in decision making; 'uncertainty avoidance high' = banks in supervisory boards</td>
<td>In between D and Angio Saxon/Anglo American countries</td>
<td>Individual/Institutional ownership of uncertainty high = shareholder protection high</td>
<td>Mintz, 2005 based on Hofstede’s (1984) cultural dimensions</td>
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<td>Legal Origin</td>
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<td>legal origin</td>
<td>La Porta et al., 1997, 1998</td>
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<td>non-common (Civil) law, German law origin</td>
<td>non-common law, French law origin</td>
<td>common (cases) law</td>
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<td>CG Mechanisms</td>
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<td>net of cross affiliated firms banks, other non-financial firms (pyramids) families (Deutschland AG)</td>
<td>net of cross affiliated firms pyramids, banks, families</td>
<td>individual/Institutional ownership</td>
<td>Goergen et al., 2008; Friese et al., 2008, Gürten-Agostini, 2009, Becht and Boehmer, 2003, Felten, 2007, von Wender and Tabels, 2006, La Porta et al., 1999</td>
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<td>Role of the capital markets for funding</td>
<td>less pronounced due to bank funding</td>
<td>less pronounced</td>
<td>use of capital markets for funding</td>
<td>Van Den Bergh, 2002, Weimer and Pape, 1999, Amsterland Coli, 2007</td>
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<td>Shareholder protection</td>
<td>less pronounced</td>
<td>less pronounced than in D</td>
<td>pronounced</td>
<td>La Porta et al., 1997, 1998</td>
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<td>Board composition</td>
<td>employees, due to co-determination act (in current form since 1974): proportion employee representation on Supervisory Board, but chair person has a casting vote = 'quadri partiti co-determination' and large shareholders e.g. banks, other corporations</td>
<td>representatives of large shareholders</td>
<td>external directors</td>
<td>Van Den Bergh, 2002, Du Plessis and Swanger, 2007, Du Plessis and Sanior, 2007</td>
</tr>
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</table>
### Disclosure mechanisms of CG Codes

<table>
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<tr>
<th>Code</th>
<th>'soft law', 'comply or explain' but with compliance mechanism</th>
<th>'soft law', 'comply or explain' but with compliance mechanism</th>
<th>In US 'hard law': Sarbanes-Oxley Act</th>
<th>In UK 'soft law': Cadbury Act</th>
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<td>Cadbury Report</td>
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### Introduction of CG codes

- Early, 2002: German Corporate Governance Code, reviewed on a yearly basis

### Purpose and application of Accounting standards

- to determine correct contributions to tax authority and investors; reviewed in between D and Anglo Saxon/American countries, 1998: Cadbury Report (Code of Good Governance), was based on Cadbury Report, 2003 Aldama Report 2005 Conhe Code or 'Unified Code'

### Concept of the firm

- Institutional

### Time horizon of economic relationships

- Long term

### Accountability towards/relationship for

- Primary and secondary stakeholders

### CG System

- Network-oriented
- Insider system/insider controlled governance system
- Benet centred/bank capitalism/long term investor system
- Historically cooperative relationships between bankers, shareholders, board managers and employees
- Stakeholder value maximisation

### Own elaboration based on a literature review

- Van Den Berghe, 2002
- Albert, 1991, Barce and Beciti, 2001
- Franka and Mayer, 2001
- Flunk and von Rosen, 2008
- Goergen et al., 2005
- Murphy and Topps, 2005
- Leech and Mannin, 2002, Banza and Becht, 2003
- Mitze, 2005
- Goergen et al., 2008, Frewe et al., 2006, Lasnens and Vorley, 2006
- Weltman and Pape, 1999
- Lasnens and Vorley, 2005

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ce: own elaboration based on a literature review
### Table 2: Overview on links between CG and CSR of German Companies (DAX 30)

<table>
<thead>
<tr>
<th>Company</th>
<th>Accountability</th>
<th>Trust</th>
<th>Ethics/Values</th>
<th>Transp</th>
<th>Responsible Management</th>
<th>Risk Management</th>
<th>Value creation</th>
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* included in perception  o not included in perception  - no perception formulated (Ø)
### Appendix N, Table 3: Overview on links between CG and CSR of Spanish Companies (IBEX35)

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* included in perception  onot included in perception  - no perception formulated (4)
5. Conclusions

The ‘Conclusions’-section of this PhD thesis, which consists of three ‘Essays on CSR in Germany and Spain’, is structured as follows. First, I refer to the overall academic contribution of the three essays. Second, I turn to the ones specific to each essay. Third, I highlight the overall and specific implications of the three essays for managerial practice, public policy and further research. Fourth, I elucidate the contributions of the overall findings of the three essays to current debates, such as financial crisis and the complexity-simplicity debate in international management. Fifth, I point out some personal reflections in view of CSR, in general, and the results of the three research projects, in particular. And finally, I conclude this last section by highlighting my personal thoughts on the ‘making of’ this PhD.

5.1. Overall Contributions of the Three Essays to Academic Literature

From an overall perspective, the three ‘Essays on CSR in Germany and Spain’, contribute to fill the lack in academic literature with regard to cross-country studies from a corporate perspective in Europe in the field of CSR, as pointed out in the ‘Introduction’ section to this PhD-thesis (compare Table 1). I suggest that the three essays provide further empirical evidence on the propositions made by commentators that CSR is not Pan-European (Roome, 2005) and confirm suggestions delivered by, although very few, empirical cross country studies in this regard and none in view of two European countries, that CSR seems to be country specific, shaped by country context.

In addition, they constitute an original answer to the calls for research for cross-country studies in Europe, formulated by Roome (2005) and Campbell (2007). The findings of the three research projects contribute to increase the knowledge and through its linkage to national institutional settings, the understanding of country specific CSR, in general, and in Europe, specifically.

In the following this contribution is further specified by providing an overview on the findings of the three essays.
5.1.1. Overview on Findings of the Three Essays

In the following I provide an overview of the findings of the three essays, in whose framework I have undertaken the following research:

1) A Comparative Analysis of Corporate Social Responsibility (CSR) in Germany and Spain: Concepts and Drivers;

2) A Comparative Analysis of CSR Reporting in the Utility Industry in Germany and Spain: Insights into the Institutionalization of GRI Indicators, CSR Agendas and Communicated Rationale behind CSR;

3) The Understanding of Corporate Governance and its Links to CSR from a Corporate Perspective: A Comparative Analysis of German and Spanish Companies Listed in the Main Stock Indexes

5.1.1.1. Overview on Findings of Essay One

The results of the first essay, which were generated based upon a postal survey of the TOP 500 corporations in Germany and Spain, suggest that important differences exist between said European countries at corporate level in view of the following CSR issues: 1) understanding of CSR, illustrated by different levels of acceptance of various CSR concepts; and 2) the drivers behind CSR engagement. The findings further propose that the country specific CSR relevant institutional context is influential in shaping said differences. Said country context was based upon national corporate governance systems, main aspects of the institutional framework proposed by Roome (2005), VoC, national public policies in view of CSR and culture. But, some of said elements of the country context turned out to be less influential than others or contradictory in view of its explanatory power of the detected differences.

In addition, CSR seems to be a more extensive business practice in Germany than in Spain. The latter is based upon the interpretation of the feedback behaviour of the postal survey. There, a higher feedback rate of German than of Spanish corporations was registered. Said interpretation followed the argumentation line of the EC, when evaluating the feedback behaviour of the stakeholder consultation process in progress of the elaboration of the Green Book on CSR in 2001 (Chauveau and Rosé, 2003). Then, it was stated that accordingly to said behaviour countries could be classified as countries advanced (huge feedback) or less
advanced (few feedback) in CSR. Other factors which could have impact on feedback behaviour in postal surveys, such as small firm size and a supposedly lack of organisational and personnel resources to deal with external inquiries of that kind, as described by Guillén et al., (2002), cannot be fully excluded, but mitigated, since the survey targeted the TOP 500 corporations in each country. However, I suggest, when taking into consideration also institutional factors, such as the longer tradition of CSR, especially in view of environmental issues in Germany, that the feedback behaviour does imply that CSR practice is more extensive in Germany than in Spain. But, I also admit that currently, Spain, where the CSR debate and practice started basically in 2001 with the publication of the EC Green Book (Albareeda et al., 2007), seems to catch up by making intensive efforts in this regard.

Concerning the understanding of CSR, Spanish companies showed higher levels of acceptance with regard to the 3BL and the EC definition. The basic sustainability/sustainable development concept of CSR seems to be much more accepted among German companies. The CC concept is equally accepted by German and Spanish firms. As pointed out above, most of the findings of this essay could be linked back to the country context. However, in the following I will point out as an exemplary exercise, how the result with regard to the higher acceptance of the sustainability/sustainable development of German firms was linked back to the country context. In Germany, said higher acceptance could be explained by the long tradition of environmental issues in society and business and the corresponding importance of environmental protection. The latter is closely linked to sustainability (Roome, 2005) and illustrated by the public policy cluster, dominant in Germany — ‘sustainability and citizenship cluster’, which considers CSR activities at corporate level as a contribution to sustainable development (Albareeda et al., 2007).

With regard to the drivers behind CSR engagement, the findings suggest that for German and Spanish companies external drivers for CSR, such as stakeholder pressure are less important than internal ones and the expectation of positive internal and external effects, such as, among others improvement of employees’ satisfaction and improvement of reputation and image, respectively. In view of stakeholder pressure as a driving force behind CSR engagement, primary stakeholders play a similar role in both countries. Moreover, for German companies, secondary stakeholders are more relevant, when becoming engaged in CSR, than for Spanish companies. In addition, the findings suggest that in Germany, CSR is to a major extent ‘regulated’ than in Spain where it seems to be more ‘voluntary’ and ‘stimulated’. With regard to internal drivers no major differences between the two countries were detected. The analysis
of the results of the importance of ‘expectations of positive internal’ and ‘positive external effects’ suggest that the approach to CSR is ‘more competitive advantage centered’ in Spain, whereas in Germany the dominant one seems to be ‘less competitive advantage centered’.

In the following table, the findings of essay one are summarized.

Table 1: Overview on Findings of Essay One

<table>
<thead>
<tr>
<th>CSR Issues</th>
<th>Countries</th>
<th>Germany</th>
<th>Spain</th>
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<tbody>
<tr>
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<td>Expectations on positive external effects</td>
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<tr>
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<td>Voluntary</td>
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<td>More competitive advantage centered</td>
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<tr>
<td>Less competitive advantage centered</td>
<td>more pronounced</td>
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</table>

Source: own elaboration

5.1.1.2. Overview on Findings of Essay Two

In essay two, I have examined the CSR reporting practices of Spanish and German companies in the utilities sector. The analysis was based upon quantitative contents analysis of CSR reports, from a quantitative indicators and lexical perspective, which was supposed to deliver insights into the following CSR issues: institutionalisation of GRI indicators, CSR agendas and communicated rationale behind CSR. In general differences in view of the mentioned issues were observed. In addition in most cases country specific institutional mechanisms are influential in shaping said differences.
The highest degree of institutionalization of GRI indicators was achieved in both countries with regard to the GRI ‘Organizational Profile Indicators’, although at a much higher level among Spanish companies. In an overall analysis of the three categories of GRI ‘Performance Indicators’ (economic, environmental, social), the coverage of the GRI standards achieved a low and a very low level in Spain and Germany, respectively. The highest degree of institutionalization among Spanish companies was detected with regard to the ‘Economic Performance Indicators’, whereas for German companies this was the case for the ‘Environmental Performance Indicators’. In general, the level of institutionalisation of GRI Indicators, which is regarded as the leading CSR reporting framework, is surprisingly low, brought to an extreme by German companies.

Also with regard to quantitative indicators, which were reported in addition to the GRI ‘Organizational Profile’ and ‘Performance Indicators’, the Spanish companies were ahead of the German ones. Especially the disclosure of Spanish firms with regard to their ‘economic performance’ was very extensive in comparison to their German counterparts. Also concerning ‘additional’ environmental indicators the Spanish corporations reported more quantitative indicators than the German ones, although, the difference observed in this regard was the lowest.

In view of the insights into CSR agendas, according to the ‘Corporate Sustainability’ framework, provided by the counting of quantitative indicators, the results suggest the following: In the overall country comparison, Spanish companies seem, to a major extent than German ones, to focus on activities related to their economic responsibilities. In contrast, German companies emphasize their environmental responsibilities and foster therefore activities on their CSR agendas in this regard. For German companies this is also true, when extending the analysis from the country to the firm level. In contrast for Spanish corporations the findings then are more mixed. Nevertheless, also in the light of the firm level consideration it is still true, that Spanish companies seem to focus to a major extent than the German firms on economic responsibilities, although not with that prominence implied by the country level analysis.

Furthermore, the Spanish companies established a fourth pillar in view of their CSR agenda, namely activities related to ‘corporate governance’, unlike the German corporations for which said pillar seemed to be a marginal issue on their CSR agenda.
With regard to the communicated rationale behind CSR engagement, with its two extreme approaches, the normative one, expressed as ‘intergenerational morality’ and the instrumental one, also labelled ‘business case’, the findings of the research suggest the following: German firms seem to communicate the ‘intergenerational morality’ motive behind their CSR engagement. In contrast, the Spanish companies’ rationale is situated between the German companies’ one and the ‘business case’ for CSR. This is in line with the findings of essay one, which suggest that the Spanish corporations to major extent than the German ones seem to apply a strategic and proactive approach to CSR. The latter is ultimately linked with competitive advantage and therefore the financial pay back of CSR engagement, hence the ‘business case’. In the following table, the main findings of essay two are summarized.

Table 2: Overview on Findings of Essay Two

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<th>CSR Issues</th>
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<td>GRI 'Social Performance Indicators'</td>
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Source: own elaboration
5.1.1.3. Overview on Findings of Essay Three

In essay three, I have explored in the literature review section main CG mechanisms and resulting country specific CG systems, which had been dealt with in cross-country studies, so far. I did so with a special focus on Germany and Spain. In addition, I included CG mechanisms and CG systems of countries of Anglo Saxon/American tradition. I did so, since in cross-country analysis in CG literature CG systems of countries of said tradition are regarded as an antipode to countries of continental European tradition, such as Germany and Spain, in this regard. However, although Germany and Spain are representatives of continental European countries, their CG systems reflect differences. In addition, I explored the more current convergence debate of CG systems, namely the shift of traditionally continental European CG systems towards the Anglo Saxon/American one. In this regard, the Spanish system showed to a major extent than the German system, in which also important changes were observed, signs of convergence in the exposed sense. I elaborated this theoretical analysis in depth, since it provided not only an overview on cross-country research in the field of CG, but constituted also the institutional framework, based upon which the influence of the traditional national CG system in shaping expected differences in view of the understanding of CG and its links to CSR were explored. The empirical part of the essay aimed at the following: first, to explore differences in the understanding of CG and its links to CSR; and second, if in shaping these differences and corresponding relational models the traditional national CG system is influential, in spite of converging patterns of CG systems in Germany and Spain. The methodology applied was qualitative text analysis in the framework of a website research of the companies listed in the main stock indexes in both countries.

The results of the empirical part suggested that the understanding of CG and its links to CSR at corporate level are different in the two countries. In Germany, the ‘broad view’ of CG, related to the firm’s responsibility vis-à-vis primary stakeholders, beyond shareholders, and secondary stakeholders corresponds to the stakeholder model of CG which is supposed to be characteristic for continental European countries. This is in line with what could have been expected considering the traditional national CG systems. Hence, the general current signs of convergence of CG systems did not affect the understanding of CG of the German sample. In contrast, the findings for the Spanish corporations suggest that their understanding of CG is to a major extent ‘narrow’. That means that they focus on their responsibilities for their shareholders and to a less extent on primary and secondary stakeholders. This understanding corresponds mainly to the shareholder model of CG, which is assumed to be characteristic for
Anglo Saxon/American countries. Nevertheless, also traditionally the Spanish CG system, the ‘Latin system’, was already labelled ‘shareholder reference’ model and is situated between the ‘Germanic system’ and the ‘Anglo Saxon’ one. Therefore, the findings suggest that also corporations of the Spanish sample behave still according to their traditional CG systems, although their exclusive focus on shareholders is already important and implies effects of convergence.

The ‘broad’ and ‘narrow’ views of CG constitute an important link to CSR. But, in addition to these, other interrelationships between CG and CSR have been explored only recently in the theoretical literature. With regard to that strand of analysis, the German corporations included to a major extent links to CSR in their understanding of CG than the Spanish ones.

Therefore, in terms of relational models, the German companies seem to consider CSR as an extension of the CG agenda and therefore CSR as part of CG. In contrast, Spanish companies are more likely to perceive CG and CSR at least as part of the accountability continuum and as complementary constituents. In the light of the findings of essay two, I suggest that Spanish corporations are more likely to perceive CG as part of CSR.

In the following table the main findings of the essay are summarized.

<table>
<thead>
<tr>
<th>CSR Issues</th>
<th>Countries</th>
<th>Germany</th>
<th>Spain</th>
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<tr>
<td>Understanding of CG and links to CSR</td>
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<td>View on CG (narrow vs. broad)</td>
<td>broad</td>
<td>narrow</td>
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<tr>
<td>Other dimensions of interrelationships of CG and CSR</td>
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<tr>
<td>Trust (beyond shareholders)</td>
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<tr>
<td>Ethics/Values</td>
<td>more pronounced</td>
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<td>Transparency (beyond shareholders)</td>
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<tr>
<td>Responsible management</td>
<td>more pronounced</td>
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<td>Risk management</td>
<td>more pronounced</td>
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<tr>
<td>Value creation (beyond shareholders)</td>
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<td>Long time horizon</td>
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<td>Resulting Relational Model</td>
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<tr>
<td>CSR as part of CG</td>
<td>more pronounced</td>
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<tr>
<td>CG as part of CSR</td>
<td>less pronounced</td>
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<td>CG and CSR as complementary constituents</td>
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Source: own elaboration
With this overview on the findings of essay three, I conclude the section, which has aimed at giving an overview on the results of the three essays. I will now turn to the implications of the findings of the three essays for managerial practice.

5.2. Implications of the Findings for Managerial Practice

The findings of the three essays propose not only implications for managerial practice in Germany and Spain with regard to cross-border management of CSR. In addition, they have also implications for the general international management of CSR issues.

The overall managerial implications of the findings can be formulated in line with Van der Laan Smith et al. (2005). They argue that, in general, to broaden the knowledge basis on CSR enables decision makers and practitioners, here in corporations, to take make their decisions more effective and appropriate. The knowledge created on country specific CSR in Germany and Spain, which seems to be shaped by national institutional settings, suggests that, not only with regard to those two specific countries, but also more generally speaking, the country specificity of CSR has to be taken into account in managerial decision making. This is especially necessary in cross country (co)-operations, international joint ventures, cross boarder merger & acquisitions and business operations. CSR is often referred to as doing the right thing, but what is considered the right thing depends on the country context, since CSR depends on the country context.

Therefore, CSR at corporate level cannot be simply exported from one country to another and transplanted there into some other local business organizations. The findings of the papers suggest that corporations which do so are likely to fail. Why? Because by ignoring the issue, various flaws at different levels inside and outside the corporation are supposed to be created. These are then ultimately reflected in inefficient decision making processes or wrong decision making. Both are detrimental to businesses' tangible and intangible value creation.

In particular the managerial implications are the following.

- Be sensitive to problems, which could arise at the product (service) market due to the country specificity of CSR

*Product (service) portfolio*

Flaws could occur in view of decisions related to the product markets. This could first, consist of sub-optimal product strategies for particular markets in form of placing existing products
successfully marketed in a given product market in another one. This may be illustrated by an example. In some countries, even at European level, where less dispersion could be expected in relation to geographically more remote markets, the markets for so called ‘green’ or ‘eco’ products differ. In some countries said products may be important, demanded and serve to contribute to corporate success and legitimacy, due to a long tradition of environmental issues in society and business in a specific country. Nevertheless, in other countries this may not be the case. This constellation could also be approached from the opposite angle, namely that corporations are likely to fail in an ecologically sensitive or green market place when not taking into consideration country specific traditions in view of what is considered as socially responsible.

Hence, said differences in institutional settings and related expectations about how a socially responsible corporation should act imply consequences for the product strategy and product portfolio management, namely that some markets could not be served with existing products. In this case, existing products could be adapted to certain market conditions or newly developed. Or, as Nidumolu et al. (2009) put it, corporations have “to develop sustainable offerings or redesign existing ones” (p. 60). Hence, taking into consideration different expectations and practices in CSR in different markets should not only be considered as a burden, but could also represent a source of innovation or as a first mover advantage (Nidumolu et al., 2009). In general, the notion of adaptation and innovation should not be reserved to the eco-field but could also be transferred to the social dimensions of CSR, e.g. by offering products produced with high social standards in product markets which are more prone to the social facet of CSR.

As an in between way could serve market development activities. This means, to “educate” the market in a sense that could create awareness on a certain focus issue of CSR. Porter and Kramer (2006) propose as an appropriate strategy to do so by investing in philanthropic activities. Hence, in a given market where social, in contrast to environmental issues in another market, are highly valued, market education activities could be implemented in a field which corresponds most to what is considered in a given country as an important CSR issue. To continue with the example of eco-products; if in a given country education and especially university education is a highly respected issue of CSR which awards legitimacy to corporations then e.g. investments in infant education but also in universities e.g. by creating think tanks or a university chair on environmental management could be appropriate.
Product market communication

Country specific expectations and practice in CSR has to be considered in market communication, too. On the one hand side, this could mean to adapt market communication in a way that corresponds to CSR expectations of the public. On the other hand side, this could be carefully applied in the framework of a market development strategy. This is also true for the more promotional perspective of market communication, such as in form of cause related marketing. The latter is considered as an important CSR practice and according to Garriga and Méi (2004) an approach to CSR. Corresponding campaigns have to be designed with caution and not over stretched. An interesting case in this regard is the cause related marketing campaign of a German brewery, which aimed at creating funds for the protection of rainforest projects by designating a certain percentage of the revenue to said purpose. Even in a well developed market with environmental consciousness as the German one, the campaign, popularly labelled as “drinking for the rain forest” was not well understood and controversially discussed.

• Be sensitive to problems, which could arise in view of personnel related issues due to the country specificity of CSR

In view of personnel related issues, which are considered to be an important pillar of CSR, expectations in this regard could differ by country. CSR practice in this regard may correspond to what is expected by employées in one country, but not to what employées of another country would expect. This could not only cause disappointment and de-motivation of the workforce, but also serious problems in finding and retaining high potentials. Hence, in view of the latter country specific CSR aspects have also to be taken into consideration in the employer marketing.

• Be sensitive to problems, which could arise in view of issues related to the communication with financial markets due to the country specificity of CSR

In view of problems related to the communication with financial markets, the expectations on what is an important CSR issue may differ from country to country. This issue seems to be important, since CSR engagement, in general, and CSR performance, in particular, is increasingly considered as having positive signalling effects to the financial markets in view of the overall performance and capacities of a firm. Hence, to illustrate this proposition by an example; an US Firm which is looking for financial investors in European countries, in general, or prepares to become listed at a European stock exchange, in particular, is likely to fail if CSR communication is philanthropy centered. This may correspond to what is
traditionally understood as CSR in the US, but not to what investors in European countries would expect.

In sum, discrepancies between corporate action and corresponding communication with regard to CSR, based on home country CSR patterns, and the expectations of internal and external stakeholders in another country context could emerge and lead to legitimacy problems of the firm in the latter context.

**How can we tackle such problems?**

- **Changes in organizational structure**
  
  I suggest, undertaking changes in the organizational structure of internationally operating firms, such as to create a post of a responsible of ‘international CSR’ at group level. This would also signal the corporate awareness of said interferences and of the challenge to mitigate them. As effective as the creation of a manager’s post, in order to improve international CSR management, could be the creation of a multidisciplinary, here also multinational team, which could be institutionalized in form of an international CSR committee (compare De la Cruz Déniz-Déniz and Zárraga-Oberty 2004). I suggest, that these measures could be implemented analogous to what is already accepted business practice in view of other functional areas of the firm, such as in Marketing with ‘International Marketing’ departments and corresponding director posts or other steering committees in all kind of operative areas of the firm, such as global production, sourcing etc.

- **Changes in employee and management development**

  Also from a personal employee level perspective, the importance of knowledge, awareness and sensitivity towards country specific CSR should be increased. Hence, the issue should become part of the personnel and management development curriculums, especially for managers in the field of CSR. Moreover, in case of international exchange programs of personnel, in general, and, in particular, in the field of CSR, country specificity of CSR, should be part of the preparatory training. Also in this case, existing structures could be used, since in internationally operating firms such preparatory training programs are already at offer, but mostly in view of language training and information on country specific differences concerning the practical daily life. Moreover, so far, only in case of personnel relocation to geographically remote areas, specific cultural training is foreseen. Hence, I suggest to use existing modules but to expand the preparation of managers, especially of CSR managers, in
the light of the country specificity of CSR not only at a geographically remote level, but also at a European level.

- Access to local knowledge on country specificity in CSR

Another point, which should be considered, is the access to knowledge in view of country specificity of CSR. In international activities, this could not be an easy task. Hence, I suggest the following. First, to hire local knowledge in the field of CSR; and second, to look for cooperations with local think tanks, universities, industrial associations and political institutions. Moreover, when considering this kind of co-operations not only as a one-way knowledge sourcing, but as a network of dialogue, then also synergetic effects could occur. As a consequence, in the best case next practices can evolve which rely not only on mimic best practices (Nidumolu et al., 2009).

5.3. Contributions to CSR and Complexity vs. Simplicity Debate in International Management

The results of the three essays suggest that CSR is shaped by the national context, the corporations are operating in. Hence, CSR seems to be country specific. However, what does this mean for the cross-border management of CSR? The issue, so far, has not been explored in academic research, as these insights are relatively new, especially in view of European countries; only since 2003 (compare 1.1.3. ‘Calls for Cross-Country Research in Europe’), when some commentators put this issue on the CSR research agenda. In addition, what does this mean for the application of ‘best practice’ approaches to CSR, based upon, benchmarking and international guidelines, standards etc., the CSR practice at corporate level is heavily relying on?

First, the ‘one size fits all’ approach is likely to fail. This is true for the application at corporate level of international standards in form of formal voluntary guidelines, but also for standards developed by other corporations. It becomes obvious, when looking at the results of chapter two, in view of the low or very low institutionalization of the GRI-guidelines. Hence, what could the purpose of international guidelines be, if at the end of the day, these standardization attempts are rather superficially taken into consideration in corporate practice? In the light of the results of the three essays, cross-border CSR has to do with national diversities in this regard. Hence, international CSR management has to do with the management of said diversity, ultimately with the management of complexity.
In the following, I highlight my personal insights into the ‘complexity’ issue, due to my professional background. I will also refer to some fields of international management, where country specificity has already become an important issue at academic and practitioner level. Therefore, I suggest, that the existing knowledge and practice in this regard could provide a reasonable starting point for reflection, in general, and specifically for research and practice in view of the international management of CSR.

With regard to my professional background in the car industry, I acquired personal insights into the risk and opportunities of complexity and, hence, the importance of its management. In the 1990s at Volkswagen, complexity meant for cross border operations, first, to take into consideration so called country specific ‘homologation’ requirements in the manufacturing of cars. That means, to adapt the vehicles to country specific legal requirements. In addition, (geographic) market and consumer specific demands had to be considered. This implies for a globally active car manufacturer that, to give an example, even the selection of a models name is not an easy task. They can vary by geographic market. However, Volkswagen was confronted to a huge complexity. That was further fuelled by its ‘multi brand strategy’, especially in the R&D and production process, since with its ‘customization’ or ‘market pull’ strategy, several millions of possible equipment variants were possible. As a consequence, the costs exploded. This lead to the phenomenon, that some models left the assembly line with a negative operational results ‘backpack’. Hence, the answer was, in general, cost control, and, specifically, to reduce costs by reducing complexity and increase standardization, as far as possible. This was realized, only to mention the most important measures, by the so called ‘platform strategy’. That means that only few different categories of platforms (chassis) were developed and produced, which were the same for all brands. Hence, the necessary differentiation between the brands consisted of the brand specific ‘hat’, visible for the customers. Alternatively, and in a further extreme, this also meant to produce simply ‘badge’ models. This implied also to centralize to a certain extent R&D activities. Furthermore, the total customization was reduced by offering different ‘packages’ of equipment.

This example served to illustrate the main challenge of the management of complexity, namely to find the right balance between standardization (simplicity) and customization (diversity/complexity), centralization and decentralization, in order to be responsive to the (geographic) markets, but at the same time, to control the costs, caused by customization.

In academic literature, Ghemawat (2007) refers to a ‘central problem’ of global strategy in this sense, namely, the management of big (geographically induced) differences. According to
him, a balance has to be found between economies of scale or standardization and responsiveness to local conditions. Hence, I suggest that for the international management of CSR, given the evidence of country specificity, approaches have to be found, which reflect said balance. When drawing on the findings of chapter two, the GRI guidelines could on the one hand side help to standardize CSR reporting. However, obviously there is only a low level of acceptance, since the guidelines are not contextualized. Moreover, on the other hand, since they are not contextualized, they could even be counterproductive, since they impose a complexity by referring to a huge number of issues, which are not understood as CSR in a given context. Drawing then explicitly on such issues, since these are part of a certain standard, this could be counterproductive. It could cause rejection and fuel criticism in view of the substance of CSR. I would like to illustrate the latter by giving the following example. Ruhkamp (2001) expressed his astonishment about the fact, that German companies market issues as CSR, which are traditionally taken for granted in Germany, such as the vocational training of young qualified personnel within the equally traditional German dual vocational training. This example underlines, that we have to better understand that CSR means different things in different countries, to be able to better manage CSR in a globalised world.

So far, few in CSR management is, as a 'marketer' would say, customized. Hence, I suggest, rather to agree upon few principles in international standard setting in CSR, in order to leave room for customization, namely the fitting to the country context. Furthermore, I suggest, while doing so, a reasonable balance has to be found between standardization and customization in international CSR management e.g. to customize information in CSR reports. Moreover, a reasonable debate should be opened at academic and practitioner level, not only in view of additional costs, which definitely incur due to customization in CSR, but also in view of its benefits. However, I suggest that currently there is still a trend towards standardization and few is undertaken to meet the challenge of customization, when it becomes increasingly clear that there is no single blueprint in CSR.

In marketing, at practitioner and academic level, the paradigm change from standardization to customization has already taken place. What can we learn from marketing for the international management of CSR? First, we could see the actual benefits of customization, namely, as Rigby and Vishwanath (2006), put it, in form of innovation, which constitutes a competitive advantage; second, we could learn that customization implies also decentralization of corporate functions and processes; and third, that standardization is less costly, but leads to stagnation and loss of market share. Hence, it is important to find the right
balance between the two extremes. However, the authors also underlined that, in order to find a reasonable balance, a lot of previous work has to be undertaken. That is equally costly, since it means a lot of data gathering and analysis. The in-between-approach, e.g., to undertake ‘grouping’ of markets could reduce customization costs. Nevertheless, with regard to CSR practice, including CSR communication, grouping, e.g., for Europe, from the point of view of overseas companies, could not provide a satisfying approach, since CSR also in Europe, as the three essays suggest, is extremely diverse.

Another strand of literature, which deals with the tension field complexity vs. simplicity, is the one of cross-cultural management in the field of human resources. In addition, one important issue in this area, namely the cultural diversity in human resources, is at the same time an important issue in CSR. What could we learn from that field for the international management of CSR? Also here, the management of complexity in international/multinational firms is regarded as a key success factor (Sackmann, 2002). The author further referred to the fit of management systems, information and communication systems in view of that diversity which may give rise to questions of access, compatibility and ‘rules of the game’. Moreover, in view of controlling systems, the author emphasized the importance of establishing, which variables and key indicators should be regularly monitored, checked and adapted, if necessary.

Sackmann (2002) formulated some key questions with regard to the international management of cultural diversity. I suggest, to transfer these to the international management of CSR as follows: How much customization is necessary from a strategic point of view? How much complexity is desirable from an organizational perspective? What kind of supporting measures are needed to achieve and maintain the desired level of diversity? What kind of qualifications, competences and skills are necessary to effectively deal with the existing level of complexity during the daily work process?

But, Kanter, 2008 argued, that standardization is not always only negative; the interplay of certain corporate standards and local conditions could put companies in a position to influence the ecosystem around them and to generate innovation, too.

In sum, the findings of the three essays suggest that CSR is country-specific. Hence, especially in Europe, with its cultural diversity, CSR is extremely diverse. But, so far, the international management of CSR has not been dealt with, neither at academic nor at practitioner level. Given, the ‘best practice’ approach to CSR and the importance of
international standard setting in CSR, its country specific diversity has not been taken into account properly. In order, to enhance the debate in view of the international management of CSR with regard to the management of its diversity, I have pointed out some examples with regard to the simplicity vs. complexity debate in international management. I did so by drawing on my professional background and to some strands of literature in management science, where the management of diversity is more advanced. And finally, based upon said literature, I have formulated main aspects and key questions which should be taken into consideration in the international management of CSR.

After having highlighted some implications of the findings of the three essays for managerial practice, I turn in the following section to those for deciders in public policies and international and (supra) national institutions.

5.4. Implications for Public Policies, international and (supra) national institutions

The overall managerial implication of the three essays is also true for national public policy makers and deciders in international and (supra) national institutions, namely that the increase of knowledge in CSR makes their decisions more effective and appropriate.

I further agree with Van der Laan Smith et al. (2005), who argued that national and international and supranational regulators, such as EU and WTO have not only to become aware of country specific diversity in CSR, but they should also know the determinants of said differences. Hence, they could better target areas of deficiencies in a specific country (national level) or in various specific countries. As a consequence, they could intervene with what they consider appropriate means, to tackle said deficiencies, in form of legal regulation, guidelines, recommendations, incentives etc.

Special implications for public policy or international and supra (national) institutions with regulatory power, result especially from essay two. The findings suggested a surprisingly low institutionalisation of GRI Indicators. They underlined the legitimate criticism with regard to 'self regulations' or 'voluntary guidelines' in the field of CSR, in general, and with regard to those referring to CSR reporting, specifically. Critics have qualified them as a lobbying tool, PR or cost saving vehicle. They have emphasized, in general, that 'voluntary guidelines' are not automatically the best solution, to change corporate practice. The findings suggest, that all kind of self regulations in the field of CSR from a regulator perspective could only be
acceptable, when applied correctly and effectively, namely in accordance with the voluntary standard, and extensively, namely that most of the corporations actually apply it. An equally voluntary external auditing of self regulatory standards seems not always to be a sufficient indicator for standard compliance. As a consequence, I suggest, that regulators should increasingly monitor self regulatory standards in the field of CSR. And, I further propose, that in case that these are not respected, to extend them, if reasonable, by legal enforcement mechanism or to opt for legal regulation.

In this section, I have highlighted some implications of the findings of the three essays for public policies and international and (supra) national institutions. In the next section, I point out their implications for further research.

5.5. Implications for Further Research

In this section, I elucidate the implications of the findings of the three essays for further research, such as 1) the expansion of research in cross-country studies to other CSR issues, than those dealt with in this thesis; 2) to extend the scope of countries, to be investigated - especially in Europe; 3) to introduce longitudinal approaches to CSR in comparative research; 4) to include SMEs' perspectives; 5) to extend the institutional frameworks to be applied in cross-country research; and finally, to intensify the field of linguistics in international CSR research.

5.5.1. Expansion of scope of CSR issues to be investigated in cross-country studies

As pointed out in the 'Introduction' section, so far cross-country studies from a corporate perspective have focused mainly on issues related to CSR reporting. In view of the findings of the three essays, which underline the relevance of cross-country research in CSR, I suggest the following. First, in general, to expand the research agenda in CSR in cross country studies by issues, beyond CSR reporting, namely those summarized in Figure 2. More specifically and with regard to the countries dealt with in this PhD thesis, I propose to extend the cross-country research in Germany and Spain by CSR issues, beyond those dealt with in this three essays, e.g. related to the huge field of CSR organization and implementation. Moreover, I propose that especially in Europe with its diversity of officially categorized European regions also cross-regional comparison should be undertaken, since even within one country said
differences could be important. When connecting back to the two countries relevant to this research, an interesting match could be formed by the German economically most successful federal states (Bavaria, Baden Württemberg) and their counterpart in Spain, the autonomous region Catalonia.

5.5.2. Further cross-country research in CSR, including country context, longitudinal approaches and SMEs

In order to further increase the knowledge basis on country specific CSR, worldwide, and specifically in Europe, the number of countries, subject to such empirical research should be extended. In addition, said studies should take into consideration the country context, which turned out to be, in the framework of these research projects, an important explanatory variable for country-specific differences in CSR. The importance of further cross-country studies is also underlined by the implications of this kind of research for managerial practice and public policies and international and (supra) national institutions, as already pointed out.

In addition, in future research also SMEs so far excluded in cross-country studies, although they constitute the ‘backbone’ of European economy, should be taken into account.

Campbell (2007) argues that the institutional terrain within corporations operate is not static. Instead, there are dynamic pressures that ‘ebb and flow’ and cause the terrain to shift over time. Therefore, I call for longitudinal cross-studies, beyond CSR reports output by country, such as those provided by KPMG on a tri-annual basis. To do so, an analytical framework, to capture the main CSR issues from a corporate perspective should be developed and an appropriate methodology to conduct the research in the framework of said dimensions of analysis agreed upon. Consequently, researchers would be able to register the changes with regard to CSR issues, such as upswings and downswings over time of interest in social, environmental, political and other CSR variables in different countries. Hence, they would be able to capture the dynamics behind them and to destill cyclical aspects of CSR.

5.5.3. Revision of and extension of scope of institutional mechanisms and introduction of a new conceptual framework in CSR research

In the framework of the three essays, the CSR relevant institutional mechanisms, which have been taken into account, to explore the country specific context in Germany and Spain were
the following: important aspects of the national corporate governance systems, a basic institutional framework proposed by Roome (2005), some important aspects of VoC, culture and public policies. The selected mechanisms represented only a small fraction, although identified as important to CSR in the theoretical and/or empirical CSR literature, of the rich and extensive institutional settings, which could have impact on CSR. Moreover, some of them turned out to possess less explanatory power than others. Therefore, I suggest on the one hand side, to extend the scope of institutional mechanisms to be taken into account as explanatory variables of country specific CSR in future CSR cross-country research. On the other hand side, I propose to analyze more profoundly those mechanisms, which did not fully deliver.

In the following, I would like to propose some additional institutional frameworks, which appear promising to me for future cross-country research in CSR. Some of them have already been mentioned in theoretical CSR literature, others have not been taken into consideration, so far, neither theoretically nor empirically in said strand of literature.

Roome (2005) proposed the following institutional analysis framework: 1) political structure (e.g. centralized vs. decentralized); 2) political style and processes (e.g. consensus, participative, hierarchy); 3) social structure (e.g. elite, egalitarian, meritocracy); 4) strength of commitment to ‘voluntarism’ as opposed to acceptance of the rules and controls of the state.; 5) description of the role of companies in local and national society; 6) role and position of NGOs and citizen groups in society, characteristics of educational system (e.g. valued skills and training); 7) societal expectations on leaders (e.g. to direct, to guide to facilitate); and 8) historical traditions (e.g. German apprentice/crafts guild system) (Roome, 2005, p.324-325).

In line with such characteristics, the effect of the size of the informal sector on CSR should be investigated theoretically and resulting insights empirically explored in cross country settings. Another promising institutional framework, which, so far, seems not to be covered in CSR comparative research, constitutes the “National Innovation System” (NIS). Hence, I suggest to exploring this issue and its implications for CSR first theoretically and then to empirical research. So far, only at public policy level the interrelationship between public environmental protection and innovation policies was explored (Andersen, 2004). The author underlined that NIS could provide a useful analytical frame for exploring the co-evolution of technology, institutions and organizations. He further argued that, in general, the NIS perspective on sustainability issues, so far, had been dealt with in a very limited way. In addition, CSR is seen by many as a source (Porter and Kramer, 2006) or driver for innovation (Clausen and Loewe, 2009). Hence, comparative cross-country research in this regard could...
focus on establishing links between NIS and CSR, in general, and/or CSR induced innovation at corporate level, in particular. To underline the potential of said approach, please compare the ‘Innovation Country Profiles of Germany and Spain’ in Appendix N, which reflect the huge institutional differences in this regard between the two countries. Hence, they underline corresponding promising prospects for international CSR research.

Furthermore, I suggest to develop a framework of institutional analysis, in order to investigate empirically a new conceptual framework proposed, by Matten and Moon (2005, p. 341-342). The authors refer to country specific institutional settings as a catalyst for their ‘implicit’ and ‘explicit’ approach to CSR. According to them, ‘explicit’ CSR refers to corporate policies that lead firms to assume responsibility for some demands and interests of society. This involves voluntary, self-interest driven policies, programs and strategies perceived by the corporation and/or its stakeholders as part of their social responsibility. In contrast, ‘implicit’ CSR refers to formal and informal institutions at country level through which the firms’ responsibility for the interest of society are agreed and assigned to. Implicit CSR consists of values, norms and rules, which result in mandatory requirements for firms to address certain issues in the field of CSR, since they define the corporate role in society. Or, as Schlierer and Seidel (2009) put it, said framework could enable to a more profound analysis of differences between countries in view of how CSR is conceived and practiced.

With regard to the framework elaborated by Katz et al. (2001), based upon Hofstede’s cultural dimensions, which was supposed to reflect the cultural dimension of different institutional settings and its impact on CSR at country level, it turned out that said framework did not deliver the insights expected. Hence, I suggest to revise said framework, or, to develop new theoretical frameworks in this regard, in order to refine the analysis of national cultural impacts on CSR at corporate level. In contrast, Hofstede’s femininity vs. masculinity cultural dimension already did deliver explanatory insights in the framework of a cross-country study in CSR (compare Van der Laan Smith et al., 2005). Taking up the notion femininity and connecting to current public discussions on quota for women on Boards of Directors/Management, I suggest to consider the country specific role of women in society as part of the country context which should be investigated in relation to CSR. Based upon another dimension of Hofstede, namely uncertainty avoidance, Katz et al., 2001 referred to the likeliness of legal regulation in CSR. Another interesting topic could be not only to investigate to which extent culture shapes the likeliness of legal regulation, but also to which extent culture shapes the likeliness of an individual or an organisation to behave according to said regulations.
With regard to the VoC approach to institutional analysis, I encourage to extend the scope of said analysis in cross-country CSR research, beyond aspects dealt with in this PhD, since said framework seems to be promising, to deliver explanatory evidence on country specificity of CSR.

For the application of revised, new, extended and more detailed institutional frameworks in empirical cross-country research, I suggest, to rely increasingly on interdisciplinary, international research and corresponding diverse research teams, in order to be able manage the huge challenges of cross-country research, in general, and in view of CSR, in particular. This is especially true, when institutional effects on CSR will be more intensively explored in the framework of said research. This is in line with Lenssen et al. (2007), who stated that, for example business history and cultural studies as disciplines should be definitely included in future analysis of CSR.

5.5.4. Intensification of Linguistics Research in CSR

In the progress of the three research projects, although not directly linked to the research questions, but merely a by-product, caused by the applied methodologies, I made the following observations: 'new' CSR and CG specific expressions, mostly of Anglo Saxon origin, are either not translated, that means are kept as Anglicism in the national language. Or, they are not only literally but differently translated and have, in addition, a different meaning in the two countries. In the following paragraph, I highlight some examples in this regard.

During the translation test and pilot sample test phase of the questionnaire, it turned out that the translation of the English term 'stakeholder' into Spanish represented a challenge due to various Spanish expressions on offer. The latter I will point out in detail to provide some examples for said observation: 'interesados' – interested ones, 'partes interesadas' – interested parties, ‘grupos de interés’ – interest groups, ‘actores’ – actors, ‘interlocutores’ – partners or partners of dialogue). In contrast, in German, the original English expression seemed to be even more accepted than some corresponding German terms (‘Interessengruppen’ – interest groups, ‘Anspruchsgruppen’ – groups which have demands). Similar problems occurred during the third research project with expressions related to CG, such as ‘Corporate Governance’ and ‘Investor Relations’. I observed that the English term CG in the respective national language was differently translated. In case of Germany, all companies labelled the CG section of their website, ‘Corporate Governance’ in German and English. So, the English term has not been translated into German. In contrast, the Spanish companies did translate the
term literally into Spanish, as ‘Gobierno Corporativo’. Some of the companies translated the
expression again literally back into English as ‘Corporate Government’. Some used in the
English version of the website the term ‘Corporate Governance’. In view of the term ‘Investor
Relations’, popular among German companies as a main section labelling, in which CG
information is provided, it appeared on the Spanish websites in the CG section or sub-section
as a synonym for the shareholders office and provided simply the corporate contact
coordinates for shareholders.

Moreover, the same is true for expressions central to CSR such as ‘accountability’ and
‘sustainability’. In view of the word ‘accountability’, Vilanova et al. (2006) reported about
translation problems from the English term into Spanish. In German language a corresponding
word with more or less the same meaning does exist - ‘Rechenschaftspflicht’, whereas in
Spain it is not yet clear, how to translate this expression into Spanish, while maintaining its
meaning. At the moment the trend goes towards ‘rendimiento’ or ‘rendición de cuentas’ –
‘rendering an account’ (Vilanova et al., 2006). Aguilera (2005) considers the fact that the
introduction of said English term had been strongly supported by international institutions,
such as the OECD, as ‘fascinating’, since said term per se, does not exist in most Roman
languages.

Also the originally German expression ‘Nachhaltigkeit’, a central term in CSR, which had
already been coined in the 19th century, and translated into English as ‘sustainability’ entered
the Spanish ‘Diccionario de la Real Academia Española’ only recently, in 2010 as
‘sostenibilidad’ (Blasco, 2010).

Therefore, I suggest, to intensify cross-country research with regard to CG and CSR in view
of linguistics. This would be especially relevant for a region like Europe, with its important
diversity in culture, reflected, among others, in national/regional languages. This field of
research would imply interdisciplinary research settings with representatives, for example,
from management science, linguistics, literary studies, science of communication and history.

After having highlighted some implications of the findings of the three essays for further
research, I conclude this PhD thesis with some personal reflections on CSR, the findings of
the research projects and on the ‘making of’ the PhD thesis.
5.6. Personal Reflections

In this section, I highlight some personal reflections with regard to CSR, in general, and specifically in view of the findings of the three essays. Furthermore, I point out my personal reflections in view of the "making of" of this PhD.

5.6.1. Personal Reflections on CSR and the Findings of the Research Projects

I start this section with some personal reflections on CSR. Then, I turn to the findings of the three research projects and connect them to my personal background, as pointed out in the section of the Introduction.

The first issue to refer to are the effects of the current financial crisis and its social effects, which provoke currently even violent protest among citizens in Europe, and, to do so in the light of CSR. I agree with those authors who state, that CSR has failed in the financial crisis (Sun et al., 2010). First, it happened, in spite of the fact that CSR had been considered as an important cornerstone of the corporate agenda for already a couple of years (Sun et al., 2010). This evolution appeared to reflect that the pro CSR discourse ‘had won the battle’ (Kallio, 2006); and second, many of the financial institutions, which triggered the crisis, had been rewarded CSR prizes prior to the event (Sun et al., 2010). I agree with the author, who asked the following reasonable question: how can corporations claim to be socially responsible and receive prizes in this regard and lack, at the same time, in any basic principles related to CSR and good governance; but, to the contrary, to be driven by irresponsibility, carelessness, greed, tolerance of fraud and short-termism. Hence, if they had acted socially responsible, the financial crisis would not have happened. Consequently, I suggest that the criticism formulated in view of CSR (compare section ‘Main CSR issues in CSR literature and reasons for selection of the issues relevant to the three essays’) seems not to be unjustified.

What about the future of CSR in the aftermath of the financial crisis? The positions in this regard are contradictory. Some authors conclude that with regard to the failure of CSR in the financial crisis: ‘CSR is dead’ (Sun et al., 2010). They do so, since, according to them, CSR seems to be only a discourse, which delivers only empty rhetorics (Kallio, 2006). In line with this proposition, CSRnews (2009) reported that after the financial crisis, more than half of global managers planned to cut their expenditures in CSR.
In contrast, others argue that CSR could be the appropriate answer to the financial crisis. Hence, according to a study of Accenture and UN Global Compact (2010), 93% of the managers, accessed in the framework of a global survey, think that CSR will shape business significantly in the next years. Moreover, for 80% of the managers the financial crisis has even increased the significance of CSR. That is also underlined by the comparison of ‘pre’- and ‘after’ the financial crisis statements on the integration of CSR in corporate strategy: in 2007, 50% of managers stated that CSR was part of corporate strategy, in 2010, already 81%.

In sum, it seems, as if there are a lot of pros and contras in view of the role of CSR in the financial crisis and with regard to the future of CSR, in general, and in the financial industry, specifically. Hence, I suggest that the CSR debate has to consider, beyond best practice and the business case discussion on CSR, also more fundamental issues.

Even eminent US authors, such as Porter and Kramer (2011) argue that in the aftermath of the financial crisis we should rethink capitalism, although, in my opinion, the novelty of their approach is still very much embedded in traditional features of traditional capitalism.

Other authors go further, are more radical in this regard, such as Kallio (2006), who proposed, to really touch taboos, when discussing CSR. According to the author, one taboo is to speak out that probably the corporation is per se amoral, due the capitalist paradigm, namely that self interest creates common interest. Hence, to believe in the goodness of corporations would be naïve. According to him, another taboo would be, to speak out that a constant economic growth, considered as the basis for social welfare and progress is hardly possible, due to the finity of resources. This is definitely not a new insight, but already outspoken by the Club of Rome in the early 1970s.

The financial crisis increased also the ambivalence of my personal reflections on CSR. On the one hand side, I strongly support this social movement and consider corresponding corporate action in this regard as an important way to deal with the complex challenges at social and environmental level in a globalised world. On the other hand side, I would like to bring into debate the notion that if the responsibles (managers) in the decision making of corporations would have acted as ‘honorable businessmen’, a concept very popular in Europe for centuries, we probably would not have seen the great deal of negative and detrimental events and evolutions, which ultimately lead to the current momentum behind CSR. Hence, I suggest that managers should recollect themselves to said notion. I fully agree with Barker (2010) who discussed, although controversially, a promising starting point in this regard, namely the education of economic leaders. I support the idea, in line with Khurana and Nohria (2008),
and in contrast to the author, that management should be seen as a profession, such as doctors and lawyers. Hence, it should be the managers’ obligation to contribute to the well-being of society and a rigorous ethical code in this regard should be established. In 2009, these ideas have been taken up by a group of Harvard Business School (HBS) graduates. They formulated an MBA oath, which aimed at creating “a community of MBA’s with a high standard for professional and ethical behavior” (www.mbaoath.org), although some comparable initiatives had already been initiated in the US previously. The momentum behind the initiative is important and counts now also with partner business schools in Europe. I consider this kind of initiatives as important milestones to consider managers as a professional group and to establish corresponding oaths, which do include sanctioning mechanisms, comparable to those of doctors and lawyers. In my opinion, this approach could make an important contribution to increase the socially responsible behavior of managers. Given the importance of such initiatives, the HBS MBA oath is attached in Appendix P.

And, again in line with Barker (2010), the corresponding starting shot for that paradigm change should be given in business schools and universities. This means, that MBA students should be prepared accordingly there, in order to avoid possibly in the future the justified criticisms, expressed in the framework of the financial crisis, namely that MBAs have put “their own interests ahead of those of employees, customers and even shareholders” (Barker, 2010, p. 54).

In my view, another important issue with regard to CSR is the notion of its voluntariness, as explicitly stated in the definition of the EC in 2001. This clearly means going beyond legal compliance in a given context. I suggest, to intensify the voluntariness aspect of CSR in the CSR debate, in order to further attribute substance and integrity to its practice. I consider it as critical, that e.g. in a CSR report environmental performance is market as CSR, while being simply a report on the fulfillment of legal regulations. This behaviour was criticized in a recent article of a German flagship newspaper as ‘Environmental Protection According to Rules’ (Ruhkamp, 2011, p. 18). There the author stated that the leading car manufacturers in Germany are precisely not going beyond legal regulation in this regard.

Moreover, I suggest, not only to discuss the voluntariness of CSR and to differentiate between legally prescribed and voluntary action, but also to differentiate CSR from ‘normal’ or business activities (compare also previous section in view of the vocational training in Germany), in a given context. I do so, since, if at the end of the day all kind of ‘normal’ or
legally regulated corporate activities are marketed as CSR, then CSR will fall short in the future.

With regard to my personal reflection in view of the findings of the three essays, I would like to commence with the starting point of the PhD project. When I was still in the decision finding phase, namely, to take up the challenge to do a PhD thesis in the field of CSR, or not, the first ideas on possible research projects included already, maybe intuitively, a cross-country comparison of Germany and Spain. At that time, also some intuitive expectations on the process and outcome of said research, based on my personal background, emerged. At the end of the research process, I can state that some of my intuitions have been accomplished but some of them, to my surprise, have not.

I would like to describe this partial mismatch between personal/diffuse – ex ante – expectations, based on intuition, and the actual development of the research process and the empirical findings of the research projects by the example of the first essay. I would like to commence with an aspect of the research process, when scientific reality met intuition. At an early stage of said process, namely, after having sent out the questionnaires of the postal survey, the feedback of the German companies arrived impressively fast. Furthermore, it was, as I expected intuitively, more numerous than that of the Spanish companies. Moreover, it suggested, as expected, that CSR practice is more widely spread at corporate level in Germany than in Spain. But, I remember also that when I had a first glance on the arriving raw data, these seemed to imply a certain trend, which was surprising to me. After the introduction of the raw data into the data base and their statistical analysis, this trend became empirical prove: From a country perspective, I expected that German corporations would be subject to an extreme external pressure by regulators, civil society and other specific stakeholders, such as consumers and business partners, when becoming engaged in CSR. But this was not entirely the case. From a cross-country perspective, I also expected that German corporations would link to a major extent than Spanish ones positive internal and external effects to CSR engagement, which was not the case either. Fortunately, I had included in the analytical framework of my first research project an explanatory dimension, the link to the CSR relevant country-specific context, explored so far in CSR literature. That provided sufficient room for explaining said differences, in this case by country specific institutional mechanisms. The explanatory dimension, in addition to the purely descriptive one, avoided already at the beginning of the research process a frustrating moment, namely a sort of explanatory gap. It contributed significantly to increase my enthusiasm, motivation and
passion for the upcoming research projects. In general, these initial positive impulses created a fruitful and substantial foundation for the future PhD process. This leads me to the last section of this PhD thesis, my personal reflections on said process.

5.6.2. Personal Reflections on the ‘Making of‘

In general, at the end of a long, time, energy and resources consuming project, which had important impacts on the whole spectrum of the professional and personal life of the individual involved, the following question is frequently asked: Was it worth doing it?

To conduct a PhD is definitely a project of this kind. For me it was overwhelming in many regards, positive and negative ones. As a doctoral student, I have been always on duty and constantly ‘in processing’. It was in the best sense of the word a creative process. The outcomes of said process are, on the one hand side, tangible, materialized in this PhD thesis and its contributions to the academic literature. On the other hand side, and at a personal level, the intangible outcomes of this process are many and multifaceted. They are to a major extent linked to my personal development and I will mention only some of them. As a person, I was able to develop new capabilities, skills, strengths and new mind sets. And, I discovered my passion for research.

Therefore, yes, it was worth it.
Appendix O: Innovation Profile of Germany and Spain

Source: OECD (2010)
Appendix P

The MBA Oath

As a business leader, I recognize my role in society.

- My purpose is to lead people and manage resources to create value that no single individual can create alone.

- My decisions affect the well-being of individuals inside and outside my enterprise, today and tomorrow.

Therefore, I promise that:

- I will manage my enterprise with loyalty and care, and will not advance my personal interests at the expense of my enterprise and society.

- I will understand and uphold, in letter and spirit, the laws and contracts governing my conduct and that of my enterprise.

- I will refrain from corruption, unfair competition, or business practices harmful to society.

- I will protect the human rights and dignity of all people affected by my enterprise, and I will oppose discrimination and exploitation.

- I will protect the right of future generations to advance their standard of living and enjoy a healthy planet.

- I will report the performance and risks of my enterprise accurately and honestly.

- I will invest in developing myself and others, helping the management profession continue to advance and create sustainable and inclusive prosperity.

In exercising my professional duties according to these principles, I recognize that my behavior must set an example of integrity, eliciting trust and esteem from those I serve. I will remain accountable to my peers and to society for my actions and for upholding these standards.

This oath I make freely, and upon my honour.

Source: www.mbaoath.org
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