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Uwe Holtschneider

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List of Acronyms

ASR	Asian Sustainability Rating
BOP	Bottom of the Pyramid
BSR	Business for Social Responsibility
CalPERS	California Public Employees' Retirement System
CAO	Cabinet Office
CBCC	Council for Better Corporate Citizenship
CC	Corporate Citizenship
CFP	Corporate Financial Performance
CME	Coordinated Market Economy
CSP	Corporate Social Performance
CSO	Civil Society Organization
CSR	Corporate Social Responsibility
DFG	German Research Foundation
EC	European Commission
EICC	Electronic Industry Citizenship Coalition
EIU	Economist Intelligence Unit
ESI	Enlightened Self Interest
ESG	Environmental, Social, and Governance
EU	European Union
FIAS	Foreign Investment Advisory Service
FSA	Financial Services Agency
GCJN	Global Compact Japan Network
GRI	Global Reporting Initiative
ILO	International Labor Organization
JBCE	Japanese Business Council in Europe
JEITA	Japan Electronics and Information Technology Industries Association
JETRO	Japanese External Trade Organization
JFTC	Japan Foreign Trade Council
JPC	Japan Productivity Center
JRI	Japan Research Institute
LME	Liberal Market Economy
METI	Ministry of Economy, Trade and Industry
MOE	Ministry of Environment
MNC	Multinational Company
NIE	New Institutional Economics
NGO	Non-Governmental Organization
NPO	Nonprofit Organization

PFA	Pension Fund Association
PFALGO	Japanese Pension Fund Association for Local Government Officials
PWC	PricewaterhouseCoopers
REACH	Registration, Evaluation, Authorization and Restriction of Chemicals
RoHS	Restriction of Hazardous Substances Directive
SFI	Social Investment Forum
SICC	Securities Identification Code Committee
SRI	Socially Responsible Investing
TBL	Triple Bottom Line
TEPCO	The Tokyo Electric Power Company
UN	United Nations
UNGC	United Nations Global Compact
WBCSD	World Business Council for Sustainable Development

Note on Conventions

For Japanese terms the *Hepburn*-transcription is used in this work. Except familiar terms like Tokyo long vowels are indicated by a macron¯ (e. g., *sōgō shōsha*).

Throughout the text, according to Japanese conventions, family names of Japanese are written first when full names are used (e. g., Yamada Taro). However, names of authors are written as they are used in the cited publications (e. g., Taro Yamada).

Abbreviations are used with distinction between singular and plural (e. g., MNC for multinational company and MNCs for multinational companies). However, when appearing for the first time, abbreviations are written without distinction between singular and plural to provide the precise spelling of the abbreviation.

1. Introduction

1.1. Background

The call for companies to accept responsibility for the welfare of society apart from making profits has been made for centuries. Since the 1960s, the concept of corporate social responsibility (CSR) has been the subject of debate, theory building, and research. Despite the ongoing discussion on whether or not companies have other responsibilities than being profitable, CSR has become a topic widely addressed. Carroll & Shabana (2010) summarize the current situation by stating that "while CSR was once regarded as largely a domestic business issue in leading countries of origin, in recent years its popularity has spread onto the world scene, and we now see CSR initiatives in virtually all the developed nations, and initial thinking and developing taking place in emerging nations as well" (85–86). CSR has also elicited response from the business world and especially large companies address CSR by adopting CSR practices and by reporting on their efforts and achievements. These explicit CSR practices have spread globally even into countries where companies traditionally addressed CSR implicitly. More and more companies not only from Europe, but also from Asian countries such as Japan and Korea and from other parts of the world, adopt explicit CSR practices or just rename existing business practices with CSR vocabulary to show their commitment to social and environmental issues (Matten & Moon, 2008: 404, 418). Why and how did a trend to adopt explicit CSR practices occur even in countries where companies have addressed CSR implicitly until recently?

While a great deal of research has been conducted on why companies engage in CSR practices (Crane & Matten, 2007: 47–48), less attention has been given to how institutional and stakeholder pressure condition the timing of CSR adoption and the process of CSR diffusion (Nikolaeva & Bicho, 2011). Hence, "(…) an important new line of inquiry within this field is no longer whether CSR works but, rather, what catalyzes organizations to engage in increasingly robust CSR initiatives and consequently impart social change" (Aguilera, Rupp, Williams, & Ganapathi, 2007: 837). Therefore, this study examines at the firm level why Japanese companies adopted explicit CSR practices and how these practices diffused among Japanese companies. Building on the arguments of Bondy, Matten, & Moon (2008: 303) and Matten & Moon (2008: 406) it is hypothesized that the diffusion of CSR practices is similar to the diffusion of other management practices but that the actual adoption of CSR is shaped by national institutions.

Japanese companies are a good example to study the adoption of explicit CSR practices because they rapidly implemented explicit CSR practices during the early 2000s although Japan has been regarded as a country where CSR is traditionally addressed implicitly (Fukukawa & Moon, 2004; Matten & Moon, 2008). The one country study will provide insights into drivers for the global spread of explicit CSR and drivers for the adoption of CSR practices by companies within the institutional framework of the national level of Japan. The analysis will examine organizational characteristics of companies that adopt explicit CSR practices early and take into account how the likelihood to adopt CSR is influenced after a critical number of companies decide to adopt CSR.

Knowledge on the characteristics of early CSR adopters and the mechanisms of CSR diffusion are of interest to those who seek to promote and disseminate CSR practices as well as to those who study trends and diffusion of business practices. Answers to these questions will have implications to policy makers, civil society organizations (CSO), and business associations interested in promoting the diffusion of CSR to advance it from an outlier phenomenon to the mainstream of business practices. By considering how a management paradigm like CSR is received, shaped, and re-interpreted in its process of adoption and diffusion, this study also contributes to the debate on the convergence or divergence of business practices. The questions of why companies adopt CSR and how CSR diffuses will guide this study.

1.2. Research Objective and Research Question

1.2.1. Why Do Companies Adopt Corporate Social Responsibility?

Why do companies adopt CSR? Or, put differently, what makes companies likely to adopt CSR practices? The emergence of an explicit commitment to responsible company behavior dates back to the first half of the 1990s when stakeholder pressure induced a wider call for practices under the umbrella of CSR especially in the United States of America (US). In the US as well as in the member states of the European Union (EU),[1] the implementation of CSR practices by companies was mainly a response to the pressure of external interest groups such as consumer movements and non-governmental organizations (NGO). However, such pressure was not exerted in Japan where the Western concept of CSR was not yet existent. Why then did Japanese companies adopt new CSR practices or name existing activities explicitly as CSR in the absence of pressure from external groups like in the US? The chapters that review the emergence of CSR in Japan address this question and highlight typical ways of adopting CSR practices through case studies to identify reasons that prompted Japanese companies to integrate, on a voluntary basis, social and environmental responsibilities into their business practices and in their interaction with stakeholders.

1.2.2. How Does Corporate Social Responsibility Diffuse?

Why is there a sudden interest in a topic everyone has only recently heard about? Today, almost every business practitioner can relate the three letter abbreviation "CSR" to social and environmental responsibilities of companies. However, few can define what these responsibilities exactly encompass or give reasons as to why a company should adopt CSR practices. So how does adoption of CSR practices by some companies influence the likelihood of CSR adoption by other companies? It is expected that CSR practices diffuse similarly to other management practices. In the beginning, only a few companies tend to adopt a new practice which is different from or even contrary to the mainstream of business practices. Herd behavior suggests an increasing tendency among companies to adopt the new business practice if an increasing number of companies have previously adopted it (Banerjee, 1992; Bikhchandani, Welch, & Hirshleifer, 1992), which is facilitated when previous adopters are regarded as opinion leaders or when potential adopters can observe positive effects of CSR on the performance of previous adopters (Rogers, 2003). Thus, if companies observe that other companies adopt CSR, more and more companies gradually adopt CSR and in the process, CSR becomes part of the mainstream of business practices. To explain why Japan has seen a rapid diffusion of CSR practices, this simple model of herd behavior is extended by taking into account the influence of the national institutional environment and key organizations that may promote new business practices by disseminating and adding credibility to public information in favor of adoption. In examining whether the expected influence of herd behavior is present in CSR adoption, companies are also examined according to their timing of adoption. The early adopters are of particular interest, because they play a prominent role in triggering and shaping the subsequent diffusion of CSR practices.

1.3. Research Design

The empirical research of this study combines qualitative and quantitative research methods. Most qualitative empirical research on CSR in Japan uses in-depth studies that focus on a small number of companies or individuals (e. g., Fukukawa & Teramoto, 2008; Grünschloss, 2010; Tanimoto, 2007), while quantitative empirical research uses larger samples but employs indicators that capture a single dimension or a few dimensions mostly in horizontal studies only (e. g., Fukukawa & Moon, 2004; Grieb, 2009; Suzuki, Tanimoto, & Atsumi, 2008; Suzuki, Tanimoto, & Kokko, 2010; Tanimoto & Suzuki, 2005). Here, the qualitative research method will be used to identify reasons for the adoption of explicit CSR practices by Japanese companies and the spread of CSR in Japan over time to create hypotheses that will be tested against quantitative methods (Barton & Lazarsfeld, 1979 in Flick, 2010: 43).

The qualitative research part draws on secondary literature, document analysis, and expert interviews to assess how the CSR understanding in Japan shifted from traditional implicit social responsibilities to explicit CSR practices and reveal some of the drivers for Japanese companies' adoption of explicit CSR practices. The results of the expert interviews are combined with theoretical propositions to formulate hypotheses on why Japanese companies adopted explicit CSR practices. These will be tested in the quantitative research part that analyzes company data covering the years from 1993 to 2011 in a duration model. The quantitative analysis further distinguishes between adopter categories to take into account the different motives and drivers explaining CSR adoption among early and late adopters.

Thus, the qualitative research method aims at generating hypothesis on CSR adoption and diffusion among Japanese companies, particularly on the role of stakeholders and institutions, while the quantitative research method will test these hypotheses together with general hypotheses on CSR adoption and diffusion derived from theoretical considerations.

1.4. Basic Assumptions and Hypotheses

The study analyzes CSR adoption and diffusion from an economic perspective. Basic assumptions are derived from institutional economics (North, 1990): actors, in this instance, the companies, try to optimize their utility based on rational decisions, but their rationality is bound in the sense that they only have limited information and cognitive capacity to process the available information. Therefore, it is assumed that companies will adopt CSR because they perceive that doing so generates positive or prevents negative effects on the performance of the company equal to or higher than the costs in adopting CSR. The CSR literature speaks of instrumental motivations if CSR is adopted to achieve effects on the company's performance and perceived positive economic effects for carrying out CSR are referred to as business case (e. g., Carroll & Shabana, 2010; McWilliams & Siegel, 2001; Weber, 2008). Instrumental considerations imply that early adopters do adopt CSR practices earlier than late adopters due to a more intensive perception of a business case. Although late adopters have fewer incentives or lower degrees of pressure to adopt CSR, late adopters tend to adopt CSR practices either because the reasons for which early adopters adopted have become more compelling or because additional reasons have emerged, one of which is expected to be the imitative behavior arising from the adoption of early adopters as predicted by diffusion research and herding literature. Thus, once a critical number of companies that adopt CSR have been reached, a wave of diffusion is triggered and CSR practices become part of the mainstream of business practices. Therefore, imitation behavior is expected to play a role for the adoption of CSR by companies.

1.5. Limitations of the Study

This study focuses on the reasons for adoption and the process of diffusion of observable (explicit) CSR practices. This incurs some limitations as the adoption of CSR practices reveals that a company addresses CSR issues but not the motivation underlying the adoption: whether ethical, instrumental, or a combination of ethical and instrumental motivations. This study will not provide a criterion in resolving the question of whether or not the implementation of CSR practices by companies is ethically motivated. Neither will the study assess nor justify the existence or non-existence of social and environmental responsibilities of a legal construct like a company, nor will it define the scope of these responsibilities or the contribution of CSR practices to the company's financial performance. Although the empirical research will provide some implications on some of these questions, the study concentrates on understanding the reasons for the adoption of explicit CSR practices and their rapid diffusion in Japan. Thus, the study focuses on analyzing the adoption of explicit CSR practices by Japanese companies rather than on assessing the quality of their CSR.

Although the majority of companies in most countries consist of small and medium-sized companies, CSR practices – at least CSR practices that are explicitly demonstrated and communicated in the terminology of CSR – have been largely a phenomenon of large companies (Chapple & Moon, 2005: 415, 423). Accordingly, most of the existing CSR literature has focused on large, incorporated companies with disperse ownership separated from management (e. g., Jenkins, 2006). This study also concentrates on large, incorporated, and publicly listed companies without distinguishing the company and its managers, although the role of individual company members is sometimes addressed. Nevertheless, the term company is used throughout the study, and only when certain insights are limited to incorporated companies, the terms corporation or corporate are used.

Those companies that adopt new practices earlier than others are often exposed to external influences. They are "important in the introduction of the innovation to the system, whereas the internal influence of members upon each other triggers increasing diffusion" (Guler, Guillén, & Macpherson, 2002: 211). For the global diffusion of CSR, research has given emphasis to multinational companies (MNC) as MNCs are expected to be among the first to adopt new management practices in a country due to their exposure to global trends and local practices in other countries. However, even when carefully choosing measures for the different mechanisms that promote CSR adoption, states, MNCs and network ties can facilitate diffusion through different channels, which are difficult to distinguish empirically (Guler et al., 2002: 228). Moreover, the speed and degree of emergence of CSR depend on the conditions on several levels: the institutional framework of a country, the urgency of stakeholder claims for CSR in an industry, the organizational characteristics of a company, and the attitude of decision makers in the company towards CSR. It would be too ambitious to address all levels at once. Therefore, this study concentrates on the opinion leaders among the early adopters and those agents and factors that account for the diffusion of CSR among Japanese companies. Particular mechanisms through which CSR adoption is promoted will be highlighted in a few case studies of Japanese companies that have been among the first companies which introduced CSR practices in Japan. While this limits the insights to certain types of companies, it helps focusing on those actors, who are expected to shape the diffusion process of CSR practices.

1.6. Outline of Chapters

The study is organized as follows. In order to gain a better understanding of the meaning of corporate social responsibility and to provide a working definition of the term CSR, the historical development of CSR, other approaches to social responsibilities of companies, the scope of CSR as well as motives for its adoption and typically adopted CSR practices are discussed in Chapter 2.

Chapter 3 reviews the theoretical perspectives of institutional and stakeholder theory, which have been mainly applied as analytical framework for examining the emergence of CSR and the interaction between companies and society. It also introduces diffusion research to incorporate the aspect of change over time and the influence of companies on each other.

Chapter 4 presents the historical understanding of companies' responsibilities towards society and the emergence of a modern CSR concept in Japan. It also describes the institutional environment in Japan, possibly relevant actors for Japanese companies' adoption of CSR and CSR practices, and some CSR practices that Japanese companies have adopted in recent years.

Chapter 5 and Chapter 6 report the empirical research of the study. Chapter 5 presents typical patterns of adoption of CSR practices and institutionalization of CSR management in Japanese companies in case studies based on document analysis and exploratory expert interviews with CSR managers of major Japanese companies, consultants, and CSOs in Japan. Theoretical expectations, factors known from existing studies, and reasons for CSR adoption and diffusion identified in the qualitative research part will be used to formulate hypotheses on CSR adoption by Japanese companies. These will be tested with quantitative methods in Chapter 6 in a duration model and across adopter categories against firm and industry level data.

Chapter 7 summarizes the findings on the adoption of CSR practices by Japanese companies. It places the insights about the adoption and diffusion process of CSR in Japan in a wider context and provides some implications for applying diffusion research for the examination of CSR in future research.

2. Corporate Social Responsibility

This chapter reviews some of the main approaches in defining CSR with increasingly elaborated thinking and consideration from the theoretical and practical side. First, this chapter describes the historical development of CSR and gives account why and how companies address what kind of social responsibilities. Next, it reviews other concepts related to social responsibilities of companies and identifies key dimensions of CSR. The chapter then describes motivations and drivers for the adoption and diffusion of CSR. Finally, it distinguishes explicit CSR practices and vocabulary from implicit mandatory and customary requirements of CSR. These illustrations will lead to a working definition of the dynamic concept of CSR allowing the examination of the adoption and diffusion of CSR practices: voluntary and explicit company practices in response to stakeholder interests on responsibilities towards social and environmental issues arising from a company's business activities at a given point in time.

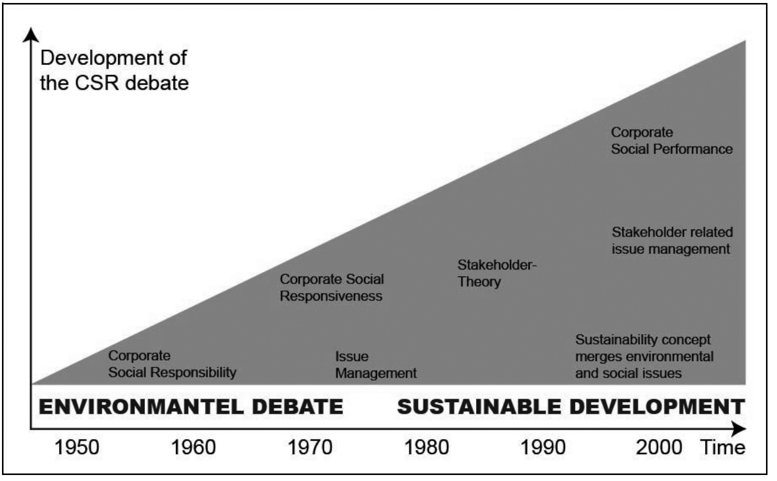
2.1. The Foundations of Corporate Social Responsibility

CSR is a contestable concept and the ambiguity of its meaning is amplified because it has been used to refer both to a research agenda and to corporate practice (Blowfield & Frynas, 2005: 503). Hundreds of definitions have been proposed to refer to a way of doing business that is more humane, more ethical, and more transparent (van Marrewijk, 2003: 95), but among academics, business practitioners, or between both groups, there is yet no common understanding on what the social obligations of a company are and what CSR really means. "The term is a brilliant one; it means something, but not always the same thing, to everybody" (Votaw, Sethi, Chatov, & Blumberg, 1973: 11). Some researchers tried to develop universally valid definitions of CSR by drawing on existing academic publications (e. g., Carroll, 1999; Carter & Jennings, 2004; Joyner & Payne, 2002; Moir, 2001) and such studies help to organize and categorize the material on CSR, but they fall short of providing a unanimously accepted definition of CSR. Other researchers tried to capture the meaning of CSR as it is applied as a corporate practice, for example by interviewing business practitioners regarding their perceptions of CSR (e. g., perceptions of Irish managers by O'Dwyer, 2003 or German and British ones by Silberhorn & Warren, 2007). Both approaches bring forth a considerable number of different understandings of CSR without reaching a general consensus on what CSR is (Grünschloss, 2010: 5). The variety of meanings and interpretations of what CSR is (and is not) made Blowfield & Frynas (2005: 500–501) remark that neither the current state of CSR nor the development to the current debate on CSR can be exactly traced.

Carroll (1999: 270) states that the modern and serious discussion of the topic is considered to have begun with Bowen's (1953) book on the "Social Responsibilities of the Businessman". Although there have been discussions about the social responsibilities of a company before (e. g., Barnard, 1938; Clark, 1939; Simon, 1945: 62, 70 in Joyner & Payne, 2002: 301), Bowen's book heralded the period of literature on, and systematic reasoning on a conceptual framework for, social responsibility of companies (Crane & Matten, 2007: 45).[1] Bowen believed that the several hundred largest companies are vital centers of power and decision, touching the lives of many citizens at many points (Carroll, 1999: 269), and concluded that this brings forth reasonable expectations of society on the responsibility of a businessman: "It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (Bowen, 1953: 6). Bowen's definition links business responsibility to the objectives and values of society, but without providing an urgent reason for taking over social responsibilities, his call for responsible business behavior remains a moral appeal. He also did not elaborate in more detail on who the addressees of responsible business behavior are, how their objectives and values can be determined, or how the fulfillment of social responsibilities can be assessed.

However, Bowen's work has triggered a wave of publications and spurred subsequent debate (see Fig. 1).[2] From the 1960s until the 1970s, researchers worked, mostly based on theoretical considerations, on more detailed definitions of CSR to answer the question of what corporate social responsibility encompasses. The early works focused on the responsibilities of individuals, but with the increasing importance of the legal structure of incorporated companies, the focus shifted to companies.[3] While the early debate on CSR paid attention to the normative behavior of companies, since the 1970s at least equal emphasis was given to CSR as a management practice. Managerial approaches like corporate social responsiveness and corporate social performance dealt with the question on what companies *can* do (capacities) to respond to stakeholder expectations, while putting less emphasis on philosophical meanings of CSR and "theoretical ideas of what companies *should* do" (Blowfield & Murray, 2008: 12, 60). As Wartick & Cochran (1985) put it, "social responsiveness is intended to shift the emphasis away from social obligations and to social response processes" (762).

Fig. 1: Historical Development of Corporate Social Responsibility



Source: based on Münstermann (2007: 9)

In the 1980s, alternative topics such as sustainability and corporate citizenship began to develop and empirical research on CSR gained momentum.[4] A major shift in the perspective on management of CSR was offered by stakeholder theory as it suggests a way to explain to whom a company has a particular kind of responsibility and to identify and manage those stakeholders that a company should engage with. Stakeholder theory thus has moved away from the broad perspective of responsibilities to society as a whole on the one hand, and the narrow perspective of responsibilities to shareholders only on the other hand. Such approaches to CSR as a management practice helped to get CSR out of the academic debate and into the day-to-day business operations. In the 1990s, managerial approaches to CSR evolved rapidly and the measurement of CSR processes and outcomes became an integral part of this approach (Blowfield & Murray, 2008: 12, 59–60).

This resulted in the adoption of CSR practices, company ratings and rankings as well as sustainable stock listings on which a whole CSR industry of consulting, auditing, and reporting has been developed (Smith, 2003: 63). Some of these CSR practices will be discussed after reviewing the questions of why companies have social responsibilities, of what nature these social responsibilities are, and how they are addressed.

2.2. Companies and Their Corporate Social Responsibility

2.2.1. Why Do Companies Have Social Responsibilities?

It has become widely accepted that companies have responsibilities beyond making profits. This view is based on moral principles and business arguments.[5] The business argument is based on the idea that a company supports its own interest by promoting the interests of others (Crane & Matten, 2007: 47–48). Aside from the moral obligation or the incentive to generate favorable business outcomes, companies may also adopt CSR practices because of pressure from external groups. The reasons why companies do adopt CSR will be reviewed in detail in the discussion of drivers for CSR adoption in Section 2.5. First, the scope of companies' responsibility will be addressed.

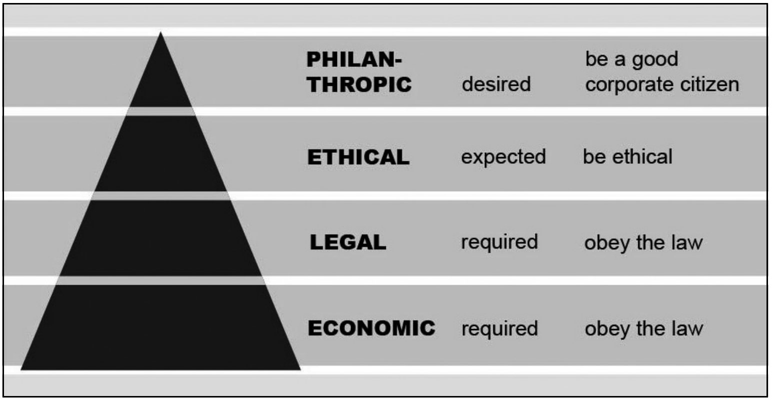
2.2.2. What Social Responsibility Do Companies Have?

The four-part model of CSR, as formulated in 1979 and later refined by Carroll (1979; 1991), is often applied to distinguish among the different responsibilities of a company. Carroll's four-part model characterizes CSR as a multi-layered concept consisting of four interrelated responsibilities: economic, legal, ethical, and philanthropic responsibilities. The economic responsibility of a company is to provide goods and services to society and to be profitable. The legal responsibility expects business operations to comply with applicable laws as codified ethics established by lawmakers. The ethical responsibility lies in opting for activities that meet the ethical and moral expectations of society which are not codified in law. The philanthropic responsibility is to contribute to the improvement of society through activities that are appreciated or desired by society but not expected in an ethical or moral sense (Carroll, 1991: 40–42). Thus, companies "(…) should strive to make a profit, obey the law, be ethical, and be a good corporate citizen" (Carroll, 1991: 43).

Social responsibility requires companies, in Carroll's view, the meeting of all four responsibilities simultaneously, which he illustrates in a four layered pyramid of responsibilities (see Fig. 2). Carroll's pyramid model divides company responsibilities into four aspects acknowledging the real demands placed on a company to be profitable and legal. It also helps distinguish mandatory responsibilities required from all companies (economic and legal) from voluntary responsibilities that lie in the discretion of companies (ethical and philanthropic).[6]

Due to its descriptive nature, the four-part pyramid model does not provide guidance on how to solve possible conflicts among the different

Fig. 2: Carroll's Four-Part Pyramid Model of Corporate Social Responsibility



Source: adapted from Carroll (1991: 42) and Crane & Matten (2007: 49)

responsibilities (Crane & Matten, 2007: 50–51). It also does not show how to identify the issues to which these responsibilities are tied. The problem in identifying issues is that issues vary depending on the industry that a company belongs to (Carroll, 1979: 501), and that the economic, legal, ethical, and philanthropic expectations placed on companies by society refer to a given point in time (Carroll & Buchholtz, 2006: 35). While an issue is primarily tied to one layer of responsibility at a given point in time, it may shift to another layer at another point in time. Carroll & Buchholtz (2006: 31) expect that demands for CSR by stakeholders and the response of companies increase with time. For example, a CSR practice that has been developed in response to issues tied to a voluntary layer of responsibility becomes a legal requirement at a later point in time.[7] To illustrate this, overtime regulations or worker insurance established in almost all advanced economies of Western countries nowadays started through the voluntary efforts of some initiating entrepreneurs or companies either for commercial viability or as an added value to society (Blowfield, 2005: 503).[8]

It follows from the foregoing that CSR may mean "different things in different places to different people and at different times" (Campbell, 2007: 950). Expectations placed on companies by society at a certain point in time differ according to the specific situation at the national, industry, and firm level: at the national level, according to the development of the economy and historical legacies that bring forth long standing values, norms and rules; at the industrial level, according to specific issues (e. g., sweatshops in the apparel industry or environmental pollution in the chemicals/mining industry, etc.); and at the firm level, according to company characteristics. In short, even within the same country or industry, expectations placed on companies by society and the ways in which companies respond to these expectations vary. This leads to the practical question for companies of how to address social responsibilities.

2.2.3. How Do Companies Address Social Responsibilities?

As all-embracing notions of CSR are too broadly defined to be useful in academic debate or in corporate implementation, van Marrewijk (2003) considers a set of different approaches that match the various ideal type contexts in which companies operate: "Each company should choose – from the many opportunities – which concept and definition is the best option, matching the company's aims and intentions and aligned with the company's strategy, as a response to the circumstances in which it operates" (96). Such an approach increases the degree of discretion of companies in choosing their responsibilities to society, thereby allowing companies to shape the meaning, scope, and issues tied to CSR (Hiß, 2010).[9]

Studying the application of CSR in companies reveals how CSR is understood among those who practice it at a certain time and location. Some definitions of CSR include the idea that CSR becomes visible in corporate action. McWilliams & Siegel (2001), for example, refer to CSR as "(…) actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (117). Van Marrewjik (2003) elaborates closer on how such actions appear to further some social good in what he calls a broad definition: "In general, corporate sustainability and CSR refer to company activities – voluntary by definition – demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders" (102). Van Marrewjik's definition describes CSR to refer to observable activities that *demonstrate* the inclusion of social and environmental concerns, which does not necessarily mean that they do include social and environmental concerns. Contemporary examples of such observable CSR practices and activities are discussed in Section 2.6. To understand the premises of practically oriented definitions of CSR and clarify the overlapping and distinctive features of CSR in contrast to other terms that are used in the academic debate – sometimes even interchangeable – the next section will review concepts related to CSR.

2.3. Corporate Social Responsibility and Related Concepts

2.3.1. Corporate Social Responsiveness and Performance

In the 1970s, the idea of corporate social responsiveness was developed and was often presented as the action phase of CSR. Corporate social responsiveness deals with the questions on how companies actively can and do respond to social concerns and expectations (Crane & Matten, 2007: 53). It is concerned with strategic and process-related aspects of implementation, check, and evaluation of CSR activities that companies carry out in response to perceived stakeholder interests. According to Frederick (1994: 154–155), corporate social responsiveness assesses mechanisms, procedures, arrangements, and behavioral patterns that represent the overall capability of a company to respond to issues. Corporate social responsiveness assumes that a company has a moral obligation, but in assessing the degree of managerial action in response to such obligation, it is not asked whether or not the management accepts the social responsibility for that obligation. Thus, corporate social responsiveness is concerned with the action and not with the motivation behind it. Carroll (1979: 501–502) delineated four strategies of social responsiveness:[10]

- Reaction: denying any responsibility for social issues
- Defense: admitting responsibility for social issues but resisting
- Accommodation: accepting responsibility
- Pro-action: accepting responsibility and seeking to go beyond industry norms and anticipating future expectations

These strategies have been used by other researchers (Clarkson, 1995; Wartick & Cochran, 1985), but it is difficult to empirically identify strategies of corporate social responsiveness even if they are articulated in formal corporate policies. In the absence of reliable ways to identify strategies from the treatment of CSR that are codified in formal policies, plans, and visions of a company, ways to conceptualize observable outcomes of CSR have been developed (Crane & Matten, 2007: 56). Wartick & Cochran (1985) propose an integrated approach to measure corporate social performance (CSP) according to a company's principle of responsibility, processes of responsiveness, and policies developed to address issues (758). Wood (1991) is of the view that policies are no proper indicator for the outcome of CSP. According to Wood, a company's CSR policies are only one possible outcome by which a company's social performance can be judged and that the absence of CSR policies does not mean that no social performance exists.[11] Further, formal policies may not be reflected in programs that are governed by informal and unwritten policies, while programs that would rate high in social performance may exist and even be institutionalized without any formal policy backing (692–693). Although informal and unwritten (implicit) policies may exist, it remains difficult to rate them, while explicit CSR practices can be observed, analyzed, and rated. Companies gradually started to make their social performance explicit (see Section 3.1) and often link measurement of CSP to goals that are derived from the concept of sustainability.

2.3.2. Sustainability

In the 1980s, the concept of sustainability was coined as a result of the Brundlandt Report (1987). Since then sustainability has become a common term among companies, governments, consultants, pressure groups, and academics. Like CSR, sustainability has been used and interpreted in different ways, but it is most commonly used in relation to sustainable development which is defined in the Brundlandt Report as "meeting the needs of the present without compromising the ability of future generations to meet their own needs" (1). Although the original focus was on environmental protection, today's scope of sustainability is enlarged by the three-pillar-concept, which acknowledges that sustainable development requires a balanced consideration of economic, environmental, and social aspects. Sustainability, as defined by the Brundlandt report, has a wider scope of responsibility than CSR because sustainability encompasses the economic, social, and environmental responsibilities towards the overall human race and future generations while CSR encompasses these responsibilities towards the stakeholders of a company only (Bassen, Jastram, & Meyer, 2005: 232, 234).

As a narrow view of sustainability, corporate sustainability has become a way of thinking about the goals of CSR by considering all three pillars to ascertain the long-term existence of a company.[12] The framing of sustainability as a corporate goal is addressed in the notion of the triple bottom line (TBL) (Elkington, 1999). TBL takes the position that companies have an extended goal set of being profitable as well as achieving environmental and social value. At the core of TBL is the idea to measure the overall performance of a company regarding all three goals (European Commission, 2001: 25) to provide transparency to those with a stake in a company through enhanced visibility of corporate accountability, corporate social activity, and corporate performance. New ways for CSR reporting, auditing, ranking, communication and dialog with those that hold a stake in a company have been developed and applied, such as environmental and social accounting (Crane & Matten, 2007: 69–70).

As a concept, TBL elaborates in more detail the idea of CSP by providing three dimensions in which corporate performance is to be measured and reported (Carroll & Buchholtz, 2006: 58). Although TBL has carried further the ideas of corporate social responsiveness and CSP, there is still a lack of reliable indicators to evaluate corporate environmental and especially social performance, which is further complicated by the use of different accounting methods. However, Elkington, who created the term TBL, suggests that the main goal of the TBL is to revolutionize the way companies think about and act regarding the three dimensions and less about establishing accounting techniques and performance measurements (Elkington, 1999). Critics argue that sustainable development cannot be achieved if non-sustainable options that companies perceive to better serve their utility function exist. However, the idea of corporate sustainability defines spheres for responsible corporate behavior in regard to social and environmental issues and provides a goal for CSR. Many recent CSR definitions that have widely received attention contain the three spheres of economic, environmental, and social responsibility (European Commission, 2001: 8), which society expects companies to meet as good corporate citizens.

2.3.3. Corporate Citizenship

"In the 1990s, scholarly attention shifted from the concept of corporate social responsibility to the concept of 'corporate citizenship'. (…) The precise connection between corporate social responsibility and corporate citizenship was not always clear in these works. In some cases it appeared that corporate social responsibility and corporate citizenship were simply synonyms. In other works, it appeared that corporate citizenship was focused almost exclusively on corporate-community relations" (Wood & Logsdon, 2001: 85). Matten, Crane, & Chapple (2003) call these perspectives in the literature on corporate citizenship (CC) as limited and equivalent view.[13]

The limited view equates CC with the philanthropic responsibilities that a company voluntarily undertakes in the local community (Bassen et al., 2005: 234; Crane & Matten, 2007: 71). Philanthropic responsibility is placed at the top level of Carrol's CSR pyramid (Carroll, 1991: 42) suggesting that it is a voluntary activity which is not expected in an ethical or moral sense, and less important than the other three categories of responsibility. Indeed, CC relates to a company's commitment to address problems in society beyond its business activities (Loew, Ankele, Braun, & Clausen: 12). CSR is the broader of the two concepts (Bassen et al., 2005: 234), because CC encompasses society related activities of companies, while CSR includes responsibility towards society in all areas of company activity. The advantage of the limited view of CC is that it "concerns a much smaller group of stakeholders and issues, making it easier to measure the concept and to evaluate company performance" (Wood & Logsdon, 2001: 85).

The equivalent view equates CC with CSR without assigning a new role or responsibility for companies (Crane & Matten, 2007: 71). Some authors even define CC according to the four layers of Carroll's pyramid (Maignan & Ferrell, 2000), and Carroll (1998) referred to CC in the same way as he did to CSR 20 years earlier. Others used CC to integrate aspects such as the distinction of responsibility along the three pillars of sustainability. Carroll & Buchholtz (2006: 55) note that "the terminology of corporate citizenship is especially attractive because it resonates so well with the business community's attempts to describe their own socially responsive activities and practices". Overall, the language of CC is in many respects simply a new terminology of existing ideas and it is appropriate to frame one's ideas in terminology recognized by practitioners to influence them (Crane & Matten, 2007: 74). For academic purposes though, using the terms CC and CSR to refer to the same subject, creates confusion.

2.3.4. Synthesis of CSR and Related Concepts

Section 2.3 has pointed out that the discussion on CSR and alternative concepts started in the middle of the last century. While Bowen argued that companies do have a social responsibility, concepts like corporate social responsiveness, sustainability, and CC discuss why companies have responsibilities, whom companies are responsible to, what the responsibilities of companies are, how companies can manage the responsibilities, and how the results can be measured. These concepts have added dimensions that most of the current CSR definitions share. Therefore, corporate social performance, sustainability, and CC are related, "in that they are integrated by key underlying themes such as value, balance, and accountability (Schwartz & Carroll, 2008)" (Carroll & Shabana, 2010: 86). Even though these concepts are competing, complementary, and overlapping, "CSR remains a dominant, if not exclusive, term in the academic literature and in business practice" (Carroll & Shabana, 2010: 86). Thus, the term CSR shall be used throughout this study.

The European Commission (EC) (2001) in its green paper on a European framework for CSR embraced descriptions of previous definitions of CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (8). The EC's definition merges many aspects of the CSR debate until the end of the 20^{th} century in referring to the interaction with stakeholders (responsiveness) on a voluntary basis (voluntariness) in regard to the social and environmental concerns in business operation (sustainability).[14] As it is a broad definition of CSR, it can receive consent from many sides and has therefore become one of the most quoted CSR definitions (Prieto-Carrón, Lund-Thomsen, Chan, Muro, & Bhushan, 2006: 978).[15] The more recent CSR definitions mention practices and issues. This has facilitated the development of a common understanding of which practices demonstrate CSR and how they should be put into practice.

A comparison of contemporary and frequently used CSR definitions has been carried out by Dahlsrud (2008) who compares the EC's and 36 other definitions mainly formulated around and after the year 2000 from the internet and journal articles using content analysis. Frequency counts via a Google search show that the 37 contemporary CSR definitions are highly congruent and that more than 97 percent of the definitions contain at least three of the following five dimensions: voluntariness, stakeholder, social, environmental, and economic (3–4).[16] Carroll & Shabana (2010) criticize that Dahlsrud did not conduct any research to attest the validity of the five dimensions, but acknowledge that his findings reflect the recent CSR definitions that have been introduced by various practitioner and quasi-practitioner groups (89).[17] Thus, the dimensions of Dahlsrud's study reflect the contents considered as relevant by those who put CSR into practice. The next section will review these dimensions to elaborate on the characterization of CSR that allows investigation of companies' CSR adoption and the diffusion processes of widely accepted CSR practices.

2.4. Corporate Social Responsibility Dimensions

2.4.1. Voluntariness

Legal and economic responsibilities constitute the basic layers of responsibility required from all companies in Carroll's four-part pyramid model (Carroll, 1979, 1991). Some companies even consider the mere compliance with existing laws as CSR although it is a legal duty (Hemsley, 2005). But as legal and economic responsibilities are mandatory for all companies, proponents of CSR place more importance on the voluntary responsibilities. Some CSR definitions explicitly describe CSR to go beyond the needs required by law and even beyond corporate interests (McWilliams & Siegel, 2001: 117). The CSR literature also tends to focus more on the ethical and discretionary (voluntary) responsibilities of Carroll's model, as there is little doubt that companies need to meet their economic and legal responsibilities (Carter & Jennings, 2004: 149). Accordingly, Dahlsrud (2008) found that voluntariness is the most frequent dimension in contemporary CSR definitions (5).

Proponents of CSR from the business sector emphasize the voluntary character of CSR and their efforts, to some degree, have contributed to the erosion of institutionalized formal and informal CSR in the form of legislation in coordinated market economies in recent years (Hiß, 2010: 295).[18] It can also be argued that when a company tries to gain comparative advantages from CSR, only voluntary responsibilities distinguish companies from their competitors, as the economic and legal responsibilities are required from all companies. For example, Porter & Kramer (2003) conclude that for philanthropic activities, a company should strategically and systematically structure voluntary CSR to respond to society's expectations in a way that maximizes profit and social value (53, 59). While critics doubt that there should be reasons for companies to voluntarily assume citizenship duties (van Oosterhout, 2005: 678), others emphasize the strategic advantages for the firm that can be achieved, such as improvement of reputation and trust relationships to create social capital, improvement of the company image, or increase of the appeal of the company as employer (Kaiser & Schuster, 2003: 610; Porter & Kramer, 2003). The first step to systematically structure and strategically adjust CSR for companies is to know society's expectations, but as overall society's expectations are hard to assess, companies rather respond to interests articulated by groups in society, often referred to as stakeholders.

2.4.2. Stakeholder

The CSR concept calls for the integration of social responsibilities into business strategy whereas the stakeholder approach offers a means of structuring the complex demands posed by stakeholders to companies. A stakeholder in a broad sense and as originally formulated by Freeman refers to "any group or individual that can affect or is affected by the achievement of a company's purpose" (Freeman, 1984: 46).[19] Stakeholders are groups or individuals such as employees, local communities, customers, shareholders, suppliers, government, and competitors.[20]

If there is a consistent divergence between a company's actions and stakeholder expectations, the company will lose the support of those groups that it depends on for its survival. But companies have multiple relationships and dependencies with many groups and large MNCs may have relationships with stakeholders in different countries (L'Etang, 1995: 128). Regardless of their size, companies cannot solve all global problems and must decide which stakeholder claims they will address with their limited resources. Therefore, a company needs to understand who its stakeholders are, what issues they are interested in, and how it can balance these sometimes conflicting interests to achieve the best result for the company over time.

Stakeholders who obtain legitimate claims from transaction relationships with the company such as shareholders, suppliers, employees, and customers can exert influence more easily than those whose claims are not backed up by formal law. Even stakeholders without legitimate claims, like CSOs and media, can put a lot of pressure on a company without holding shares or referring to a formal law. They may, with enough power, influence the company's operations so severely resulting in the company's failure to survive (Mitchell, Agle, & Wood, 1997: 863).[21] Some stakeholder interests are of non-economic nature, which are often divided into social and environmental ones according to the concept of sustainability.

2.4.3. Economic, Environmental, and Social Impacts

Dahlsrud maintains that the economic, environmental, and social dimensions are merely different categories of business impacts. The distinction into three different dimensions is useful, as it shows that company activity is about more than impacts in the economic dimension, and that the different dimensions have to be managed and analyzed with different sets of tools (Dahlsrud, 2008: 6). The three dimensions of economic, social, and environmental impacts will be reviewed in this subsection.

Economic Dimension

The first and foremost impact a company has is on its own financial performance. If a company fails to fulfill its basic responsibility to be profitable, it will cease to exist, which would make any considerations about further responsibilities regarding the impacts of its business operations meaningless. A company has to develop, produce, and market those products and services that assure its survival. The perspective of corporate sustainability adds a long-term view of financial performance, for example long-term rise in share price, revenues, and market share, rather than short-term profit maximization. A company's operations also have impacts beyond its borders and unsustainable activities might lead to the erosion of the economic framework it is embedded in and relies on to operate. For example, paying bribes or building cartels may undermine the long-term functioning of markets and attempts of avoiding paying corporate taxes through accounting tricks may erode key institutional bases such as schools, hospitals, the police, the justice system, and other publicly provided goods that the company is dependent on for its existence (Crane & Matten, 2007: 26).

Most of these examples that refer to economic impacts relate to mandatory responsibilities of the company in the four-part model.[22] The CSR research tends to focus on the voluntary dimensions (see Subsection 2.4.1), and puts more emphasis on social and environmental than on economic impacts. Researchers taking an economic perspective rather address the impacts of voluntary CSR activities in the social and environmental dimension on the financial performance of companies (see in more detail Subsection 2.5.1).[23]

According to the assumptions stated in Section 1.4, companies will instrumentally respond to social and environmental issues if they perceive incentives to achieve positive effects or pressure to avoid negative effects on their financial performance. Thus, companies that have adopted CSR practices do so due to perceived positive effects on financial performance. Therefore, more emphasis is put on environmental and social impacts than to economic ones.

Environmental Dimension

Environmental impacts of business activity relate mainly to the management of finite natural resources (Crane & Matten, 2007: 26–27) and pollution such as "noise, light, water pollution, air emissions, contamination of soil, and the environmental problems associated with transport and waste disposal" (European Commission, 2001: 13). Since the 1960s, especially in economically advanced countries, society has increasingly questioned the cost of economic growth for the environment and a new kind of eco-activism emerged that led to the establishment of special government agencies and legislation from the late 1960s (Tews, Busch, & Jörgens, 2003: 569). Initially, companies were rather defensive about internalizing the costs for environmental impacts (Blowfield & Murray, 2008: 26), especially when competing with companies from countries with more lenient regulation (Hontou, Diakoulaki, & Papagiannakis, 2007: 29).[24]

The opposite approach sees no irreconcilable trade-off between environmental and financial performance assuming that companies with proactive environmental protection can, in certain situations, achieve positive effects on the financial bottom line, for example by improving the company's competitiveness through better resource productivity and innovation that may lower the total costs or improve the value of products (Porter & van der Linde, 1995: 120).[25] Understanding environmental impacts allows the calculation of costs and savings in factor input and waste output in monetary terms. Companies' efforts to reduce environmental impacts have become associated with "win-win" situations, as less consumption of resources and less production of emissions and waste reduce both business costs as well as environmental impacts (Europäische Kommission, 2001: 11). With the idea that the environmental dimension is rather a strategic opportunity than a cost problem, environmental management standards developed from the 1990s, for example the ISO 14000 series which provided new ways for companies to understand and manage their environmental impacts (Blowfield & Murray, 2008: 26). The environmental dimension in Dahlsrud's study is mentioned in the CSR definitions provided by 9 out of 11 governmental, CSO, and business organizations while only 10 out of the 17 definitions provided by academics contain it. With less attention in academic definitions, the environmental dimension is less frequently included in contemporary CSR definitions than the social dimension (Dahlsrud, 2008: 5, 7–11).[26]

Social Dimension

Although social impacts were addressed by companies and examined by scholars before, the inclusion of social considerations, such as these within the specific domain of sustainability, emerged during the 1990s (Crane & Matten, 2007: 27).[27] The social dimension refers to the management of impacts on a company's surrounding and society in general. The company has direct social impacts on the lives of its employees that relate to questions such as the diversity of the workforce – including gender and racial aspects –, work-life balance, maternity leave programs, or family supportive working schemes.

Companies cannot function in isolation from society and the environment they are embedded in, and improving the conditions in and outside the company, for example education, safety, and the health of employees, can create win-win-situations for companies and society (Porter & Kramer, 2003: 33–34). Even more, in order to operate in developing countries where basic institutions of Western welfare capitalism simply do not exist, performing such functions is crucial for companies to operate (Margolis & Walsh, 2001: 3), and necessary to tap local markets for new products (Porter & Kramer, 2003: 32). To sell to the poorest consumers in developing nations, companies need to think of completely new and innovative products, distribution and marketing systems in accordance with the social conditions of the country (Grünschloss, 2010: 11). Prahalad (2005) proposes that a fortune can be made by selling to poor customers who live on less than two dollars a day at the bottom of the pyramid (BOP), while others mention the challenges in marketing socially useful goods to the poor and question the logic of selling to rather than buying from the poor in developing countries to eradicate poverty (Garrette & Karnani, 2010; Karnani, 2007).[28]

Overall, social impacts are more often associated with problems in developing countries than in economically advanced countries where social justice is assumed to be implicitly existent through laws and regulations. Developing countries, though, have lower social and environmental standards than economically advanced countries. The United Nations (UN) Millennium Development Goals formulate some main challenges that companies can – with comparatively basic steps – help achieve the social and developmental targets for developing countries (Crane & Matten, 2007: 27).[29] Combating HIV/AIDS infection rates and provision of education on healthcare might be essential to stabilize productivity levels and reduce employee fluctuation rates. Welfare and healthcare programs that go beyond the local minimum level might also help to reduce employee fluctuation rates.[30] Thus, company efforts for positive social and environmental impacts can have positive effects on the financial performance of the company. The next section will look closer at the drivers for companies to adopt CSR practices, while CSR practices addressing social and environmental issues will be discussed in Section 2.6.

2.5. Drivers for the Adoption of Corporate Social Responsibility

2.5.1. Moral and Instrumental Motivations

The literature names several drivers for CSR adoption. Most authors distinguish moral and instrumental motivations underlying these (Crane & Matten, 2007: 47–48; Etter & Fieseler, 2011: 271; Gardberg & Fombrun, 2006: 329; Jones, 1999: 164–165; McWilliams & Siegel, 2001: 118; Moir, 2001: 16–17; Wokutch, 1990: 59).[31] Moral motivations, also called ethical or altruistic motivations, lead companies and the individuals in them to act in a socially responsible way, because it is the morally correct thing to do. Moral motivations are often associated with behaving in a socially responsible manner even if it results in inferior CFP. Instrumental motivations lead to behave in a socially responsible manner insofar as doing so promotes one's own self-interest,[32] and therefore are also called enlightened self-interest (ESI) (Jones, 1999: 165), i. e., "doing good for others will be good for one's own purpose" (Crane & Matten, 2007: 47). This is also captured in the term "business case" mentioned in Section 1.4 (Carroll & Shabana, 2010), and if companies perceive good business reasons for doing CSR, the instrumental or ESI motivation may simply be called profit maximization.[33]

To determine the motivation underlying CSR, "it is not so much a matter of whether profit subsequently arises from social actions, but rather profit or altruism was the main reason for the action in the first place" (Crane & Matten, 2007: 47). But empirically distinguishing moral from instrumental motivations is difficult because of asymmetric information between the company and an external observer: when companies adopt CSR merely out of instrumental motivations (e. g., product promotion or reputation building), they may insist to act out of moral motivations if they perceive that external stakeholders favor CSR that is not directly connected to a company's financial performance.[34] Especially company publications such as annual reports or CSR reports may not reveal the instrumental motivations in adopting CSR (McWilliams, Siegel, & Wright, 2006: 9).[35] An external observer can only draw conclusions on the company's motivation according to the observable outcome of the company's CSR. But drawing conclusions on the company's motivation based on the outcome of a company's CSR may be misleading not only in cases where companies try to conceal instrumental motivations. For example, even CSR that has been adopted purely for moral motivations may appear to be driven by instrumental motivations if the CSR outcome ultimately has positive effects on the company's financial performance. Therefore, classifying motivations according to observable outcome may be misleading. A company's CSR adoption may often be attributed to a mixture of moral and instrumental motivations (Smith, 2003: 53), as "actions are often related to several motives" (Siltaoja, 2006: 104) so that "it is likely that there are mixed or uncertain motives underlying most CSR activities" (Wokutch, 1990: 59). Therefore, while the discussion of the drivers for the adoption CSR will focus on the instrumental motivations, moral motivations will be addressed first for reasons of completeness.

Moral Motivations as Driver for CSR Adoption

Moral arguments justify the adoption of CSR as the right thing to do based on ethical considerations of legitimacy,[36] reciprocity, or fairness, but the integration of ethical and business paradigms has been widely debated and to this day remains problematic (Grünschloss, 2010: 23). While Kaku (2003) claims that many companies around the world believe that they have a moral duty to respond to global problems (106), Smith (2003) concludes from case-study research that in reality, only few companies adopt CSR out of moral motivations, at least without simultaneously claiming a business case, and that those companies that do so are mostly privately run (71). More frequent occurrence of moral motivations as a driver for CSR in non-incorporated companies is not surprising because owner-managers may decide to integrate personal beliefs even if there is no return for the company because they do not have to justify their actions to shareholders.

Following Hemingway & Maclagan's (2004) position that "individual managers' organizational decisions are driven by a variety of personal values and interests in addition to the official corporate objectives" (36), moral motivations may be drivers for CSR also in incorporated companies. Spar & La Mure (2003) conclude from their case studies on company responses to NGO pressures that, while most positive company responses can be explained within a framework of profit maximization and cost benefit calculation, in some incorporated companies, the top management decides to respond to stakeholder claims following their personal beliefs and preferences even if there is no return for the company at all (79). The literature is consistent with the view that CSR can result from the decisions of a few managers due to their personal values and beliefs (e. g., Drumwright, 1994: 4; Fineman & Clarke, 1996: 728; Swanson, 1995: 54; Wood, 1991: 698). Thus, moral motivations as a driver for CSR adoption are, first, seldom the only driver for CSR in incorporated companies, and second, rather a driver for individual managers in companies, not for companies.[37]

Personal motivations of individual managers as drivers behind CSR initiatives rather counter the tendency to view the corporation as the agent, indicating that individuals can make a difference (Hemingway & Maclagan, 2004: 34). Wood (1991) stresses that a company's social responsibility is met by individual human actors and not by abstract organizational actors (699). As managers have, in spite of the fact that certain corporate social responsibilities are prescribed in various domains, choices about how to fulfill many of these responsibilities, Ackerman & Bauer (1976) call CSR "the management of discretion" (32–33). Thus, moral motivations can be a powerful driver for the individual manager or entrepreneur to strategically think about business opportunities that create both values for the company as well as for society and develop new socially responsible business models and practices.[38] The new CSR practice may eventually become a benchmark or standard for other companies.

In summary, motivations for CSR are often ambiguous, and moral motivations can be one of the drivers for companies' CSR initiatives that may, in some companies, lead to CSR adoption even if there is no business case for doing so. Nevertheless, the existing research suggests that there are only few companies whose CSR adoption can be solely attributed to moral motivations. Further, empirically determining the moral motivation behind CSR adoption is hardly possible due to asymmetric information between the company and the public. Moreover, moral motivations are drivers that can only be identified within individuals, but it is difficult to identify personal motivations of key decision makers in the firm (Spar & La Mure, 2003: 96–97).[39] As this study primarily examines, from an economic point of view, the adoption and diffusion of explicit CSR at the firm level in long established, large and incorporated companies where moral motivations are rarely found without simultaneously claiming a business case, it concentrates on instrumental motivations as drivers for CSR adoption.

Instrumental Motivations as Driver for CSR Adoption

"Instrumental arguments in favor of social responsibility are based on some kind of rational calculation that socially responsible behavior will benefit the individual firm and business as a whole, at least over the long term" (Jones, 1995 in Jones, 1999: 165). A lot of research has examined the link between CSR and corporate financial performance (CFP). The perspective that CSR influences CFP has drawn the widest attention as results for a positive (or negative) causality from CSR to CFP would justify (or delegitimize) CSR from an instrumental point of view (Margolis & Walsh, 2001: 2, 4). Another perspective proposes that CFP positively influences CSR and explains CSR adoption with better financial capabilities of successful companies that allow devoting resources to CSR.[40] But little empirical research has examined CSR as the dependent variable (Margolis & Walsh, 2003: 273–277) and even less has taken into account other independent variables beside CFP (Campbell, 2007: 946).

The results are inconclusive due to the application of different methodologies and different measures of CSR and CFP (Margolis & Walsh, 2001: 13).[41] Especially in event studies, mixed results on the correlation between CSR and CFP may occur due to "inconsistency in defining CSR, inconsistency in defining firm performance, inconsistency in samples, imprecision and inconsistency in research design, misspecification of models, changes over time, or some more fundamental variance in the samples that are being analysed" (McWilliams et al., 2006: 12).[42] Although a positive correlation between CSR and CFP has been found in most research results, it could not yet be unequivocally shown if this correlation is caused by influence from CSR to CFP, influence from CFP to CSR, or mutual influence between both (Carroll & Buchholtz, 2006: 55–56).[43] Meta-analytic evidence points in the direction of a significant positive effect of CSR on CFP (Orlitzky, Schmidt, & Rynes, 2003),[44] supporting the perspective that CSR improves CFP, but longer term evaluation will be necessary to fully understand the nature of this correlation.

The struggle to demonstrate a clear universal rate of return of CSR is similar to the development of accounting and financial methods for investments in other intangible assets such as advertising and innovation

(Barnett, 2007: 813), which encompass a range of possible activities that do not guarantee favorable outcomes. In the same way, CSR as a complex process which includes relationships with multiple stakeholders, cannot guarantee positive results. The result will have beneficial or detrimental effects depending on the judgment in selection of which actions to take, and the skill and resources used for achieving the desired benefits during the process (Baker, 2006).[45]

Despite remaining uncertainties about the link between CSR and CFP, instrumental motivations for CSR play a central role as a driver of CSR adoption. The academic debate in economics highlights the positive relationship between CSR and other intangible company assets that bear benefits in exchange with stakeholders such as company reputation, customer loyalty, employee motivation, employee branding, and forestalling of regulation (Etter & Fieseler, 2011: 272). While it is difficult to determine if tangible benefits have been derived from CSR, it is even harder to determine intangible ones due to problems of measurability of intangible assets. For the adoption of CSR practices, though, it is less important if companies actually benefit from CSR as long as companies (or key decision makers in the company) perceive positive effects from CSR activities.

Various studies have shown that the majority of managers believe in favorable effects of CSR on CFP.[46] Research projects, surveys, international business initiatives such as the World Economic Forum, the Global Reporting Initiative (GRI), and several regional and national initiatives contend that CSR programs drive real or perceived benefits for the company (Gardberg & Fombrun, 2006: 333–334).

Surveys on manager perceptions of possible benefits from CSR show higher percentages for intangible benefits than for tangible ones. One of the intangible benefits of CSR that has been examined most extensively is corporate reputation (Eisenegger & Schranz, 2011: 71). In an age where brand and image have become the most important assets for companies in several customer-oriented industries, it is not surprising that reputation achieves the highest ratings by managers in surveys about expected positive economic effects of CSR.[47] Indeed, Orlitzky, Schmidt, & Rynes (2003) find that a positive CSR-CFP link is stronger if reputation indices are used as indicator for CSR instead of other indicators (417–419),[48] leading to the assumption that CSR, CFP, and reputation work in a self enhancing circle (Carroll & Buchholtz, 2006).[49]

Reputation is an intangible asset inherent in the company, needs time to be created, cannot be bought, and can be lost easily – it often takes years of demonstrated superior competence to be build and “can be lost over night due to unforeseen circumstances” (Hall, 1993: 615–616). It is the aggregate of all relevant stakeholders’ perceptions on a company’s performance, products, services, people, and the resulting esteem of a company (Etter & Fieseler, 2011: 272–273), particularly about the company's reliability, credibility, trustworthiness, and responsibility (Fombrun, 1996: 28, 80). Reputation fosters value creation by signaling to current and potential transaction partners such as employees, customers, and investors (Fombrun & Shanley, 1990: 241).

From an economic perspective, reputation is an intangible asset that can help create further intangible benefits in exchange with transaction partners and other stakeholders such as attracting potential employees, charging premium prices, and reducing the cost of capital (Fombrun, 1996: 72–80, 387). Good reputation enables companies to recruit and retain employees (Turban & Greening, 1997: 669), to attract customers and trigger repeated transactions (Etter & Fieseler, 2011: 273), to signal low company risks to potential investors, and to bring forth favorable coverage in the media (Deephouse, 2000: 1109).

CSR is, among others, one non-economic signal that affects the judgment of the company (Fombrun & Shanley, 1990: 252), which may partly explain why companies increasingly make their CSR practices explicit. To obtain improved trust and reputation, companies must credibly demonstrate CSR-related actions and policies (Fombrun, 2005: 7) through the disclosure of non-financial data on CSR issues (Tanimoto, 2010a: 59). This is because a company's reputation results from the interactions of the company with its stakeholders and from the flow of information about the company and its actions, thereby signaling the attractiveness of the company (Deephouse, 2000: 1093). The perception of CSR can greatly differ among stakeholders (Sen & Bhattacharya, 2001), and Smith (2003) states that companies "differ in their exposure to reputational risk in consumer markets. (…) Reputational risk would appear to be largely but not solely a concern for consumer goods companies" (62). Consumer oriented companies may often focus on satisfying external stakeholders through high-profile marketing campaigns, while companies in industries with a bad image, such as chemicals and energy, may seek to invest in improving their reputation through CSR initiatives to compensate for public criticism in the event of a crisis (Porter & Kramer, 2006: 82–83). CSR can alleviate and overcome the effects of negative publicity (Dawar & Pillutla, 2000: 224) "like an insurance policy that is there when you need it" (Klein & Dawar, 2004: 215), although this effect is influenced by company and industry specific characteristics as well as the nature of a negative event and a company's reaction to it (Peloza, 2006: 68).[50]

Research findings suggest that the effect for CSR is stronger for preventing or correcting a loss of reputation than for realizing a gain in reputation, leading Yoon, Gürhan-Canli, & Schwarz (2006) to recommend that especially companies with a bad public image, for example in the tobacco and oil industry, should try to improve their negative reputation through CSR. But CSR efforts can easily backfire if stakeholders discover that the expenditures for advertising are too high in relation to the expenditures for the CSR activity itself (377, 388–389). Barnett (2007) argues that CSR will affect CFP positively, negatively, or neutrally according to the situation and a company's ability to generate positive stakeholder relations (813). Thus, companies may create value through investing in CSR activities that signal credibility, trustworthiness, reliability, and responsibility to stakeholders.

2.5.2. Stakeholder-Related Incentives and Pressures

There are manifold theoretical propositions on how companies can directly and indirectly benefit from CSR in relation to stakeholders such as higher commitment and productivity of the workforce, efficient use of natural resources, appraisal of customers, better ratings from investors who are aware of CSR related risks, and avoidance of criticism and damages to the company brand (European Commission, 2001: 8).

Stakeholders, particularly the primary stakeholders like employees, consumers, and investors, can be decisive in prompting companies to adopt CSR (European Commission, 2001b: 17).[51] Tab. 1 lists some of the benefits that can be derived from CSR according to target stakeholder groups. Some of the perceived business cases of CSR that can be obtained from improved relationships with stakeholders that have received the highest evaluations by managers in recent years will be discussed in the following.

Recruiting, Motivating and Retaining Employees

Within the company, CSR primarily involves employees. Like reputation, improved employee morale and motivation are benefits that receive very high ratings from managers in surveys on reasons for doing CSR as well as in surveys on perceived results of CSR.[52] The key issue of human resource management is to attract the best staff and retain them (European Commission, 2001: 9). Research has examined corporate reputation as a determinant of organizational attractiveness with the result that perceived reputation influences the attractiveness of companies as employers (e. g., Belt & Paolillo, 1982; Cable & Graham, 2000; Gatewood, Gowan, & Lautenschlager, 1993), and that perceived CSR reputation is one factor that positively influences prospective employees' decisions on whether to choose an employment offer against others (Fombrun & Shanley, 1990), particularly of highly skilled employees (Albinger & Freeman, 2000; Greening & Turban, 2000).[53]

Tab. 1: CSR Benefits Related to Stakeholders

Target stakeholder group	Benefit
Customers	Attracting customers Positive word-of-mouth Premium pricing Reducing risk of losing customers
Employees	Recruiting employees Increasing employee motivation Retaining employees
Investors	Access to finance Preventing SRI investor activism Increasing reputation by favorable social performance rating and ranking
CSO	Reducing risk of negative publicity Understanding contemporary CSR issues, designing strategies, and increasing credibility through cooperation with CSOs
Government	Forestalling legislation Ensuring independence from government intervention
Competitors	Positive differentiation from competitors Catching up with industry trends and diminishing competitive advantages of competitors

Source: Crane & Matten (2007: 47) based on Davis (1973) and Mintzberg (1983), complemented with benefits mentioned in the literature reviewed in this subsection

The experimental results of Belt & Paolillo (1982) indicate that corporate image significantly influences the likelihood of a positive response to a company's recruitment advertisement (111). CSR is one non-economic signal that, among others, affects corporate reputation (Fombrun & Shanley, 1990: 252), and Greening and Turban (2000; 1997) find that employees might be attracted and be committed to work for companies that are perceived to be socially responsible. Their study on American students' attitudes towards possible employers shows that independent ratings of a company's CSR are positively related to a company's reputation and to the attractiveness as employer, indicating that CSR may provide a competitive advantage in attracting employees (Turban & Greening, 1997: 669). Greening and Turban's subsequent study, wherein they directly provided information of companies' CSR activities to the participants, confirms this point and further indicates that job applicants seek employment with, attempt to interview with, and have a higher probability of accepting employment from companies with high CSR reputations (Greening & Turban, 2000: 276).[54] These conclusions are in line with the research of Backhaus, Stone, & Heiner (2002: 312–313), which also indicates that certain CSR issues are more important to prospective employees than others, although the importance of individual CSR issues is not fully consistent in all empirical studies. While Albinger & Freeman's (2000) findings suggest that prospective employees will respond to areas that affect them most directly such as diversity, employee participation, and benefits (250), Backhaus et al.'s (2002) results indicate that broader issues from which employees do at best benefit indirectly such as environmental performance, community relations, employee diversity,[55] and product related issues, are more important than others for attracting employees (312).

One finding consistent in empirical research is that CSR is more important for attracting high quality staff than low quality staff. Greening & Turban (2000) claim that a company's perceived CSR performance is most important as a factor for job selection for highly skilled job seekers, because they tend to have more alternative employment choices (275). As job seekers with fewer choices are often less qualified, have fewer skills, or are even unemployed and may be urgently needing employment, CSR is more important for companies wishing to attract highly educated employees with alternative job choices (Albinger & Freeman, 2000: 245, 250). Further, Backhaus et al.'s (2002) research shows that CSR may influence job seekers' decisions during all stages of the job search, but that it is paramount for their final decision whether or not to accept a job offer (309). In sum, this research indicates that highly skilled employees, given alternative employment possibilities, will be likely to seek employment with a company showing good CSR records.[56]

CSR may also increase employees' motivation and commitment or reduce their rate of leaving a company. In their survey of employees in manufacturing companies on the effect of CSR on organizational commitment, Stites & Micheal (2011) find that employees show more commitment to an organization whenever they experience that their employer is active in regard to the benefit of the community and the environment. As the increased organizational commitment of employees could in turn lead to an improved organizational performance, Stites & Micheal propose that companies should communicate their CSR activities to their employees to seize positive benefits on their employees' commitment to the company (50, 65). Brammer, Millington, & Rayton (2007: 1714) also have registered a strong contribution of CSR to organizational commitment of employees, which is even stronger for female than for male employees. Like in Backhaus et al.'s study on organizational attractiveness, both studies show that if companies' CSR activities address issues that are related to external CSR stakeholders and at best provide indirect benefits to employees – in contrast to other sources for increased employee commitment such as provision of training – CSR enhances the organizational commitment of employees (Brammer et al., 2007: 1715). This can be explained with the relationship between the image of the organization held by external groups and the employees' self-concept.[57] The image of a company is a basis for an employee's reactions to the company's actions, and "if the company is highly regarded by external groups, the employee's job satisfaction is higher and his/her probability of leaving is lower" (Riordan, Gatewood, & Bill, 1997: 410).[58]

Overall then, CSR needs not to be directed at employees to achieve benefits in relation to employees. Making CSR activities that target broader CSR issues explicit by communicating about them to the public helps improve company reputation and thereby derive benefits in the relationship with employees. Similar positive effects of enhanced reputation also work in relationships with other stakeholder groups, for example with customers.

Customer-Related CSR Benefits

As part of CSR, companies are expected to provide products and services that customers need and want, and those companies that satisfy customers' demands for superior quality, safety, reliability, and service in an efficient, ethical, and environmentally-aware manner are expected to be more profitable (European Commission, 2001: 14). Customer satisfaction belongs to the intangible assets of a company (Gardberg & Fombrun, 2006: 331), and is positively influenced by reputation which signals trust and attractiveness to customers (Etter & Fieseler, 2011: 272–273). In most surveys managers rank customer satisfaction – after reputation and employee recruitment – as one of the most important factors to business strategy that can be enhanced through CSR management (EIU, 2005: 65; Grant Thornton, 2007; The Aspen Institute, 2005: 5). Survey data also support the relevance of CSR to customers. While consumers traditionally refer to product quality and financial performance in forming opinions of a company, consumers now claim that their purchasing decisions are influenced by companies' CSR reputation (e. g., Dawkins & Lewis, 2003: 185; Smith, 2003: 61).[59]

Academic research suggests several customer related benefits from CSR activities. Green & Peloza (2011: 48) summarize that CSR benefits may include positive company evaluations (e. g., Brown & Dacin, 1997), increased purchase intentions (e. g., Mohr & Webb, 2005), resilience to negative news about a company (e. g., Peloza, 2006), favorable word-of-mouth (e. g., Hoeffler & Keller, 2002), and willingness to pay premium prices by some consumers (e. g., Green & Peloza, 2011: 48; Laroche, Bergeron, & Barbaro-Forleo, 2001). Brown & Dacin (1997) find that positive (negative) CSR information positively (negatively) influences consumers' overall evaluations of a company (79–80). Mohr and Webb's (2005) experimental research confirms the relationship between CSR and customers' evaluations of a company and further indicates a positive impact on customers' purchase intentions (139–141). CSR may enhance customers' relationships with brands, possibly reaching a degree of brand loyalty that makes customers willing to spend time, energy, money, or other resources on the brand beyond those for personal consumption, and positively communicate about the brand to others (Hoeffler & Keller, 2002: 81). Consumers even claim to be willing to pay more for CSR,[60] although only a comparatively small proportion of consumers actually will do so (Smith, 2003: 62).[61]

To tap customer related benefits from their CSR activities, companies make their CSR explicit and communicate it in public relations, advertising, sponsorship, and corporate websites (Etter & Fieseler, 2011: 272), because customers first need to be aware of a companies' CSR before it can influence their decisions (Mohr, Webb, & Harris, 2001: 47). But, when basically all companies communicate some form of CSR, a company can hardly differentiate its CSR from that of its competitors (Green & Peloza, 2011: 53), particularly because consumers doubt companies' communications and can hardly get trustworthy information on a company's CSR (Mohr & Webb, 2005: 143).

Actual consumer responses to companies' CSR appear to be tempered by individual-specific factors such as personal support for and general beliefs about CSR, and company-specific factors such as the CSR issues a company focuses on (Sen & Bhattacharya, 2001: 238–239 in Smith, 2003: 62). While the impact on consumer evaluations varies among different CSR activities,[62] "all consumers react negatively to negative CSR information, whereas only those most supportive of the CSR issues react positively to positive CSR information" (Sen & Bhattacharya, 2001: 238). Further, consumers are more willing to punish unethical behavior than to reward ethical behavior of companies (Creyer & Ross, 1997: 424–425, 428; Mohr & Webb, 2005: 139), and show stronger reactions to negative than to positive CSR (e. g., Creyer & Ross, 1996, 1997; Mohr & Webb, 2005: 139; Sen & Bhattacharya, 2001: 238).[63]

The evaluation of a company's CSR differs across individuals and is less about a company's CSR activities but how customers perceive a company's CSR activities (Green & Peloza, 2011: 49).[64] Regarding interpersonal differences in consumer responses to CSR, Green & Peloza suggest that consumer responses to CSR differ according to the value a consumer receives from it (48).[65] From their interviews with consumers, they identify emotional value, social value, and functional value (53), which are highly predictive of consumer responses (Sheth, Newman, & Gross, 1991: 160–161).[66] While emotional and social value are less significant and even expendable in times of economic uncertainty, functional value can highly impact customers' decision making (Green & Peloza, 2011: 52), as shown by anecdotal evidence (Auger, Burke, Devinney, & Louviere, 2003: 299).

Customer-related effects of CSR are not limited to consumer markets, though. There are similar incentives and pressures for companies in business to business markets (Smith, 2003: 61–63). Companies, especially MNCs with well-known brands, have become aware that their CSR reputation is influenced by the actions of their business partners. Due to consumer requests for supply chain transparency, large MNCs in consumer markets put efforts in securing CSR standards in their supply chain, e. g., working conditions in facilities in less developed countries. MNCs often have the bargaining power to influence the CSR practices of their suppliers, but in the long run, good relationships with business partners reduce complexity and costs and may pay off for both sides in terms of fair prices, quality improvements, reliable delivery, etc. (European Commission, 2001: 13). Therefore, even companies that operate solely in business to business markets may profit from good CSR records that signal their capability to assure high quality and harmlessness of their products to potential and actual business customers. Finally, the public sector procurement also pays increasing attention to a company's CSR in procurement contracts (Smith, 2003: 63).

Overall, there are several customer-related benefits that companies can obtain from CSR activities. Making CSR explicit may add value and offer more possibilities for positive differentiation through CSR (Jones, 1999: 169), but substantial benefits such as customer attraction or premium prices are difficult to achieve due to variance in customer responses. While few companies may be able to signal credible long-term commitment of their CSR efforts and provide functional CSR value to differentiate themselves from their competitors and derive positive consumer responses from CSR,[67] all companies have to be aware of the risk of being perceived as socially irresponsible because consumers respond significantly stronger to negative than to positive CSR. CSR standards, norms, and guidelines offer guidance to companies on how to fulfill minimum CSR expectations, and are widely used not only by business and public sector customers, but also by investors.

Investor Related CSR Benefits

CSR activities have been found to improve companies' access to capital by attracting investors (Carroll & Shabana, 2010: 98–99). In surveys, managers rank investors, after employees and customers, as one of the most important stakeholders of a company. However, managers rank improved access to capital as the least important among ten possible reasons of adopting CSR, as the least important driver for increasing emphasis on CSR (PWC, 2002: 2), and as the least important among eight possible ways of improving a company's CFP through CSR (McKinsey, 2009: 3).[68] Accordingly, only a few companies report that they aim to address investor relations through CSR (e. g., EIU, 2005: 63, 65).

As investors have legal claims towards a company and can use their power to directly exert influence on a company (Mitchell et al., 1997: 878),[69] they are expected to be able to influence a company to adopt CSR practices by engaging in socially responsible investing (SRI). SRI refers to investment and finance that takes into account environmental, social, and governance (ESG) criteria. SRI has grown faster than the total invested assets in recent years,[70] and consists of basically three strategies: screening, shareholder activism, and investment in banks and other financial intermediaries that pursue community investing (SIF, 2010: 8).

Academic research has focused on the impact of SRI funds and shareholder activism on companies' CSR adoption (Scholtens, 2006: 24). SRI funds screen companies to avoid investing in companies whose actions conflict with the SRI funds mission, values, or principles (negative screening), or to select companies that show good CSR records (positive screening) (Smith, 2005: 64).[71] Individual investors may be attracted to SRI funds because their own values are consistent with the way these funds are invested,[72] or because they perceive SRI funds to perform better than conventional funds. Accordingly, SRI funds are either promoted as having higher ethical standards than their conventional counterparts (Benson, Brailsford, & Humphrey, 2006: 338), or based on the instrumental argument that including CSR helps to seize opportunities and reduce risks, which eventually results in a win-win situation for investors, companies, and other stakeholders (Haigh & Jones, 2006: 3). While the Aspen Institute (1998) suggests that considering non-economic information indeed offers a competitive advantage to analysts and investors (3), Rudd (1981) argues that restrictions in portfolio choice posed by CSR criteria will, like any other exclusionary or targeting constraints, reduce the portfolio performance (60).[73] Empirical research shows that SRI funds and conventional funds hold different portfolio positions (Benson et al., 2006: 351–352),[74] but do not perform significantly different on a risk-adjusted basis (Bello, 2005: 56).[75] As screening criteria and the monitoring of companies' CSR performance are rather weak,[76] and legal and institutional constraints pose ownership restrictions on mutual funds in many countries (Scholtens, 2006: 24–25), the size of SRI funds is usually too small for their portfolio decisions to directly affect company behavior (Haigh & Hazelton, 2004: 67).[77]

Another way for investors to affect a company is shareholder activism. Shareholder activism describes the options for shareholders to exert influence on invested companies via processes such as proxy voting, resolutions, and dialog (Scholtens, 2006: 24–25),[78] and SRI funds are reported to make use of these options more actively than conventional funds (SIF, 2005: 22–23).[79] Intensity of shareholder activism varies across industries and activists generally target specific, mostly large and visible, companies rather than whole industries (Rehbein, Waddock, & Graves, 2004: 261–262). Although some large pension funds have used these processes to successfully exert influence on companies,[80] such examples of shareholder activism remain isolated, because in absolute numbers only few professionally managed funds directly or indirectly pressure invested companies to adopt CSR (Haigh & Jones, 2006: 3). At least successful shareholder resolutions are increasing. According to a survey by Ernst and Young, the average voting support reached 18.4 percent in 2010 and the CSR related resolutions receiving 30 percent or more voting support increased to 26.8 percent in 2010 from 2.6 percent in 2005 (Ernst & Young, 2011: 3). Shareholder activism remains ad hoc and mostly limited to company-specific adjustments, rather than bringing about systematic CSR adoption at the industry level (Haigh & Hazelton, 2004: 60; Sjöström, 2008: 152). Together with the overall small market shares of SRI funds, the impact of shareholder activism on the CSR activities of companies via the public stock market is very limited (Haigh & Hazelton, 2004: 67).

Scholtens (2006) suggests that indirect finance by banks and venture capitalists has a stronger effect on a company's CSR than direct finance by shareholders, because monitoring, enforcement, and particularly screening mechanisms in lending and finance are closer to the company's investments and project designs.[81] But the effect of indirect finance on a company's CSR is constrained by the intermediate character of indirect finance. Most financial intermediaries do not make the trade-off between CSR and financial goals explicit to the debtors,[82] which may result in ambitious claims on the company and flaw the contract design. Moreover, there is a lack of coordination among different financial intermediaries and alternative sources of finance (28–29).

Considerations of CSR in investment and finance have at least led to an explosive growth in the demand for CSR ratings that was mostly stimulated by the growth of SRI funds and national and international regulations. This resulted in a substantial increase in the number of companies publishing CSR reports, partly induced by mandatory CSR reporting in some countries (Smith, 2003: 63).[83] Several professional rating agencies and indices have been established in recent years that collect, analyze, and compile CSR related data on companies to provide CSR ratings.[84] Although for most companies CSR is negligible in getting access to capital, it is in the company's interest to boast a good CSR rating, as it may bring awards, stakeholder appreciation, and reputation (Márquez & Fombrun, 2005: 304–306).[85] Smith (2003) attributes investor related CSR benefits mainly to the reputation of a company and growth in SRI investing and listing of companies (63).

In summary, academic research finds that SRI funds, shareholder activism, and indirect finance have a limited effect on companies' CSR due to small market shares and disperse ownership. The rapid growth of SRI investment during recent years may increase the influence of SRI funds. Further, increasing attention towards ESG criteria by investors, along with the growth in CSR rankings and indices, have at least led to increasing awareness towards CSR issues among companies. Many companies add credibility to their CSR commitment by the achievement of good ratings, inclusion in sustainability indices, and the demonstration of their CSR to their stakeholders, particularly in CSR reports. Some companies may do so because the demonstration of CSR becomes unavoidable due to pressures from stakeholder demands or governmental regulations.

Benefits in Relation to Secondary Stakeholders

The above discussed CSR benefits relate to the three primary stakeholders that a company must satisfy to survive and to prosper: employees, customers, and investors (Hill & Jones, 2001: 45). As the company is dependent on these primary stakeholders for its survival, they are expected to play a decisive role in prompting companies to adopt CSR (European Commission, 2001: 17). While the influence of primary stakeholders stems from legitimate claims and power as transaction partners of the company, the influence of secondary stakeholders rather builds on the pressure they can use to force companies to respond to their demands. CSR benefits arising from responding to these demands mainly include the prevention of negative effects rather than the realization of positive ones.

Secondary stakeholders encompass the government, CSOs,[86] and competitors (see Fig. 4 on page 72). In a survey of the EIU (2005), managers rank government with 21 percent and CSOs with only 2 percent as the least important stakeholder groups (63).[87] The influence of competitors on other companies is usually considered to be weak. Therefore, in questions on which stakeholders are decisive for a company's choice to adopt CSR, most surveys exclude competitors as an eligible answer. But some surveys indirectly include the influence of competitors' CSR adoption for a company's decision to adopt CSR by asking about the importance of industry trends and pressures for a company to adopt CSR. In a PricewaterhouseCoopers (PWC, 2002) survey, 62 percent of the surveyed companies reported industry trends as one of the reasons for CSR adoption and 39 percent ranked industry trends as the third out of ten possible reasons for increased emphasis on sustainability. CSO demands achieved only 21 percent in the same survey item (2, 7).

CSO-related CSR benefits

Nevertheless, CSOs have significantly gained influence since the middle of the 1980s,[88] and nowadays some CSOs such as World Wide Fund For Nature, Greenpeace, Amnesty International, Human Rights Watch and many others have global structures that are comparable to MNCs (Kell & Ruggie, 2001: 325). CSOs that seek to promote CSR may "cause substantial changes in corporate management, strategy, and governance" (Guay, Doh, & Sinclair, 2004: 129). Initially, CSO activists have pressured companies to respond to their demands (Spar & La Mure, 2003: 97), and many CSOs continue to apply confrontational approaches, such as provocation, consumer boycotts, direct protest, and litigation. The effectiveness of these campaigns largely depends on the CSOs' ability to tap into broader social movements and receive media attention, and new information and communication technology like the internet has enabled CSOs to proliferate their messages at low costs (Kell & Ruggie, 2001: 326).[89] CSO activists have successfully applied name-and-shame publicity programs and predominantly challenge highly visible companies as these companies will face substantial material damage in case of damages to their reputation (Becker-Olsen, Cudmore, & Hill, 2006: 52).[90] For example, Nike was targeted in several anti-sweatshop campaigns aiming at altering its manufacturing practices (den Hond & de Bakker, 2007: 916).[91] Some CSOs also engage in SRI to influence companies (Guay et al., 2004), but face similar problems like professional SRI funds.

A growing number of CSOs, especially the globally operating ones, have come to recognize that companies can become effective role models or even advocates for CSR concerns and therefore cooperate with companies by entering into strategic partnerships with them (Kell & Ruggie, 2001: 326). For a company, strategic partnerships and dialog with CSOs help to understand the exact expectations society places on the company. Further, with their expertise in their field of interest, CSOs may assist a company to develop responses to CSR issues and provide training to the company's staff. Cooperating with a well renowned CSO also adds credibility to a company's CSR efforts.[92] Finally, a company can occasionally positively differentiate itself from competitors by being the first in its industry to engage with a CSO, particularly in industries with intense competition and high brand recognition or in industries where CSO activists criticize practices of all companies. If a company suspects that CSOs will eventually succeed in shaping public CSR expectations for a whole industry, strategic considerations may dictate moving first (Spar & La Mure, 2003: 95–96).

Government-related CSR benefits

Government has the power to establish mandatory requirements for companies through legislation and regulation (Manne & Wallich, 1972: 81).[93] Fox et al. distinguish four roles that governments can use to promote an environment for CSR: "mandatory (legislative); facilitating (guidelines on content); partnering (engagement with multi-stakeholder processes); and, endorsing tools (publicity)" (Fox, Ward, & Howard, 2002: 3–6 in Albareda, Lozano, & Ysa, 2007: 392). Legislation and regulation embody the absolute expectations society has towards all companies.[94] While CSR by definition goes beyond abiding the law, one of the most practical reasons for companies to engage in CSR is to forestall future government intervention and regulation (Carroll & Buchholtz, 2006: 34, 43). Governments encourage CSR because it can substitute for or complement government effort and legitimize government policies (Moon, 2002: 399–401). In recent decades, governments in most Western countries have tended to use non-mandatory approaches to promote CSR and allowed companies to voluntarily develop new practices before creating new regulation (Albareda, Lozano, Tencati, Midttun, & Perrini, 2008: 360) or after deregulating (Hiß, 2009). In this regard, companies benefit from voluntarily adopting CSR, but in relation to the government, avoidance of regulation requires companies to engage in collective action, which are usually coordinated by business and industry associations.

Competitor related CSR benefits

This may induce cooperation even among competing companies to jointly show that they can effectively find solutions to social problems through self-regulation and by that forestalling legislation. Campbell (2007) proposes that companies are more likely to adopt CSR if they belong to business associations that promote CSR, because companies tend to adopt CSR if normative or cultural institutions that create incentives for a certain behavior are in place (949).[95] Such coercive pressure works not only at the company but also at the individual level (Galaskiewicz, 1991 in

Campbell, 2007: 949; Campbell, 2007: 959). Omnipresent talk about CSR may, more than any moral appeals, influence some individuals in the form of peer pressure among managers who judge each other according to the increasing popularity of the idea of CSR (Manne & Wallich, 1972: 26–27, 33). Not only co-operating but also competing companies mutually influence each other. Once some companies adopt CSR, others may follow, because companies often imitate what other companies in their environment do (DiMaggio & Powell, 1983 in Campbell, 2007: 959).[96] The innovating company moves first to benefit from positive CSR differentiation,[97] with the imitating companies following to diminish any competitive advantages of the innovating company or to catch up with CSR industry trends and stakeholder expectations. Imitating companies are highly likely to take over practices and imitate institutions and management systems that the innovator company has put in place (see Section 3.3). This has led to the emergence of common practices and even standards which will be discussed in the following section.

2.6. Corporate Social Responsibility Practices

2.6.1. Explicit CSR Practices as Indicator for CSR Adoption

The scope of CSR depends on region, industry, company, and time, so that the essence in comparing CSR across companies is about management systems and institutions, and not about particular issues. This is reflected in the statements and recommendations of regional and global organizations like the EC or the International Labor Organization (ILO) that propose companies to integrate the economic, social, and environmental impact in their operations as demanded by the TBL approach to make CSR part of the way in which a company is managed – integrated into business processes – rather than using CSR as an add-on to a company's core activities (Tanimoto, 2010a: 48).

Globally, companies and business associations use experiences of business in different social environments to create common systems of CSR definition and verification (Fukukawa & Moon, 2004: 4). Certain practices have evolved and globally spread that address topical CSR issues including mission or value statements, codes of ethics, nomination of ethics managers, officers and committees, CSR consultants, ethics education and training, auditing, accounting and reporting, as well as consultation of stakeholders through dialog and partnership programs (see Tab. 2). Mission or value statements have been used particularly by MNCs to articulate broader sets of values in an "attempt to define the cultural bonds that hold the company together" (Kell & Ruggie, 1999: 110). Staff is assigned, with the help of CSR officers and committees, to identify issues, create a strategy, and professionally manage CSR.

Weaver, Trevino, & Cochran (1999) in their study of large US companies identify some companies adopting CSR practices decoupled from the company's top management commitment to ethics – a form of window dressing – while other companies integrate CSR as part of the company's core strategy (547).[98] "Integrated structures and policies affect everyday decisions and actions" (541), while decoupled ones display "conformity to external expectations while making it easy to insulate much of the organization from those expectations" (541).[99] Weaver et al. mention that CSR practices may contain both decoupled and integrated forms of CSR, as managerial discretion and institutional pressure exert limited influence on the decision to adopt CSR (549). It will therefore hardly be possible to assess whether or not a company that implements CSR practices actually integrates it as part of the core strategy.

Nevertheless, the adoption of standardized CSR practices shows at least that a company decides to demonstrate CSR practices to stakeholders and shall serve as an indicator for adoption of CSR. In the following section, two areas of the management of CSR will be reviewed in more detail: codes of conduct for defining CSR standards and CSR reporting for assessing and showing a company's CSR performance to the public (Crane & Matten, 2007: 175).

Tab. 2: Typical Elements of CSR Management

Mission or value statements
Nomination of CSR managers
Officers and committees
CSR consultants
Ethics education and training
Codes of conduct
Auditing, accounting and reporting
Stakeholder consultation, dialog and partnership programs

Source: based on Crane & Matten (2007: 171), slightly modified

2.6.2. Codes of Conduct, Standards, and Guidelines

Due to the increasing demand for CSR, many companies have formulated guidelines and principles to specify appropriate conduct for their employees. Codes of conduct are typically defined as a "formal statement of the values and business practices of a company and sometimes of its suppliers" (European Commission, 2001: 27). Codes of conduct related to

CSR generally encompass issues such as working conditions, industrial relations, child labor, environmental issues, and anti-corruption measures (Kolk, van Tulder, & Welters, 1999). Codes of conduct are often sophisticated documents with articulated standards, but no matter if they are written codes or not, they do not assure effectiveness. More than the mere existence of a formal or informal code, proper implementation, participation of organization members in developing the code, and consistency between standards, monitoring, and disciplining are influential on employee behavior (Crane & Matten, 2007: 181). As for CSR in general, the increasing pressure from CSOs and consumer groups is seen as the main driver for the adoption of codes of conduct (European Commission, 2001: 14, 15, 27).

As part of CSR, a code of conduct is a voluntary initiative that goes beyond the law, but within the sphere of voluntary action, a code of conduct rarely does more than setting minimum standards. The problem about a voluntary code of conduct is the lack of assurance that promises are fulfilled and the absence of sanctions. Further, a code of conduct is company-specific, which makes it difficult to compare them among companies. Applying a code of conduct to suppliers may also lead to confusion. Like Nike did after allegations against the working conditions in the facilities of its suppliers,[100] many MNCs have implemented some supply chain code of conduct for securing minimum social and environmental standards in their supply chain.[101] When MNCs adopt different supply chain codes of conduct suppliers may face multiple, sometimes even conflicting demands by various MNCs they supply to. Therefore, the EC recommends that codes of conduct should be based on international conventions and agreements (European Commission, 2001: 14, 15, 27).

There have been efforts to harmonize codes of conduct into industry, professional, or global standards with the goal of achieving comparability and wider distribution of practices among companies. Compared to company-specific codes of conduct, standards are applied across sectors and geographic regions, have a larger scope of accountability, and are based, at least to some degree, on a consensus among stakeholders (see Tab. 3). Some major stakeholder claims have become codified as standardized ethic initiatives (Gilbert & Rasche, 2008: 756), and multiple voluntary initiatives, codes, labeling schemes, and standards have emerged in recent years at the firm, industry, national, and global level. Many of them incorporate selective content, do not state to whom they are accountable, lack transparency, and supply insufficient information, so that improvements in these regards based on more stable global platforms are recommended (Kell & Ruggie, 2001: 324).

Tab. 3: A Comparison of Codes of Conduct and Standards

Code of conduct	Standard
Company-specific	Applied across geographic regions and/or sectors
Limited accountability	Greater accountability (i. e. in terms of reporting and scrutiny)
Requires internal consensus and possibly some external consultation	Requires some degree of consensus among stakeholders, and, therefore, is more accountable

Source: Leipziger (2003: 38)

Tab. 4: Major International CSR Standards Used by Companies in 2008

Standard	Organization issuing the standard	Percentage of companies using the standard
UN Global Compact	UN	40
ILO Core Conventions	ILO	24
Universal Declaration of Human Rights	UN	21
OECD Guidelines for Multinational Enterprises	Organisation for Economic Co-operation and Development (OECD)	13
Sector specific standards		12

Source: based on the KPMG International Survey of Corporate Responsibility Reporting (2008b: 31), slightly modified

Major global standardized initiatives are for example the United Nations Global Compact (UNGC), SA 8000, the Global Reporting Initiative, and the Fair Labor Association (Leipziger, 2003: 40–41).[102] Those of the UN and the ILO are regarded as the principal providers of universally recognized standards for social and labor practices (KPMG, 2005: 25). According to the KPMG International Survey of Corporate Responsibility Reporting (2008b) among 1,600 global major companies,[103] most companies used the UNGC (40 %) before the ILO (24 %) standards, the UN declaration of human rights (21 %), the OECD guidelines for Multinational Enterprises (13 %), and sector specific standards (12 %) (see Tab. 4) (31). One reason for the comparatively high frequency of reference to the UNGC may be that it simultaneously addresses three of the areas where companies face greatest external pressure – human rights, environment, and labor standards – and offers companies legitimacy when acting based on universally agreed principles (Kell & Ruggie, 2001: 330).

The proliferation of standards and internal codes of conducts by individual companies shows that there are some basic responsibilities which various stakeholders expect companies to fulfill (Waddock, Bodwell, & Graves, 2002: 138). Kolk, van Tulder, & Welters (1999) analyze and compare 132 codes designed by the largest MNCs of the world, social interest groups and business associations, and suggest that codes are, more than a defensive response to social pressure, an "entry to talk" with external stakeholders in a constructive dialog (153, 171).[104] While code of conducts are the first step that stimulates a company to anchor and discuss CSR within the company and help to bring systems and processes in line with the contents of the code, stakeholder dialog helps a company to understand stakeholder interests and may shift company-stakeholder relationships from confrontation to cooperation (Kaptein & van Tulder, 2003: 204, 208). Part of any exchange with stakeholders is to show transparency. One means for showing transparency and also allowing for credible implementation and monitoring of codes of conduct is CSR reporting (Waddock et al., 2002: 138). A CSR report demonstrates a company's compliance with a code of conduct to external stakeholders who demand the company to not only state its commitment to but also to show its performance of CSR (Kaptein & van Tulder, 2003: 204, 206).

2.6.3. Corporate Social Responsibility Reporting

Section 2.5 showed that reputation works as an underlying variable for achieving benefits from CSR in relation to stakeholders. Disclosure of CSR information then can be seen as part of a company's strategic marketing through public relations activities with the goal of conveying messages that create or maintain a good company image (Hemingway & Maclagan, 2004: 35). Effective communication of CSR activities and performance helps a company to build trust, credibility, and reputation among its key stakeholders (KPMG, 2008b: 10), if the disclosed information meets the needs and wants of its readers (Tanimoto, 2010a: 59–60). Gray, Kouhy, & Lavers (1995) identify CSR reporting as one of the mechanisms by which companies "satisfy (and manipulate)" stakeholders who require them to demonstrate satisfactory CSR performance (65).[105]

CSR reporting refers to issuing a standalone report that provides information on a company's economic, environmental, and social performance (Carroll & Shabana, 2010: 99–100).[106] It has become one of the most common and widely spread practices to communicate a company's CSR to its stakeholders (O'Dwyer, 2003). A KPMG survey shows that the average percentage of large companies that issue stand-alone reports has grown from 45 percent in 2002 to 79 percent in 2008. In 2008, the 100 largest companies from Japan most frequently issued standalone CSR reports (88 percent) followed by companies from the UK (84 percent) and the US (73 percent) (KPMG, 2005: 10, 2008b: 16).[107] CSR reporting remained stable and even increased despite the effects of the global economic crisis (PWC, 2010). The top drivers for CSR reporting in 16 of 22 countries observed in the KPMG survey were moral considerations, economic considerations, and reputation (KPMG, 2008b: 22).[108]

The extent of CSR reporting differs across industries (Balabanis, Phillips, & Lyall, 1998: 35; Cowen, Ferreri, & Parker, 1987: 113).[109] Using a non-representative sample composed of companies listed in the sustainability index FTSE4Good, Sweeney & Coughlan (2008) analyze CSR disclosure applying content analysis and find differences in the scope of contents according to the special interests of stakeholders towards companies in different industries.[110] They therefore recommend understanding the needs and wants of stakeholders before issuing a CSR report (120–121), which can be achieved through consultation and dialog (e. g., Kell & Ruggie, 2001: 326).

Differences in CSR reporting exist not only across industries, but also across countries (Kolk, Walhain, & van de Wateringen, 2001: 27). Chen and Bouvain's (2009) results confirm differences in the scope of reporting of companies from different countries, which the authors attribute to differences in national institutions. Their results further show that CSR standards have an impact on the scope of disclosure in CSR reports. In their study, membership in the UNGC is significantly correlated with active monitoring and reporting on environmental and employee related issues that the UNGC addresses, but has no significant effect on reporting in areas not covered by the standard. Simply reporting in areas required by a standard without extension to areas not required by the standard suggests that CSR reporting "needs to be viewed as the outcome of a satisficing process involving trade-offs between multiple parties" (313). Further, good performance in one area of CSR does not automatically lead to good performance in other areas of CSR (312–314).

International initiatives that promote reporting standards such as the GRI and the UNGC have encouraged companies to adopt CSR reporting (Antal, Dierkes, MacMillan, & Marz, 2002: 27). The use of reporting standards can be seen as a response to criticism that the quality of CSR reports is very mixed and many are no more than a presentation of selected activities of companies that often are not originally intended as responsible behavior. KPMG (2008a) recommends that companies, particularly companies which report on CSR for the first time, should use the GRI guidelines and other relevant standards such as the UNGC principles or standards published by their own industry. 90 percent of the readers of CSR reports consider reporting standards as important for building trust,[111] ranking the GRI guidelines as the most relevant ones (12,48).[112] The major advantage of the GRI compared to the UNGC and other standards that define what has to be achieved is to create comparability and credibility of what is done (Waddock et al., 2002: 138). On top of reference to standards, some companies obtain verification by third parties to improve the public's perception of the company's legitimacy, and particularly companies in consumer industries tend to adopt a more market-driven approach and include third party verification in their reporting (KPMG, 2008b: 63).

The quality of CSR reports and the scope of their contents remain mixed and it is in the discretion of the companies to decide what information to disclose. But the mere act of publishing a CSR report signals that the company intends to make its CSR explicit to external stakeholders. CSR reporting is a CSR practice by itself and at the same time informs external stakeholders about a company's overall CSR efforts, making CSR reporting perhaps the best indicator to determine if a company adopts explicit CSR.

2.7. Summary of Corporate Social Responsibility Perspectives

This chapter has reviewed how CSR has developed from a moral appeal based on ethical considerations into widely applied and increasingly professionalized business practices. During this process, evolving concepts like CSP, sustainability, and CC have helped increase consensus about what the responsibilities of a company are, how they should be addressed, and how they could possibly be measured. Capturing all of these developments, CSR remains the most widely applied umbrella term in the academic literature and business practice. Although a universal definition of CSR is still lacking, the majority of the recent CSR definitions encompass certain dimensions: voluntary and explicit company practices in response to stakeholder interests on responsibilities towards social and environmental issues arising in the company's business activities at a given point in time.

With the majority of the largest companies in the advanced economic countries demonstrating some kind of CSR, the emergence of CSR rankings, ratings, and company indexes as well as CSR consultants and SRI investors, CSR has become a professionalized part of today's mainstream business practices which has remained stable in the face of the global economic crisis. Companies worldwide increasingly adopt standardized CSR practices to explicitly demonstrate CSR to their stakeholders even in countries where CSR issues were addressed implicitly. While moral motivations for the adoption of CSR practices may exist at the individual level, this study excludes personal preferences of individual managers as they complicate the economic analysis (Spar & La Mure, 2003: 96–97). Companies with disperse ownership will rather adopt CSR for instrumental motivations or an assumption of obligation – either voluntarily assumed, assigned by government, or forced by CSOs (Carroll & Buchholtz, 2006: 46). From an instrumental point of view, CSR is expected to generate intangible assets such as reputational capital that may soften the effects of negative publicity and offer benefits in relation with stakeholders such as commitment, loyalty, and legitimacy (Gardberg & Fombrun, 2006: 330–331). Stakeholders have influence on a company's decision of whether to adopt CSR, but only if their demands are expressed through legitimate interests of primary stakeholders or through the effects of irresistible alliances, such as between CSO activists and the media (Fineman & Clarke, 1996: 729). Many of the assumed benefits of CSR are related to a good corporate reputation, which appears to link CSR and CFP, but requires CSR to be made explicit to stakeholders. Just like with other activities that create intangible assets such as R&D and marketing (Gardberg & Fombrun, 2006: 330), CSR can achieve positive effects only if it is strategically well managed (Baker, 2006).

However, few companies appear to be able to achieve a positive differentiation from their CSR activities, so that most companies are likely to fulfill minimum expectations to avoid negative publicity. It can be expected that companies driven by instrumental motivations will base CSR practices on standards, because widely accepted standards guarantee at least some consensus among stakeholders, which allows companies to credibly demonstrate compliance with prevailing best practices and thereby to reduce their exposure to reputation risks. Then, companies adopt explicit CSR by establishing institutions and implementing management systems such as codes of conduct or CSR reporting. The discussion of codes of conduct and CSR reporting has shown that there are differences across industries and countries. These "CSR criteria, scorecards and standards are likely to crystallize first in the industrialized nations of the west, but will likely diffuse out to marginalized third world nations" (Fombrun, 2005: 10). Besides being helpful in systematically managing a company's CSR efforts, the implementation of CSR management systems is one of the signals demonstrating the company's CSR commitment to the public as, for CSR to become part of the mainstream of business practices, "(…) it is clearly seen to be on the company's agenda in a legitimate, credible, and ongoing manner, and it is incorporated into day-to-day activities in appropriate and relevant ways" (Berger, Cunningham, & Drumwright, 2007: 133–134).

Of course, the mere existence of explicit institutions and management systems does not guarantee that CSR is not decoupled from the core activities of a company, as these may be implemented as tactical cause-related marketing campaigns that are short term, easily terminated, and not interwoven with other aspects of the company. Even more, some companies may address social and environmental issues in the best ways without making their efforts explicit. But as they can be observed and measured, explicit CSR practices like management systems and institutions will be used as an indicator for the adoption of CSR by companies.

3. Theoretical Framework

This chapter will review theoretical perspectives to develop expectations for the adoption and diffusion of explicit CSR practices among companies. Stakeholder theory and institutional theory have emerged as dominant perspectives in recent CSR literature (Frynas, 2009: 13). These two theoretical streams are discussed first because they allow for analyzing the influences from institutions as well as from stakeholders for the adoption of explicit CSR practices by companies. In a second step, the dynamic process of the diffusion of explicit CSR practices among companies will be addressed with insights from diffusion research and approaches on the imitation of organizational practices in social science. This will allow for developing expectations about the adoption of explicit CSR practices by companies in countries where CSR has been addressed implicitly, and considering organizational characteristics explaining different timing of adoption.

3.1. Institutions

3.1.1. Outline of Institutional Theory

Jones (1999) argues that institutions influence whether or not CSR arises, and criticizes that the institutional determinants that shape CSR and social performance have been neglected in previous CSR research (163).[1] In the same line, Campbell (2006) suggests that the analysis of the institutions that influence company behavior offers theoretical explanations to the question why companies adopt or do not adopt CSR and helps in understanding how "the emergence and institutionalization of a new management practice are driven by a variety of struggles, conflicts and negotiations (…)" (925). Most institutionalists studying CSR apply or take reference to the "varieties of capitalism" approach (e. g., Aguilera et al., 2007; Aguilera, Williams, Conley, & Rupp, 2006; Doh & Guay, 2006; Hiß, 2009; Matten & Moon, 2008; Jackson & Apostolakou, 2010), wherein companies are seen as the central actors in capitalist economies as they are the key agents that adjust strategies and choices to technological change or international competition and thereby influence the overall level of national economic performance (Hall & Soskice, 2001: 6). For understanding the background, first, a definition of institutions is provided, economic approaches to institutional analysis are discussed, and the development of institutions over time is reviewed. Second, institutional differences across "varieties of capitalism" are reviewed regarding their influence on the adoption of CSR practices. Third, companies and their stakeholders are discussed as organizations interacting within institutions.

It is necessary to define the term "institution" because there are different understandings of institutions. In a narrow understanding, institutions are rules that shape the interactions of social actors. Institutions can be formal, explicit rules such as constitutions, laws, policies, and formal agreements, or informal, often implicit rules such as norms of behavior, conventions, and self-imposed codes of conduct (Klein, 1998: 458; North, 1994: 360).[2] North (1990) defines such institutions as the "rules of the game" (1). Social actors who form organizations, for example companies, political parties, and CSOs (North, 1990: 5, 1994: 361), play this game: "If institutions are the rules of the game, organizations and their entrepreneurs are the players" (North, 1994: 361).[3] This definition distinguishes organizations from institutions and it has been widely discussed if organizations are institutions or not, i. e. if there is a difference between organizations and institutions (e. g., Hodgson, 2006). North actually acknowledges that organizations are institutions in the sense that they act as social systems that structure conflicting interests of the individuals within them. But he distinguishes organizations from institutions, because his interest lies in the interaction between organizations as unitary players interacting at the national or higher levels, and less in internal mechanisms that coerce or persuade members within them (Hodgson, 2006). Here, the interest lies in the interaction between organizations like companies and their stakeholders. For the purpose of analysis, organizations are regarded as unitary players who, based on their goals and beliefs, make choices that advance their collective interests in their relationship with other organizations interconnected by institutions.

Institutional analysis compares the degree of efficiency of institutions. New institutional economics (NIE) attempts to incorporate a theory of institutions into economics. Generally, NIE is concerned with the role of institutions in market-coordination, i. e. examining and finding efficient institutional arrangements for coordinating and motivating human behavior in transactions (Milgrom & Roberts, 1992: 25). NIE builds on the choice-theoretic approach of microeconomics with the fundamental assumption of scarcity and competition, but extends the unrealistic assumptions of fully rational players and perfect markets of neoclassical economics to construct a theory of choice constrained by institutions (North, 1993: 1).[4] It adds bounded rationality and opportunistic behavior to the assumption of neoclassical economics that human beings make choices that maximize their utility. Bounded rationality assumes that economic actors intend to make rational choices, but only limitedly do so due to limited information and mental capacity to process information (Picot, Dietl, & Franck, 2002: 38–40). Opportunism refers to human behavior that is self-interest seeking with guile, which means that economic actors use subtle and blunt forms of deceit in seeking their self-interest (Williamson, 1985: 47) accepting that their behavior may result in a loss for others. In a world of imperfect markets, imperfect information, and rationally bounded and opportunistic human beings, human exchange incurs transaction costs for coordinating and motivating human interaction: "When it is costly to transact, then institutions matter" (North, 1994: 360).

Therefore, human beings design institutions to constrain human behavior and structure exchange,[5] and, together with the choices that individual actors and organizations make every day result in a ubiquitous, ongoing, and incremental process of institutional change (North, 1994: 361).[6] Thus, the interaction between institutions and organizations shapes the evolution of institutions of an economy (North, 1994: 361). The development path of the institutional environment – and naturally, of the organizations and their choices of institutional arrangements within the institutional environment –" (…) is shaped by the institutional legacies that reflect the culture, history, and polity of the particular country or region" (Doh & Guay, 2006: 49). As a result, the institutions at a given point in time reflect the ideas, ideologies, myths, dogmas, and prejudices inherent in a society (North, 1994: 360). Therefore, different societies – and different communities and industries within them – will develop different sets of institutions (Dorward, Kydd, Morrison, & Poulton, 2005: 10), which condition the speed and the degree to which CSR is adopted in a country (e. g., Doh & Guay, 2006). The next subsection discusses the influence of national institutions on the adoption of CSR.

3.1.2. Institutions and CSR

Following broadly the ideas of North and Williamson, Hall & Soskice (2001) examine national institutional differences and categorize "varieties of capitalism".[7] They distinguish cross-country differences in the national institutions into the two ideal models of liberal market economies (LME) and coordinated market economies (CME) at the end of a spectrum. LMEs put fewer constraints on markets and thereby promote competition. CMEs draw on a set of organizations and institutions supporting strategic interaction between companies and other actors (8). Hall and Soskice tested the CME/LME distinction among OECD countries and found that English speaking OECD countries belong to the LME type and the countries in continental Europe and Japan to the CME type (Dorward et al., 2005: 17; Hall & Soskice, 2001: 18–20).[8] Critics argue that the dichotomy of CME and LME countries cannot capture well the within-system diversity (Hancké, 2007: 7, 13–14). However, empirical and ideal types are not to be confused and economic systems will not perfectly match the two endpoints of CME and LME countries, but mixtures of both will be found in all countries (Liebmann, 2008: 15).[9] Therefore, expectations on how companies address CSR can be initially developed based on national institutional differences of LME and CME countries.

According to this model, the degree of stakeholder involvement and modes of economic coordination is low in LME countries and high in CME countries, which generates systematic differences in corporate strategy across LMEs and CMEs (Hall & Soskice, 2001: 16). Thus, national institutions influence the degree to which CSR can be expected to emerge in an economy. National institutional differences have been related to variations in the extent of CSR in different countries, but due to application of different measures of CSR, empirical studies do not clearly show whether CSR works as a substitute for or as a complement that reflects the degree of stakeholder involvement and coordination.[10] As a substitute, CSR fills the gap between stakeholder involvement and coordination while as a complement CSR reflects the degree to which the emergence of stakeholder involvement and coordination can be attributed to the national institutional system. The results of recent studies seem to support the idea that CSR works as a substitute for institutional coordination (Jackson & Apostolakou, 2010: 388–389).[11]

Matten & Moon (2008) relate national institutions to the mode on how companies explicitly or implicitly address CSR and stakeholder claims. Explicit CSR refers to companies' voluntary activities, normally policies and strategies, which are motivated by perceived stakeholder expectations. Implicit CSR consists of values, norms, and rules resulting in mandatory requirements to address stakeholder expectations, defining the role of companies "within the wider formal and informal institutions for society's interests and concerns" (409). Matten & Moon's differentiation of explicit and implicit CSR focuses on differences in the language that companies use in communicating their policies and practices to their stakeholders, and differences in the intent in undertaking CSR-related activities. Companies practicing explicit CSR describe their activities using the language of CSR while those companies practicing implicit CSR do not. Differences in intent refer to whether the company activity is a deliberate choice or a reflection emerging from a company's institutional environment. Implicit CSR practices might be similar to explicit ones, "(…) implicit CSR, however, is not conceived of as a voluntary and deliberate corporate decision but, rather, as a reaction to, or reflection of, a corporation's institutional environment, whereas explicit CSR is the result of a deliberate, voluntary, and often strategic (Porter & Kramer, 2006) decision of a corporation" (Matten & Moon, 2008: 410). Tab. 5 summarizes the major differences between explicit and implicit CSR.

Tab. 5: Explicit and Implicit CSR

Explicit CSR	**Implicit CSR**
Describes corporate activities that assume responsibility for the interests of society	Describes companies' role within the wider formal and informal institutions for society's interests and concerns
Consists of voluntary corporate policies, programs, and strategies	Consists of values, norms, and rules that result in (often codified and mandatory) requirements for companies
Incentives and opportunities are motivated by the perceived expectations of different stakeholders of the corporation	Motivated by the societal consensus on the legitimate expectations of the roles and contributions of all major groups in society, including companies

Source: Matten & Moon (2008: 410)

Matten & Moon attribute these differences in CSR across countries to different national, longstanding, and historically entrenched institutions (407). Facing less regulation and having more discretion, companies in LME countries are expected to show strong tendencies to make their CSR practices explicit. In contrast, companies in CME countries are expected to address CSR implicitly as CME countries' institutions limit the sphere of discretion for voluntary and deliberate CSR activities of companies, and "even if voluntary action occurs, these initiatives tend to take place in a consensual, negotiated approach with governmental institutions" (414).

Considering that most CSR definitions include the dimension of voluntariness (see Subsection 2.4.1), implicit CSR is seldom perceived as responsible behavior by stakeholders because it results from the company's institutional environment and not from a deliberate decision of the company.[12] "In Europe, such implicit contracts among companies, governments, employees, and broader societal groups has been part of the political-economy for decades, although only relatively recently has it been termed 'CSR'" (Doh & Guay, 2006: 57).

In recent years, companies in CME countries increasingly adopt the language and practices of explicit CSR. For example, European MNCs increasingly adopt explicit CSR as a result of the wider national (and supranational) European institutional reordering that provides incentives to adopt managerial solutions at the firm level. A similar trend to more explicit CSR is visible in Japan (Matten & Moon, 2008: 410–411, 417). Subsection 3.1.1 has pointed out that this kind of change can be seen as the result of the interaction between institutions and organizations, which is discussed in the next subsection.

3.1.3. Institutions and Stakeholder

From an institutional perspective, companies and their stakeholders are organizations in relationships with each other that have been formed to advance collective interests in the company within a given institutional environment. A number of attempts have been made to integrate stakeholder theory and NIE (Freeman, 2004: 236), particularly with agency theory (Hill & Jones, 1992), and to operationalize the stakeholder concept to have instrumental value (Clarkson, 1995; Jones, 1995).

Hill & Jones (1992) integrate agency theory and stakeholder theory as a generalized theory of stakeholder-agency to explain the implicit and explicit contractual relationships between companies and stakeholders (131–132). Under this generalized theory, the principal-agent relationship between shareholder and manager that is the focus in NIE is viewed as a special case of a stakeholder-agent relationship. The shareholder-manager relationship is special as shareholders are the only stakeholder that hires managers to perform a service on their behalf, but there are similarities between principal-agent and stakeholder-agent relationships.[13] Both involve an implicit or explicit contract that aims at reconciling divergent interests, are governed through institutional arrangements, and can be described in the language of agency theory. As satisfying stakeholder claims reduces company resources that otherwise might be invested in the growth of the company, an agency conflict is inherent in the relationship with all stakeholders. However, divergent interests between a company and its stakeholders may converge to a certain degree if the company benefits from increased contributions of stakeholders whom it satisfies (134, 137–138).[14] The remaining agency conflict then can be dealt with the mechanisms proposed in agency theory such as reducing the degree of information asymmetry,[15] harmonizing goals, or building trust between the company and its stakeholders (see Subsection 3.1.1).

Using agency-theory and transaction cost economics Jones (1995) attempts to create an instrumental theory in which the focus of stakeholder management is the contract as "a metaphor for the relationships between the firm and its various stakeholder groups" (423). He argues that a subset of the ethical principles of trust, trustworthiness, and cooperativeness can result in competitive advantages. Trust building is one mechanism in NIE to reduce opportunistic behavior, and Jones suggests that the voluntary adoption of standards limits or even eliminates opportunism. By reducing opportunism, honest and integral behavior expands contracting and transaction possibilities, reduces monitoring and policing costs, and thereby helps in developing smoothly functioning, efficient markets (412–413). Jones further argues that such ethical solutions to commitment problems are more efficient than solutions designed to curb opportunism, and "it follows that firms that contract (through their managers) with their stakeholders on the basis of mutual trust and cooperation will have a competitive advantage over firms that do not" (422).[16] Following Jones' argument, certain types of CSP reflect attempts to create trust and cooperation in a company's relationships with stakeholders, which are positively linked to CFP (see Subsection 2.5.1).[17] Thus, stakeholder relationships can be modeled in the language of institutional theory, i. e. how organizations interact in a given institutional environment.

The institutional environment constrains choice, which, according to Doh & Guay (2006), affects the efficacy of stakeholders and how specific CSR issues are evaluated, addressed and resolved. Institutional analysis can be used to understand the influence of the institutional environment on how companies address CSR – explicitly or implicitly –, and how they constrain or enable stakeholders to interact with, achieve salience for, and exert influence on companies.[18] Doh & Guay suggest that opportunities for stakeholders to acquire perceived salience in the view of companies depend on the institutional environment, and that institutional differences will result in different perceptions of the "relevance, validity, and acceptance of stakeholders into the policy-making process and development of attitudes towards and implementation of CSR" (57).[19]

Stakeholder theory addresses descriptively and instrumentally how the actual company-stakeholder interaction takes place in a given institutional environment. Therefore, it is worth to regard the institutional environment as the rules within which stakeholders and companies interact, and to look at the actual interaction that takes place from the point of view of stakeholder theory, which is discussed in the next section.

3.2. Stakeholders

3.2.1. Outline of Stakeholder Theory

This section will introduce stakeholder theory, review different types of stakeholders and their importance in the interaction with companies, and discuss which stakeholders are considered important for the adoption of CSR by companies. While the CSR concept strongly focuses on the company and its responsibilities, the starting point of the stakeholder approach is to look at the various groups to which a company has responsibility. Thus, stakeholder theory shifts the focus of company responsibility from general society to stakeholders. While stakeholder theory was viewed as an alternative concept to CSR in the 1980s (Carroll, 2008: 36), it has become integrated into current CSR concepts because it provides an elaborate approach in answering the question to whom a company is responsible (Maignan & Ferrell, 2003: 56; Moir, 2001: 19).

The basis of stakeholder theory is the claim that companies are to be managed not only for the interest of shareholders but also for the interest of various groups who have legitimate claims in the company (Crane & Matten, 2007: 57). Although the idea of a company's voluntarily adopted obligation to constituent groups in society other than shareholders, such as customers, employees, suppliers, and communities, was articulated before (Jones, 1980: 59–60), Freeman (1984) described the company as a series of connections of stakeholders. He defined a stakeholder as "(…) any group or individual that can affect or is affected by the achievement of a corporation's purpose" (46).[20] Freeman argued that stakeholder interests have to be balanced over time and designed stakeholder theory as a managerial approach for the practical concerns of managers to strategically manage stakeholder interests. The stakeholder theory provides a basis on how to identify, analyze, and negotiate with key stakeholder groups (Freeman, 2004: 230, 231).

Stakeholder theory has been applied by several authors in very different ways, which Donaldson & Preston (1995) categorize as descriptive, instrumental, and normative stakeholder theory (66). Descriptive stakeholder theory attempts to identify whether and how companies consider stakeholder interests, instrumental stakeholder theory attempts to determine whether it is beneficial to consider stakeholder interests, and normative stakeholder theory attempts to give a reason why companies should consider stakeholder interests (70–71).[21] Thus, normative stakeholder theory goes beyond strategic issues and searches for a normative justification of why companies should consider their stakeholders (Freeman, 2004: 234, 236). There is an ongoing debate in the literature on whether stakeholder theory is a normative theory based on ethical propositions or a descriptive/instrumental theory. Regarding CSR, the interest is in "whether stakeholder analysis is a part of the motivation for business to be responsible and, if so, to which stakeholders" (Moir, 2001: 19). Therefore, this study concentrates on descriptive and instrumental stakeholder theory to analytically determine incentives and pressures for CSR adoption in company-stakeholder relations.

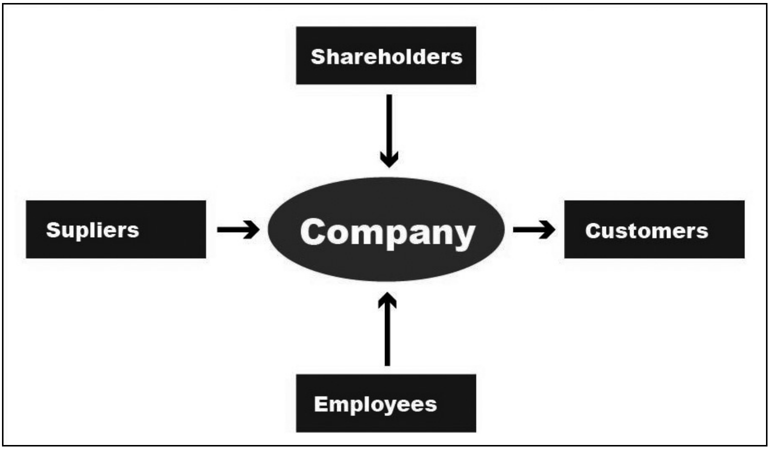
3.2.2. Stakeholder Salience

One shortcoming of stakeholder theory is that it is often "unable to distinguish those individuals and groups that are stakeholders from those that are not" (Phillips & Reichart, 2000: 185). Under the broad view of stakeholders as defined by Freeman, basically any group or individual who claims to have a stake could be considered as a stakeholder, which leads to the existence of a multitude of stakeholders with whom companies, especially large MNCs, have relationships and dependencies. Narrow views of stakeholders attempt to distinguish stakeholders according to their direct relevance to the company's core economic activities, given that in reality managers have limited resources, time, and attention to deal with external constraints (Mitchell et al., 1997: 857).

Phillips (2004) defines legitimate stakeholders as those to whom the company owes an obligation (e. g., employees and shareholders), and derivate stakeholders as those to whom the company does not owe an obligation but who may exert power in a way that might exert beneficial or harmful influences on the company (e. g., CSOs) (2).[22] Clarkson (1995) distinguishes between primary and secondary stakeholders. Primary stakeholders, including shareholders and investors, employees, customers, and suppliers, are those "without whose continuing participation the corporation cannot survive as a going concern" (106).[23] In this view, a company is a set of relationships between and among primary stakeholder groups, and the company must be managed in such a way that each group continues to be part of the company's stakeholder system. The view of legitimate or primary stakeholders is close to the traditional input-output model of the company (Donaldson & Preston, 1995: 67–69), wherein shareholders, suppliers and employees provide the basic resources – capital, materials and labor – to produce and deliver products to customers (see Fig. 3) (Crane & Matten, 2007: 58).[24] Obligations may also exist towards secondary stakeholders like CSOs, the government, or even competitors who "(…) influence or affect, or are influenced or affected by, the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival" (see Fig. 4) (Clarkson, 1995: 107).[25] Nevertheless, secondary stakeholders can cause significant damage to a company (107).

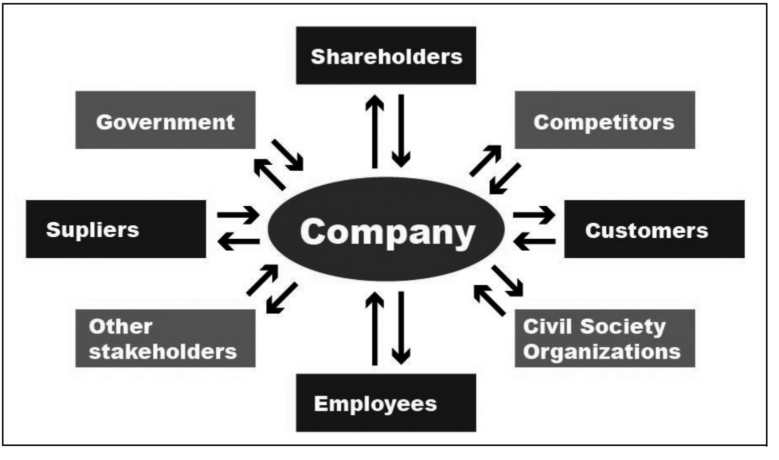
To determine the importance of stakeholders to the company, Mitchell, Agle, & Wood (1997) provide a widely acknowledged framework to categorize stakeholder attributes and to rank possibly conflicting stakeholder claims. They attribute the salience[27] of stakeholders to the cumulative number and composition of the three qualitative attributes of power, legitimacy, and urgency that managers perceive to be present in the company's relationship with a stakeholder (873).

Fig. 3: Stakeholders of the Firm: Traditional Management Model



Source: based on Donaldson & Preston (1995: 68)

Fig. 4: Stakeholder Theory of the Firm: Stakeholder Model



Source: based on Crane & Matten (2007: 59) and Donaldson & Preston (1995: 69)[26]

Power refers to the access to a means of influencing a company's behavior, urgency refers to the degree to which stakeholder claims require immediate attention, and legitimacy refers to the legitimacy of a claim on a company "based upon for example, contract, exchange, legal title, legal right, moral right, at-risk status, or moral interest in the harms and benefits generated by company actions" (Agle, Mitchell, & Sonnenfeld, 1999: 508). Stakeholders that hold all three attributes are definitive stakeholders, those that hold two attributes are expectant stakeholders, and those that hold only one attribute are latent stakeholders (Mitchell et al., 1997: 872–879).[28] In an empirical study on the perceived importance of stakeholders to top managers, Agle, Mitchell, & Sonnenfeld (1999) confirmed the relevance of these three attributes (520), and, although the question remains on how power, legitimacy, and urgency can be operationalized (Mitchell et al., 1997: 881), they provide a framework for balancing among different stakeholder interests.

3.2.3. Stakeholder Salience for CSR Adoption

All stakeholders "are not equally important at all points of time but all have the equal right to bargain over what their interests are" (Freeman, 2010: 23). This indicates that stakeholder management does not necessarily consider all interests of all stakeholders, and, as proposed by Donaldson & Preston (1995), stakeholder theory does not imply that all stakeholders should be equally involved in all processes and decisions of the company (however they may be identified) (67). It is the company's discretion to which stakeholder it will respond, and from a strategic perspective, companies will prioritize among stakeholder interests in a way that maximizes their performance. From an instrumental view, a company should focus first on the interests of definitive and expectant stakeholders when balancing different stakeholder interests, especially when the interests of various stakeholders are in conflict. Strategic considerations will lead most companies to ascribe salience to customers, employees, and shareholders (Hill & Jones, 2001: 45), and empirical findings show that top managers indeed tend to prioritize the interests of primary stakeholders who are part of the traditional input-output view of the company (Agle et al., 1999: 520).

This does not mean that companies will adopt CSR only if primary stakeholders demand it. Fineman & Clarke (1996) for example find that companies demonstrate responsible behavior because of claims from CSO activist groups and from the government, while primary stakeholders are less important in this regard (719). The contradiction between Fineman & Clarke's (1996) and Agle et al.'s findings can be explained by the urgency attributed by a stakeholder to an issue. "Urgency adds a catalytic component to a theory of stakeholder identification, for urgency demands attention" (Mitchell et al., 1997: 865). Urgency exists only when the "degree to which managerial delay in attending to the claim or relationship is unacceptable to the stakeholder" and when the "claim is important or critical to the stakeholder" (Mitchell et al., 1997: 867). Agle et al. examined how managers perceive the salience of stakeholders in general, while Fineman & Clarke (1996) examined how managers perceive the salience of stakeholders in regard to responding to CSR claims. This indicates that CSOs and the government attribute more urgency to CSR issues than primary stakeholders do.

Therefore, to analyze the importance of stakeholders in CSR adoption, it is important in the first place to consider which stakeholders attach urgency to CSR and then to examine which stakeholders are perceived as salient by companies. However, stakeholders achieve attributes of power, urgency, and legitimacy as a consequence of resources that they acquire or use. For example, CSOs may gain in size, develop unique capabilities such as fundraising, lobbying, or grassroots impact, and gain competitive advantages through coalition-building and rapid response, which provide them a means to command managerial attention (Doh & Teegen, 2002: 673–674).

In summary, stakeholder theory provides insights into how companies interact with their stakeholders (Doh & Guay, 2006: 56) and offers managers an instrument to strategically manage stakeholders that might affect or be affected by the company's operations (Freeman, 2004: 229). Stakeholder management helps align stakeholder interests over time, which minimizes the risk of losing the support of crucial stakeholder groups. As part of risk management, applying stakeholder management by evaluating, structuring, and responding to stakeholder interests makes sense from an economic point of view. Selecting stakeholder interests does not mean knowing the manner of responding to them. This requires the development of a strategic approach to determine the fields for CSR action by a specific company, which might include consultation and dialog with stakeholders. The strategic approach to CSR becomes visible in clearly formulated policies, strategies, and programs that address stakeholder interests. Therefore, it will be essential for the analysis to examine which stakeholders attach urgency to CSR and then examine their power and legitimacy to understand which primary and secondary stakeholders influence Japanese companies to adopt CSR. This allows for determining company characteristics that make it likely for crucial stakeholders to develop sufficient urgency to demand companies to adopt CSR.

Relatively few studies have empirically tested the impact of stakeholder attributes on CSR strategies of companies (Frynas, 2009: 15–16), but some existing case studies show that institutions may influence CSR strategies (Doh & Guay, 2006; Levy & Kolk, 2002). While institutional theory provides the language to model stakeholder relationships and gives an idea of how explicit CSR may arise in a given institutional environment, it does not fully capture the dynamics of the process of change as "(…) theories on institutional change are by far not as developed as theories on institutional stability" (Liebmann, 2008: 186).[29] The next section discusses some attempts to integrate the process of institutional change into the analysis.

3.3. Diffusion

3.3.1. Outline of Diffusion Research

This section will review generalizations from diffusion research, discuss theories related to the adoption of new practices, and link these to the diffusion of explicit CSR practices. "The recent world-wide adoption of CSR policies and strategies can be understood as part of the global spread of management concepts, ideologies and technologies (Guler, Guillén, & MacPherson, 2002) resulting in some sort of 'Americanisation' of management practices (Djelic, 1998)" (Matten & Moon, 2008: 406). In this sense, CSR, and in particular explicit CSR practices such as codes of conduct, are "management concepts and tools that consistently diffuse globally and lead to convergence of management practice" (Bondy, Matten, & Moon, 2008: 303).

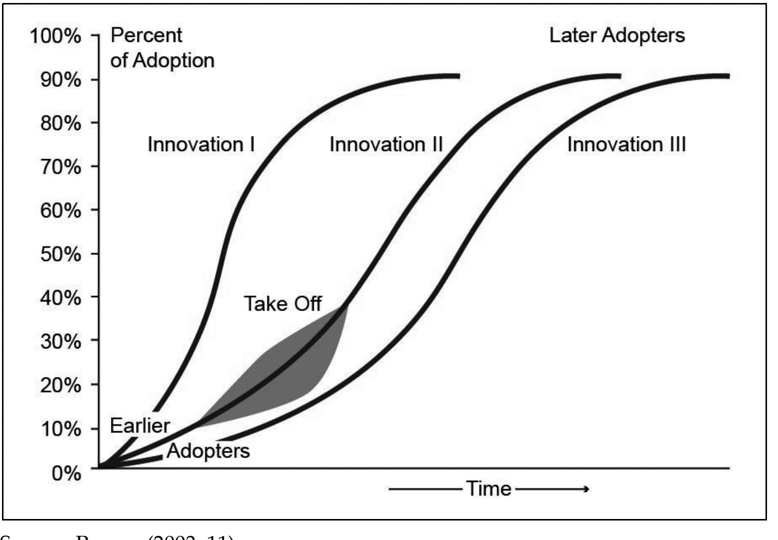
Successful organizational practices are often copied by competitors and adopted by companies in other industries. Adaption and additional innovations in the adoption process may further enhance the effectiveness of the new organizational practice, making its adoption even more advantageous and leading to widespread adoption and improvements. Such self-sustaining changes "can generate a snowballing momentum that leads to sustained trends (…)" (Milgrom & Roberts, 1992: 586). Different fields in the social sciences have been interested in how practices diffuse from one organization or one institutional environment to another (Guler et al., 2002: 207). Diffusion research is helpful for illustrating the process of social change. Diffusion research includes concepts like information and uncertainty that are central in most social science research and adds analytical strength by incorporating time into the analysis of specific cases of social change. Starting point of diffusion theory is the approach of Rogers (2003) who defines diffusion as "the process in which an innovation is communicated through certain channels over time among the members of a social system" (5).[30] He claims that the four elements of innovation, communication channels, time, and social system determine how an innovation diffuses and if it is adopted at all (11).[31]

An innovation can be an idea, a practice, or an object that is perceived as new. For example, a new practice involves uncertainty about the question if the practice will solve a perceived problem. The decision making process of potential adopters is mainly an information seeking and information processing activity with the aim of reducing uncertainty on the benefits and risks of adoption. The perceived attributes of an innovation will affect its rate of adoption, which is usually defined as the time needed until a certain percentage of members of a social system adopt an innovation (Rogers, 2003: 12, 23).[32]

Effective communication, including nonverbal observations of others, increases the rate of adoption (Mahajan, Muller, & Bass, 1995: G80). This is because a new practice is largely evaluated based on subjective evaluations conveyed by others rather than on scientific studies on the consequences of innovations. As potential adopters depend mainly on subjective evaluations by others whom they perceive to be similar, information exchange would be most effective if the participants' characteristics are all similar apart from the knowledge about the innovation (Rogers, 2003: 1, 18–19).

Over time, most innovations have an S-shaped curve of adoption:[33] "The S curve reflects the fact that relatively few members of a social system adopt an innovation during the early stages. Over time, the rate of adoption of the innovation increases, until the process gets closer to saturation, when the rate again slows down" (Guler et al., 2002: 211). Fig. 5

Fig. 5: The Diffusion Process



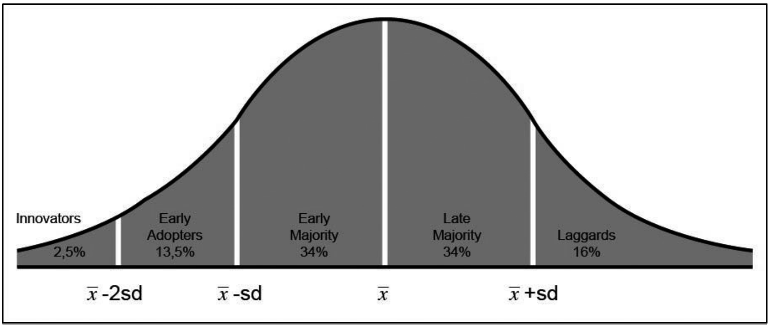
Source: Rogers (2003: 11)

shows the shape of the S-curve in a rapid (Innovation I), typical (Innovation II), and slow diffusion process (Innovation III).[34]

The social system defines the boundary within which an innovation diffuses, and accordingly, several aspects of diffusion relate to the social system. Institutions and the interaction between individuals and organizations may facilitate or disturb the diffusion of practices. Institutions, particularly informal norms, determine tolerable behavior patterns of the members in a social system, and innovations that are compatible with established institutions diffuse quickly, while those incompatible with established institutions diffuse slowly or not at all. For example, a new practice diffuses quickly if potential adopters perceive financial or reputational advantages and compatibility with the norms of their social system and prior experiences (Rogers, 2003: 12, 15–17).

Based on their relative timing of adoption the members of a social system can be categorized into adopter categories, and those developed by Rogers have been most widely used (see Fig. 6). These categories are

Fig. 6: Adopter Categories According to Relative Timing of Adoption



Note: Adopter categories are divided into five categories based on their standard deviations (sd) from the average time of adoption ($\bar{x}$): innovators, early adopters, early majority, late majority, and laggards.

Source: Rogers (2003: 281)

based on the assumption that the diffusion curve will be a normal, bell-shaped curve, which allows for easy application as well as comparisons, replications, and generalizations across studies (Mahajan, Muller, & Srivastava, 1990: 37; Peterson, 1973: 325). Individuals and organizations in a certain adopter category typically share certain characteristics. In general, when compared to late adopters such as late majority and laggards, those belonging to early adopter categories such as innovators, early adopters, or early majority actively seek information, receive information from more communication channels, and are at the center of networks that extend outside their local social system. Particularly, innovators need to actively seek information from outside of their social system as they, being the first to decide whether to adopt or reject a practice, cannot depend on subjective evaluations from others within their social system (Rogers, 2003: 12, 22, 96).

A widely accepted insight from diffusion research is that adoption is affected by influences external and internal to the social system. External actors are "important in the introduction of the innovation to the system, whereas the internal influence of members upon each other triggers increasing diffusion" (Guler et al., 2002: 211). Further, the interaction of opinion leaders and change agents affects the rate of adoption. Opinion leaders are those who are able to influence other members in their social system and can accelerate the rate of adoption (Valente & Davis, 1999: 57). Opinion leaders have a high degree of exposure to information from outside their social system, a high status in their local system (visibility), and a high degree of innovativeness. Change agents are those who wish to promote the adoption of innovations among members of a social system to bring about social change. They often try to influence the opinion leaders to speed up the rate of adoption (Rogers, 2003: 26–27).

While most diffusion research has been carried out on individuals, organizations have also been used as a unit of analysis. A main finding is that diffusion of a practice among companies is similar to diffusion among individual members of a social system. Characteristics of innovators among organizations are similar to the characteristics of innovators among individuals, e. g., size is positively correlated to innovativeness like individuals with higher income or status (Mohr, 1969: 126), but some organizational characteristics work differently from individual characteristics (Rogers, 2003: 407). Diffusion of practices among organizations and relevant organizational characteristics will be addressed in the rest of this chapter. A review of some approaches in modeling diffusion and imitation in economics and social science will be followed by a discussion of organizational characteristics that have been found relevant for CSR adoption and diffusion.

3.3.2. Herd Behavior, Isomorphism, and CSR Diffusion

In economics, imitation processes have been addressed in comparatively simple models of herd behavior wherein adoption or rejection of an action is influenced by observed actions of previous actors (Banerjee, 1992; Bikhchandani, Hirshleifer, & Welch, 1998; Bikhchandani et al., 1992). Herd behavior builds on the common observation of localized conformity in human society, like similar patterns of actions in countries.[35] It suggests that members with similar characteristics in a local context make similar choices based on very little information (Bikhchandani et al., 1992: 992, 994). This is because in a decision making situation, rationally bounded actors, who have incomplete information on the effect of a choice, consider the observed actions of others who previously made a choice in the same decision making situations. In their seminal papers, Bikhchandani et al. and Banerjee have shown that herd behavior will eventually result in uniformity of choices among all actors due to information cascades (Banerjee, 1992; Bikhchandani et al., 1992). "An *information cascade* is a situation in which every subsequent actor, based on the observations of others, makes the same choice independent of his/her private signal" (Bikhchandani, Hirshleifer, & Welch, 1996).[36] Thus, herd behavior offers an explanation of how a certain action becomes widely adopted even without well-defined economic incentives or external pressure (Banerjee, 1992), especially when precise information on the effects of actions is lacking (Bikhchandani et al., 1992: 1003), i. e. under the condition of uncertainty.

Bikhchandani et al. develop a simple model in which actors sequentially decide whether to adopt or reject a certain practice in an exogenously given order based on the following assumptions. First, actors have the same cost of adopting and the same gain in deciding correctly.[37] Second, actors decide based on two sources of information. They observe the decisions of previous actors and receive a private signal in favor of adoption or rejection. The signal is private because it cannot be conveyed to other actors, and the probability to receive a correct private signal is less than one, so that some actors receive a private signal to adopt while others receive a private signal to reject. Third, subsequent actors can observe previous actors' decisions, but they cannot observe previous actors' private signals.[38] Fourth, as all actors know that their private signal may be wrong they make a rational decision based on their private signal and the observation of previous actors' choices. At some stage, the rational decision will be to follow the choice of the majority of the previous actors without regard to one's own private signal, and thus start an information cascade (Bikhchandani et al., 1992: 994, 996).

Some of the elements of diffusion research can be seen in a model where the assumptions of the basic model are relaxed, such as in a model allowing for differences in the cost of adoption, differences in the degree of accuracy of private signals, endogenous order, and additional sources of information. If actors receive signals with different degrees of accuracy and are able to delay their decision until others have decided,[39] the actors with the most accurate signals will decide first, especially if delaying the decision incurs costs.[40] Even after a cascade has started, actors with highly accurate signals are likely to follow their private signal, and, if their decision deviates from the direction of a cascade, the direction of the cascade may reverse. A similar effect results from public information releases, for example by government and research institutions, on the benefits and risks of adoption (Bikhchandani et al., 1992: 1002, 1004).[41] The probability that actors will eventually converge into the correct cascade increases with multiple public information releases and the existence of actors with highly accurate signals (Bikhchandani et al., 1992: 1007, 1009).[42] One additional source of change comes from liaison actors who observe the action of others in two or more social systems. For example, a MNC may observe other companies' actions in two or more countries. If a cascade in one country goes in the opposite direction of a cascade in another country, the MNC's choice may break the cascade in the country wherein the direction of the cascade is different from its choice (Bikhchandani et al., 1992: 1017).

With the above modifications, the model of herd behavior allows for the inclusion of three of the four elements identified in every diffusion process: innovation, time, and the social system. Perceived attributes of innovations and the social system can be viewed to be implicitly reflected in the strength of the private signal to adopt or to reject. Endogenous timing can be expected to lead to an S-shaped curve of cumulative diffusion, and the relative timing of adoption indicates to which adopter category an actor belongs. As the best informed actors will decide first, Bikhchandani et al. also conclude that it is crucial to carefully examine the opinion leaders among the earlier adopters to understand the cause of social change in a social system, and that change agents who want to introduce an innovation should focus their efforts on influencing the opinion leaders (Bikhchandani et al., 1992: 1003).[43]

Modeled in this way, herd behavior offers some basic expectations on mechanisms of CSR adoption and diffusion. It can be expected that, when learning about a new management practice like CSR, companies with lowly accurate signals prefer to wait and decide after other companies with supposedly more accurate signals or information about the benefits and risks of CSR have decided to adopt CSR. MNCs, as liaison actors, are likely to be among the early adopters in their home countries where CSR is not widely adopted, as they operate in host countries where CSR is widely adopted. Among the earlier adopters, change agents will target the opinion leaders which other companies are likely to imitate. For example, advocating CSOs typically target the most visible and well-known companies in their campaigns to bring forth industry wide adoption of CSR practices (see Subsection 2.5.2). CSR diffusion arises when observed adoption by a critical number of companies makes subsequent companies ignore their private signals. Diffusion can be further promoted by public information releases from business associations or governmental and research institutions.

Although Bikhchandani et al. stress the importance of studying opinion leaders whose early adoption is likely to be imitated by subsequent actors in a social system (Bikhchandani et al., 1992: 1003), herd behavior does not deal with questions on how to specify the boundaries of the social system or how to identify influential actors. Another shortcoming of the model is that it excludes communication as one of the central elements in a diffusion process by reducing the influence of other actors to their observable actions. For example, Shiller (1995) criticizes that situations where only the observable actions of previous actors trigger cascades are rare and argues that communication with previous decision makers affects decision making more than mere observation of previous decision makers' actions (184–185).[44]

Most studies on CSR adoption and diffusion include communication and relationships between members of a social system. In particular, institutionalists have tended to examine the spread of explicit CSR with isomorphism. Isomorphism explains the global diffusion and local conformity of organizational practices as a result of coercive, normative, and mimetic social pressures (DiMaggio & Powell, 1983). "These three mechanisms of isomorphism operate through the agency of influential (generally large and/or successful) organizations or the knowledge-bearing professions and because of contact diffusion through networks of ties linking adopters to non-adopters (Miner and Haunschild, 1995; Abrahamson and Rosenkopf, 1997). Institutional researchers agree that the study of diffusion, whether within or across countries, requires identifying and measuring those agents and channels of diffusion that account for the increasing isomorphism (…)" (Guler et al., 2002: 211).

Institutional theory suggests that CSR strategies converge between companies with similar characteristics (Frynas, 2009: 17). The reason is that companies "observe each other to understand what practices are effective and acceptable in their social system" (Guler et al., 2002: 214). When the effect of a practice is poorly understood and the benefits of adoption are unclear, organizations are likely to adopt a new practice when other organizations do so, because imitation offers a "viable solution with little expense" (DiMaggio & Powell, 1983: 151). Once a new management practice has been introduced in a social system, the influence of organizations on each other triggers increasing diffusion of the new management practice. Therefore, a company's choice of whether to adopt or reject a new management practice is affected by the choice other companies have made under uncertainty, and a management practice like CSR becomes likely to be institutionalized when the number of adopters increases. Institutional theory suggests further that companies observe and follow those whom they perceive to be their peers. Several researchers have examined the boundaries of the social system with "the implicit or explicit assumption (…) that members sharing similar traits or located similarly become aware of each other's activities and use this information to compare their practices with others" (Guler et al., 2002: 214–215). For example, previous research shows that companies are more likely to imitate the practices of other organizations with similar size or age, membership in the same industry, or geographic region. Further, imitation of practices is more likely to occur between organizations tied to each other through networks (Guler et al., 2002: 214–215, 217). The next subsection reviews the relevance of these characteristics and traits on the adoption and diffusion of CSR practices.

3.3.3. Organizational Characteristics, Change Agents, and CSR Adoption

The discussion of the organizational characteristics that facilitate CSR adoption and diffusion is mainly a discussion of organizational similarities and differences. While organizational similarities are important to understand whom companies perceive as peers and are likely to imitate, organizational differences lead to different degrees of institutional pressure among companies in the same country or industry resulting in differences in relative timing of CSR adoption.

Organizational differences have been examined in diffusion research to identify the characteristics that distinguish different adopter categories (see Subsection 3.3.1). Organizational differences explain why some companies decide to adopt CSR earlier than others and begin to deviate from an established type of behavior by adopting an innovation. Delmas & Toffel (2004) attribute early CSR adoption primarily to a company's scope of international operations, visibility, and prior CSP (215). The degree of a company's exposure to foreign markets affects companies' CSR performance (Gjølberg, 2009: 627). MNCs face more stringent CSR demands than their national counterparts due to additional pressure from salient foreign stakeholders and concerns about international corporate reputation (Zyglidopoulos, 2002: 141–142), and "are subject to conflicting strategic pressures arising from the institutional environments of their home country, the host countries, and the global industry" (Levy & Kolk, 2002: 280). Thus, MNCs are at the center of networks that extend outside of their home country (Rogers, 2003: 96) and are likely to function as liaison actors who introduce a new practice in their home country. Further, leading companies, especially those with strong competitive positions in their industry and well known brands, try to sustain differences in comparison with competitors and often face more pressure from critical stakeholders due to their visibility.[45] For example, Nike, McDonald's, Starbucks, and Home Depot have been frequently targeted by CSR activists because of their position as market leaders.[46] Companies with noticeably poor CSP records attract more scrutiny and face more pressure from critical stakeholders. Thus, in the face of higher degrees of external pressure, MNCs, market leaders, and companies that attract more public scrutiny are likely to adopt CSR earlier than others (Delmas & Toffel, 2004: 215).

Organizational similarities enhance inter-organizational communication and thereby increase the likelihood of imitation of CSR practices among companies within a social system. Beside organizational characteristics such as size and age, membership in the same industry makes companies perceive each other as peers (Guler et al., 2002: 214–215). Delmas & Toffel (2004) argue that the rate of adoption is especially high in industries with high market concentration because of close network ties between a few large companies that require their suppliers to also adopt (214).[47]

To induce a self-sustaining diffusion of a new practice and institutionalize it within a social system, a sufficiently high number of organizations needs to adopt it and the same has been argued for CSR: "At the corporate level, the question is whether a sufficient critical number of moral first movers will articulate commitment to embrace social responsibilities, and whether they have the power to establish dominant industry-wide corporate social purposes" (Kell & Ruggie, 2001: 324). It follows that change agents need to use different approaches in speeding up the rate of CSR adoption of the earlier and later adopters. Initially, they need to promote CSR adoption among individual companies that are perceived as opinion leaders within their country or industry (Rogers, 2003: 388). CSO activists often function as change agents in the earlier CSR adoption phase as CSOs have particularly pressured individual companies that are perceived to be opinion leaders in their industries. A case study by Overdevest (2004) on the forestry industry illustrates the role of internal and external pressure on the diffusion of codes of conduct. While information on the benefits from adoption result in long-term commitment to social initiatives, Overdevest emphasizes that industry-wide and supply-chain coordination only occur when CSOs as external stakeholder pressure for change (190).

Once CSR has been adopted by some companies, CSR diffusion to other companies can be supported by reducing uncertainty on the effects of

CSR adoption. While public information releases by governmental bodies or research institutions help reduce uncertainty, empirical research shows that business associations can establish dominant collective initiatives and activate network ties for promoting CSR and institutionalizing it among their members. Business associations can reduce uncertainty by providing information on the effects of CSR adoption. Known for understanding their members' needs and problems, business associations fulfill the precondition for forming favorable attitudes on CSR such as credibility, competence, and trustworthiness (Rogers, 2003: 69). Further, they often provide information that is based on subjective evaluations from their member companies and member companies tend to have similar organizational characteristics and perceive each other as peers. Therefore, later adopters perceive a new practice for being suitable to them when it was earlier adopted by other members of the same association. It is little surprising that a majority of companies with CSR activities, particularly larger companies, report that business associations are the most important source of information on CSR (Pascha & Holtschneider, 2008: 50–51). Further, business associations may exert pressure on their members to adopt CSR practices. A study by Kollman & Prakash (2002) shows that industry associations as well as regional chambers of commerce, suppliers, and regulators, are stakeholders who can successfully pressure companies to adopt environmental management schemes and serve as a venue where members decide collectively on which standard to adopt (54). Thereby, business associations can help solve free-rider problems and mobilize support for collective CSR initiatives like the UNGC: "Only business associations can circumvent the collective action problem faced by individual firms. In the absence of aggregate corporate representation, collective responsibilities can neither be formulated nor implemented" (Kell & Ruggie, 2001: 324).

In summary, the analysis has to take into account the role of opinion leaders among earlier CSR adopters for the emergence of self-sustaining CSR diffusion. Particularly, MNCs as liaison actors are likely to bring CSR into their home countries and be among the earlier adopters. Apart from a high degree of foreign exposure, high visibility as market leaders or high public scrutiny due to prior negative CSP are organizational characteristics of companies that belong to earlier CSR adopter categories. The opinion leaders among those companies are often targeted by salient stakeholders who pressure individual companies to adopt CSR. Other companies can be expected to imitate CSR adoption if they have similar company specific characteristics such as size and age of the company, or belong to the same industry or region like early adopters. Such CSR diffusion from early adopting companies to the majority of companies is enhanced through close network ties and communication. Diffusion will also increase when collective actors such as research institutions, governmental bodies, or business associations provide public information, exert pressure or offer incentives in favor of CSR adoption. However, CSR adoption and diffusion are conditioned by the national institutional environment and the relationships with stakeholders. It is therefore important to carefully examine the institutional environment and the company-stakeholder interaction for understanding earlier adopters' decision to adopt CSR practices. Before reviewing Japan's institutional environment and Japanese companies' stakeholder relationships, the last section of this chapter will, based on the previous discussion of theories, formulate propositions about the influence of institutions, stakeholders, and diffusion on the adoption of CSR by companies.

3.4. Propositions: Institutions, Stakeholders, and Diffusion of CSR

This section offers, based on the influence of institutions and stakeholders that act as change agents in promoting CSR complemented with insights from diffusion research, propositions specifying some factors that make companies adopt CSR and facilitate diffusion of CSR.[48]

Similar to other innovations, the perceived attributes of CSR affect its rate of adoption. The financial or reputational effects of CSR are poorly understood, hard to measure, and in many cases only unfold in the long-term. Moreover, the consequences of CSR adoption are not easily observed among previous adopters (see Subsection 2.4.2). Therefore, only few potential adopters perceive economic or reputational incentives, and compatibility with the norms of their social system and their own prior experiences (Rogers, 2003: 15–17). Companies are expected to adopt systematic approaches to manage CSR because of pressure from stakeholders and institutions (Waddock et al., 2002: 133).

Proposition 1: The more substantial pressure from stakeholders and institutions, the more companies will adopt CSR.

Institutions and stakeholders account for the pressure on companies to adopt CSR in a social system. By constraining choice, institutions affect the efficacy of stakeholders and how specific CSR issues are evaluated, addressed, and resolved. As individuals and organizations are substantially influenced by the broader institutional environment in which they operate (Doh & Guay, 2006: 49), the institutional environment will influence companies, stakeholders, and the strategies of both. Institutions as the rules of the game define stakeholders' opportunities to achieve salience in the perception of companies (Doh & Guay, 2006: 57). Salient stakeholders holding power, legitimacy, and urgency can pressure companies to adopt CSR. However, only if CSR is important or critical to a stakeholder will the stakeholder act as a change agent and promote CSR adoption among companies (Mitchell et al., 1997: 867).

Proposition 2: The more the institutional environment allows stakeholders to acquire salience and the higher the degree to which salient stakeholders attach importance to CSR, the higher the degree of pressure on companies to adopt CSR.

There are different degrees of pressure for CSR adoption across companies as change agents focus their efforts on opinion leading companies to speed up the rate of adoption so that CSR will then continue to spread with little promotional effort once a critical mass of adopters has been reached (Rogers, 2003: 27). Thus, organizational differences account for different degrees of pressure among companies in the same country or industry resulting in differences in the relative timing of CSR adoption. Particularly, MNCs as liaison actors are likely to adopt CSR earlier than others and thereby introduce CSR into their home countries due to the demands they face when operating in foreign countries, especially when operating in LME countries such as the US and the UK. Apart from a high degree of foreign exposure, the overall visibility of a company in terms of its competitive market position and brand, as well as prior negative CSP make it likely that a company belongs to an earlier adopter category.

Proposition 3: The higher the degree of foreign exposure, visibility, and prior negative CSP, the earlier a company adopts CSR.

Diffusion research suggests that companies imitate other companies' practices under the condition of uncertainty. CSR is a comparatively new management practice whose effects are uncertain so that rationally bounded actors adopt CSR just because other companies adopt it. The tendency to adopt is expected to increase with the number of adopters and CSR strategies converge especially quickly between companies with similar characteristics (Frynas, 2009: 17).

Proposition 4: The more companies have adopted CSR, the more likely other companies adopt CSR.

But differences in the rate of adoption are expected to exist between different industries and countries. CME countries draw on a set of organizations and institutions that support the strategic interaction between companies and other actors (Hall & Soskice, 2001: 8), and Japan belongs to the CME-subtype where extensive network ties exist between groups of companies (Dorward et al., 2005) which allow for efficient communication between companies and between companies and stakeholders. This is important for the rate of adoption, as it increases with the release of favorable public information on the benefits and risks of adoption (Bikhchandani et al., 1992: 1004). Particularly, intermediate organizations such as business associations may be helpful for reducing uncertainty by providing information on the effects of CSR adoption based on subjective evaluations from their member companies. Aside from activating network ties for promoting and institutionalizing CSR among their members, business associations can also establish dominant collective initiatives and foster collective decision making on which standard to adopt (Kollman & Prakash, 2002: 54) which may finally help solve free-rider problems.

Proposition 5: Intermediate organizations can increase the rate of adoption by providing information, incentives or pressure, and a venue for collective decision making.

The propositions derived from the theories discussed in the previous sections will be refined by reviewing the institutional and stakeholder environment in Japan to develop hypotheses on CSR adoption and diffusion. In the next step, the institutional environment will be examined through an assessment of the historical development of CSR in Japan building on secondary literature and statistics. This will encompass a historical review of how the concept of CSR has evolved and an assessment of the stakeholder and institutional pressures that have led to the current understanding of CSR in Japan. Then, the CSR adoption of individual companies will be analyzed. Diffusion research, herd behavior, and institutional theory all stress the importance of opinion leaders who are able to influence other members within a social system (Rogers, 2003: 26) and whose early adoption therefore is likely to be imitated (Bikhchandani et al., 1992: 1003). Early adopters will be studied by focusing on large MNCs with well known brands and high visibility due to strong competitive market positions in their industry, because such MNCs are likely to be influenced by globally evolving standards and therefore systemically implement explicit CSR practices. This part will mainly draw on qualitative interviews with companies' CSR managers to understand the specific reasons of earlier adopters among the Japanese companies for CSR adoption and will also include qualitative interviews with some of the stakeholders that are likely to pressure companies for CSR adoption. Finally, the organizational characteristics and diffusion dynamics identified from the qualitative part on Japan will then be tested with quantitative methods.

4. Corporate Social Responsibility in Japan

This chapter presents the historically grown understanding of implicit social responsibility in Japan and how it has been challenged by a globally emerging CSR agenda in recent years. First, the historical development of CSR issues in Japan through national and global developments including company-stakeholder interaction will be reviewed. Second, the drivers for CSR emergence in Japan will be examined by analyzing incentives and pressures for CSR adoption in relation to stakeholders under consideration of stakeholder attributes and institutional constraints. And, third, the current state of explicit CSR institutions and management practices in Japanese companies will be highlighted.

4.1. Traditional Business Responsibilities in Japan

Some authors trace the origin of responsible ways of doing business in Japan back to a deeply interwoven understanding of business-society-links inherent in the Japanese language. Taka (1997) discusses the epistemology of the Japanese words *keiei* (business) and *keizai* (economy), explaining that both words originally denote the meaning of ethics (1500).[1] Some locate the roots of the CSR concept in Japan within traditional business principles before the Meiji Restoration of 1868 by referring to concepts such as *shōbaido* ("the way of doing business") and *shōnindō* ("the way of the merchant"), which were developed by the former merchant Baigan Ishida to justify that, by providing an important service to society based on disciplined, honest, and efficient work, merchants are morally equal to the ruling warrior class (EIU, 2005: 6).[2]

Boardman & Kato (2003) report that setting up merchant-house codes (*kakun*) rooted mostly in Confucian philosophy was a common practice for merchant families in the Tokugawa period from 1603 to 1868 (322–323, 325, 331).[3] One particular example of a merchant-house code is that of the Ōmi merchants in the Kansai area which instructed to pursue the precept that everyone in the three-way-relationship of the buyer, seller, and society should do well (Fukukawa, 2010: 5).[4] These guiding rules had the instrumental goal of fostering reliability and trust between transaction partners.[5]

During the Meiji period (1868–1912), some individual entrepreneurs continued to think about compatibility between high moral standards and business operations rooted in Confucian philosophy (Sharma, 2010:

31).[6] As the profit motive remained highly suspect, businessmen needed to explain, justify, or rationalize their pursuit of commercial gains against anti-business sentiment inherited from the old class society (Marshall, 1967: 11–12).

According to Ishikawa (2006), between the First World War and Second World War the responsibility discourse emphasized aspects of faith and trust – still derived from Confucian values – and addressed external and internal responsibility. The practices in the external dimension can be subsumed under charity and donation, which were seen as a contribution to society and the people in the sense that the business sector should pay something back in exchange for what it obtained from society.[7] The internal dimension encompassed caring for employees like a father does for children. Ishikawa distinguishes this kind of paternalistic and personal moral pattern at the individual level (top leaders) from a systematic strategic pattern at the organizational level (companies) (273–274). The discussion until the Second World War continued to be less concerned with corporate and mainly with individual ethics and moral behavior that top managers should have, and thus remained decoupled from core business operations and how companies operate.

4.2. Development of Explicit CSR in Japan

Many authors divide the development of a modern CSR debate in Japan into phases spanning the five decades from the 1960s to 2010 (Kawamura, 2004: 5–8; Taka, 1997: 1500–1502) and others follow this division (Sharma, 2010). Despite some overlap between the decades,[8] the development of a CSR discourse in Japan will be presented in five phases starting with the post-war era and the 1960s and succeeding with the four decades since the 1970s (see Tab. 6). The phase of the 1970s and the one since 2000 which Kawamura (2005: 1) identifies to have principally influenced the current CSR debate will be discussed in more detail.

Tab. 6: Five Phases of CSR in Japan

Phase	**Decade**	**Issues**	**Company-society interaction**
Phase I	1960s	Industrial pollution creates distrust of companies and anti-business sentiment	Civic movements arise, problems resolved case-by-case
Phase II	1970s	Criticism of supremacy of corporate profits in post-oil shock era	Companies set up anti-pollution departments and charity foundations

Phase	Decade	Issues	Company-society interaction
Phase III	1980s	Excess liquidity, bubble economy expands, land prices soar	Companies practice philanthropy and support for the arts as good corporate citizens
Phase IV	1990s	Bubble economy collapses, business ethics become a problem, discussion of global warming	The Japan Business Federation formulates the Charter for Good Corporate Behavior, companies set up global environment departments and engage in social contribution
Phase V	2000s	Corporate scandals affecting directly the population, SRI funds emerge, CSR ratings become widespread	2003 is recognized as start of CSR management era, companies set up CSR departments and other institutions

Source: Kawamura (2004: 5), modified[9]

4.2.1. Economic Efficiency in the Post-War Era and the 1960s

With the cultural and social changes in post-war Japan and in response to publicly noticed corruption and criminality, some managers initiated a revitalization of individual ethics for top managers. By laying emphasis on the social responsibility in the interaction with consumers, local communities, and employees,[10] this approach applies a stakeholder view of the company limited to those stakeholders with direct interaction with the company (Ishikawa, 2006: 275).[11] In 1956, the Japan Association of Corporate Executives (Keizai Dōyūkai) issued a formal resolution called "Awareness and Practice of the Social Responsibilities of Businessmen", which, according to Kawamura (2004), was directly caused by Bowen's book on the "responsibilities of businessmen" that had been published in the US three years before (see Chapter 2).[12] While including much of the vocabulary and the ideas of responsibility towards society as advanced by Bowen, the resolution emphasized companies' responsibilities in the economic dimension stating that the social responsibility of businessmen is none other than to "seek harmony with the economy and society by combining factors of production as effectively as possible to supply high quality and inexpensive products and services" (Kawamura, 2004: 4). So the main concern was effectively operating a company, partly because voluntary activities like corporate philanthropy could not be pursued due to lack of financial capabilities (Ishikawa, 2006: 275). While the importance of social responsibilities of business was often addressed by business leaders and philosophers, companies did not seriously address problems in the social or environmental dimension at the practical level until the mid-1960s (Taka, 1997: 1500).

4.2.2. Environmental Responsiveness in the 1970s

Yamada (2006) states that the notion of CSR in Japan is closely connected to pollution incidents in the economic take-off phase (341). Regarding the motivations for responsible business behavior, there are legal as well as economic drivers that explain the increased concern and self-commitment of business in Japan. The rapid economic growth in the 1960s brought along a deterioration of the natural environment and distrust on corporate activities coinciding with the harmful economic effects of the oil crisis, which resulted in the spread of a negative attitude towards the market economy itself. With the perception shifting from personal ethics to a structural problem, the reason for corporate misconduct was not attributed to a lack of moral behavior of individuals but to a defect in the market mechanism and corporate behavior (Ishikawa, 2006: 276) resulting in a strong anti-business sentiment (Sharma, 2010: 32).

Opposition parties, mass media, consumer associations, and inhabitants of polluted areas pressured for environmental protection. The movements were mainly mobilized by the "big four cases" of pollution diseases (Taka, 1997: 1501), which threatened the status quo of doing business in Japan at that time and led to major changes in legislation.[13] The Basic Law for Environmental Pollution Control was enacted in 1967 and the Environmental Agency, which became the Ministry of Environment (MOE) in 2001, was established in 1971 to enforce the law.[14] Moreover, for the first time, pollution victims successfully sued Japanese companies in court during the early 1970s. Confronted with a high level of public scrutiny and liabilities from negative external effects on the environment, companies felt urged to show environmental responsiveness. Companies implemented institutions such as environmental management departments, measurement of energy and material use, and several anti-pollution activities (Yamada, 2006: 348–349). Also, Japanese business round tables and associations issued a series of formal statements during the early 1970s assuring the public that they would take their social responsibilities more seriously (Taka, 1997: 1501).[15]

It can be argued that it was not for the stricter legal requirements, but for the costs related to the stricter enforcement of the laws, that companies increasingly paid attention to environmental issues. For example, MOE data of the big pollution cases show that on a yearly basis the costs for compensating the victims were higher than the costs for anti-pollution activities (see Tab. 7).

The gap between amount of damage indicates that cost-benefit considerations were in favor of the implementation of environmental management – a clear business case for doing well by doing good (or less bad).

Also, the first academic debate about social responsibilities of business emerged, several books and articles were published, and corporate evaluation standards were proposed (Kawamura, 2005: 2). The subsequent debate on CSR, following the public attention towards the pollution problems in the early 1970s, was always closely associated with the environmental dimension. However, the CSR debate subsided due to the economic downturn during the late 1970s and early 1980s (Sharma, 2010: 32).

Tab. 7: Comparison of Costs for Compensating Victims of the Big Four Cases and for Implementing Preventive Action (Million Yen per Year)

Pollution case	**Actual amount of damage with compensation**	**Total amount of expense for anti-pollution**	**Costs for damage with compensation minus expense for anti-pollution**	**Costs for anti-pollution vs. damage with compensation in percent**
Yokkaichi Air Pollution	21,007	14,795	6,212	70%
Minamata Disease	12,631	123	12,508	1%
Itai-Itai Disease	2,518	602	1,916	24%

Source: based on Yamada (2006: 350)[16]

4.2.3. Philanthropy in the Bubble Economy of the 1980s

During the 1980s, Japanese companies became confronted with old and new CSR issues. The non-philanthropic voluntary CSR agenda was dominated by environmental issues. After the report of the Brundtland Commission and the introduction of the concept of sustainable development in 1987 (see Subsection 2.3.2), a second wave of worldwide environmental protection initiatives spread. Encouraged and guided by government agencies, Japanese companies took up the idea of sustainable development. The efforts to reduce environmental impacts after the criticism and stricter legislation in the early 1970s allowed Japanese companies to demonstrate their good environmental performance (Yamada, 2006: 351).

Further, the idea of CC to regard a company not only as a profit-seeking organization but also as a citizen with legal and social obligations emerged (see Subsection 2.3.3). Visibility of Japanese companies with global business operations in foreign countries led to expectations from stakeholders in host countries, particularly in the US where Japanese companies were criticized for failing to engage in philanthropy. As predicted by theories of corporate social responsiveness (see Subsection 2.3.1), Japanese MNCs adopted CSR policies and practices because of the demand they faced from foreign stakeholders, and adopted practices they observed from other companies in their host countries, for example donating money and setting up foundations in the US (Lewin, Sakano, Stephens, & Victor, 1995: 83–85).[17] Obviously, the motivation for engaging in philanthropic activities was, like in the 1970s for engaging in environmental protection, rather an instrumental one. Thus, while philanthropy resulted from individual moral and ethical behavior of owners and top managers in the pre-war era, the rational for philanthropy stemmed from the idea of corporate citizenship in the 1980s.

CC activities were strengthened with the establishment of the Council for Better Corporate Citizenship (CBCC) founded with the support of the Japan Business Federation in 1989 to promote good relations between Japanese-affiliated companies and various stakeholders.[18] The economic success in the world economy and excess capital derived from sharply rising stock and real estate prices during the Japanese asset price bubble (1987–1990) (CAO, 2008: 132) provided Japanese companies with financial means to engage in corporate philanthropy. Paradoxically, CC activities were carried out largely with money gained from irresponsible stock market and real estate speculations that led to the Japanese asset price bubble (Tanimoto, 2007: 278).[19] The economic downturn in the 1990s after the end of the Japanese asset price bubble caused companies to cut down their philanthropic activities, indicating that these activities were separated from the core business without being integrated into the corporate strategy, and destined to be the first to be reduced in times of economic downturn.

4.2.4. Corporate Citizenship During the 1990s

Since entering the 1990s, a number of company scandals have been revealed.[20] Companies were known to be frequently embroiled in cases of bribery and hiring of *sōkaiya* racketeers to silence critical shareholders at annual meetings (Kawamura, 2005: 4).[21] A distinctive feature of the scandals in the 1990s was that they included cases of industry-wide misconduct such as illicit political donations and bid riddings (*dangō*) of construction companies, loss compensation for favored customers by security firms, or bad loans and mismanagement of financial institutions (Kawamura, 2004: 6; Taka, 1997: 1502).[22] The perception that these cases were rooted in the way of doing business spurred, similar to the early 1970s, an anti-business sentiment and calls by mass media and academia for the necessity of business ethics (Taka, 1997: 1502).[23] To demonstrate rigor in seriously addressing the violation of legal and social norms, business laid increased emphasis on the term "compliance", which became a popular term often used interchangeably with CSR and business ethics in Japan.[24] The management of ethics in companies was fuelled in 1991 by the publication of the Charter of Good Corporate Behavior by the Japan Business Federation (Demise, 2005: 214), which focused on the promotion of good corporate behavior, corporate ethics, and compliance (Sharma, 2010).

Another major topic was environmental protection, which had continued from the 1970s and even gained importance with new treaties and global initiatives. Cross-border environmental issues such as global warming, destruction of tropical rainforests, and desertification resulted in a strong demand for companies to deal with the environmental impacts of their processes and products beyond local issues. Major drivers for the growing public interest in the global environment were global initiatives such as the UN Conference on Environment and Development in 1992 and the ISO 14001 environmental management standard launched in 1996 (Kawamura, 2004: 6). The increasing awareness became even higher in Japan through the high regard attached to the Kyoto Protocol, as this historic international agreement was adopted in Japan (Fukukawa & Teramoto, 2008: 141). Further, social changes such as international pressure to open the Japanese market, the enactment of a product liability law, and the empowerment of the Japan Fair Trade Commission prompted more awareness towards social responsibilities in Japan (Taka, 1997: 1502).

4.2.5. The CSR Management Era Since 2000

The company scandals of the late 1980s and 1990s continued in the 2000s with a series of high-profile scandals (Demise, 2005: 213; The Economist, 2001), some threatening or even affecting the population in general (Schock, 2008: 75).[25] The increase of media coverage on these and subsequent cases raised public interest and moral awareness (Fukukawa & Teramoto, 2008: 140), and thereby added pressure on companies and managers to communicate with their stakeholders (Schock, 2008: 75). The scope of CSR expanded from corporate ethics and compliance to accountability and disclosure, prompting many companies to adopt formal CSR practices and management systems (Kawamura, 2004: 7).

This trend was fuelled through the introduction of SRI (see Subsection 2.5.2) in Japan with the emergence of the first eco-funds in 1999 and the first SRI funds in 2001 (Choi & Aguilera, 2009: 139; Kawamura, 2004). One reason for this development was the creation of global organizations and initiatives around the year 2000 that aimed at defining general expectations towards companies and managers as well as guidelines, instruction manuals or even standards, for example the UNGC, the OECD Guidelines for Multinational Enterprises, or the GRI (see Subsections 2.6.2 and 2.6.3). Also, in 2001 the European Commission published a green paper on CSR and began to seek a common European position on CSR, which was closely observed by Japanese companies and their associations.[26] CSR activity and interest increased among Japanese MNCs that were confronted with new CSR issues in host countries. Nationally, a series of authoritative bodies such as governmental ministries, business associations, and universities pronounced wider corporate governance norms on good corporate behavior (Fukukawa & Moon, 2004: 47–48).

Since 2003, which is often referred to as the first year of CSR (CSR *gannen*) in Japan, the acronym "CSR" has been used as an abbreviation to refer to corporate social responsibilities of Japanese companies (Fukukawa & Teramoto, 2008: 133). The Japan Association of Corporate Executives promoted CSR management in its 15th Corporate White Paper proposing a self-assessment standard (Keizai Dōyūkai, 2003) and conducted a survey on the situation of CSR among its member companies (Keizai Dōyūkai, 2004). In 2002, the CBCC strengthened its activities on CSR.[27] In 2004, the Japan Business Federation revised its Charter of Good Corporate Behaviour emphasizing the importance of CSR as a voluntary action (Sharma, 2010).[28] Thereby, the debate in Japan began to lay emphasis on the global CSR concept with explicit practices and institutions.

The review of the historic CSR development in Japan has shown that CSR thinking and practice in Japan take influence from both national and global influences. The global influence arises from attempts to generate universal systems of CSR definition, practices, and verification. The national influence stems from historically grown, long-standing norms and rules (Fukukawa & Moon, 2004: 4). While some attention was traditionally attached to issues of importance to Japanese society (Kawamura, 2005: 9) such as environmental protection and compliance, the global CSR debate extended the Japanese CSR agenda with new issues such as sustainability, supply chain responsibility, human rights, and working life. The next section will analyze in more detail the global CSR agenda, social changes, and company-stakeholder interaction as drivers for the adoption of explicit CSR practices by Japanese companies.

4.3. Drivers for CSR Adoption

4.3.1. External Pressure and Instrumental Motivations

Although some Japanese practitioners consider traditional business principles of the Tokugawa period as the roots of CSR in Japan, such a statement appears to be "an ex-post attempt to 'Japanise' what is essentially a foreign concept in order to make it more palatable to corporate managers" (EIU, 2005: 6). In fact, these early concepts are rarely mentioned in recent publications as an explanation for contemporary CSR in Japan. In the absence of salient stakeholders requesting to engage in CSR activities, Japanese companies had autonomy in formulating their CSR strategies and considered CSR "as an instrument to increase their self-interest and to improve their public image. In other words, the pursuit of self-interest is a major driver for Japanese CSR initiatives rather than ethical considerations" (Choi & Aguilera, 2009: 136). The concentration on selected areas where companies perceive opportunities for increasing profits has led to asymmetric CSP.

On the one hand, Japanese companies have been described as showing excellent CSP in areas where they perceive a business case such as product quality, employee treatment, and CC activities (Wokutch, 1990; Wokutch & Shepard, 1999). There are clear instrumental drivers for addressing these areas: customer satisfaction, consumer loyalty, and repeated purchases through high product quality; worker productivity, employee loyalty, and low injury and illness rates through lifetime employment, employee benefits, and workplace safety; and increased goodwill and political support through local community activities and philanthropy.

On the other hand, due to the narrow focus on selected issues, Japanese companies often failed to fulfill global CSR expectations and even faced criticism for applying double standards in CSR areas where they showed excellent CSP: Japanese consumers had to pay higher prices to compensate for international competitiveness; employee benefits are limited to regular employees in major companies, while employees in smaller companies, minority groups, foreigners, and female employees often face poor working conditions and career opportunities; CC activities have been criticized for being more generous in the US than in Japan and have been generally suspected to function as a means to buy political influence (Wokutch & Shepard, 1999: 529–533).[29]

While Wokutch & Shepard (1999) explain this restrictive approach to CSR with cultural factors such as within-group/out-of group distinction, Confucian values prescribing duties in certain relationships (only), and strong emphasis on loyalty (532), Tanimoto & Suzuki (2005) emphasize the strategic integration of (some) stakeholders into a system that placed the highest value on economic reconstruction after the Second World War, but became challenged as the result of socio-economic change (6). This will be explained in more detail below.

4.3.2. Institutional Change and New Stakeholder Issues

Company activity reflects values, norms, and rules defining the role of companies within the wider formal and informal institutions. Japan has been characterized to belong to the CME type with a set of institutions supporting strategic company-stakeholder interaction (see Section 3.1). Accordingly, Japanese companies have been viewed to apply a stakeholder-oriented model of the company placing emphasis on stakeholder interests in a long-term perspective instead of a shareholder value orientation in the short-term. Cross-shareholding through mutual ownership of small fractions of the shares of other companies formed corporate groups (*kigyōshūdan*) providing stable and reciprocal shareholding and control relationships (Tanimoto, 2010a: 51–52). Employees were encouraged to identify the interests of the company with their own interest through incentives like lifetime employment and seniority-based pay. Consumers have been described to be cooperative with companies as they acknowledged the companies' role as an engine for increasing the welfare of society. Suppliers offered products and services at low prices and flexible transaction in exchange for stable long-term relationships with buyers (Tanimoto & Suzuki, 2005: 6). Government-company interaction in Japan is characterized by traditionally close and stable relationships, both carrying out their roles without interfering with each other (Lewin et al., 1995: 87, 87). Therefore, the Japanese institutional environment has been described to provide a predictable company environment (Wokutch, 1990: 60).

Tanimoto argues that this company environment was a "corporate society" internalizing the core members of company's main stakeholders, especially investors, regular workers, and suppliers, who pursue common interests as members of a corporate society (Tanimoto, 2010a: 52). The social consensus which placed priority on economic growth after the Second World War remained stable as long as a prospering economy secured the integration of stakeholders. The stable company environment gets challenged when the scope of integration diminishes, when there is foreign pressure (*gaiatsu*) for change from the outside, or when new interests beside economic growth emerge (Tanimoto, 2004: 164; Tanimoto & Suzuki, 2005: 6). While in the 1970s the role of companies was questioned and some attempts to define more explicit social responsibilities of companies were made, a new equilibrium was reached through the integration of environmental concerns. Voluntary company action for regulating pollution continued in a consensual and negotiated agreement with governmental institutions and the population (Sakuma & Louche, 2008: 426), reflecting an implicit CSR understanding.

However, in recent years, Japanese companies have begun to address issues that exceed the implicit reflections of their national institutional environment and by doing this use the language and practices of explicit CSR. The shift to explicit CSR in Japan has been explained with structural changes affecting many of the formal and informal arrangements in the relationships of Japanese companies and their stakeholders. Vogel (2006) examines various factors that have led to a "remodeled Japan": First, more than any other factor, the long economic stagnation since the end of the asset price bubble in 1991 has promoted institutional change. Second, Japan has evolved into a mature economy with the economic growth rate slowing down, requiring Japan to move from catching-up to technological leadership, to adapt fiscal and social policies to slowing population growth, and to steer the direction of development from recovery and economic growth towards quality of life. Third, the relatively insulated Japanese market became integrated into the global economy. Japanese companies engaging in international trade and investment were exposed to new patterns of behavior and foreign companies became increasingly active in the Japanese market. As a result, the government's ability to control company behavior gradually diminished. Fourth, together with the new global orientation, many domestic observers as well as foreign governments and international organizations pressed Japan to adopt international regulatory standards. These developments have tended to change institutions into the direction of the LME model, although cautious reforms and compromises have preserved the core institutions of the Japanese CME model (10–11, 18).

Companies have cut costs and strained core institutions such as life-time employment, main bank financing as well as stable company groups and supplier networks (Vogel, 2006: 10). The changes in the institutional framework surrounding companies have affected ownership structure, increased foreign exposition to global markets, and brought about a more vivid civil society. For example, the average ratio of cross-shareholding decreased from its peak of 18.4 percent in 1987 to 7.4 percent in 2002, while the ratio of shareholding of foreign investors increased steadily. Many large Japanese companies have high ratios of foreign sales requiring them to consider the demands of foreign customers, and also Japanese customers due to criticism over corporate scandals. The companies' relationship to employees has changed due to the erosion of life-time employment and introduction of merit-based instead of seniority-based wages, which was amplified by a growing share of irregular employees. Conformity to administrative guidance (*gyōsei shidō*) has been challenged and global pressure on companies to adopt CSR by international organizations and CSOs has grown (Tanimoto, 2010a: 45, 52–55). These developments have changed the relationships between companies and their stakeholders. CSR can be regarded as the consequence of interaction of companies and stakeholders in their given institutional environment (see Subsection 3.1.3) (Aguilera & Jackson, 2003: 450), so that to understand the increasing demand for explicit CSR in Japan, the renewed company-stakeholder relations need to be examined (Tanimoto, 2010a: 45–46).

4.3.3. Stakeholders Salient to Japanese Companies

> *"(…) Japan's population has hitherto had a low interest in public problems that transcended the individual, and civil society organizations (CSO) were immature. Consumers' and investors' ratings of companies have been weak in terms of social fairness and ethics, so that the CSR debate never caught on" (Tanimoto, 2004: 153).*

This subsection will discuss the salience of various stakeholders from the perspective of Japanese companies. The analysis will elaborate on incentives and pressure for CSR adoption in the company-stakeholder relationships to evaluate the perceived salience of stakeholders to companies. Reputation is a variable underlying many of the perceived incentives and pressures for CSR adoption in relation to stakeholders (see Subsection 2.5.1), and several surveys on Japanese companies show that reputation is one of the top issues that companies seek to address through their CSR programs (EIU, 2005: 52; Pascha & Holtschneider, 2008: 37, 39). Also, Ito (2004) holds that CSR activity is connected directly to the promotion of the corporate brand (Ito, 2004 in Tanimoto, 2010a: 48). Thus, many perceived CSR benefits in relation to stakeholders directly or indirectly relate to improved corporate reputation. Since stakeholders in Japan have been characterized as weak in terms of CSR requests, the discussion will also address the importance of foreign stakeholders.

Customers

A survey by the EIU in 2005 shows that almost all Japanese companies (98 %) consider customers to be the most important stakeholder, have structured dialog most frequently with customers (75 %), and primarily aim at achieving customer satisfaction (82 %) through their CSR program (EIU, 2005: 51–53).[30]

Given that in Japan, like in all developed countries, consumption expenditure comprises more than 50 percent of the Gross Domestic Product, consumers theoretically have considerable power to influence company behavior through their consumption choices (CAO, 2008: 7). In accordance with the findings in many academic studies (see Subsection

2.5.2), Japanese consumers show stronger reactions towards negative news about companies such as scandals than towards positive differentiation. The resulting loss of a company's reputation can affect company performance in the short and long term. Tanimoto cites a press report in the Asahi newspaper of 3 February 2008 about the effect of various company scandals on the stock prices of 50 companies in Japan, showing that their stock prices declined by an average of 11 percent in the five days after the first media coverage of a corporate scandal or crime (Asahi Shinbun 3 February 2008 in Tanimoto, 2010a: 46).[31] Calculations of the Cabinet Office of Japan (CAO, 2008: 7) show that very negative consumer attitudes following a company scandal result in a steep decrease in company revenues to about 60 percent of the average of an industry after five to six years (40). Still, there is reason to doubt that Japanese consumers can achieve sufficient salience to pro-actively influence companies' CSR agenda (Choi & Aguilera, 2009). A study by Kohlbacher (2011) reveals a comparatively low level of pro-active ethical consumerism in Japan but indicates an upward trend (251–252).[32] Although the share of Japanese people who wish to be helpful to society has increased from less than 50 percent in 1986 to almost 70 percent in 2008, there is a lack of understanding on how to practically make purchase decisions that serve the social good (CAO, 2008: 6, 12).[33] Accordingly, there are no strong consumer movements and organized boycotts in Japan (Tanimoto, 2004: 3).

Consumers rarely consider CSR in their daily consumption decisions unless companies are revealed to directly threaten consumers' personal health and safety. Some pressure for CSR adoption has developed in business to business markets, mainly from foreign customers. There is a gradual expansion from Japanese parent companies to their subsidiaries at least in the environmental dimension, although these measures have not trickled down to all companies. According to the MOE report in 2004, one third of the surveyed companies have transferred environmental guidelines or environmental request to all subsidiaries. This indicates a new tendency among companies to be concerned about subsidiaries' reorganization of production processes or personnel policies, a change from previous parent-subsidiary relationships where parent companies avoided the management of issues of their subsidiaries (Yamada, 2006: 352). In this regard, companies have played a role in diffusing environmental standards.[34]

In sum, Japanese customers are a latent stakeholder group as they hold the attribute of legitimacy but lack power due to low levels of organization and low urgency for CSR adoption. Therefore, although Japanese companies claim that the customer is the most important stakeholder, it appears that the customer is not the stakeholder in Japan that pressures companies to adopt CSR (see Subsection 3.2.3). However, there have been cases where claims by foreign business customers and consumers in foreign markets have made Japanese MNCs adopt CSR practices.

Employees

Japanese companies name employees, after customers, as one of the most important stakeholder groups as addressees of CSR as well as a stakeholder group encouraging CSR efforts. Employees are frequently included in structured dialog with employers, and employee motivation and commitment as well as attraction of highly qualified employees are perceived to be the most important contribution of CSR to CFP (EIU, 2005: 51–53).

Company-employee relations have developed into important national CSR issues in Japan in recent years (Kawashita, Taniyama, Hwi, Fujisaki, Kameda, & Mori, 2005: 536). Surveys show that many Japanese employees are discontented with long working hours, and extensive workload has been identified as a major reason for weakening mental and physical health, even death and suicide. Moreover, overwork is being discussed as one reason for the decline of the birth rate, which became a major problem for the rapid demographic change to an aging society in Japan.[35] Therefore, the improvement of working life is often mentioned to be related to CSR (Ishikawa, 2006: 278–280). There are also some indications that attracting new employees may become a perceived CSR benefit for Japanese companies. Hoppe (2009) provides some evidence that Japanese students who show a strong economic orientation consider CSR as an important factor in choosing an employer (77–80).[36]

However, although traditional Japanese working arrangements such as lifetime employment and seniority-based wages are changing, there are still comparatively predictable relations between companies and their employees. This includes a close cooperation between employees and management which has been fostered in part by enterprise unions organizing all employees of a company regardless if they are blue or white collar workers. This harmonious relationship limits the influence of unions on a company's CSR agenda. Active union participation in company decision-making processes is unwelcomed. Further, even if unions wished to pressure for CSR adoption, enterprise unions based on a single company can hardly achieve high salience compared to craft or industry unions so that it appears unlikely that company unions can achieve enough salience to influence companies to go beyond CSR minimum standards (Choi & Aguilera, 2009: 138–139). Moreover, as union membership is usually limited to regular employees, it is unlikely that enterprise unions address issues related to non-regular employees and other minorities. Ishikawa

(2006) mentions some activities of union organizations addressing social issues on the local, regional, and national level, but the examples encompass only isolated volunteering and social contribution activities instead of attempts to influence companies in adopting CSR (280–281).

In some cases, unions or even individual employees can be of importance for the development of a CSR program. However, employees are a latent stakeholder group lacking power and urgency for CSR adoption. While there may be very committed individual employees in some Japanese companies, it is unlikely that some individual employees or enterprise unions can press companies to adopt innovative CSR practices (Choi & Aguilera, 2009: 139).

Investors

Many Japanese companies rely on long-term finance from a main bank and engage in stable cross-shareholding relationships with banks and group companies, but investors have not played a dominant role in corporate governance. Pascha (2010) summarizes that shareholders' meetings have been rather unimportant events and are known for being held briefly on the same day, so that critical investors often cannot raise their voice, which sometimes is ensured by *sōkaiya* racketeers (88).

While company reliance on bank borrowing measured in terms of the proportion of debts borrowed from banks had dropped from 70 percent in 1986 to 54 percent in 1991, it increased again after the burst of the Japanese asset price bubble, and reached 71 percent by 2000. Cross-shareholding however has decreased steadily from the mid 1990s (Vogel, 2006: 127, 131). At the same time the percentage of shares held by foreign investors has steadily increased from less than 5 percent in 1990 to more than 25 percent in 2010 so that foreign investors have become one of the largest shareholder groups in Japan (see Tab. 8).

Vogel (2006) postulates that foreign ownership has a clear and strong impact on corporate restructuring among Japanese companies. The effect is even stronger in case of foreign management control. On the one hand, this includes a shareholder value orientation and on the other hand, this goes along with a tendency to implement US-style corporate governance practices including higher standards of disclosure (197–198), which are also part of the CSR agenda. Therefore, contact with foreign investors is likely to raise awareness of CSR and likelihood of CSR adoption through surveys, questionnaires, or even SRI fund advocacy.

SRI activity in Japan was started by institutional investors from the West who were less hesitant to exercise influence than Japanese institutional investors, or business corporations and financial institutions in cross-shareholding relationships.[37] For example, the California Public

Tab. 8: Distribution in Percent of Market Value Owned by Type of Shareholder

Year	Government & Local Government	Financial Institutions	Securities Companies	Business Corporations	Foreigners	Individuals
1970	0.6	31.6	1.3	23.9	4.9	37.7
1975	0.4	35.5	1.4	27.0	3.6	32.1
1980	0.4	38.2	1.5	26.2	5.8	27.9
1985	0.3	39.8	1.9	28.8	7.0	22.3
1990	0.3	43.0	1.7	30.1	4.7	20.4
1995	0.3	41.1	1.4	27.2	10.5	19.5
2000	0.2	39.1	0.7	21.8	18.8	19.4
2005	0.2	30.9	1.4	21.3	26.3	19.9
2010	0.3	29.7	1.8	21.2	26.7	20.3

Source: TSE (2011: 3)

Employees' Retirement System (CalPERS) exercised voting rights during annual shareholders' meetings in Japan and voted against the choice of auditors and directors' bonuses.[38] However, Jacoby (2007) showed that shareholder activism is limited in Japan due to cultural obstacles and that CalPERS has shifted its initial solo activism in Japan to local partnerships and finally relational investment with individual companies. Following such SRI fund activism, the Japanese Pension Fund Association published "Working Guidelines for the Exercise of Voting Rights" that ask fund managers to actively exercise their voting rights. Moreover, the Japanese Pension Fund Association for Local Government Officials (PFALGO) – similar to CalPERs, a major local government pension fund[39] – added a statement on the exercise of voting rights to its pension management policy. The Japan Pension Fund Association (PFA) also started to use investor activism, loosely cooperating with CalPERS (Jacoby, 2007).

After the introduction of the first eco-fund in Japan in the summer of 1999 (Kawamura, 2004: 7), the first SRI fund was established in 2001 and the volume has steadily increased. The Japanese volume of assets invested in SRI ranks third in the world behind the US and EU, although, compared to the absolute volume of assets invested in SRI in Japan is less developed than the US and EU. According to calculations of the Japanese CAO, there were 62 SRI funds in Japan holding total assets of 0.7 trillion yen in 2008 compared to 173 SRI funds in the US holding 19.2 trillion yen and 370 SRI funds in Europe holding 5.8 trillion yen (CAO, 2008: 13). Japanese SRI mostly relies on screening and less on activism, while foreign

SRI research companies in Japan only use positive screening (Sakuma & Louche, 2008: 433).

SRI funds are still small when compared to the total amount of investment in Japan but SRI investment is growing quickly. Investors are an expectant stakeholder, holding the two attributes of power and legitimacy. With an increasing share of SRI investors that develop urgency for CSR adoption, investors may become an even more powerful definite stakeholder in regard to CSR. In case of increasing SRI fund activity in Japan, given the opportunities for taking direct influence on corporate decisions, Choi & Aguilera (2009) predict that SRI investors can play a significant role in shaping more responsible corporate conduct (139–140).

Government

Instead of direct intervention through legal procedures to control industries, the Japanese government has been characterized to generally prefer administrative guidance to influence companies and industries. Compliance with government suggestions and guidelines was common in Japan but since the 1990s, there were cases where some companies refused to follow government guidelines and where regulation has become more frequent (Lewin et al., 1995: 87, 91–92). Like in other areas, the Japanese government encourages CSR activities through initiatives and guidance instead of laws and rules. In 1974, CSR was cited in a Diet resolution attached to a revision of the Commercial Code (Kawamura, 2004: 5), but the prospect of regulation on CSR brought strong opposition from business associations,[40] leading to the eventual rejection of the only attempt to regulate social responsibilities of companies in Japan (Sharma, 2010: 33).

Japanese ministries such as the Ministry of Economy, Trade and Industry (METI) and the MOE closely collaborate with peak business associations in developing CSR schemes. For example, the METI based its suggestion for CSR standardization to the ISO 26000 committee on the Japan Business Federation's original proposal without much amendment. With the reliance on administrative guidance, the Japanese government's vague guidelines do not promote the adoption of institutionalized CSR programs and might even lead to confusion about the scope and definition of CSR. However, the excellent performance of Japanese companies in the environmental CSR dimension is partly owed to the assistance of legislation such as the Basic Law for Environmental Pollution Control of 1967, the Basic Environmental Law of 1993, and the Basic Law for Establishing a Recycling-Based Society of 2000.[41] The continuous administrative guidance together with gradually tightening legislation could not be ignored.[42] On the one hand, guidelines and initiatives provide the basis for stable and non-adversarial relationships between government and companies. On the other hand, the harmonious relationship between government and business limit the influence of government on companies' CSR and possible resistance from companies would make it difficult for the Japanese government to introduce reformative CSR policies (Choi & Aguilera, 2009: 134–135).

Overall, the Japanese government at most takes a facilitating, partnering, or endorsing role by creating guidelines, engaging within multi-stakeholder processes, and providing publicity. This means that the government has acted as an expectant stakeholder with the two attributes of power and legitimacy but has not brought forward urgency for CSR. Without pro-active support for CSR activities across its offices and ministries and with an understanding that CSR issues are in the discretion of companies (Tanimoto, 2010a: 47), the Japanese government appears not as a salient stakeholder who exerts considerable influence on the CSR agenda apart from the environmental dimension.

CSOs

Social movements emerge when unprecedented issues begin to threaten common goods. In Japan, many authors relate the beginning of CSO movements to the pollution incidents of the 1960s and 1970s. The environmental movement was the main driving force for bringing the demands of stakeholders beyond those in direct transaction relationships on the corporate agenda. But after the disputes between companies and environmental groups were resolved, environmental groups lost relevance, due to insufficient institutionalization at the national level. The concentration on local issues without intensive cooperation at the regional or national level prevented CSOs from achieving sufficient power to become salient stakeholders for Japanese companies' CSR programs. CSO activity was further stalled by restrictive political structures (Brucksch & Grünschloss, 2008: 309–311).

The situation of CSOs partly improved through legal changes such as the adoption of the Non Profit Organization (NPO)[43] Law in 1998 and a new tax legislation allowing specific organizations to receive tax-deductible donations (Meierhans, 2004: 481–482). Moreover, there is an increasing number of company-CSO interactions and even cooperation in recent years, but the majority of cooperation cases has been driven and controlled by companies. These changes did not raise the salience of CSOs as a stakeholder of companies on a significantly higher level and most CSOs still lack organizational structure, know-how, financial resources, and general support in terms of the number of members and staff (Brucksch & Grünschloss, 2008: 311–312, 322). CSOs as a stakeholder group in Japan have achieved the attributes of power and urgency only temporarily within coalitions with other groups. Legal legitimacy has been granted rather recently, but the regulations still limit the acquisition of power and urgency to achieve salience in the perception of companies. Although CSOs in Japan have been growing in number, only few of them achieve some degree of salience in the eyes of companies, and most CSOs take cooperative rather than confrontational positions towards companies. Overall, CSOs have been weak in Japan (Tanimoto, 2010a: 47) and there was only low pressure from society and CSOs in Japan for companies to adopt CSR (Anjō, 2004: 38).

Competitors

According to the previously mentioned EIU survey (2005: 50), the third most important factor that influenced Japanese companies' decision to adopt a CSR program is the consideration that CSR provides a competitive advantage or allows for differentiating the company from its competitors. Competitors mutually influence each other as companies are likely to imitate CSR practices, institutions, and management systems from competing companies which adopted CSR earlier (see Section 3.3). This may trigger CSR adoption even among those companies which do not perceive any business case in CSR adoption. One in seven Japanese companies stating to doubt a CSR-CFP link admits that it adopted a CSR program because competitor companies have done so (EIU, 2005: 51). The EIU survey does not include this item for companies who believe in benefits from CSR activities, and it is likely that respondents prefer to elect a more favorable answer instead of giving the impression that their company is an imitator so that the actual influence of competitors' CSR adoption is likely to be higher than stated.

Sometimes competitors work together to prevent regulation of CSR, which requires them to engage in collective action at the industrial or national level. Collective action is usually initiated by business and industry associations which serve as a venue to formulate common positions, coordinate collective action, or develop guidelines. Pascha & Storz (2008) argue that business associations in Japan play a prominent role not only for sharing information but also for adding credibility to new information which helps diffusing newly emerging phenomena (23). Japanese business associations formulated responses to CSR issues in times of anti-business sentiment and criticism to prevent regulation and external requirements with the goal of keeping social responsibilities a voluntary action in the discretion of companies. They also actively formulated CSR policies, guidelines, and recommendations since the proclamation of the first year of CSR in 2003. It is likely that many companies created formal CSR institutions and management systems as a result of the promotion of

CSR by business and industry associations. Overall, in Japan, competitors collectively exert some pressure on each other to comply with jointly formulated CSR standards and guidelines, while they individually exert pressure on each other which stems from the necessity to create or diminish competitive advantages. Although it seldom occurs that competitors actively pressure each other to adopt CSR, their mutual influence on each other results in market pressure for CSR adoption. In these situations, all stakeholder attributes of power, urgency, and legitimacy can be ascribed to competitors, but the degree of these attributes depends on the degree of competition among companies.

4.4. Adoption of CSR Practices by Japanese Companies

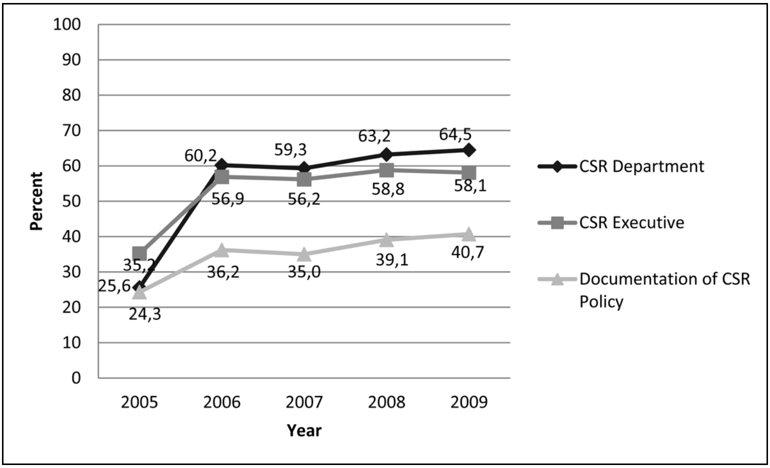
4.4.1. From Implicit Social Responsibility to Explicit CSR Practices

With the changes in the socio-economic framework and in the company-stakeholder relations, Japanese companies have begun to adopt formal and explicit CSR practices. Lewin, Sakano, Stephens, & Victor (1995) analyze one of the earliest surveys on CSR issues in Japan conducted by the Japanese Productivity Center (JPC) in the beginning of the 1990s and conclude that Japanese companies are highly aware of CSR but prefer to avoid formal processes. This indicates a preference for implicit CSR based on "cultural mechanisms such as philosophy and guiding principles" (Lewin et al., 1995: 95) over explicit CSR based on formal institutions. Compared to the situation in the early 1990s, however, in recent years many large Japanese companies have adopted formal CSR institutions such as CSR departments, mission and value statements, codes of conduct,[44] and CSR reporting. CSR institutions such as CSR departments, CSR executives, and CSR policy documentation have increased especially after the announcement of the CSR management era in 2003 (see Fig. 7).

While articles on corporate ethics also increased in absolute terms, the relative share of articles on CSR significantly increased, indicating that the Western "CSR"-concept has become dominant (6). CSR has also become a common term in non-financial reporting, company departments, and company websites. The abbreviation "CSR" appears for the first time in the titles of Japanese companies' non-financial reports that use GRI guidelines in 2003 and already outweighs other titles from the year 2005.[45]

A similar trend is visible in the name of company departments dealing with CSR issues. Most are named "corporate social responsibility" or "sustainability" department (KPMG, 2008b: 16). The topic CSR is commonly found in the top sections of the website navigation of the largest

Fig. 7: CSR Management Systems in Japanese Companies (2005–2009)



Source: Toyo Keizai CSR Data Book 2006–2010, in Tanimoto (2010b)

Note: The number of companies included in the CSR Data Book by Toyo Keizai differs from 2005 until 2009: N=749 in the year 2005, N=903 in the year 2006, N=1061 in the year 2007, N=1071 in the year 2008, N=1093 in the year 2009.

companies, although the information provided differs across individual companies.

CSR departments of Japanese companies mostly have to deal with compliance issues, environmental issues, and risk management, suggesting that CSR is not motivated by an interest for economic issues or personal interest, but rather for prevention of negative publicity. The comparatively high ranking of environmental issues reflects the historically grown focus on environmental protection since the 1970s. The emphasis on risk management and compliance indicates concern about the risks related to historical experiences of non-compliance in the form of compensation costs and reputational loss. Consequently, the duties of the CSR departments mirror a reactive and risk-aversive CSR approach of Japanese companies. Instrumental motivations for CSR mainly relate to corporate reputation and fulfilling requirements when operating in the EU or US. This indicates that Japanese MNCs face more pressure from stakeholders in foreign countries than in Japan. In those companies that have not yet established any form of CSR management, the majority responded that they have not known about CSR, while only few companies intentionally rejected CSR adoption for being unnecessary or expensive (Yamada, 2006: 343–348). Apparently, in 2004 when more than 60 percent of the largest companies had adopted some form of CSR management, there was still a lack of information in Japan which may have stalled CSR adoption among non-adopters more than the absence of a perceived business case.

The global CSR concept has become well known in Japan and many companies have started to establish CSR institutions. Like in other developed economies, structured CSR programs are concentrated among large and mostly multinational companies (EIU, 2005: 4–5). Among these CSR practices, codes of conduct and CSR reporting have become widely spread among Japanese companies.

4.4.2. Codes of Conduct

Lewin, Sakano, Stephens, & Victor (1995) refer to data which show that in the mid 1990s, only 30 percent of the companies in Japan had established a corporate code of ethics compared to 85 percent in the US, 51 percent in Germany, and 41 percent in the UK (Lewin et al., 1995: 92). Adoption of codes of ethics among Japanese companies rose quickly to more than 70 percent in Japan in 2002 according to a study of the Asahi Shinbun (Fukukawa & Moon, 2004: 13). Another study by the JPC carried out in 2003 reports that 65 percent of the surveyed companies have guidelines for corporate ethics (Ishikawa, 2006: 279).[46] A subsequent JPC (2005) study in 2005 shows that, in the average, about 57 percent of the surveyed companies systematically and explicitly define and address corporate principles and values in accordance with CSR. The percentage reaches more than 90 percent for companies listed in foreign stock exchanges or companies where foreign investors hold more than one third of the company shares, and almost 80 percent for large companies with more than 3,000 employees (4–5).

Many Japanese companies have joined international initiatives such as the UNGC, which has become the world's largest voluntary CSR initiative (Choi, 2008: 29).[47] Japan is among the top ten countries in terms of the absolute number of company members, and in terms of continuity and active participation. The UNGC requires participating companies to communicate with stakeholders on their progress in integrating the UNGC principles annually and companies that do not issue a "Communication on Progress" report for two consecutive years face expulsion.[48]

Only two Japanese companies have been expelled from the UNGC, one of which has been relisted again in 2011. Moreover, the share of Japanese companies listed as non-communicators and which could possibly be expelled in the future is only five percent compared to more than 30 percent for the average of all countries (see Tab. 9).[49] This continuity indicates comparatively strong long-term commitment among Japanese companies.

Compared to companies from the other top 20 countries in terms of absolute number of member companies, mostly large Japanese companies had joined until 2010 (UNGC, 2011: 11). But the number of Japanese SMEs sharply increased in 2011.[50]

Tab. 9: Top Ten Countries by Number of Company Members in the United Nations Global Compact plus China and South Korea (From Launch of the UNGC on 26 July 2000 Until End of 2010)

Country	Companies	Non-communicating	Percent of non-communicating companies
Total	5006	1555	31.1
Spain	556	203	36.5
France	488	136	27.9
Brazil	206	41	19.9
USA	195	55	28.2
Denmark	165	24	14.5
Argentina	152	38	25.0
Colombia	140	55	39.3
UK	139	37	26.6
Germany	133	25	18.8
Japan	120	6	5.0
China	118	40	33.9
South Korea	108	20	18.5

Source: UNGC, http://www.unglobalcompact.org/participants/search, Access 4 December 2011

4.4.3. CSR Reporting

Non-financial reporting has become a widely spread practice in Japan. According to the KPMG International Survey of Corporate Responsibility Reporting (2008b), the share of the largest 100 companies reporting on CSR was highest in Japan. One reason for the popularity of CSR reporting among Japanese companies may be because of the perception of a business case in CSR reporting. The Aspen Institute (2005) reports that Japanese companies are more likely to perceive direct links between CSR and the company performance than companies from other countries (6–7).

In the database of Corporate Register, the number of reports submitted by Japanese companies in 2011 was the second highest after companies from the US and before companies from the UK (see Tab. 10). Japanese companies started to publish non-financial reports comparatively later than companies from the UK or the US, but caught up rapidly since the mid 1990s and issued the highest number of reports since 2004. At the end of 2011, Corporate Register lists 4,404 reports issued by 554 Japanese companies, 4,192 reports issued by 1,140 US companies, and 4,617 reports issued by 1,284 UK companies.[51] Similar to the participation in the UNGC, Japanese companies show more continuity of reporting than US and UK counterparts.

Tab. 10: Non-Financial Reporting in the Top Three Reporting Countries (2011)

Country	Cumulated number of non-financial reports	Cumulated number of companies	Cumulated number of non-financial reports per company	Number of non-financial reports published in 2011	Non-financial reports published in 2011 per company
Japan	4,404	554	7.9	391	0.71
UK	4,617	1,284	3.6	500	0.39
USA	4,192	1,140	3.7	617	0.54
All	37,758	9,036	4.2	4,950	0.55

Source: Corporate Register, http://www.corporateregister.com/stats/ Access 22 November 2011; last update 8 January 2012

More than 70 percent of the Japanese companies that have published a non-financial report before continued to publish a report in 2011. This means that compared to the average of 55 percent of all countries and companies from the US and UK, many of the Japanese companies continue to publish a non-financial report.[52]

Considering that the Corporate Register database only lists reports in non-Asian languages, the numbers for Japan as presented above do not include companies that only publish reports in the Japanese language. The total number of reports and the number of reports per company might be even higher when those companies publishing only in the Japanese language are included. Overall, Japanese companies have widely adopted non-financial reporting and show a high degree of continuity in keeping this practice.

4.5. Discussion

Japanese companies adopted explicit CSR practices only after criticism and pressure from external stakeholders. Pressure from stakeholders and social movements arose when Japanese companies strongly neglected negative externalities with high impacts on society. However, the only attempt for systematically pressuring companies to adopt CSR were the loosely organized environmental movements, but they never achieved organizational structures allowing for systematically pressuring companies to adopt CSR. After the issues raised by social movements were integrated and a new equilibrium was established, the social movements that advocated for environmental protection and compensation of pollution victims dissolved.

Since the early environmental movements, there has been little stakeholder pressure for CSR adoption on companies. Although CSOs in Japan have been growing in number, only few of them achieve some degree of salience in the eyes of companies, and most CSOs take cooperative rather than confrontational positions towards companies. Consumers rarely consider CSR in their daily consumption decisions unless companies are revealed to directly threaten consumers' personal health and safety. Employees and unions attach low urgency to wider CSR issues. The Japanese government rarely exerts pressure on companies and prefers cooperation through administrative guidance. Only investors seem to have the ability to achieve salience for broadening the CSR agenda of Japanese companies through SRI but the size and activity level of SRI funds is still small. In the absence of external pressure, socially responsible behavior of Japanese companies was a byproduct resulting from the institutional system in Japan rather than from systematic consideration of CSR. As a result, Japanese companies showed some strength in isolated areas, but received criticism when put into global comparisons. When exposed to the European and US markets, Japanese MNCs have been confronted with stakeholder claims in their operations in Western countries, where CSO organizations, governments, consumer associations, and even business customers attach higher importance to CSR than their Japanese counterparts. In recent years, some Japanese companies go beyond the traditional CSR topics in the environmental area and address wider CSR issues such as human rights and conditions in the supply chain. Ethical issues like death from overwork (*karōshi*) and harassment at work have become a concern for Japanese companies (Demise, 2005: 213) after certain work practices had been criticized in the 1990s in the US (Lewin et al., 1995).

Thus, foreign exposure is a strong driver for adoption of explicit CSR practices among Japanese companies. Further, especially large companies with higher visibility and financial resources appear to have addressed CSR comparatively early. Finally, prior negative CSP seems to have been an important driver for promoting the discussion of compliance and CSR, often on the collective level with initiatives and responses by business and industry associations.

Regarding the adoption of CSR practices, Japanese companies started publishing CSR reports a few years after US and UK companies did but caught up quickly. A similar progression is visible in the adoption of the ISO 14000 guideline in Japan, which was not only facilitated by governmental organizations but also by some companies which have even promoted new standards such as the ISO 14000 guideline among affiliate and supplier companies. On top of the comparatively rapid diffusion of new practices, there is a high degree of continuity in maintaining CSR practices. Both rate and continuity of adoption stand out even in comparison with other CME countries suggesting that the institutional environment in Japan allows for efficient interaction between companies and their stakeholders. The significant increase in the implementation of CSR institutions and explicit CSR practices since the time of the first year of CSR in 2003, symbolizing official commitment by business associations and their members to incorporate CSR, points out that 2003 is a distinctive year for the adoption of CSR practices. The CSR literature on Japan has not examined the actual process of diffusion and the effect of an increasing number of adopters on each other. The effect of companies' CSR adoption upon each other deserves further attention and will be examined in the empirical research presented in the following chapters. As diffusion research and institutional theory recommend to examine opinion leaders in a diffusion process (Bikhchandani et al., 1992: 1003; Rogers, 2003: 26), some Japanese companies are examined in their role as early adopters and their influence on other companies in case studies in the next chapter. This will include the organizational characteristics that induce early adoption of CSR identified in the review of the historical development of CSR in Japan and the discussion of company-stakeholder relationships.

5. Empirical Part I: Qualitative Analysis of CSR Adoption by Japanese Companies

This chapter reports the qualitative primary research of this study. The first section introduces the research process. Then, reasons for CSR adoption identified in the qualitative research are illustrated through case studies of three Japanese companies, followed by a summary of general findings on the adoption of CSR by early adopting companies and its diffusion. Finally, based on these findings and theoretical considerations, hypotheses will be formulated.

5.1. The Qualitative Research Method

5.1.1. Research Design

Richter & Furubotn (1996) recommend evaluating qualitatively if institutions achieve sound outcomes, because many of their features cannot be captured quantitatively (579).[1] Preferred empirical research methods in new institutional economics encompass case studies and typification (Bea & Göbel, 1999: 120, 140).[2] Case studies are appropriate for research posing "how" and "why" research questions, if the researcher has little control over events and focuses on contemporary phenomena within a real-life context (Yin, 2009: 2). All of these three conditions apply to the subject of this study, so that case studies are used to investigate the answers on how and why explicit CSR practices have been adopted by Japanese companies. Case studies combine and connect different kinds of data from various sources (Göthlich, 2003: 7), including primary data from interviews and internal company documents as well as publicly available secondary data such as annual and CSR reports or information from company brochures, leaflets, and websites. The qualitative research of this study uses all these sources but primarily builds on first-hand information obtained from qualitative interviews with CSR managers of companies, representatives of government organizations, directors of CSOs, academic researchers, and CSR consultants.

The research design is a longitudinal study with two periods of cross sectional data collection capturing the available expert knowledge mainly through interviews while also addressing the processes of CSR adoption in a retrospective perspective. Two series of semi-structured expert interviews were conducted in autumn 2007 and in autumn 2010. The interview series in 2007 served to explore and describe the influences that facilitated the rapid adoption of CSR practices among Japanese opinion-leading companies. The interview series in 2010 aimed at updating company information and verifying findings drawn from the first interview series in 2007. It seeks to capture stability and change during the three years between 2007 and 2010 – including the influence on CSR at the firm level of the global economic crisis that unfolded shortly after the first interview series –, and to further elaborate typical patterns that explain why Japanese companies adopt explicit CSR (Bestor, Steinhoff, & Bestor, 2003a: 15–16).

The collected data will be presented in case studies that are separately conducted as such and then are compared with each other (Flick, von Kardorff, & Steinke, 2009: 253–256). The separate case studies highlight the main reasons for CSR adoption of individual Japanese companies, while comparing and connecting the separate case studies allows for drawing general conclusions on CSR adoption among early adopting companies and the diffusion process to late adopting companies. This exploratory and descriptive qualitative research, together with the implications of the reviewed theories, will be used to generate hypotheses (Babbie, 2008) in explaining CSR adoption and diffusion in Japan that will be tested in a quantitative model in Chapter 6.[3]

5.1.2. Interview Questions

The interview guidelines were based on previous empirical studies as well as secondary statistical data, company reports, websites, and other publications. Some questions drew on results and conclusions of existing literature on the CSR diffusion in Japan and reasons for CSR adoption at the firm level to compare similarities and differences between results of previous studies and information from interviewees. To avoid limiting the answers of the interviewees, both the 2007 and the 2010 interview series used semi-structured interview guidelines with mainly open-ended questions and only a few closed-ended questions on specific data of the interviewee and his or her organization. If an interviewee raised a new point that appeared to be applicable to other companies, a question on that new point was added to the interview guideline and asked during succeeding interviews with other companies. This has occurred a few times during the exploratory research in 2007.

The scope of interview topics and the scope of interviewed organizations (see Subsection 5.1.4) differ in 2007 and 2010. The interviews conducted in 2007 aimed at developing an understanding of CSR adoption and diffusion in Japan. The questions on the general CSR development in Japan were asked to all interviewees, while questions on the specific companies or CSOs were adjusted to the organization that the interviewee belonged. The 2007 interview guideline consisted of the following topics:

1. Background of the interviewees related to their experience with CSR;
2. CSR development in Japan;
3. Questions specific to the organization, focusing on:
   a. For companies: reasons for CSR adoption of the company named in existing literature such as the role of stakeholders and reputation, particularly in foreign countries, or
   b. For non-companies: the role of the organization as a stakeholder for companies' CSR adoption; and
4. Further remarks and expected development of CSR at the company, within the respective industry, and in Japan.

The 2010 interview guideline included some of the questions asked in 2007 to update the information collected in 2007, but focused on the reasons for the adoption of explicit CSR practices at individual companies and the role of intermediary organizations for CSR diffusion in Japan, as reflected in the following topics:[4]

1. Emergence of CSR practices in Japan through MNCs' exposure to CSR demands of customers and other stakeholders in foreign markets, and through domestic companies' exposure to high stakeholder expectations and public scrutiny due to company scandals;
2. The role of intermediary organizations in disseminating and adding credibility to CSR related information and their influence on companies' decision to adopt CSR;
3. Changes in the importance and practices of CSR since 2007, particularly changes brought about by the global economic crisis; and
4. Further remarks and expected development of CSR at the company, within the respective industry, and in Japan.

The interviewees received the interview guideline three or more days before the interview to allow for preparations such as looking up data or inquiring with colleagues and superiors in the company, as well as to demonstrate legitimacy and generate trust towards the author,[5] as prior studies in Japan mentioned difficulties in accessing Japanese institutions (Bestor, Steinhoff, & Bestor, 2003b).

5.1.3. Accessibility of Data

Since the majority of large Japanese companies disclose CSR-related information to the public, companies were expected to accept academic requests for interviews on CSR more willingly compared to more confidential topics. However, although stereotypes of Japan as a society that is impenetrable to outsiders appear overstated, problems about the openness of Japanese institutions to outsiders still exist (Bestor et al., 2003a: 5). Japanese companies often reject requests for interviews, especially if the target group to be interviewed is the senior or top management.

Introduction by a gatekeeper, a key person who acts as an intermediary between a person of interest and the researcher, helps to obtain access (Merkens, 2009: 288). Many specialists on fieldwork in Japan emphasize the importance of introduction by a third party, which is often a prerequisite to obtain research access to Japanese organizations (Bestor et al., 2003a: 2, 14). Aside from facilitating access to interviewees, a gatekeeper is also helpful in selecting qualified interviewees that add value to the research: interviewees that have the necessary knowledge and experience, the ability to reflect and to abstract, the ability to convey their knowledge, and the time and the willingness to participate in an interview (Morse, 1994: 228).[6]

Two Japanese key persons supported the qualitative research of this study and, in their role as gatekeepers, helped select and establish contact to qualified interviewees that included several high ranking members of Japanese companies and stakeholder groups.[7] The initial group of interviewees was enlarged through a snowball sampling approach by asking the interviewees to recommend further persons of interest to the research (Flick, 2010: 293). A question on possible recommendations of further interviewees was included in the interview guideline that the interviewees received before the interview so that the interviewees had time to consider carefully which other persons they think may add value to the research. All interviewees who recommended persons also helped either directly by establishing contact between the recommended person and the author or indirectly by allowing the author to refer to the recommending person when contacting a recommended person.[8]

While the introduction by gatekeepers secured interviewees' willingness to participate and reveal information, it might incur a bias to the sample: interviewees from early CSR adopting companies are likely to recommend further persons in their network who also belong to early CSR adopting companies. However, the low probability of including late adopter companies with defensive or re-active CSR strategies and the high probability of including early adopter companies with accommodative or pro-active CSR strategies rather ensured the deliberate focus on CSR adoption among opinion leading companies as intended in the non-probability selection of organizations.[9] The following section discusses the sample composition and the advantages and disadvantages of the snowball sampling approach.

5.1.4. Selection of Organizations

Companies and organizations for the sample were chosen based on secondary literature, material available in Japan, and recommendations of Japanese CSR experts. The majority of empirically oriented CSR research focuses on industries from the secondary sector. Since industries in the secondary sector such as automobiles and electronics are among the largest and most capital intensive industries, they tend to have the most extensive and complex array of stakeholder groups, especially with employees, suppliers, customers, communities, and stakeholders with an interest in the environment (Jones, 1999: 167).

Large companies tend to be the agenda setters in CSR. Accordingly, most of the CSR literature has focused on very large companies (Jenkins, 2006: 241),[10] especially on MNCs, as these are more likely to adopt CSR than those companies that only operate in their home country (Chapple & Moon, 2005: 415, 423). The automobile as well as the electronics industry are also the most internationalized industries in relation to their shares of Japanese exports and globalized supply chains (JETRO, 2009).[11] Part of the Japanese international trade is carried out indirectly by Japanese general trading companies (*sōgō shōsha*), acting as intermediaries, especially for member companies of Japanese company conglomerates. To provide some degree of comparability between the cases and to the results of prior research, the interviews will concentrate on the automobile and electronics industry, and include general trading companies due to their important role in mediating trade and information between Japan and foreign countries (see also Subsection 5.2.3).

As the 2007 interview series focused on the reasons for adoption of explicit CSR among early CSR adopting companies, the initial sample concentrates on companies that adopted explicit CSR in Japan before or around the year 2003 and that are regarded to apply strategies of corporate social responsiveness of accommodation or pro-action (see Subsection 2.3.1). Thus, the study population includes opinion-leading companies in regard to CSR adoption from these industries.[12] Opinion-leading companies are easily visible in CSR-related benchmarks and lists but it would not be feasible to identify and access all of them. Therefore, some early CSR adopting companies that are regarded as opinion leaders due to their accommodative or pro-active CSR strategies were chosen based on international and Japanese CSR benchmarks and rankings or recommendations of Japanese CSR experts.

Owing to the networks of the two gatekeepers, it was possible to choose companies and stakeholder organizations according to the above mentioned criteria and some of the interviewees recommended further persons of interest. Thus, the snowball sampling approach helped to gain access to companies that might have rejected a direct interview request by the author and brought forward appointments with persons that the interviewees recommended to be of interest for the research. A direct approach to the companies without the help of gatekeepers might have restricted possible interviewees to public relation and corporate communication officers instead of high-ranking senior managers and board members. Accordingly, the snowball sampling approach increased the number of companies and other organizations of interest and assured the quality of expertise of the interviewees (see Subsection 5.1.3).

Regarding interviews with companies, recommendations during the snowball sampling resulted in including some companies from other industries beside automobiles and electronics that the interviewees considered to be progressive in regard to their understanding, implementation, and outcomes of CSR. For a broad and critical view on the motivations and processes behind CSR adoption, the 2007 interview series included not only interviewees from companies, but also from companies' CSR related stakeholders groups such as CSOs, government agencies, academic researchers, and consultants. To verify the findings of the first interview series, the 2010 interview series focused on companies and business associations. It also included one CSO that could not be accessed during the first interview series.

Companies from the following industries were interviewed: automobiles, electronics, general trading, and insurance and finance. Tab. 11 and

Tab. 11: List of Structured Interviews with Japanese Companies

Year	**Date**	**Industry**	**Company name**	**No. of interviewees**
2007	06. December	Automobiles	Nissan Motor Co., Ltd.	1
	16. December	Automobiles	GKN Driveline	1
	18. December	Automobiles	Toyota Motor Corporation	2
	12. December	Electronics	NEC Corporation	2
	10. December	General Trading	Mitsui & Co., Ltd.	4
2010	05. November	Electronics	Sony Corporation	3
	11. November	Insurance and Finance	Sompo Japan Insurance Inc.[a]	1
	12. November	Electronics	NEC Corporation	1
	17. November	General Trading	Mitsui & Co., Ltd.	1
Total				**16**

Source: author

[a] Sompo Japan and Nipponkoa Insurance established the Joint Holding Company, NKSJ Holdings, Inc. in April 2010.

Tab. 12: List of Structured Interviews with Other Japanese Organizations[13]

Year	Date	Type	Organization name	No. of interviewees
2007	20. November	Government	Ministry of Economy Trade and Industry	1
	29. November	CSO	Amnesty International	2
	17. December	CSO	Japan Center for a Sustainable Environment and Society (JACSES)	1
	14. December	Consultancy	Arata Sustainability Co., Ltd	1
2010	16. November	CSO	Civil Society Organization Network Japan (CSO Network Japan)	1
	17. November	Business Association	Council for Better Corporate Citizenship (CBCC)	2
Total				**8**

Source: author

Tab. 12 list the semi-structured interviews during both interview series in 2007 and 2010, consisting of a total of 24 interviewees from 13 organizations. This includes 16 interviewees from 7 companies and 8 interviewees from 6 other organizations.

5.1.5. Conducting the Interviews

The author was able to prepare, conduct and post-process interviews in Japanese language due to prior participation in fieldwork in Japan.[14] Still, preference was given to conduct the interviews in the English language because it allowed focus on the interview while taking notes and drawing connections between information gathered as the interview progressed. It was expected that the interviewees would be more informative when using the English language instead of their native language, which would put them outside of their everyday professional role. Due to the focus of the sample on Japanese MNCs, half of the interviews were conducted in the English language.

Contact to the interviewees was established through e-mail and in a few cases through direct introduction by the gatekeepers at personal meetings during conferences and workshops. If contacted through e-mail, the communication was in the English language unless the person who introduced the interviewee recommended using the Japanese language. The e-mail invited the interviewees to use Japanese language at any time according to their preference but interviewees usually answered in the same language that was used to contact them. Most written communication, including the semi-structured interview guideline, was therefore in English language, but some interviewees, no matter how well their written English communication was, preferred to use the Japanese language on the day of the interview. Therefore, all interviews were prepared to be conducted either in the English or in the Japanese language.

The interview guideline and a short summary of the research were sent to the interviewees two to three days before the interview. The summary of the research introduced the research topic and research goals without mentioning assumptions on the development of CSR in Japan to avoid influencing the answers of the interviewees. Interviewees were expected to share their knowledge and also opinions on the development of CSR at their company and industry, as well as on the national and global level.

The interviews started with a short introduction of the author and the research project, followed by the statement of the solely scientific purpose of the research and the offer to treat all information gathered during the interview confidentially. Companies were expected to possibly ask that certain data be made anonymous or information treated confidentially. However, most interviewees showed a very open and interested attitude in sharing their knowledge on CSR during the interviews. The agreement of all interviewees on recording the interviews added to the impression of a basically open stance and willingness to share information. Only one interviewee asked for anonymity but allowed the author to use all provided information if not mentioned in direct connection with the name of the company or of the interviewee, and one interviewee asked to exclude one particular piece of information.

Interviewees were asked to provide details regarding the main reasons for CSR adoption and diffusion at their company, industry or in Japan in general, and to illustrate situations that show the circumstances and processes of CSR adoption, internal decision making, and establishment of CSR-related institutions with detailed examples within their personal experience. The information provided by the interviewees was connected to information obtained in advance from publicly available sources such as company annual and CSR reports, statistical handbooks, news, company websites, etc.

In both interview series, the semi-structured interview guideline served to direct the interview to the topics of interest for the research goal and the theoretical expectations of this study. Although all interviews followed the same basic order of topics and questions according to the interview guideline,[15] cross-references to questions that were intended to be asked later or connections to wider topics occurred when interviewees addressed connections to such questions to capture the interviewee's evaluations, opinions, and further background information. The 2010 interview guideline had, due to its explanatory approach, a rather narrow focus on the motives and reasons for CSR adoption and mechanisms of CSR diffusion as compared to a broad scope of topics in the exploratory interviews in 2007. This was done for several reasons: first, to obtain detailed information on the expected reasons for CSR adoption derived from the exploratory research of 2007, second, to focus on the specific circumstances and processes of the particular company, and third, to keep the duration of the interview within 60 minutes. Most of the interviews were completed within 60 minutes but some lasted up to 90 minutes when interviewees wanted to convey more information or recommended further persons of interest for the research.

All interviews were recorded with the agreement of the interviewees and transcribed for further analysis.[16] Three of the interviewed companies will be presented in case studies: Sony Corporation, NEC Corporation, and Mitsui & Co., Ltd. All three companies are among the largest companies in their respective industries, are listed on the Tokyo Stock Exchange (TSE), and are among the highest ranked companies in CSR rankings such as the Asian Sustainability Rating.[17] Therefore, these companies can be considered as leading companies in regard to CSR in their industry. The case studies will illustrate the reasons why these companies adopted CSR earlier than other companies in Japan. The selection of the three cases aims to show various but typical paths and main drivers for CSR adoption of Japanese companies. Each case begins with a short company profile followed by an outline of the company's CSR approach and introduction of its CSR activities. Some of the information will be presented in tables to allow for comparisons between the companies. Then, the main drivers for CSR adoption and the CSR development at the company will be described in the cases based on information from the interviews, additional data integrated from annual reports, CSR reports, company websites, leaflets, brochures as well as internal material of the companies that were provided by the interviewees.

5.2. Case Studies of CSR Adoption by Japanese Companies

5.2.1. Sony – CSR Development at a Global Player

Sony Corporation (Sony) was founded in 1946 independent from the existing large Japanese conglomerates and has grown to a global electronics and entertainment company producing "audio, video, game, communications, key device and information technology products for the consumer and professional markets".[18] In 2010, Sony had 170,000 employees and sales of more than 7,000,000 million yen at the group level.

Tab. 13: Company Profile of Sony Corporation

Company name	**Sony Corporation**
Established	7 May 1946
Listed on Tokyo Stock Exchange	December 1958
Tokyo Stock Exchange code	6758
Places of listings	Tokyo, Osaka, New York, London
Major operations	Audio, video, televisions, information and communication, semiconductors, electronic components
Industry	Electronics and electronic equipment
Number of employees at group level	168,200
Sales at group level (in million yen)	7,181,273
Percentage of foreign sales	70%
Percentage of shares held by foreigners	43%

Source: Sony Corporation, http://www.sony.net/, Access 1 February 2012; Sony Corporation (2011a: 34, 55, 64); Tōyō Keizai Shinpōsha (2010b)

Note: Variable data as of March 2011

With a high percentage of sales generated in the EU and the US and production in all parts of the world, particularly in Asia, Sony is one of the most internationalized Japanese companies. More than 70 percent of the total sales are generated in foreign countries and more than 45 percent of the stocks are held by foreign shareholders. Sony is listed on the New York Stock Exchange since 1970 and on the London Stock Exchange since 1971 and is one of the few Japanese companies that are led by a non-Japanese CEO.[19] As a leading provider of consumer electronics, Sony is a worldwide recognized brand, which exposes Sony to new trends and requirements, especially in foreign markets.

Outline of CSR at Sony

The key phrase of Sony's CSR is "For the Next Generation" denoting the consideration of stakeholder interests in pursuing sustainable corporate value enhancement through innovation and sound business practice. Sony's CSR approach is related to its core business activities, although the company carries out philanthropic activities in selected areas. The basic CSR policy is in line with the Sony Group Code of Conduct which is reflected in CSR activities, disclosure of information, and communication with stakeholders. The CSR activities focus on sustainability in two areas. First, sustainability in business operations, including corporate governance, compliance, quality, and environmental soundness of products among other business related topics. Second, issues related to the realization of a sustainable society by contributing to solutions of contemporary challenges such as climate change or ensuring biodiversity through innovation of products and services.[20]

Tab. 14: CSR at Sony Corporation

Department in charge of CSR	**CSR department**
Documentation of CSR policy	Written
Responsible employee for CSR	Operating officer (board member)
Share of the responsible employee's working time spend for CSR related tasks	Less than half
Participation in global standards and initiatives	GRI ISO 26000 working group WBSCD BSR EICC
Year of first English language non-financial report	1994
Year of first English language CSR report	2003

Source: Tōyō Keizai Shinpōsha (2010a)

CSR activities at Sony

The titles of Sony's non-financial reports reflect the change in Japan "from environmental accountability to CSR" (Brucksch & Grünschloss, 2008). Sony started to publish an English language "environmental report" in 1994 as the second Japanese company,[21] and extended the report to include social issues and changed the title to "environment and social report" in 2002. When in 2003 Sony established a CSR department as the second company to do so in Japan,[22] new issues related to the CSR program were included in the non-financial report and it was named "CSR report".[23] Since the establishment of the CSR department, there has been systematic management of CSR issues, including analysis of stakeholder expectations, engagement with external stakeholders, promotion of CSR inside the company, and implementation of a variety of CSR activities and institutions. CSR at Sony has started with formal and compliance oriented issues. In May 2003, Sony adopted the Sony Group Code of Conduct which covers, in addition to legal and compliance standards, basic policies related to ethical business practices including topics such as human rights, product safety, environment, and information disclosure. This code of conduct takes up principles of international standards and agreements such as the OECD Guidelines for Multinational Enterprises, the UNGC, the UN Declaration of Human Rights, and the Fundamental Human Rights Conventions of the ILO (Sony Corporation, 2003: 12, 2010a: 12). In May 2003, in line with the avoidance of risks related to violations of law and internal policies, a group compliance hotline system was established at Sony in Japan (Sony Corporation, 2003: 12).

As a global company, the basic CSR policy is centralized, but the kind of the response and stakeholder communication is different depending on the region of operation. The Sony Supplier Code, which is based on the Electronic Industry Citizenship Coalition (EICC)[24] code of conduct and applied to suppliers in Japan and abroad, has been established in 2005 (Sony Corporation, 2010a: 35–36). Actual monitoring of suppliers may be higher in countries where the perceived risk of non-compliance is higher than in other countries: "We do some kind of a risk analysis, and then maybe we have more to pay attention to suppliers in China, for example (…). But basically, we try to implement the same programs" (Sony Corporation, 2010b). So while Sony is a global company, its CSR activities are adjusted to local conditions and cover local issues.

The interviewees perceive the acceptance and support of CSR activities at Sony to be "(…) really good after 7 years. (…) Nowadays, more and more people want to engage with CSR activities" (Sony Corporation, 2010b). Apart from the technical aspect of organizing CSR, there is an emotional aspect of CSR that is connected to activities such as corporate voluntarism, the outcome of which depends on employee motivation. Individual motivation depends on awareness and knowledge of CSR, and with continuous education and training programs on CSR, more and more employees pay attention to CSR. About 20,000 employees have participated in some kind of training activity until 2010, but the actual number of employees receiving information about Sony's CSR activities is higher. For example, when the CSR department organizes a lecture at the Sony headquarters, sometimes 1,000 employees attend the event. Still, on a global level, it is challenging to convey CSR activities and its exact benefits to every employee (Sony Corporation, 2010b).

Source of information

Sony implemented its first CSR activities at a time when only few CSR standards or professional sources of information on CSR were available. Existing standards or guidelines such as the GRI initiative or the OECD guidelines for Multinational Enterprises were taken into consideration and standards are still used as a reference to the latest developments. However, standards alone are considered as insufficient for a credible and efficient engagement with CSR: "Personally, I don't think it's of great help just implementing some certain standard; it doesn't help. But of course, we (…) digest what is important of each standard. Then we try to improve our program" (Sony Corporation, 2010b). The regional units entrusted with CSR, for example in the US, China, and European branches communicate with each other. CSR trends can also be identified from questions to new CSR issues included in the questionnaires of rating agencies: "For example, until around 2003, there were not many questions on CSR supply chain management, but now there are rather a huge number of questions related to supply chain management. A recent trend is that some analysts add questions related to innovation. This never happened 5 years ago. So, the issues included in CSR are changing and when looking at trends questionnaires from rating agencies and SRI funds can help. GRI guideline and similar guidelines are followed and new content found for example in the questionnaires sent to Sony is integrated into the CSR report" (Sony Corporation, 2010b). However, most analysts apply a rather simple strategy and send self-assessment questionnaires which contain many items that are answered in Sony's CSR report: "If they really need some more information, they may interview the people, but they never send a big questionnaire" (Sony Corporation, 2010b). So the company receives questionnaires from SRI investors and is also engaged with some overseas CSR associations like BSR or CSR Europe to understand the current trends. Thus, Sony pursues a genuine CSR strategy and learns from the interaction with key stakeholders to extend its CSR agenda.

Challenges

The global economic crisis did not bring major changes to CSR at Sony. Of course, like in all companies affected by the economic crisis, the total budget has been reduced and the CSR budget has been reduced in a similar proportion to the total budget. This does not affect the core CSR activities but rather the operating costs of the CSR department such as allowances for travelling costs. On the contrary, the economic crisis even helped raise CSR awareness: "I think there is not much negative influence to our CSR activities. Rather, (…) somehow this economic crisis made a positive influence on CSR activities, so that people more and more recognize the necessity of CSR activity" (Sony Corporation, 2010b). Especially the top management tries to integrate the idea of CSR management into business operation and attempts to draw a closer connection between CSR management, core business operations, and corporate governance: "What changes more and more, you know, is the integration of CSR into business. Somehow nowadays everybody starts looking at sustainability issues or new business opportunities. So that is kind of new trend after

[the] crisis" (Sony Corporation, 2010b). While the overall CSR approach has remained the same, supply chain issues have gained importance (Sony Corporation, 2011b: 22).[25] Sony is aiming at further enhancing the integration of CSR into its business activities which is supported by the growing understanding and increasing interest towards CSR of the employees. "I think more business integration (…) and then also the employee engagement. I think that now a lot of people want to join CSR activities. And then (…) Sony can play a very important role of the kind of communicator of sustainability issue to the customers (…)" (Sony Corporation, 2010b). In this sense, Sony may act as an opinion leader in diffusing CSR.

Drivers for CSR at Sony

Foreign exposure

Particular interests of some viable Japanese stakeholders receive attention. For example, Japanese employees have a strong expectation for the work-life balance or employee satisfaction, and consumers may have strong expectation for product quality, but CSR related stakeholder demands are stronger outside of Japan: "In Japan and outside of Japan (…) the stakeholder groups are quite different, as you may notice. I mean, in Japan the NGO groups are not so active against corporations; but in the US and Europe, it's quite active and sometimes very aggressive. The government plays a very important role in Europe (…) but in Japan, actually there is no minister for CSR or something like that like in the UK or France" (Sony Corporation, 2010b). As a listed company on the New York Stock Exchange and the London Stock Exchange, Sony has to comply with local laws and rules.

Visibility

Sony has a high visibility due to its worldwide operations as a high profile brand in consumer markets. This makes the company vulnerable to campaigns of advocacy CSOs and consumer groups: "I think our main focus is rather overseas operation, because (…) Sony's difference from other Japanese corporations is its visibility in overseas markets, and Sony is basically similar to Phillips or some European and American companies, basically the same as Apple or HP (…). Sony as a brand is very well recognized and in this regard Sony can become a very easy target for activist movements (…). But other Japanese companies, they are not so visible in European market and American market, so for them it is rather safe (…). When Sony does CSR activities globally, it has to do basically the same thing as European and American companies" (Sony Corporation, 2010b).

Prior negative CSP

One important reason for Sony to observe the global CSR trend was an experience of the consequences of negative CSP in October 2001. Dutch authorities determined that peripheral cables for use with the PlayStation 1 game console showed higher levels of cadmium than allowed under local regulation. Sony had to replace these parts, temporarily suspended shipments of certain products to Europe, reworked certain models to replace similar peripheral parts, and initiated inspections through the entire supply chain. These efforts delayed the delivery of the PlayStation 1 and affected sales of estimated 110 million Euros and profit of about 52 million Euros[26] in the respective fiscal year (Sony Corporation, 2002).[27] This incident served as strong motivation to promote CSR internally so that the company established a CSR department in 2003: "That incident of Play station 1 console (…) actually, that is a major reason of the establishment of the CSR department at that moment. Our top management was seriously concerned about the issue, it should not happen again. So then we have to review our management. (…) That was really the main driver of CSR at first" (Sony Corporation, 2010b).

Perceived benefits and risks

Thus, CSR is also considered as a kind of risk management to avoid reoccurrence of negative incidents, and explains why Sony, like many other companies, started from a CSR approach emphasizing formal institutions for ensuring compliance and avoiding risks: "Of course, we basically do risk analysis and risk mapping and so on, then we consider those kinds of things, too, and stakeholder risks" (Sony Corporation, 2010b).

Participation in joint initiatives

On the international level, Sony is a member of various worldwide CSR organizations including the WBSCD, BSR, CSR Europe, and many other associations and organizations.[28] Sony is one of the founding members of the EICC, a coalition of globally operating and leading electronic companies "working together to improve efficiency and social, ethical, and environmental responsibility in the global supply chain".[29] So far, Sony is the only Japanese company that is a member of the EICC.[30] Sony participated in the EICC because it has presence in overseas market so that it has to pay attention to the same stakeholder requests like other members of the EICC: "Sony is always listed in NGO's reports overseas together with companies like Dell, HP, Apple, and others. So the continuous pressure that Sony receives from CSOs is the main driver for engaging in the joint initiative with companies in similar situations" (Sony Corporation, 2010b).

Sony is also actively involved in Japanese organizations working in relation to CSR. Sony participated in the formulation of the Charter of Corporate Behavior of the Japan Business Federation (Sony Corporation, 2010a: 12), and Sony's co-founder Akio Morita was the first chairman of the CBCC.[31] After it has been established as a designated public benefit organization and has strengthened its CSR focus, the CBCC is currently chaired again by a vice chairman of Sony.[32] The Japan Business Federation and other organizations started to acknowledge the relevance of the term "CSR" and discussed ways for implementation around 2002 and the beginning of 2003. So the global CSR trend was recognized but no Japanese company had established a CSR department at that time. "We established the CSR department almost at the same time Ricoh established a CSR department. I think Ricoh established a CSR department in January 2003 and Sony established in March. As far as I know, we had the second CSR department in Japan" (Sony Corporation, 2010b). After a few companies took the initiative to establish a CSR department, more and more companies considered CSR. Sony, as one of the first companies to adopt explicit CSR institutions and practices appears to have indirectly promoted the diffusion of explicit CSR practices among Japanese companies by its early CSR adoption: "Maybe it was kind of ready to be established (…). So then, somebody stimulated, then everybody started" (Sony Corporation, 2010b). Another example is Sony's implementation of a code green partner system related to the RoHS directive,[33] and auditing of suppliers regarding environmental and other requirements: "Sony was the first company that started such kind of RoHS related auditing, which was regarded with surprise and skepticism by other companies. But after Sony implemented this kind of auditing, also other companies recognized that it is really a necessary step, and (…) followed to implement similar policies" (Sony Corporation, 2010b). Sony further exerts influence on companies with less foreign exposure through CSR related requirements in the supply chain: "The main pressure for smaller companies is not the pressure from secondary stakeholders like CSOs but the pressure from their customer company" (Sony Corporation, 2010b).

Summary

Sony adopted explicit CSR practices as one of the first Japanese companies due to its global brand visibility in consumer markets to hedge versus scrutiny from advocacy CSOs and consumer groups in foreign markets or regulations of electronic products in the EU. Problems with products related to local environmental regulation in an EU country in 2001 EU were a reminder for the necessity to keep up to date with global trends and showed to the senior management that CSR issues have grown in importance in US and EU markets and affect CFP and corporate reputation. This made Sony one of the first Japanese companies that adopted explicit CSR practices so that the company belongs to the adopter category of CSR innovators. As other companies have followed its CSR practices and Sony also passes CSR practices in its supply chain, it can be regarded as an opinion leader within and beyond its industry.

5.2.2. NEC – Integrating Global Standards into Local Approaches

NEC Corporation (NEC), a member of the Sumitomo group, is a major producer of electronics and electronic equipment in Japan. NEC was founded in 1899 under the name "Nippon Electric Corporation" as the first Japanese joint venture with foreign capital and was later renamed to "NEC Corporation" in April 1983. NEC's major operations are divided into IT services, platform, carrier network, social infrastructure, personal solutions, and target mainly business customers. NEC is one of Japan's largest electronics companies with more than 115,000 employees and sales of almost 3,200,000 million yen at the group level in 2011 (NEC Corporation, 2011a: 97).

Tab. 15: Company Profile of NEC Corporation

Company name	**NEC Corporation**
Established	17 July 1899
Listed on Tokyo Stock Exchange	May 1949
Tokyo Stock Exchange code	6701
Major operations	IT Services, platform, carrier network, social infrastructure, personal solutions
Industry	Electronics and electronic equipment
Number of employees at group level	115,840
Sales at group level (million yen)	3,115,424
Percentage of foreign sales	15.4%
Percentage of shares held by foreigners	25%

Source: NEC Corporation, http://www.nec.com/en/global/about/corporate_profile.html, Access 6 February 2012; NEC Corporation (2011a: 3–4); Tōyō Keizai Shinpōsha (2010b)

Note: Variable data as of March 2011 unless stated otherwise

Although NEC is a very large company in the Japanese electronics industry, only about 15 percent of the overall sales are created outside of Japan and foreign investors hold about 25 percent of NEC's stocks so that exposure to foreign influences is rather low. Further, NEC mainly serves business customers so that its visibility is low compared to companies that sell to consumers, but NEC started to adopt explicit CSR practices comparatively early in Japan.

Outline of CSR at NEC

The CSR Promotion Division was founded in 2004 with staff that were transferred from departments engaged with CSR topics such as the social contribution department. The former head of the social contribution department, who had proposed to address CSR in the year 2000, became the head of the new CSR Promotion Division. This senior manager became familiar with CSR in the late 1990s as a member of the CBCC's planning committee, which was exposed to the CSR idea from exchanges with foreign CSR associations like BSR in the US and CSR Europe in the EU, where the topic of CSR was getting attention.

Tab. 16: CSR at NEC Corporation

Department in charge of CSR	**CSR Promotion Division**
Documentation of CSR policy	Written
Responsible employee for CSR	Operating officer (board member)
Share of the responsible employee's working time spent for CSR related tasks	More than half
Participation in global standards and initiatives	UNGC Global Compact Japan Network ISO 26000 working group Japan Business Federation working group leader
Year of first English language non-financial report	1997
Year of first English language CSR report	2004

Source: NEC Corporation, http://www.nec.com/en/global/about/corporate_profile.html, Access 6 February 2012; Tōyō Keizai Shinpōsha (2010a); Corporate Register, http://www.corporateregister.com, Access 21 November 2011

A comparison of the NEC Charter of Corporate Behavior that was established in 1996 with international codes and norms such as the UNGC and the OECD guidelines for Multinational Enterprises showed that human rights were missing from the NEC Charter of Corporate Behavior. With the support of the corporate ethic division, human rights were included in a revised NEC Group Charter of Corporate Behavior that was applied to the NEC group of corporations (NEC Group) to protect the brand of NEC (NEC Corporation, 2007).

To implement the NEC Group Charter of Corporate Behavior in the day-to-day operations, NEC has taken multiple steps to raise the awareness of CSR among employees. The company's vision, values, and code of conduct have been aligned with the revised NEC Group Charter of Corporate Behavior and the NEC Way. The NEC Way is connected to the NEC Group Vision 2017 of "an information society friendly to humans and the earth", which focuses on seven priority CSR initiatives that are regarded as relevant to NEC's business strategies and connected to the core business activities. On the one hand, these initiatives aim at solving CSR issues through business activities such as the establishment of a safe and secure society, climate change and environmental protection, inclusion of all people in the digital society, and building of reliable IT infrastructure. On the other hand, these initiatives address internal management and also support of business activities such as building customer trust, promoting quality, health and safety of employees, risk management, and compliance (NEC Corporation, 2011b: 4–5).

CSR activities at NEC

The institutionalization of explicit CSR at NEC took place in 2004. Building on existing departments and institutions for managing social contributions and environmental protection, NEC institutionalized a more systematic and strategic approach to CSR management. In April 2004, the NEC Group Charter of Corporate Behavior and the NEC Group Code of Conduct were formulated. CSR officers were appointed and the CSR Promotion Division, which directly reports to NEC's president, was established to promote CSR activities across the NEC Group (NEC Corporation, 2004: 3). Accompanying these changes, NEC used the term "CSR" for the first time in the title of its 2004 non-financial report, which has previously been published under the name of "environmental report" since 1997.[34] The company joined the UNGC in May 2005 and is listed in several sustainability and CSR indexes such as the Dow Jones Sustainability World Index, the FTSE4Good Global Index, and the Morning Star Socially Responsible Investment Index (NEC Corporation, 2011b: 26). The head of NEC's CSR Promotion Division and NEC staff has consistently participated in the Japanese working group on ISO 26000 and in the CSR working group of the Japan Business Federation, and NEC is one of the first Japanese companies that instituted a stakeholder review based on the ISO 26000.

While it is easy to join global CSR organizations and establish formal institutions within the company, it is difficult to achieve a positive attitude towards CSR among 115,000 employees of a large company like

NEC. To raise the awareness and understanding of CSR among employees, NEC produced a variety of materials for internal use including brochures, online material, and videos accessible through the intranet. Employee participation is seen to help raise the understanding for CSR awareness and understanding of NEC's approach so that employee participation in philanthropic activities, provision of knowledge to CSO organizations, or active participation in community projects is supported. More than 174,000 cases of employee participation in philanthropic activities were reported in 2010. Attention of all employees to CSR was increased by a note of NEC's president asking all employees to reflect NEC's values with reference to the company brochure "CSR Digest".[35] Such top level management endorsement shows to employees that importance is attached to CSR and that the company charter is meant to be more than "something to put in a frame and hang it on the wall" (NEC Corporation, 2007). The CSR Promotion Division has assigned CSR promoters in local branches and subsidiaries in all regions of the world to help put CSR into practice within the NEC Group.

Sources of information on CSR

CSR practices are perceived to converge globally so that global CSR trends and particularly the developments in Europe are observed, as Europe is regarded as a trendsetter in CSR. The CSR Promotion Division receives information from group companies about local CSR trends. Further, NEC obtains information about the latest CSR trends from its participation in domestic and international initiatives such as the UNGC, the Japan Business Federation, CBCC, and others. At the national level, the CBCC is especially helpful in gathering information about the latest CSR trends, because the CBCC has structured exchanges with foreign CSR organizations (NEC Corporation, 2011c). Although NEC receives few CSR-related requests by CSOs or other secondary stakeholders, it voluntarily engages in dialog with stakeholders to learn about CSR issues and priorities of stakeholders such as CSOs, people living in local communities as well as local people from business, government, and education (NEC Corporation, 2007; Suzuki, 2007: 48).

Challenges

CSR challenges at NEC include improving the conditions in the supply chain, particularly in SMEs in host countries, and raising the percentage of foreign employees at the NEC Group. As part of risk management and compliance, NEC has started to address CSR in its supply chain in 2005 in multiple steps. NEC's president requested 600 supplier companies in Japan to strengthen their CSR practices (Suzuki, 2007: 34). The company first sent a self-assessment questionnaire to its subcontractors to assess CSR in its supply chain and to determine further steps such as auditing and capacity building activities. Another challenge is increasing the employee diversity, especially the percentage of foreign employees. Increasing the number of foreign employees has a clear business case because NEC plans to expand the sales to overseas markets and considers it necessary to employ local staff for achieving market expansion. The interviewees expect CSR at NEC to be further integrated into NEC's business operations to secure the long-term performance of the company in response to the effects of the global economic crisis. On the one hand, the global economic crisis reduced the budget of the CSR Promotion Division in proportion to the reduction of NEC's total budget. On the other hand, the experience of the global economic crisis has raised the awareness for CSR in the company and has promoted a long term view on the company, which is very close to the concept of corporate sustainability: "For the crisis, we need [a] CSR mind. So we need not only short term perspective, but we need long term perspective (…). That's very close to the sustainability and CSR idea" (NEC Corporation, 2011c). The corporate planning division tries to promote this idea by using NEC's vision and values. With the common interest between the corporate planning division and the CSR promotion division, the position of the CSR promotion division has been strengthened, which was further fostered by the president's note encouraging all NEC employees to take the CSR digest as a reference to think about the company vision and how to achieve its goals (NEC Corporation, 2011c).

CSR drivers at NEC

Foreign exposure

While NEC did not receive CSR requests to comply with CSR standards from customers in Japan, the company did receive some CSR requests by business customers from the US and Europe. These foreign business customers pass their CSR code of conduct to their suppliers, among them Japanese companies like NEC, to meet stakeholder and legal requirements in their home countries or in countries where they operate. For example, NEC was one of the top 40 suppliers that Hewlett Packard asked in 2003 to comply with their social and environmental responsibility program, which is based on the EICC's code of conduct. Also, Vodafone demanded NEC to implement CSR criteria in its procurement processes. As NEC did not have systems in place to manage CSR issues in its supply chain such as improving working conditions and human rights in developing countries at that time, the company began to review its code of conduct and started to develop an approach to supply chain issues in April

2004. Since 2005, NEC has included CSR into its procurement standards and consistently demanded its suppliers to consider CSR, thereby playing a role in promoting CSR to suppliers and partner companies (Tanimoto, 2007: 110–111).[36]

Visibility

NEC with its focus on business to business markets has a lower brand image than Japanese companies mainly selling in consumer markets.[37] NEC did not receive substantial pressure to adopt CSR practices from advocacy CSOs like many companies in Western countries. The whole NEC Group receives not more than one or two stakeholder requests per year and almost never from Japanese stakeholders.[38] In the very rare case that a Japanese CSO approaches NEC, the purpose is to cooperate or ask for help in solving some CC issue. Also, SRI investors have asked questions regarding corporate governance and risk management, but in very few cases ask about environmental or CSR issues.

Prior negative CSP

The involvement in a negative incident that was noticed in and outside Japan may have added to NEC's willingness to think over potential risks related to CSR such as compliance issues or product safety. NEC restructured its management and compliance systems after it was caught in a defense-equipment procurement scandal involving price-rigging and bribery in 1998 (The Economist, 2001). Shortly after this incident, NEC implemented a company-wide whistleblower system in 1999 (Suzuki, 2007: 27), showing that certain practices have been implemented in an issue-specific, re-active corporate social responsiveness manner.

Perceived benefits and risks

According to the interviewees, the upgrading of NEC's CSR practices and close monitoring of global CSR trends now offer advantages when competing for orders from customers who include CSP as additional evaluation criteria in competitive tendering procedures beside price, quality, and delivery, and further helps anticipating CSR requirements of customers (NEC Corporation, 2011c). CSR practices are perceived to bring benefits in the form of reducing risks, increasing market opportunities like winning customers and increasing access to capital through SRI, enhancing the brand image and reputation, and increasing the employees' loyalty and motivation (Suzuki, 2007: 47). Among the programs that increase the morale and motivation of employees are events like an annual company internal CSR ceremony and regular communication with branches and subsidiaries.

Participation in joint initiatives

NEC has adopted several CSR standards and norms as well as international certifications like ISO 14001. NEC is a member in many CSR associations and organizations inside and outside of Japan. It has joined the UNGC,[39] the UN global compact network Japan, and the CBCC among others. Further, NEC has already adopted elements of the recently issued ISO 26000 CSR standard such as structured stakeholder review. While NEC has not joined the EICC, it has established a company code of conduct that includes the requirements of the EICC code. Further, NEC has supported the collaboration among companies in the Japanese electronics industry by promoting an industry wide supply chain code of conduct in the Japan Electronics and Information Technology Industries Association (JEITA). JEITA has designed a questionnaire that uses CSR criteria based on the six risk areas used by NEC for assessing CSR in its supply chain. The JEITA code of conduct even includes a few more issues than the EICC code, some of which are specific issues demanded by Japanese society such as information security that companies operating in Japan need to consider (NEC Corporation, 2007).[40]

Summary

The institutionalization of CSR practices at NEC was promoted by the initiative of NEC staff exposed to the global "CSR" trend and supported by other departments and the top management. Minor scandals may have further promoted CSR adoption, but the low visibility of NEC compared to companies with higher exposure to final consumption has prevented that advocacy groups strongly pressure NEC to adopt CSR. Thus, although the share of foreign business is low, NEC has mainly integrated explicit CSR practices due to perceived incentives and risks in its relationship with foreign business customers. The active role of some managers who acknowledged the persistence of the CSR trend NEC facilitated the implementation of explicit CSR practices and the company has introduced systematic CSR management early compared to other Japanese electronics companies. Overall, NEC was not one of the first companies that actively sought to integrate CSR practices. However, among those companies with a comparatively low degree of exposure to foreign influences, it was one of the first companies that integrated a wide array of explicit CSR practices, actively participated in peak business initiatives, promoted an industry wide supply chain code among JEITA members, and directly influenced its suppliers in and outside of Japan, so that NEC can be regarded as a CSR opinion leader at least for those companies in its industry with comparatively low degrees of exposure to foreign influences and final consumption.

5.2.3. Mitsui – Good Corporate Conduct by "Good Quality Work"

Mitsui & Co., Ltd. (Mitsui) is considered as the prototype of Japanese general trading companies (*sōgō shōsha*).[41] Mitsui was founded in 1876 under the name "Mitsui Trading Company", which developed into a large conglomerate, but was dissolved into some 200 companies after World War II by the US-led occupation forces (Yoshino & Lifson, 1986: 10–15). It was reestablished in 1947 as Mitsui & Co., Ltd. which gradually united the companies that had been affiliated with the former Mitsui Trading Company.[42] As a general trading company, Mitsui's business operations span a large scope of business activities covering sales, logistics and financing, development of infrastructure, and other projects in various industries in all regions of the world.[43]

Tab. 17: Company Profile of Mitsui & Co., Ltd.

Company name	**Mitsui & Co., Ltd.**
Established	26 July 1947
Listed on Tokyo Stock Exchange	May 1949
Tokyo Stock Exchange code	8031
Major operations	Mineral resources and energy, global marketing networks, lifestyle business, and infrastructure
Industry	Wholesale and retail trade (general trading company, sōgō shōsha)
Number of employees at group level	40,026
Sales at group level (million yen)	4,679,443
Percentage of foreign sales (2010)	29%
Percentage of shares held by foreigners	36%

Source: Tōyō Keizai Shinpōsha (2010b); Mitsui & Co. (2011a: 3, 74, 81); Mitsui & Co. (2011b)

Note: Variable data as of March 2011 unless stated otherwise

The company employed more than 40,000 people and generated more than 4,500,000 million yen in terms of sales on a consolidated basis in 2010. About 29 percent of Mitsui's total sales are created in foreign countries and foreign investors hold almost 35 percent of the stocks of the company.

Outline of CSR at Mitsui

Mitsui relates the foundation of its CSR to the core values expressed in the words of its founder, Mr. Takashi Masuda: "Avoid infatuation with immediate advantage. For enduring prosperity, harbor grand aspirations" (Mitsui & Co., 2011b: 5).[44] These words reflect an early idea of corporate sustainability in the form of long term prosperity through trustful relations with stakeholders, which Mitsui needed to regain after two compliance breach incidents were discovered in first half of the 2000s.

Tab. 18: CSR at Mitsui & Co., Ltd.

Department in charge of CSR	CSR Promotion Division
Documentation of CSR policy	Written
Responsible employee for CSR	Representative Director
Share of the responsible employee's working time spent for CSR related tasks	Less than half
Participation in global standards and initiatives	UNGC Global Compact Japan Network UN Millennium Development Goals
Year of first English language non-financial report	1997
Year of first English language CSR report	2004

Source: Tōyō Keizai Shinpōsha (2010a); Corporate Register, http://www.corporateregister.com, Access 21 November 2011

Especially the second one,[45] the Diesel Particular Filter (DPF) incident in November 2004, incurred a great loss of money, reputation, and trust.[46] This accelerated the implementation of CSR activities, particularly activities promoting compliance and preventing reoccurrence of similar incidents. Thus, the starting point of Mitsui's CSR approach was to identify the reasons for the occurrence of the DPF incident and implement measures against reoccurrence: "Our CSR started from legal compliance and then expended to other areas. Corporate Governance can't be divided from the compliance issues, which is the very foundation of CSR" (Mitsui & Co., 2007a).

In an internal discussion on how to structure CSR management within the company, a revival of the original values proposed by Mitsui's founder was considered to fit the company history and the problems to be addressed, and these values were integrated into Mitsui's mission, vision, and values. These developments occurred at a time when the Japan Business Federation promoted the first year of CSR in 2003 and the abbreviation "CSR" became widely known in Japan: "Around 2003 the term was used by many Japanese companies in a kind of fashion. This is related to the accumulation of compliance issues at this time" (Mitsui & Co., 2007a).

Mitsui choose the phrase of "good quality work" for a program that should raise the awareness for considering the consequences of decisions for the company and its stakeholders.[47] As implied by the term "good quality work", CSR at Mitsui is closely connected to business operations and focuses on human rights, environment, consumer issues, community involvement, and development out of the core issues noted in the ISO 26000 (Mitsui & Co., 2011b: 5).

CSR activities at Mitsui

The institutionalization of explicit CSR at Mitsui started with the establishment of the CSR Promotion Committee in 2004 to support the development of a company-wide framework for CSR and to increase CSR awareness among employees. In 2006, the CSR Promotion Division was established as a specialized division for promoting CSR-oriented management on a company-wide level with the endorsement of the company's president (Mitsui & Co., 2007b: 21–22). The CSR Promotion Division's task is to promote CSR awareness among employees and to develop strategies and activities for CSR issues, which are elaborated in cooperation with departments in charge of these issues, e. g., the legal division for compliance issues or the human resource division for employee related issues (Mitsui & Co., 2007a, 2010). The CSR Promotion Division had about 40 employees excluding the regional CSR promotion officers and employees from Mitsui branches who are involved in dialog and exchange about CSR (Mitsui & Co., 2011b: 4).

A shift to explicit CSR was visible in the change of the title of Mitsui's non-financial report to "CSR report" in 2004. Mitsui had published an English language "environmental report" since 1997 and a "sustainability report" in 2003. To harmonize corporate governance structures with the goal of doing "good quality work", the employee appraisal system has been revised under consultation of the employees in 2007 (Mitsui & Co., 2009: 8).[48] The company has joined the UNGC in October 2004 and supports the UN Millennium Development Goals since May 2008 (Mitsui & Co., 2011b: 4).[49]

To diffuse the core values among more than 40,000 employees in Mitsui member companies, the CSR Promotion Division uses various materials on CSR like websites, posters, or pamphlets. But the most effective means to raise CSR awareness and gain support is personal interaction through face-to-face talks with key persons in regular meetings and in informal meetings after work. Key persons may become promoters of CSR helping to further raise CSR awareness among employees: "Our approach is 'let's talk face to face'. Then we try to increase the number of supporters (…) and then the supporters are gradually increasing. But it takes time" (Mitsui & Co., 2007a). In other words, the CSR Promotion Division applies a diffusion approach on the individual level trying to influence opinion leaders to become promoters of CSR within the company and thereby generate a self-sustaining process of diffusion. To raise the support for CSR, achievements and improvements are quantified and made visible if possible. The idea is that visible improvements in the company's CSP foster the understanding and identification of all company members with doing "good quality work" more than the conduct of opinion polls on questions such as "do you know what CSR is?" (Mitsui & Co., 2007a). Thus, the CSR Promotion Division employs a long-term approach for diffusing "good quality work" and a strong identification with the company and its values.

This approach can be linked to the original reason for raising CSR awareness as a means to prevent reoccurrence of negative incidents caused by individual employees. If a similar incident occurred again, the CSR Promotion Division would fail its original purpose of assuring that incidents like in 2002 and 2004 never reoccur: "Mitsui pledged that the management and employees of Mitsui as a group would remember the lessons from the DPF incident and continuously take measures to prevent a recurrence of such an incident".[50] Thus, one of the most important tasks of the CSR Promotion Division is to assure that the lessons from the DPF incident are not forgotten, otherwise the company would be exposed to fraud related business risks again: "One of the biggest risks is: people tend to forget. (…) Just three years after the DPF incident (…) people still feel serious about it (…). But in a few years time, if Mitsui's profit is going well, if the company is going well, then many people may forget about (…) the DPF or CSR starting days" (Mitsui & Co., 2007a). These statements emphasize that risk avoidance is at the core of Mitsui's CSR approach and that prior negative publicity is a main driver for CSR at Mitsui.

Sources of information on CSR

One source of information on CSR is organizations such as the UNGC and the Japan Business Federation or lectures by other companies. Information exchange occurs at organizations such as the CBCC, the Japan Business Federation, Japan Foreign Trade Council (JFTC), and Global Compact Japan Network (GCJN). Information exchange further occurs at industry and general trading company forums, and even in university forums where Mitsui staff participates, exchanges opinions, and discusses with staff from other companies. However, since Japanese general trading companies have a unique business model, it is difficult to take over best practices from other companies (Mitsui & Co., 2010). Therefore, the approach to CSR was developed originally at Mitsui, while the framework of "CSR" has been partly adapted from global developments in the US or Europe (Mitsui & Co., 2007a). For example, Mitsui's corporate code of conduct is in conformity with the Japan Business Federation's code of conduct as well as with the UNGC and the OECD guidelines for Multinational Enterprises.

Communication with other stakeholders is mainly carried out as one-sided information disclosure through the company's CSR report. Mitsui also engages in a yearly dialog with selected stakeholders for the composition of the report since 2004. Beside dialog with selected stakeholders, some exchange occurs with business partners and stakeholders with whom the company cooperates in projects, but rarely with other secondary stakeholders (Mitsui & Co., 2010).[51]

Challenges

In September 2010, while the number of employees entrusted with CSR related work and the overall CSR approach remained the same,[52] the CSR Promotion Division has been divided into two sections. All CSR activities related to the main line of business have been integrated into the corporate planning division. Similar to NEC, Mitsui attached CSR activities related to business activities to the corporate planning division. This was done to foster CSR management in the company, promote CSR thinking, and CSR oriented daily business conduct within the company (Mitsui & Co., 2010). Mitsui is promoting CSR initiatives based on the core issues mentioned in the ISO 26000 guideline reaching out to Mitsui's supply chain (Mitsui & Co., 2011b: 4). The CSR policy was extended to its supply chain in December 2007, and, similar to the establishment of a supply chain CSR policy at NEC, Mitsui's first step was to send a letter to all suppliers of Mitsui affiliated companies asking for CSR understanding and cooperation in 2009 (Mitsui & Co., 2009: 8). The implementation of universal supply chain CSR guidelines is challenging because general trading companies are involved in many business activities with different requirements (Mitsui & Co., 2007a). The overall CSR approach of Mitsui has remained unaffected in the face of the global economic crisis (Mitsui & Co., 2010).

CSR drivers at Mitsui

Foreign exposure

In the view of the interviewees, growing importance attached to compliance with CSR standards by Mitsui's foreign business customers has facilitated the implementation of a supply chain CSR policy in 2007. Mitsui passes the requests by its own customers to its suppliers and supplier companies who do not fulfill the requirements are asked to improve, because some of Mitsui's customers even carry out on-site checks in Mitsui's supply chain. Also SRI investors have shown interest in supply chain issues, but as SRI is still small in Japan, SRI investors are a minor reason for implementing such CSR practices (Mitsui & Co., 2010). Influence on Mitsui's CSR also comes from CSR related appeals or regulations in foreign countries. For example, "in response to a call from then Prime Minister Gordon Brown of the United Kingdom in May 2008, Mitsui became a signatory to the proclamation of the United Nations Millennium Development Goals (…)" (Mitsui & Co., 2011b: 4). Overall, Mitsui is exposed to foreign influences through its international business operations and nowadays observes the global CSR development, but its initial CSR adoption has not been substantially driven by pressure from foreign stakeholders.

Visibility

Mitsui, in spite of its size and diversified business operations in many industries and geographic regions, has not received pressure from advocacy CSOs or consumer groups. CSOs do not carry out campaigns against Mitsui, but occasionally request information about the company's CSR approach once or twice a year (Mitsui & Co., 2007a). Even in operations in Western countries like the US or the EU, there are only a few and rather simple requests such as filling out questionnaires, but no pressure or demand to adopt certain practices or obey to certain rules or norms. Thus, the frequency of interaction and the quality of the relationship to stakeholders in and outside Japan is cooperative like in the case of NEC. However, the negative publicity following the compliance breach incidents in the early 2000s increased the company's visibility, because the scandals occurred within a short period of time.

Prior negative CSP

These two incidents of corporate misconduct in the first half of the 2000s, particularly the DPF incident, accelerated the integration of CSR in the management of Mitsui, because its consequences showed that the company may go bankrupt if a similar incident would occur again, and that credibility and trust are indispensable for the company to prosper again. High urgency was attached to the implementation of measures to prevent reoccurrence of similar incidents, regain trust, and rebuild relations with stakeholders. The company website and the CSR report show detailed plans, programs, future goals, and milestones of the CSR development and particular CSR activities at Mitsui, and even give self-critical account on areas that need improvement.[53] For example, the DPF incident is explained in detail in non-financial reports (e. g., Mitsui & Co., 2006: 9–14), the company website,[54] or public presentations on Mitsui's CSR activities (Mitsui & Co., 2010), and is named as the main reason for addressing CSR: "There were many causes for these incidents, but the most deep-seated and the real cause was an overemphasis on winning the game and turning profit at the front line under tough business environment" (Mitsui & Co., 2009: 5). Revealing information about negative incidents indicates a high degree of transparency while many other companies only refer to positive news when reporting about their CSP. Thus, CSR at Mitsui has been seriously addressed mainly in response to the Kunashiri and DPF incidents and their consequences: "It was really severe (…) without these two incidents, we had not thought about CSR so seriously" (Mitsui & Co., 2007a).

Perceived benefits and risks

The most important CSR benefits are the avoidance of risks and the recovery of credibility and trust from stakeholders. Apart from the prevention of reoccurrence of compliance incidents, it is beneficial for Mitsui to avoid criticism or even advocacy campaigns against it for irresponsible business practices. While many companies in Europe have been criticized by CSOs, the chance that Mitsui is targeted by advocacy CSOs in Japan is small, as the power of CSOs in Japan is weaker than in Europe or in the US. But the power of CSOs in Japan is growing in recent years so that CSR becomes more and more beneficial in terms of forward-looking risk management. Most CSR-related benefits and especially intangible ones need time to unfold and may not directly relate to CFP, but investors and people interested in Mitsui are expected to come to appreciate the diligence, transparency, and efforts of Mitsui to achieve good business together with good of the society: "One of the meanings of *yoi shigoto* ["good quality work"] is to get credibility from society and make money" (Mitsui & Co., 2010).

Participation in joint initiatives

Mitsui is a signatory to the UNGC and the UN Millennium Development Goals and was one of the companies in the steering committee of the GCJN and even the head of the committee until 2006 (Mitsui & Co., 2007a; UNGC, 2008). Regarding Japanese business forums, Mitsui participates in the general trading company association JFTC, the Japan Business Federation, and the CBCC. Within these forums, Mitsui exchanges with other companies about CSR activities. While on a case by case basis some general trading companies may exchange about certain topics, ultimately, these companies are competitors and collaboration is limited. For example, there is no collaboration regarding supply chain monitoring among general trading companies like for example in the global EICC or the domestic JEITA in the electronics industry. Thus, Mitsui mainly influences other companies and is influenced by other companies through discussions and exchange of their company's CSR practices at the Japan Business Federation, JFTC, and other national organizations. Mitsui has played an active and decisive role within its industry association, the JFTC, which has a subcommittee on CSR where all general trading companies get together and exchange information and opinions. The JFTC has issued a code of conduct similar to a company code of conduct developed at Mitsui. Further, Mitsui was the first company in the JFTC that implemented a CSR supply chain policy and after explaining the contents and reasons for the implementation at the JFTC, other companies set up similar CSR supply chain policies.

Summary

While CSR in many other companies originated from social and environmental issues, the main driver for Mitsui's CSR adoption were the compliance incidents in 2002 and 2004. The interviewees strongly confirmed that the compliance incidents have accelerated CSR development at Mitsui, also when compared to other general trading companies. Thus, Mitsui developed a company-specific CSR approach mainly due to prior negative CSP and the measures for prevention of reoccurrence of similar incidents are at the core of Mitsui's CSR. The severity of the compliance incidents forced Mitsui to self-critically assess its corporate practices from the viewpoint of CSR and allowed for quick development of a company-specific CSR philosophy and implementation of CSR practices and institutions. This was facilitated by some requests of foreign business customers. The goal of CSR implementation at Mitsui is to change the attitude of all employees touching on corporate governance issues in the long term, for which the CSR department uses a kind of diffusion approach to internally spread the understanding of CSR among company members. By openly disclosing its CSR efforts, the company aims at regaining trust of stakeholders and rebuilding its reputation. Considering that Mitsui takes an active role in the steering committees of organizations such as JFTC and GCJN, and that other companies in the same industry have followed some of Mitsui's CSR practices such as setting up a supply chain CSR code of conduct, Mitsui at times was in the role of a CSR opinion leader within its industry.

5.3. Conclusions From the Case Studies

CSR adoption among the Japanese companies introduced in the case studies was driven by some kind of external pressure rather than by internally perceived incentives that motivate a voluntary and strategic search of new business opportunities: "Basically, the driver is the stakeholder's interest or pressure. Anyway, government, NGO's pressure, then maybe consumer expectation, and employee satisfaction – various types of stakeholder expectations and interests, that's in fact a main driver of CSR" (Sony Corporation, 2010b). However, in Japan, pressure arises only when a company shows non-compliance with existing minimum requirements. In other respects, CSR covers issues that have been expected to be implicitly addressed in Japan, for example employee-related issues: "In Japan, some of the most important issues are employee related issues such as employee diversity and non-discrimination of women and handicapped employees. Employment or promotion opportunities of women, related to the culture or historical reasons, still are very limited in most of the Japanese companies. So this kind of employment diversity is a typical Japanese issue that of course may occur in some other countries, but requires a bit different approach there" (Sony Corporation, 2010b). While some Japanese stakeholders have gained some degree of salience in recent years (see Subsection 4.3.3), the institutions in Japan still limit the chances of stakeholders to acquire salience and influence companies.

The cases showed that in the absence of salient stakeholders acting as change agents in favor for CSR adoption in Japan, pressure for adoption of explicit CSR practices came mainly from foreign stakeholders. The main reason for CSR adoption were a high degree of global visibility combined with conflict with regulations in foreign markets in the case of Sony, requests by foreign business customers in the case of NEC, and damage to the company reputation and relations to primary stakeholders through prior negative CSP – but also CSR requirements from foreign customers – in the case of Mitsui. Accordingly, in the three case studies presented, CSR was adopted due to high degrees of foreign exposure, visibility, prior negative CSP, or a combination of these reasons as proposed by Delmas & Toffel (2004: 215) (see Subsection 3.3.3). While the main reason for CSR adoption varies among the case studies, all three companies share the importance of foreign exposure, particularly exposure to business customers: "Multinational companies (…) take very quick actions to address and meet the requirements of NGOs. (…) So the multinational companies request Japanese companies as part of the international global supply chain to meet the requirements of CSR when they transact" (NEC Corporation, 2007). Thus, even if companies have less extensive global operations, they are often connected through the supply chain to business partners that are exposed to higher demands for CSR in foreign markets. Companies which experienced some or several of the above described pressures adopted explicit CSR practices comparatively early and appear likely to develop innovative and distinguished CSR approaches making them opinion leaders in their industry and business associations.[55]

Occasionally, these practices were mentioned to be taken over by other companies after some companies adopt them and the overall number of adopters increases: "If [our company] starts (…), our competitors have to benchmark. After [our company] implemented, they all recognized that it's really a necessary step. (…) Somehow everybody started benchmarking and then followed"[56] (Anonymized Personal Interview). Institutionalized interaction between companies and their associations was reported to facilitate the spread of CSR practices by offering a venue for exchanging opinions and practices, for example "(…) comparing how other companies organize CSR in the company is of interest, as well as how to deal with external stakeholders. (…) Few companies can draw on former experience with such situation" (NEC Corporation, 2011c).

Regarding the continuity of CSR institutions and practices, at least for the companies included in the qualitative analysis, it turned out that during the global economic and financial crisis, CSR budgets of most companies were unchanged or expected to be temporarily slightly reduced in the short-term, instead of being easily cut off like the philanthropic activities in the early 1990s (see Subsection 4.2.4). Further, a tendency to more closely connect "CSR" to corporate strategies was reported, indicating that CSR is intended to become part of companies' core business.

Overall, the qualitative analysis allowed for examining particular drivers for adoption of explicit CSR practices among CSR opinion leading companies and illustrating the internal implementation process. As far as the cases allow for drawing general conclusions, the main reasons for the adoption of explicit CSR practices correspond to the theoretically expected influences from foreign exposure, visibility, and prior negative CSP with special importance on foreign exposure as reason for initial CSR adoption. Moreover, there are hints that the diffusion of CSR practices is connected to the increasing number of adopters and promotion by public information offered by business associations or other professional information intermediaries. Based on these insights and reasons mentioned in the literature, hypotheses on the relationship between the organizational characteristics and the relative timing of adoption of CSR practices will be formulated in the following. Beside firm level characteristics, hypotheses on the adoption of CSR practices will consider the influence of imitation behavior.

5.4. Hypothesis Development

Previous research on CSR adoption and CSP has examined several organizational characteristics and the effect of these variables seems to be high in case of a voluntary practice such as CSR reporting, because "in the realm of activities above and beyond abiding by the law, the variables (size of the firm, types of products produced, stakeholders affected, and so on) become more relevant" (Carroll & Buchholtz, 2006: 34).

Large companies are likely to have discretionary financial, managerial and technical know-how to engage in costly CSR activities (Balabanis et al., 1998: 36). Organizational size is also a rough indicator for visibility of a company, because larger companies are likely to receive scrutiny from various stakeholders encouraging them to adopt explicit CSR practices (Jackson & Apostolakou, 2010: 379). Therefore large and highly visible companies appear to be likely to develop sustainability practices (PWC, 2002: 2), and to use formal communication channels such as reporting through official documentation to convey information about corporate activities to stakeholders (Cowen et al., 1987: 113). Size has been used as indicator for media and political visibility in empirical studies on voluntary adoption of non-financial reporting (Belkaoui & Karpik, 1989: 40; Patten, 2002b: 765).[57] Gray, Kouhy, & Lavers (1995) reviewed previous research and summarized that size is positively correlated to corporate disclosure of non-financial information. Many studies confirm significant positive correlations between size and disclosure of non-financial information (e. g., Cormier & Magnan, 2003: 101; Cowen et al., 1987: 117, 119; Patten, 2002b: 770), although some results indicate that the influence of size is mediated by industry (Hackston & Milne, 1996: 101–102).[58] Regarding studies on Japanese companies, size has been reported as significant influence for the adoption of GRI guidelines (Tanimoto & Suzuki, 2005) and institutionalization of explicit CSR practices (Suzuki et al., 2010: 379). This leads to the following hypothesis.

H1: Corporate size is positively correlated with early adoption of CSR practices.

Much of the CSR literature posits a globalist hypothesis that draws a positive correlation of CSR to the degree of internationalization. MNCs as liaison actors connect countries where explicit CSR is widely adopted with countries where CSR is not widely adopted. MNCs have channels of communication extending to outside of their national setting and are likely to obtain information about explicit CSR practices, are inclined to imitate the practices they observe at MNCs from other countries, and face stakeholder pressure for CSR adoption when operating in foreign countries (see Section 3.3). They draw on experiences in different countries and create common definitions and systems of CSR because MNCs are subject to the global CSR agenda and its practices. Accordingly, Japanese managers report globalization as an important driver for CSR adoption (Fukukawa & Moon, 2004: 4; Fukukawa & Teramoto, 2008: 140). Also the interviewees contacted for this study confirm that Japanese companies experienced pressure for CSR adoption especially when operating in foreign countries. Suzuki and Tanimoto (Tanimoto & Suzuki, 2005: 11) included foreign sales as a proxy for the exposure of Japanese companies to foreign stakeholders and found a significant positive correlation with the adoption of the GRI guidelines. Suzuki, Tanimoto, & Kokko (2010) also used a firm's foreign sales as a proxy for international business contact (389). Therefore, companies with high shares of foreign sales will be likely to adopt explicit CSR practices.[59]

H2: High shares of foreign sales positively correlate with early adoption of explicit CSR practices.

Further, foreign investors who directly affect corporate decisions and strategies due to their role as definitive stakeholder may exert influence for or against CSR adoption. Previous research has pointed out that active SRI investors may encourage companies to adopt CSR practices (see Subsection 4.3.3). Suzuki, Tanimoto, & Kokko (2010: 383) summarize that foreign investment has been found to increase the likelihood of adoption of the ISO 14000 voluntary standard for environmental management systems at the country level (Neumayer & Perkins, 2004) and at the firm level in Japan (Nakamura, Takahashi, & Vertinsky, 2001; Welch, Mori, & Aoyagi-Usui, 2002), and further to be positively correlated to the support for working parents in Japanese companies (Suzuki et al., 2008). They also identified a strong positive correlation between foreign investment and institutionalization of CSR in the form of a CSR department, an executive in charge of CSR, and codified corporate guidelines of CSR (Suzuki et al., 2010: 379). This view regards foreign investors as diffusers of innovations acting as change agents who have knowledge about foreign practices, are indifferent to concerns about incompatibility between foreign practices and local contexts, and are therefore less cautious in impeding the adoption of new ideas. However, pressure for adoption of CSR practices arises only if the foreign investors put forth urgency for CSR adoption, i. e. belong to the type of active SRI investors. In contrast, conventional investors may rather inhibit the adoption of "costly" CSR practices due to their profit seeking interest which is inherent in the maxima of shareholder orientation of investors from LME countries. Short-term oriented foreign investors then delay or even completely inhibit the adoption of CSR practices of Japanese companies. Most foreign investors in Japan are institutional investors who are regarded as more short-term oriented than individual investors and may promote the reduction of long-term strategic investments. Moreover, the majority of foreign investment in Japan comes from the US, a LME where investors are regarded to maximize returns in the short-term profitability instead of long-term prosperity (Suzuki et al., 2010: 384–385). The above considerations lead to the following conflicting hypotheses.

H3a: High shares of stocks held by foreign investors positively correlate with early adoption of CSR practices.
H3b: High shares of stocks held by foreign investors negatively correlate with early adoption of CSR practices.

Foreign exposure is connected to visibility of companies because MNCs with operations in many countries are likely to be known by the local population. Corporate visibility in terms of a company's competitive market position and brand has been named as an organizational characteristic increasing the likelihood of adoption of CSR practices. Kaptein & van Tulder (2003) report that especially those companies with well known brands are considered to have the best practices in CSR reporting (207). Companies with high brand recognition are more likely to adopt CSR practices in response to stakeholder claims, because CSOs often target companies that have build positive brand recognition over years (Spar & La Mure, 2003: 84, 95–96). The narratives of the interviewees presented in Chapter 5 confirm that companies with strong brands get targeted by CSOs and other stakeholders that actively pressure companies to adopt CSR. This applies especially to MNCs with globally recognized brands. Although companies that are only very visible in their home markets face less pressure in adopting new global practices than globally visible companies, domestically visible companies will imitate CSR reporting earlier than companies without any brand recognition.

H4: A top brand is positively correlated with early adoption of CSR practices.

Institutions facilitate or inhibit the adoption of innovations. The institutional environment has been argued to determine if stakeholder pressure and CSR arise and condition the speed and the degree to which CSR is adopted in a country (e. g., Doh & Guay, 2006). Chen & Bouvain's (2009) results confirm that the scope of CSR reporting varies between companies across different countries, which the authors attribute to national institutions. On the one hand it has been argued that on the country level, companies in CME countries are expected to adopt CSR comparatively later than in LME countries (Kinderman, 2009: 49). On the other hand the VoC literature predicts CME countries to have institutions allowing for rapid diffusion of innovations. Institutionalized company-stakeholder interaction helps diffusing new ideas once they have become widely accepted. As this study does examine one country, differences at the country level cannot be systematically investigated, but the above considerations let assume a rapid diffusion of CSR practices for a "group-based" CME country like Japan, where extensive network ties exist between companies and between companies and their stakeholders (see Subsection 3.1.2). Similarity in the behavior of Japanese companies has been reported before (e. g., Asaba; Asaba & Lieberman, 1999).[60] For the dissemination of information among Japanese companies, the prominent role of intermediary organizations has been pointed out by Pascha & Storz (2008), who found that business associations in Japan play a prominent role not only for sharing information, but also for adding to their credibility and by this providing an important aspect when it comes to newly emerging phenomena in Japan (23). Campbell (2007) reasoned that companies will be likely to adopt CSR practices if they belong to associations that are organized in ways that promote CSR (959–960), which is supported by some early findings (Galaskiewicz, 1991). Thus, membership in national business organizations promoting CSR can serve as an indicator for network ties among companies and their staff, and is expected to promote adoption of CSR practices among member companies.

H5: Membership in national business organizations that promote CSR is positively correlated with early adoption of CSR practices.

Sweeney & Coughlan (2008: 115) report that authors of previous studies have paid attention to industry effects on CSR practices. Sturdivant & Ginter (1977) took into account industry when examining CSR, and Boutin-Dufresne & Savaria (2004: 64) later stated that that the nature of the activities in a certain industry may induce firms in an industry to act more socially responsible. Cottrill (1990) went so far to argue that studies without consideration of the industry level are incomplete, and suggested that "CSR is at least to some extent the product of deterministic forces reflecting industry level realities and not individual firm choices" (723). Simpson & Kohers (2002) pointed out unique industry characteristics in regard to CSR that would justify examining just single industries (98–99). On the contrary, Sweeney & Coughlan (2008) conclude from their results that single industry studies of CSR are flawed because CSR is conceptualized differently across industries as companies appear to conform to the expectations towards their industries. This would rather indicate the importance of industry as a control variable when examining CSR activities of groups of firms (120–121). Some authors suggest not simply controlling for industry effects, but state that many pressures for companies to adopt CSR practices appear at the level of the industrial sector (Jackson & Apostolakou, 2010: 374). Gray, Kouhy, & Lavers (1995) summarize early empirical results of CSR research, stating that "there is some evidence of industry effects but the studies are not clear or consistent enough to assess exactly what, if any, these effects might be" (49–50).[61] Beliveau, Cottrill, & O'Neill (1994) included industry as independent variable to examine its influence on a company's CSP and industry turned out to be highly significant. They relate this to imitation effects as proposed by DiMaggio & Powell (1983) and in general the within industry culture which is determined by historical development resulting in certain structures such as the degree of competition (Beliveau et al., 1994: 735–736). Expected influences arising at the industry level are discussed in the following.

Japanese companies first received stakeholder and institutional pressure for CSR adoption in the environmental dimension and the development of corporate ethics in Japan has been related to the pollution problems in the take-off phase of the Japanese economy (see Chapter 4). In consequence most Japanese major companies attach importance to a sustainable (green) image in a reactive approach to reduce the risk of damages to a company's reputation (Yamada, 2006: 343–344). The focus on the environmental CSR dimension was still strong at the time of the emergence of explicit CSR practices in Japan so that companies belonging to industries with comparatively high environmental impacts are expected to be more probable to adopt CSR practices.

H6: Belonging to an industry with high environmental impact positively correlates with early CSR adoption.

The degree of within-industry competition has been related to a company's likelihood to adopt CSR practices by Spar & La Mure (2003: 95–96): "Both anecdotal and limited statistical evidence leads us to hypothesize that firms situated in industries characterized by strong competition and high brand recognition are more likely to capitulate [to external pressure] than firms in less competitive, non-branded industries (…) when they cannot gauge the precise results of their response" (84). Accordingly, Jones (1999) proposes that the degree of within-industry competition influences in how far companies are inclined to CSR adoption, predicting that the higher the degree of competition the more likely companies to adopt innovative practices instead of colluding with other companies for excluding external interests and preserving the status quo. Also other authors have pointed out that companies in industries with high degrees of competition are more likely to adopt CSR management practices (e. g., Menon & Menon, 1997: 61). In contrast to this Delmas & Toffel (2004) argue in a conceptual paper on the diffusion of environmental management systems that the rate of adoption is high in industries with high market concentration first due to close network ties between companies and second because a few big companies require their suppliers to adopt CSR practices (214). The narratives of the interviewees in the qualitative research part also indicate that Japanese companies are likely to quickly follow the adoption of CSR practices in industries where a few competitors closely observe each other, a tendency that has been emphasized in the literature about Japanese companies before. The above considerations lead to the following conflicting hypotheses.

H7a: Belonging to an industry with low degrees of concentration positively correlates with early CSR adoption

H7b: Belonging to an industry with high degrees of concentration positively correlates with early CSR adoption

Diffusion research, herd behavior, and isomorphism predict companies to be likely to imitate organizational practices under the condition of uncertainty. CSR is a comparatively new management practice which effects are uncertain. Therefore, it is expected that companies imitate CSR practices of early adopters and the likelihood to adopt increases when the number of previous adopters increases. It would be difficult, however, to determine the exact channels of communication through which CSR is introduced to and diffused within a social system. Even when choosing carefully measures for the isomorphic mechanisms promoting CSR adoption, states, MNCs and network ties can facilitate diffusion through different channels, which are difficult to distinguish empirically (Guler et al., 2002: 228). Therefore, rather than distinguishing different channels of communication and network ties, emphasis is given to imitation behavior based on organizational characteristics that companies make perceive each other similar and thus facilitate imitation.[62] Following Liebermann and Asabe (2006), Nikoleva and Bicho (2011) refer to imitation behavior between companies based on the ideas of isomorphism, herd behavior, etc. Moreover, they expect that the initial appeal of new practices is decreasing due to more information about the practice or because of resource depletion. Therefore, many studies on density dependence report a relationship of an inverted-U type due to limited resources and competitive pressure. Thus, an increasing number of adopters attract more adopters, but after a certain number or share of adopters has been reached with a decreasing rate of adoption (see Section 3.3). Following Nikoleva and Bicho, imitation is expected to take place when the overall number of adopters increases (Nikolaeva & Bicho, 2011: 141–142).

H8: As the total rate of adoption across industries increases, the likelihood of adoption by other companies increases at a decreasing rate.

According to the theoretical considerations, organizations in different adopter categories show common characteristics (see Chapter 3). Therefore, a direct comparison between companies in different adopter categories will examine similarities and differences between early and late adopters and at the same time significant similarities among companies in the same adopter category. Moreover, the reasons for early CSR adoption should be related to the outstanding organizational characteristics as formulated above.

H9: The influence of organizational characteristics (size, share of foreign sales, share of stocks held by foreigners, global top brand) decreases from early to late adopter categories.

More specifically, it is expected that the influence of the characteristics that make companies likely to adopt CSR will be higher for companies belonging to early adopter categories than for those belonging to late adopter categories. The organizational characteristics that are relevant for early adopters will also affect later adopters but the degree of their influence decreases. First, diffusion theory argues that early adopters have channels of communication extending outside of their country. Therefore, it is expected that the influence of having a global brand will highly affect early adopters. After an innovation has reached a critical mass resulting in a self-sustaining wave of diffusion, it is likely that companies with domestic brands belong to the early majority.

H10: The influence of having a domestic brand is stronger for late adopter categories than for early adopter categories.

A quantitative analysis will allow for examining differences in the timing of adoption and across adopter categories, as well as the influence of the number of previous adopters on the adoption behavior of companies. The following chapter will provide an analysis of the adoption and diffusion of non-financial reporting because it is one of the CSR practices that has become widely adopted by Japanese companies.

6. Empirical Part II: Quantitative Analysis of CSR Adoption by Japanese Companies

This chapter quantitatively analyzes CSR adoption of Japanese companies. First, the data and models for the analysis will be introduced and relevant drivers for CSR will be operationalized. Then, the results of the analysis will be reported and discussed. Finally, conclusions will be drawn.

6.1. Data and Operationalization

6.1.1. Sampling

The sample is built on companies included in at least one of three CSR data sources. The website Corporate Register offers information on companies' non-financial reports, the website CSR Hub provides information about CSR ratings of companies from all over the world, and the website of the UNGC lists participating companies. These sources provide data on the timing of adoption of CSR reporting, a company's CSP rating, and the timing of adoption of the UNGC principles. Data on other variables is collected from publicly available and professional sources of corporate information: Fortune and Interbrand (World's Most Admired Japanese Companies, Japan's Best Global Brands, Japan's Best Domestic Brands), and the Toyo Keizai Japan Company Handbook (JCH) (share of foreign sales, share of stocks held by foreigners, sales, industry, year of founding).

Data from different sources were matched according to the name of the company.[1] All companies entered in the sample could be classed, but some entries were removed. First, entries were excluded from the sample if data was not available from the Toyo Keizai JCH. Second, as the focus is on large and publicly listed companies, SMEs were excluded.[2] Third, companies with discontinuing operations or merging with other companies were excluded from the sample while the acquiring company was kept in the sample. The data of companies which have merged or renamed was integrated in the data of newly formed companies. For example, if the timing of adoption of CSR reporting of a merged company was earlier than the timing of adoption of CSR reporting of an acquiring company, the year of adoption was taken from the merged company and entered for the company that continued to exist. 64 companies were excluded because they had merged with another company in the sample, 5 providers of non-financial reports were removed because they were non-companies,[3] 3 companies had stopped operations, and 202 companies were excluded because they are SMEs. The final sample contained 577 entries.

6.1.2. Dependent Variable: Adoption of CSR Reporting

Measuring CSR is a rather elusive task. The validity of different measures is contested and all measures have advantages and disadvantages dependent on the CSR definition and the CSR dimensions measured. CSR has been measured through "evaluations by industry experts, single-issue and multiple issue indicators, and surveys of managers" (Jackson & Apostolakou, 2010: 373). Former studies on Japanese companies used CSR disclosure and non-financial reporting as indicators for observable and explicit CSR practices and often applied content analysis including word counts to measure the relative importance attached to different CSR issues or dimensions in CSR reports (e. g., Fukukawa & Moon, 2004; Grieb, 2009; Tanimoto & Suzuki, 2005). For example, Fukukawa & Moon (2004) replicated the study of Yamagami & Kokubu (1991) to identify and evaluate key drivers for growth in CSR of Japanese companies by examining website reporting. Tanimoto & Suzuki (2005) analyzed CSR reports of Japanese companies adopting GRI guidelines. Following former studies, the publishing of non-financial reports will be used as an observable single-issue indicator for the adoption of explicit CSR practices.

CSR related information can be disclosed through various channels, "including annual reports, advertising and other company literatures and media" (Fukukawa & Moon, 2004: 6).[4] One type of disclosure which rapidly emerged in Japan in recent years is the publication of non-financial reports. Jacoby (2007) suggests that non-financial reporting could be quickly adopted by Japanese companies, because "disclosure and transparency are add-ons that can be adapted to the existing Japanese corporate system with minimal disruption to incentive systems and to the ethos of stakeholder governance" (14). Indeed, the number of non-financial reports has risen in Japan within a few years to the highest in the world (KPMG, 2008b: 15–16). Because of its popularity among Japanese companies, non-financial reporting will be used as an indicator for the adoption of CSR practices in Japan. The mere existence of a non-financial report is a very blunt indicator for actual CSP, but the interest here lies in the adoption of observable and explicit CSR practices. As non-financial reporting aims at making a company's CSR efforts explicit to external stakeholders, it is one of the best indicators for the company's adoption of explicit CSR (see Subsection 2.6.3).

The adoption of non-financial reporting is operationalized as the year of publication of a company's first non-financial report. The data on non-financial reporting for a 19 year period (1993–2011) are from the Corporate Register website,[5] which has been used in prior studies as well (e.g., Brammer & Pavelin, 2004: 90).[6] The non-financial reports are further distinguished according to the title of the report: Environmental, health and safety, or responsible care reports are classed as environmental reports. Sustainability or social and environmental reports are classed as sustainability reports. CSR, corporate social responsibility, corporate responsibility, and corporate citizenship reports are classed as CSR reports (see Tab. 19). This allows for distinguishing the publication of a first non-financial report into environmental, sustainability, or CSR report.[7]

The models will be run with two dependent variables: First, any "non-financial report" regardless of the title. This will allow for drawing general conclusions about the adoption of non-financial reporting practices in Japan. Second, as the interest of the study is about CSR as a management practice, the models will be run with "CSR reports" only, to control for differences between the adoption of early non-financial reporting practices and reporting practices related to the CSR concept.

Tab. 19: Differentiation of Non-Financial Report According to Title of Report

Reporting category	**Title of report**
Environmental Report	Environmental Report Health and Safety Report Responsible Care Report
Sustainability Report	Sustainability Report Environmental and Social Report Social Report
CSR Report	CSR Report Corporate Responsibility Report Corporate Social Responsibility Report Corporate Citizenship Report

Source: Author, based on Corporate Register, http://www.corporateregister.com/stats/, Access 22 November 2011; last update 8 January 2012

6.1.3. Independent Variables

The data on non-financial reporting also allows for calculating the independent variables measuring the extent to which imitation explains the adoption of the CSR practice reporting among Japanese companies based on standard operationalization used in density studies as presented by

Gerroski and Mazzucato (2001). The overall diffusion of non-financial reporting in Japan is calculated as the natural logarithm of the change in the number adopters from year to year (Nikolaeva & Bicho, 2011), and included as the time dependent variable "diffusion".[8]

Data on top global brands is taken from the publications "Japan's Best Global Brands" published by Interbrand[9] and "World's Most Admired Companies" published by Fortune.[10] The Interbrand data are regarded as a reliable source and have been used in several academic papers (e. g., Chu & Keh, 2006; Madden, Fehle, & Fournier, 2006; Nikolaeva & Bicho, 2011).[11] To be included in the Interbrand's "Japan Best Global Brands" report, a brand has to be created by a Japanese company that must be listed on the stock exchange, make analyst reports available, and generate more than 30 percent of its sales outside of Japan (InterBrand, 2012: 11–12).[12] The Fortune Magazine compiles in the World Most Admired Companies report ratings of corporate reputation of hundreds of companies across 57 industries by asking several thousand executives, directors, and security analysts about nine criteria including investment value to CSR. Fortune data has been frequently used in studies investigating the CSR-CFP relationship in both directions as a measure for reputation and in some cases as a proxy for CSP (Margolis & Walsh, 2003).[13] Fortune rankings are displayed online and the results for Japanese companies were included in the sample. Both the Interbrand report on Japan's Best Global Brands and the Fortune ranking focus on global companies so that inclusion in one of these rankings is a proxy for global visibility. The screening of both data sources showed that changes in the rankings occur slowly and brand names appear over several years in the list. As brands need time to be created (see Subsection 2.5.2), it can be expected that a company which has been once listed among the Japanese top brands is still visible to the public even if a company disappears from a list at a later point in time. In the same manner companies which appear in one of the lists at a later point in time can be expected to have been quite visible to the public earlier. Therefore, listing in either the Interbrand report or the Fortune ranking is treated as time independent dummy variable "global brand" with positive values if a company appears in one of the lists and zero-values if a company never appears in one of the lists otherwise. Listing in the Interbrand report on domestic brands is operationalized in the same way and shortened as "domestic brand".

Regarding the membership in national organizations promoting CSR adoption, membership in Japanese business associations promoting the adoption of CSR practices is included. Statements and publications by Japanese intermediary organizations like the Japan Business Federation, CBCC, and Japanese Association of Corporate Executives are forms of public information that may increase the adoption of CSR. However, unlike most global organizations promoting CSR, the Japanese business associations do not publish member lists and it was not possible to receive this information from them through direct requests. A member list could be compiled from the CBCC website in Japanese language, but no information could be received on the date of joining the CBCC. Based on similar considerations as for the time-intensive process of brand-building (see above), it is assumed that although a company may possibly not have been a member in the CBCC before adopting the CSR practices, the company was inclined to join due to a positive attitude towards the values as stated by the CBCC. Therefore, CBCC membership is included as time independent dummy variable "cbcc member" coded as one for members and zero for non-members.

Longitudal corporate data is taken from the Toyo Keizai JCH, which has been published quarterly since 1937 and covers financial data of companies listed on the first and second sections of Japan's three major stock exchanges of Tokyo, Osaka, and Nagoya. The JCH has been used as a source of firm level data in many quantitative studies on Japanese companies including studies with regard to CSR (e. g., Suzuki et al., 2008; Suzuki et al., 2010). Longitudal firm data was taken from the CD editions for share of stocks held by foreigners, share of sales in foreign countries, and annual sales.[14] The percentage of stocks held by foreigners is included as the time dependent variable "foreign investors" taken from the data of the JCH.

Also the share of sales in foreign countries is included as the ratio of foreign sales to overseas sales as the time dependent variable "foreign sales". One deficit is that the available data encompass foreign sales regardless of country of operation, while for the adoption of CSR the exposure to countries with high CSR requirements like the US or the EU are of particular interest. However, despite the growing trade relations with Asian countries, the EU countries and North America are still the most important export markets for finished products of Japanese companies (Pascha, 2010: 141–142), so that the overall foreign sales ratio can be expected to be an acceptable indicator for foreign exposure. Both the share of stocks held by foreign investors and the share of foreign sales from the JCH has been used in previous studies as a measure for foreign exposure of Japanese companies (e. g., Suzuki et al., 2010).

The size of a company is operationalized as the annual sales. Sales has also been frequently used in studies employing only one indicator for size (Belkaoui & Karpik, 1989; Patten, 1991, 2002a; Roberts, 1992). Sometimes, the number of employees or the value of assets has been used as a measure of corporate size (e. g., Hackston & Milne, 1996; Suzuki et al., 2010). For example, in studies on CSR of Japanese companies, size has often been measured as the number of employees (e. g., Suzuki et al., 2010; Tanimoto & Suzuki, 2005) based on the consideration that the availability of human resources is important for the institutionalization of CSR (Suzuki et al., 2010: 389). Others have used sales or a four-year average of revenues as a measure for size (Belkaoui & Karpik, 1989; Roberts, 1992). While data on the number of employees and the annual sales can be obtained from the JCH, only annual sales is included because the different measures for size are highly correlated (e. g., Hackston & Milne, 1996),[15] and sales better reflects the argument that size represents financial capability. The time dependent variable "size" is included using logarithmic transformations because variables with large absolute values can override other variables during the iteration process of the logistic regression (Roberts, 1992: 600).[16]

Further, time independent firm data was taken from the Toyo Keizai JCH including industry and date of founding. This data was available in the JCH for all companies in the sample. For variables at the industry level, the classification of a company's industry is taken from the JCH which follows the categorization into 33 sub classifications of industries as defined by the Securities Identification Code Committee (SICC) in 2003.[17] The SICC sub classification is used by the Tokyo Stock Exchange,[18] and has been used for academic purposes before (e. g., Okada & Yamasaki, 2005). As 33 is a rather high number of industries in light of 577 companies in the sample, at least for the descriptive statistics the SICC 10 main classifications are used for better readability. However, as the main classifications include industry groups that span several industries, industry specific differences that are visible in the sub classification would get blurred.[19] Therefore, the SICC sub classification is used to calculate variables at the industry level.

Industry concentration has been used as a proxy for competition in an industry where high concentration indicates market power of a few firms and equates with low competition. Industry concentration is a measure of the market share of the largest firms within an industry and is typically operationalized using the Herfindahl index or four and eight firm concentration ratios (e. g., Cottrill, 1990: 727; Nikolaeva & Bicho, 2011: 147).[20] Four and eight firm concentration ratios are the most common measure and are calculated as the summed market share of the largest four or eight firms, while Herfindahl indexes require more sophisticated calculations.[21] For calculating these measures, it is necessary to distinguish an industry and have information about all firms in an industry. Without access to the information necessary to calculate these measures, researchers have applied alternative measures for industry concentration. For example, Cottrill (1990) calculated a four firm index based on the data of available firms only in absence of data for all firms within an industry. He accepted that the calculation on only ten firms overstates the actual industry concentration because they assumed that the overstatement would be systematic across industries (727). Nikolaeva & Bicho (2011) used a count of firms in an industry in their sample as a proxy of the concentration in an industry. The higher the count, the less concentrated the industry resulting in higher degrees of competition. A count of firms in an industry is a rather simple measure, but Nikolaeva & Bicho's results showed the expected positive correlation between high competitive intensity and adoption of GRI principles (147).[22] Here, the approach of Cottrill is followed by calculating the variable "industry concentration" as the four-firm concentration ratios for the industries based on all companies included in the JCH. Since the JCH encompasses almost 4,000 very large companies, the included companies can be expected to reflect the approximate actual concentration in an industry.

Companies in industries with high environmental impacts have been proposed to adopt CSR practices earlier than others. High environmental impacts are associated with highly visible issues such as global warming and pollution such as oil spills, and companies in industries with such activities are argued to receive more observation and pressure from stakeholders. Empirical research shows some proof for this assumption. For example, Cowen, Ferreri, & Parker (1987) found that while the scope of disclosure is similar across industries, the degree of disclosure on certain topics differs (117, 120). Industries such as metals, mining and resources, pulp and paper, energy, water and chemicals have often been classified to have high environmental impacts (see e. g., Brammer & Pavelin, 2004: 88; Cowen et al., 1987: 113). Some have followed the classification of high environmental impact industries of previous authors. For example, Patten (2002b) defines environmentally sensitive industries according to Cowen, Ferreri, & Parker (1987) and Patten (1991), coding firms belonging to the chemical, metal, paper, and petroleum industries as environmentally sensitive (Patten, 2002b: 770). Tanimoto & Suzuki (2005) categorize firms belonging to manufacturing, natural resource and energy to be environmental related sectors (11). While natural resources and energy are often categorized to have high environmental impacts, newer manufacturing industries are proposed to be associated with few highly visible environmental issues and significantly lower environmental impacts (Brammer & Pavelin, 2004: 88). However, "all such classifications are to an extent subjective and *ad hoc*" (Hackston & Milne, 1996: 88). A more complex approach has been employed by Brucksch (2010) who reviewed several sources to assess the environmental impact of different sectors. The assessment criteria include the existence of large numbers of environmental stakeholders, manifold articulation of environmental expectations by stakeholders, large number of environmental problems, and the intensity of the degree of possible sanctions or pressure by environmentally interested stakeholders (96). Environmental impact is included as a time independent dummy variable "environment" coded as one for industries defined to have high environmental impacts according to the categorization by Brucksch and zero otherwise.[23]

For control purposes, corporate age is included as prior research has suggested that age would act as intervening variable (e. g., Cowen et al., 1987; Roberts, 1992). For example, a company's reputation and involvement in CSR activities may become embedded in a path dependent manner (Roberts, 1992: 605). "Age" of a company in the year of an observation is calculated as the number of years the companies existed based on the date of founding as provided in the JCH. The independent variables, abbreviations, levels of measurement, definitions, data sources, and predicted signs are listed in Tab. 20.

6.1.4. Model

Beliveau, Cottrill, & O'Neill (1994) pointed out that explanation of differences in CSR across firms, industries, and countries that take into account institutional arguments need investigation through event history analysis, because such differences only show in historical investigations of adoption and diffusion (736). However, historical investigation of adoption and diffusion of CSR has been scarce with a few exceptions only. Nikolaeva & Bicho (2011) state that they did not find any study on voluntary CSR reporting tracing the process of adoption over time (137). The author of this study could only find one study by Vidal, Bull, & Kozak (2010) taking reference to diffusion research and building on the ideas by Rogers (2003) but using a qualitative approach. In contrast, Nikolaeva & Bicho (2011) used a quantitative duration model for examining GRI adoption among a sample of top global companies including companies from emerging markets to address this research gap. This study will further extend the knowledge about the process of CSR reporting adoption over time in a certain national institutional environment by investigating the timing of adoption of a CSR practice among large Japanese companies in a duration model.

A duration model offers the advantage to include information from adopting as well as non-adopting companies in the sample. Non-adopting companies are treated as censored data in duration models. Therein,

Tab. 20: List of Variables

Variable	Abbreviation	Level of measurement	Definition	Data source	Predicted sign
Dependent Variables					
Non-financial reporting		dummy	1 if company adopted non-financial reporting in year t	Corporate Register	
CSR reporting		dummy	1 if company adopted CSR reporting in year t	Corporate Register	
Independent Variables					
Size	size	metric	Natural log of annual sales in year t	Toyo Keizai	+
Foreign sales	foreign sales	metric	Share of overseas sales of total sales in year t	Toyo Keizai	+
Foreigners share of stocks	foreign investors	metric	Share of stocks held by foreign investors in year t	Toyo Keizai	+/–
Global brand	global brand	dummy	1 if included in Interbrand's list of Japan's Best Global Brands or in Fortune's World Most Admired Companies	Interbrand, Fortune Magazine	+
Domestic brand	domestic brand	dummy	1 if included in Interbrand's list of Japan's Best Domestic Brands	Interbrand	+
Member in national CSR organization CBCC	cbcc member	dummy	1 if member of the Japanese Council for Better Corporate Citizenship	CBCC	+
Environmentally sensitive industry	environment	dummy	1 if belonging to an industry with high environmental impact	Toyo Keizai	+
Industry concentration	concentration	metric	Four-firm concentration ratio in the SICC industry sub-classification based on all entries in the Toyo Keizai JCH	Toyo Keizai	+/–
Diffusion	diffusion	metric	Natural log of change in number of adopters from previous year in year t (see Nikolaeva & Bicho, 2011)	Corporate Register	+
Control Variables					
Age	age	metric	Age of the company in years in year t	Toyo Keizai	

the hazard rate *h* expresses the probability that an event occurs at time *t* given that it has not occurred until time *t*, which can be made conditional on covariates *X*:

(1) $h_{it} = \Pr(T_i = t \mid T_i \geq t; X_{it})$

where X_{it} expresses a vector of covariates for firm *i* at time *t* which may vary with time and *T* expresses the discrete variable that signifies the adoption of non-financial and CSR reporting. The data is available only on a yearly basis resulting in adoption-timing ties. Therefore a discrete hazard model is used applying a cox regression logit model as used by Nikolaeva & Bicho (2011).[24]

(2) $h_{it} = \frac{1}{1 + \exp^{(-\alpha_t - \beta' X_{ikt})}}$

wherein α is the baseline hazard and X_{ikt} expresses a vector including covariates for firm *i* in industry *k* at year *t*.

(3) $\log\left(\frac{h_{it}}{1 - h_{it}}\right) = \alpha_t + \beta' X_{ikt}$

This model is rewritten in the following equation by inserting the variables as listed in Tab. 20:

(4) $\log\left(\frac{h_{it}}{1 - h_{it}}\right) = \beta_1 + \beta_2{*}\ln(\text{size}_{it}) + \beta_3{*}\text{foreign sales}_{it} + \beta_4{*}\text{foreign investors}_{it} + \beta_5{*}\text{global brand}_i + \beta_6{*}\text{domestic brand}_i + \beta_7{*}\text{cbcc member}_i + \beta_8{*}\text{environment}_k + \beta_9{*}\text{industry concentration}_k + \beta_{10}{*}\ln(\text{diffusion}_t) + \beta_{11}{*}\text{age}_{it}$

The cox regression has the disadvantage that it assumes constant hazard rates over time. However, diffusion research predicts companies in different adopter categories to show different organizational characteristics, which would result in different degrees of influence and significance of the independent variables across adopter categories. It is not sure that all independent variables will have the highest influence on companies in innovator and early adopter categories, which is reflected in H9 predicting that some of the independent variables related to organizational characteristics will be stronger for the early adopter categories. Therefore, the influence of the independent variables for belonging to a certain adopter category will be further examined with a multinominal regression, which allows comparing the likelihood for belonging to a certain adopter category in comparison to a reference category.

The multinominal logistic regression is a logistic regression where the dependent variable can have more than two categories. If there are only two categories, the binary logistic regression as a special case of the multinominal regression can be applied, and for illustrating the model the binary regression model is introduced first:

(5) $P(y_i = 1) = \pi_i$

wherein π_i expresses the probability for belonging to adopter category 1 of firm *i*.

(6) $= F(z) = \frac{e^z}{1+e^z} = \frac{e^{\beta_1+\beta_2 x_{2i}+\cdots+\beta_k x_{ki}+\cdots+\beta_K x_{Ki}}}{1+e^{\beta_1+\beta_2 x_{2i}+\cdots+\beta_k x_{ki}+\cdots+\beta_K x_{Ki}}}$

The dependent variable in the multinominal logistic regression with more than two categories can take J nominal scaled values from 1, 2, …, j, …, J, which can be generalized as:

(7) $P(y_i = j) = \pi_{ij}$

wherein π_{iJ} expresses the probability for belonging to adopter category *j* of firm *i*. Like in binary logistic regression models, the likelihood function is maximized in an iterative process. Also the coefficients are interpreted like in the binary logistic regression model, but have to be placed in comparison with the reference category. One of the categories is redundant because its probability can be determined as follows:

(8) $\pi_{iJ} = 1 - (\pi_{i1} + \pi_{i2} + \ldots. + \pi_{ij} + \ldots. + \pi_{i(J-1)})$.

While the redundant category can be deliberately chosen, usually category J is chosen. Here, the assessment on probabilities for belonging to a certain adopter category in this regression model will be based on the reference category of "non-adopters". As "non-adopters" are used as reference category, positive coefficients increase the probability of a company for belonging to the comparison category and decrease the probability for belonging to "non-adopters".[25]

6.2. Descriptive Statistics

There are 577 companies in the sample and almost 60 percent belong to manufacturing industries (see Tab. 21). Of the 577 companies, 372 companies have published a non-financial report of any type between 1993 and 2011. While the number of adopters of non-financial reports has increased gradually, the majority of the adopters published their first report in or after the year 2003 and less than 13 percent of the adopters published their first non-financial report before the year 2000 (see Appendix Tab. 38). The median of the year of publishing the first non-financial report is 2003 with a standard deviation of almost 4 years, implying that half of the companies adopted non-financial reporting between 1999 and 2007 (see Tab. 22).

Of the 372 companies that ever published a non-financial report, 226 companies published a CSR report between 2003 and 2011 (see Tab. 22).[26] The median of the year of publishing a CSR report is the year 2007 with a standard deviation of about two years and a slightly positively skewed (0.28) distribution.

Tab. 21: Number of Companies in the Sample by Industry

SICC main classification	**Number**	**Percent**
Fishery, Agriculture & Forestry	2	0.3
Mining	11	1.9
Construction	19	3.3
Manufacturing	339	58.8
Electric Power & Gas	13	2.3
Transportation, Information & Communication	60	10.4
Trade	45	7.8
Finance & Insurance	58	10.1
Real Estate	11	1.9
Services	19	3.3
Total	577	100

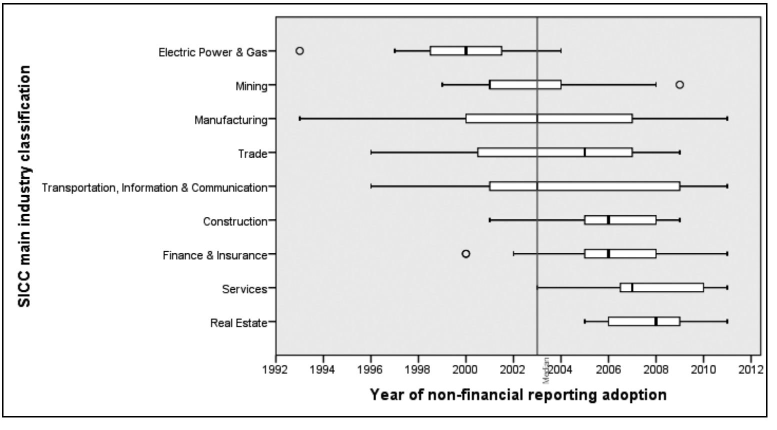
Tab. 22: Average Year of Publishing the First Non-Financial Report

		"Non-financial"	**"CSR"**
N	Valid	372	226
	Missing	205	351
Median		2003	2007
Std. Deviation		3.867	1.981
Skewness		-0.10	0.280
Standard Error of Skewness		0.126	0.162
Range		18	8
Minimum		1993	2003
Maximum		2011	2011

Differences in the average timing of adoption of non-financial reporting and CSR reporting across industries are examined using box plots. Box plots allow for descriptively comparing distributions between several groups of data by depicting the smallest observation, lower quartile, median, upper quartile, and largest observation. They also allow for examining differences in the spread and skewness of data and identifying outliers.

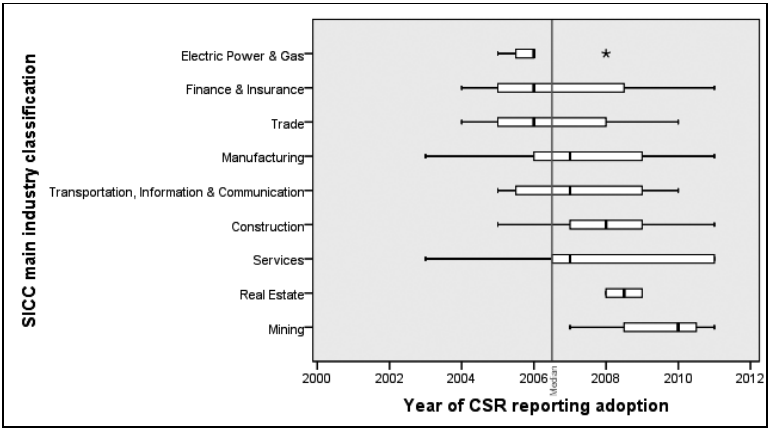
The box plot of the year of publishing a non-financial report by industry shows that the median year of adopting non-financial reporting is lower in resource intensive industries such as electric power and gas and mining than the median for all companies in the sample (see Fig. 8). On the contrary, while the statistical values indicate that some companies in trade industries adopted non-financial reporting comparatively early in the mid 1990s, their average year of adoption is higher than the average year of adoption of all companies in the sample. Most boxes are centered within their whiskers and most of the boxes that are not centered between the whiskers are shifted to the high end of the x-axis indicating that the distributions of adoption within these industries are negatively skewed. Boxes for electric power and gas as well as mining industry are shifted to

Fig. 8: Box Plot: Year of Adoption of Non-Financial Reporting by Industry



Note: The bottom and top of the boxes are the lower and upper quartiles (25 percentile and 75 percentile), the band within the box is the median, and the ends of the horizontal lines (whiskers) represent the minimum and maximum of the data lying within 1.5 of the range between lower and upper quartile (inter quartile range or length of the box) from the end of the box. Outliers exceeding a distance of 1.5 inter quartile ranges from either end of the box are shown as circles and extreme values exceeding a distance of 3 inter quartile ranges from either end of the box are shown as asterisks.

Fig. 9: Box Plot: Year of Adoption of CSR Reporting by Industry



Note: The bottom and top of the boxes are the lower and upper quartiles (25 percentile and 75 percentile), the band within the box is the median, and the ends of the horizontal lines (whiskers) represent the minimum and maximum of the data lying within 1.5 of the range between lower and upper quartile (inter quartile range or length of the box) from the end of the box. Outliers exceeding a distance of 1.5 inter quartile ranges from either end of the box are shown as circles and extreme values exceeding a distance of 3 inter quartile ranges from either end of the box are shown as asterisks.

the low end implying positive skewness which points out a steep increase in the rate of adoption in these industries.

The box plots for the year of publishing a CSR report shows low median values for the electric power and gas industry (see Fig. 9). In contrast to non-financial reporting adoption, the financial and insurance industry replaces the mining industry in terms of early adoption. For the industries with low mean values for the average year of adoption, boxes are shifted to the low end of the figure indicating quickly rising rates of adoption. It may be that the rate of adoption of CSR reporting is comparatively high because many companies previously have adopted non-financial reporting and just need to change the title of their environmental or health and safety report to CSR. But only the electric power and gas industry shows low average years for adopting both non-financial and CSR reporting. Thus, previous reporting does not guarantee early adoption of CSR reporting.

But it may be that differences in the type of previous reporting influence the adoption of CSR reporting. Fig. 10 shows a box plot on the average duration of publishing a CSR report dependent on the previous reporting practices of a company. The median of adoption is lowest for those companies that previously published only environmental reports. Moreover, the position of the median in the left side of the box indicates positive skewness which points out an initially high rate of adoption of CSR reporting. In contrast, companies which previously published sustainability reports adopt CSR reporting later on the average. Even more, companies publishing sustainability reports as their first reports adopt CSR reporting later than those which never adopted any kind of reporting before. This implies that companies that decide to apply a sustainability approach tend to stick to the sustainability concept before switching to CSR.

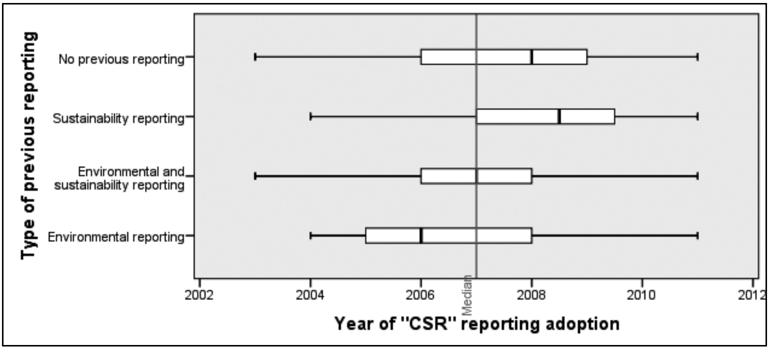
Next, the influence of the independent variables on the timing of the adoption shall be descriptively examined. The effect of single dichotomous variables on the rate of adoption of reporting practices can be examined with Kaplan-Meier estimates. Kaplan Meier is a univariate technique used to analyze survival-time data. This univariate event history analysis treats the publishing of a first report as absorbing state, meaning that a company which adopts CSR reporting is removed from the "surviving" companies.[27] If there is a positive influence on the time to adoption by the independent variables, there will be significant differences in the rate of adoption and share of adopters over time. The dichotomous variables in the model are "cbcc member", "global brand", "domestic brand", and "environment". The log-rank tests confirm highly significant ($p < .001$) differences between the values of the dichotomous independent variables "cbcc member" and "global brand" on the rate of adoption of both CSR and non-financial reporting (see Tab. 23). Moreover, the results show that "environment" and "global" brand are of higher importance and "domestic brand" is of lower importance for the adoption of non-financial reporting than for the adoption of CSR reporting.

The survival over time can be depicted in survival curves that allow for comparing the share of adopters and the rate of adoption over time and revealing differences between groups in the duration of time to the event "adoption". The survival curves for "cbcc member" and "global brand" show remarkably high rates of adoption and a steep increase in the share of adopters for the positive values of the dichotomous variables (see Fig. 11 and Fig 12).

Tab. 23: Log Rank (Mantel-Cox) Tests of Equality of Survival Distributions

	CSR reporting		**Non-financial reporting**	
	Chi-Square	**Sig.**	**Chi-Square**	**Sig.**
Global brand	40.502	0.000	115.573	0.000
Domestic brand	8.048	0.005	0.741	0.389

Fig. 10: Box Plot: Year of Adoption of CSR Reporting by Type of Previous Reporting



Note: The bottom and top of the boxes are the lower and upper quartiles (25 percentile and 75 percentile), the band within the box is the median, and the ends of the horizontal lines (whiskers) represent the minimum and maximum of the data lying within 1.5 of the range between lower and upper quartile (inter quartile range or length of the box) from the end of the box. Outliers exceeding a distance of 1.5 inter quartile ranges from either end of the box are shown as circles and extreme values exceeding a distance of 3 inter quartile ranges from either end of the box are shown as asterisks.

	CSR reporting		Non-financial reporting	
	Chi-Square	**Sig.**	**Chi-Square**	**Sig.**
CBCC member	58.023	0.000	64.201	0.000
Environmentally sensitive industry	6.190	0.013	83.340	0.000

While the log-rank tests shows some significant differences for the variables "environment" and "global brand", their survival curves of adopters and non-adopters cross so that they cannot be interpreted. Thus, especially those companies which are members of the CBCC and own a top global brand show very high rates of adoption. The rate of adoption for the companies with positive values for the dichotomous variables is higher between 2005 and 2007 than during other years. In this context it is noteworthy that in the year 2004 the percentage of total adopters exceeds 13.5 percent, the threshold value predicted by diffusion research for the critical mass of adopters necessary for activating network-ties between the members in a social system. The rate of adoption decreases after 2009 which can be explained with saturation effects. However, the effect of the variables may differ when using multivariate instead of univariate analysis. In

Fig. 11: Kaplan Meier Cumulated Hazard Rate of CSR Reporting Over Time by Dichotomous Variables

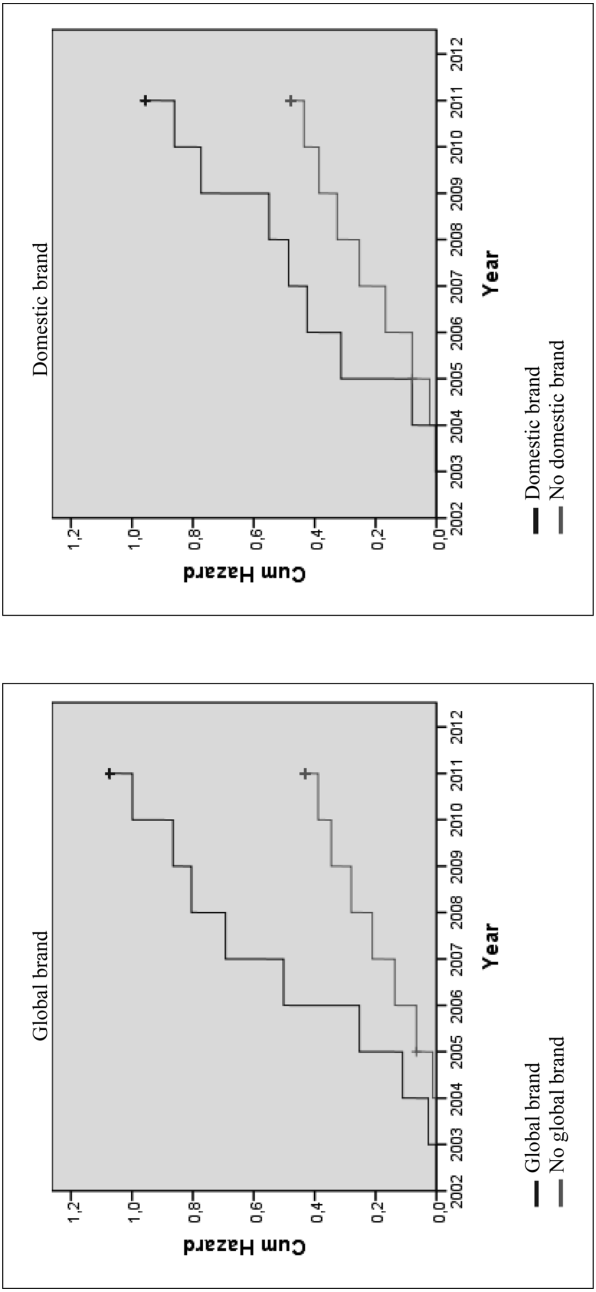
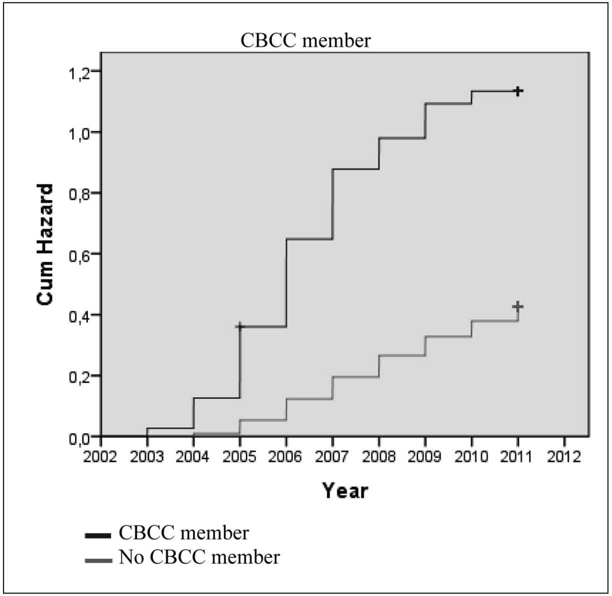


Fig. 11: Kaplan Meier Cumulated Hazard Rate of CSR Reporting Over Time by Dichotomous Variables (continued)



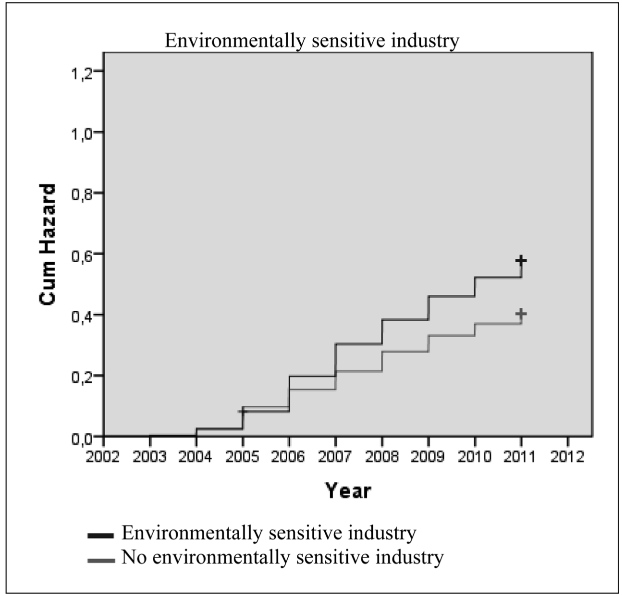


Fig. 12: Kaplan Meier Cumulated Hazard Rate of Non-Financial Reporting Adoption Rates by Dichotomous Variables

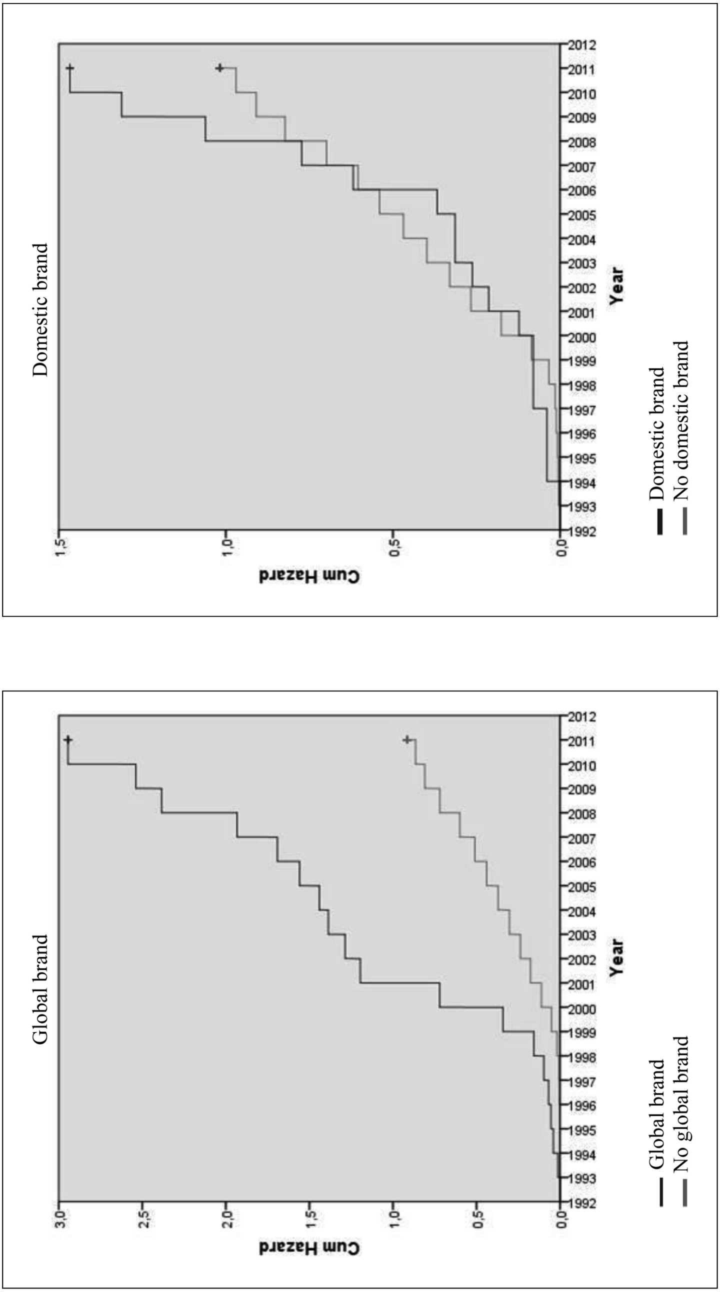
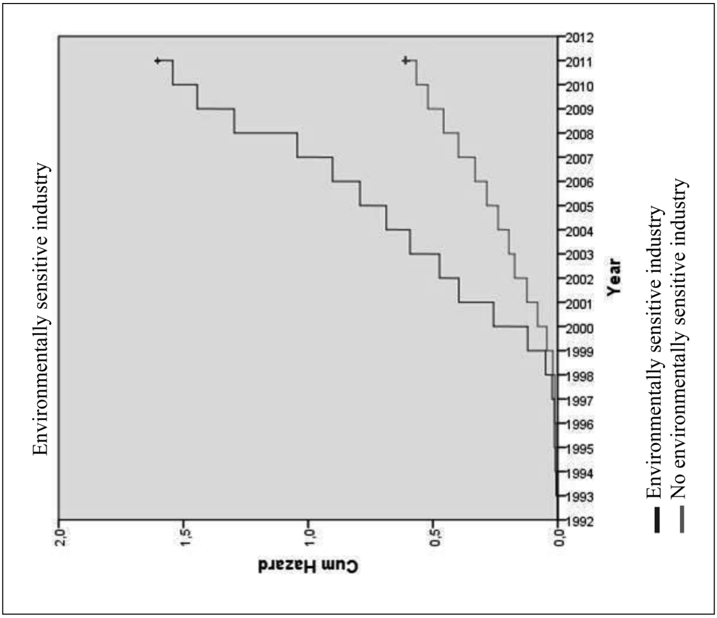
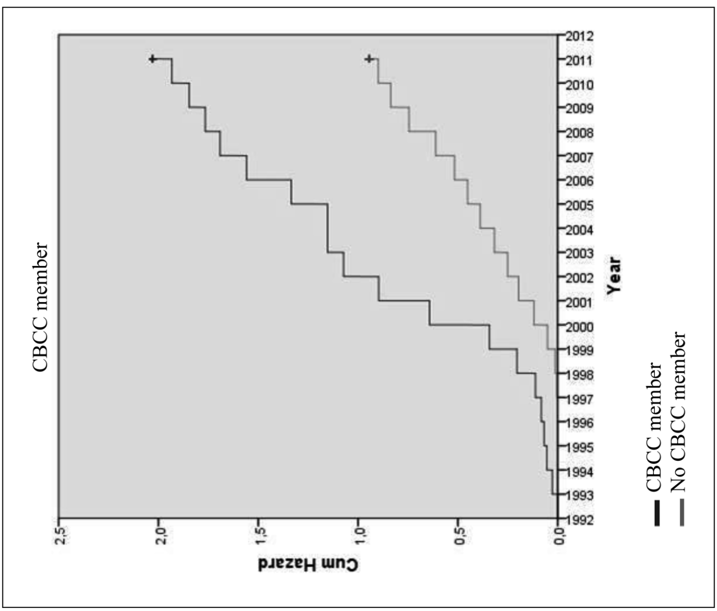


Fig. 12: Kaplan Meier Cumulated Hazard Rate of Non-Financial Reporting Over Time by Dichotomous Variables (continued)





the following, the effect of the individual independent variables on the adoption of reporting practices will be examined with multivariate methods.

6.3. Multivariate Analysis

6.3.1. Summary Statistics

Summary statistics of the time independent variables are presented in Tab. 24 and Tab. 25. Most of the variables show very small correlations.[28] Global brand has small correlations with size and CBCC membership, possibly because all these variables reflect some degree of foreign exposure.[29] Also environmentally sensitive industry has relatively high correlations with foreign sales and industry concentration.[30] However, all correlations between the independent variables are at a level without high impact on the results.[31]

Tab. 24: Descriptive Statistics of the Independent Variables (N = 577)[32]

Variable	Mean	Std. Dev.	Min.	Max.
Size	11.98	1.60	3.71	16.23
Foreign sales	25.90	26.35	0	94
Foreigners investors	21.24	13.38	0	90.90
Global brand	0.13	0.34	0	1
Domestic brand	0.05	0.21	0	1
CBCC member	0.13	0.34	0	1
Environmentally sensitive industry	0.55	0.50	0	1
Industry concentration	0.48	0.20	0.17	0.99
Diffusion	1.81	0.75	0	3.50
Age	63.66	27.44	2	135

Note: The mean values of the dichotomous variables represent the share of companies for which the value of the dichotomous variable is one. For example, 13 percent of the companies in the sample are members of the CBCC.

6.3.2. Adoption of Non-Financial Reporting

Cox Regression

Results of the cox regression on the adoption of non-financial reporting are shown in Tab. 26. The significant independent variables “size”, “foreign sales”, “global brand”, “cbcc member”, “environment”, and “diffu-

Tab. 25: Correlations Among Variables

	Variable	1	2	3	4	5	6	7	8	9	10
1	Size	1									
2	Foreign sales	0.054	1								
3	Foreign investors	0.219**	0.118**	1							
4	Global brand	0.311**	0.152**	0.139**	1						
5	Domestic brand	0.063	−0.139**	0.130**	0.138**	1					
6	CBCC member	0.239**	0.044	0.110**	0.394**	0.162**	1				
7	Environmentally sensitive industry	0.117**	0.468**	−0.082*	0.084*	−0.174**	0.001	1			
8	Industry concentration	−0.123**	−0.232**	−0.008	−0.113**	0.056	−0.087*	−0.419**	1		
9	Diffusion	0.136**	−0.016	0.113**	0.126**	0.086*	0.236**	−0.009	0.035	1	
10	Age	0.277**	0.133**	−0.126**	0.040	−0.157**	0.105*	0.243**	−0.067	0.008	1

** p<0.01, * p<0.05

sion" have positive estimates and are highly significant. Also the positive estimate of "industry concentration" is significant at the five percent level.[33]

The results indicate support for H1 as corporate "size" has a highly significant positive estimate. Large companies are more visible than smaller ones exposing them to higher pressures from the institutional system and scrutiny by stakeholder groups.

Tab. 26: Cox Regression Estimates: Adoption of Non-Financial Reporting

		B	SE
Size		0.471***	0.060
Foreign sales		0.021***	0.002
Foreign investors		–0.005	0.005
Global brand		0.755***	0.173
Domestic brand		0.331	0.275
CBCC member		0.578***	0.162
Environmentally sensitive industry		0.713***	0.140
Industry concentration		0.703*	0.299
Diffusion		1.164***	0.143
Age		–0.004	0.003
Observations	7,810		
-2LL	4,810.863		
Chi-square	452.766		
d.f.	10		
P	0.000		
Mc Fadden	0.086		

*** p<0.001, ** p<0.01, * p<0.05, ˣ p<0.1

Large companies also have resource capacities allowing adopting new practices such as non-financial reporting even if the outcome is uncertain and may result in a net loss.

"Foreign sales" has a highly significant positive estimate that gives strong support to a positive relationship between the share of a company's sales in foreign countries and early adoption of CSR practices as formulated in H2.

The statistics show a very low and insignificant negative estimate for "foreign investors". The estimate is close to zero which reflects an almost indifferent relationship between the share of stocks held by foreign investors and adoption of non-financial reporting and thereby neither supports H3a nor H3b.

The estimate for "global brand" is positive and highly significant giving support to H4 that highly visible companies have a strong inclination to be among the first to adopt CSR practices. In contrast, "domestic brand" has a positive but insignificant estimate indicating that having a domestically recognized brand does not influence early adoption of non-financial reporting.

The results also provide support for H5 as the estimate of "cbcc member" is positive and highly significant, demonstrating that member companies of national business organizations which promote CSR such as the CBCC early adopt non-financial reporting.

The variable "environment" has a highly significant positive estimate indicating support for H6 that companies in industries with high environmental impact adopt non-financial reporting early. This supports the assessment of those who relate the historical development of explicit CSR practices in Japan to the conflicts between environmental stakeholder groups and companies in the early 1970s (see Chapter 4 and Subsection 4.2.1).

The statistics show a positive estimate for "industry concentration" which is significant at the five percent level. This is in contrast to the expectation formulated in H7a that the rate of adoption is higher in industries with low degrees of industry concentration. Instead, the result indicates higher rates of adoption in industries with high degrees of concentration as formulated in H7b.

The estimate for "diffusion" shows a positive sign and is highly significant giving support to H8 that the likelihood of adoption is higher the more companies previously adopted.

The control variable "age" shows a positive but insignificant estimate. While some researchers expect that demonstrating socially responsible behavior is mediated by control variables like the age of a company and others even argue that older companies are more likely to early adopt CSR practices, because they augment higher levels of socially responsible behavior during their corporate history, the results do not show significant differences when controlling for the age of a company.

Multinominal Regression

A multinominal regression is used to control for differences in the importance of the independent variables across different adopter categories. The companies are categorized according to their timing of adoption into the adopter categories distinguished in diffusion research: innovators, early adopters, early majority, late majority, and laggards. These adopter categories correspond to the first 2.5 percent, from 2.5 until 16 percent (13.5 percent points), from 16 until 50 percent (34 percent points), from 50 until 84 percent (34 percent points), and the last 16 percent of the possible adopters. As the available data only allows for a discrete duration count in years, the companies are approximately grouped according to the cut points usually used in diffusion research. Nevertheless, the actual cut points are very close to the theoretical cut points as, apart from the last two adopter categories, the actual and theoretical cut points differ by less than one percent point (see Tab. 27).[34]

Tab. 27: Non-Financial Reporting Adopter Categories

	N	Percent
Innovators	20	3.5%
Early adopters	72	12.5%
Early majority	199	34.5%
Late majority	81	14.1%
Non-adopters	204	35.4%
Total	577	100.0%

The comparison of the variables across adopter categories will point out the relative importance of the independent variables in different stages of the diffusion process. The same independent variables as in the cox regression were used except "diffusion" because the change in the number of adopters from year to year cannot be integrated into the multinominal regression.

The model is significant (chi square: 338.184; $p < 0.000$) with a Nagelkerke R^2 value of 0.474. Results for the model estimates of the multinominal regression are reported in Tab. 28. Like in the cox regression, "size", "foreign sales", "global brand", "cbcc member", and "environment" have highly significant positive estimates, indicating support for H1, H2, H4, H5, and H6. Moreover, there are additional independent variables that are significant in certain adopter categories: "industry concentration" in the early adopter category, "foreign investors" in the early majority category, and "domestic brand" in the early and late majority adopter categories.

The variable "cbcc member" has the highest estimate for the adopter category of innovators that decreases for the adopter category of early adopters and then becomes insignificant for subsequent adopter categories. Also "size" and "foreign sales" show decreasing estimates from early to late adopter categories, while the significance levels of "global brand" and "environment" increase from innovators to early adopters and gradually decrease over the remaining adopter categories. This sup-

Tab. 28: Multinominal Logistic Regression Estimates Across Adopter Categories: Non-Financial Reporting

	Innovators versus non-adopters		Early adopters versus non-adopters		Early majority versus non-adopters		Late majority versus non-adopters	
Factors	**B**	**OR**	**B**	**OR**	**B**	**OR**	**B**	**OR**
Intercept	–17.793		–14.120		–6.220		–4.960	
Size	0.909***	2.482	0.785***	2.192	0.399***	1.490	0.301***	1.351
Foreign sales	0.032***	1.033	0.044***	1.045	0.042***	1.043	0.033**	1.034
Foreign investors	0.021	1.022	–0.008	0.992	–0.028**	0.972	–0.013	0.987
Global brand	2.619**	13.723	2.666***	14.389	1.700**	5.473	1.431*	4.184
Domestic brand	0.415	1.514	–0.761	0.467	1.303*	3.680	1.434*	4.197
CBCC member	2.905***	18.261	1.508**	4.520	0.729	2.072	–0.415	0.661
Environmentally sensitive industry	1.785**	5.961	1.722***	5.597	0.888**	2.430	0.621ˣ	1.861
Industry concentration	0.283	1.327	1.629ˣ	5.099	0.659	1.932	0.060	1.061
Age	0.007	1.007	0.005	1.005	0.002	1.002	–0.005	0.995
-2LL	1,259.954							
Chi-square	338.184							
d.f.	36							
p	0.000							
Mc Fadden	0.212							
Nagelkerke R^2	0.474							

Note: OR = Odds Ratio

*** $p<0.001$, ** $p<0.01$, * $p<0.05$, ˣ $p<0.1$

ports H9 stating that the degree of influence of organizational characteristics on CSR adoption decreases during the diffusion process. But since the estimates for "global brand" and "environment" are slightly lower for innovators than for early adopters, not all variables constantly decrease from early to late adopter categories.

Looking at the individual adopter categories, it is noteworthy that membership in the CBCC is only important for belonging to the innovators and early adopters.[35] This stresses the role of intermediary organizations for providing information and facilitating early adoption of CSR practices as expected for the CME country Japan. Once the network ties among companies become activated, the influence of belonging to a business association becomes less relevant for adoption as the decreasing influence in subsequent adopter categories and the even negative estimate in the late adopter category of the variable "cbcc member" shows.[36] Thereby, while all large companies with high brand visibility and environmental impact are likely to induce CSR adoption during all stages of the diffusion process, CBCC membership is a distinctive characteristic for belonging to the innovator and early adopter category.

The early adopter category exhibits significant estimates for the same variables like the innovator category, but it also shows a slightly significant positive estimate at the ten percent level for the variable "industry concentration", which is insignificant for all other adopter categories. Apparently, high concentration is only important during the early stage of diffusion when a critical number of adopters are reached. Then, it seems that competitors are eager to gain or diminish competitive advantages of early adoption. Thus, early adopters seem to be influenced by high industry concentration ratios when they can observe adoption of some innovator companies, which gives limited support to H7b.

During later diffusion phases, adoption appears to be mainly influenced by variables with a general tendency to increase the overall likelihood of adoption such as "size" and "foreign sales". Regarding the early majority adopter category, there is also a very significant negative estimate of "foreign investors" which rather supports H3b. While insignificant in all other adopter categories, it is noteworthy that the sign of the estimate of "foreign investors" changes from positive in the innovator category to negative in all subsequent categories. The early and late majority also show significant positive estimates for "global brand" and "domestic brand". While "domestic brand" is insignificant for innovators and early adopters, it becomes significant for the early majority and even increases for the late majority. The result reflects that "domestic brand" influences the likelihood of adoption after a CSR practice becomes more widely known during the early adoption phase.

Then, companies which are visible in their home market consider the relevance of CSR for their local reputation. Thus, domestic brand is only significant during the later stages of diffusion giving support to H10 stating that having a domestic brand is stronger for late than for early adopter categories.

6.3.3. Adoption of CSR Reporting

Cox regression

Explicit CSR practices became popular from around the year 2000 when several global initiatives promoted the adoption of reporting (see Subsection 2.6.2). As has been shown in the descriptive results, the first report with a title that relates to CSR by a Japanese company was published in 2003, the same year that became known as the first year of CSR. Thus, CSR reporting may serve as practice that reflects the wider scope of CSR compared to the emphasis on the environmental CSR dimension inherent in non-financial reporting. Therefore, the regression models were run again using CSR reporting as dependent variable.

Tab. 29: Cox Regression Estimates: Adoption of CSR Reporting

		B	**SE**
Size		0.193**	0.066
Foreign sales		0.013***	0.003
Foreign investors		–0.010	0.006
Global brand		0.279	0.222
Domestic brand		1.018***	0.319
CBCC member		0.863***	0.194
Environmentally sensitive industry		0.142	0.179
Industry concentration		0.881*	0.379
Diffusion		0.776***	0.101
Age		0.003	0.004
Observations	3,952		
-2LL	2,852.150		
Chi-square	170.180		
d.f.	10		
p	0.000		
Mc Fadden	0.056		

*** p<0.001, ** p<0.01, * p<0.05, ˣ p<0.1

Results for the cox regression of CSR reporting are shown in Tab. 29. Like in the cox regression on non-financial reporting, except "environment", the same independent variables "size", "foreign sales", "domestic brand", "cbcc member", "industry concentration", and "diffusion" are statistically highly significant and show positive estimates, thereby supporting H1, H2, H4, H5, and H8. Another similarity is that the result for "foreign investors" neither supports H3a nor H3b as the share of stocks held by foreign investors has a very small, negative and insignificant estimate. Further, the control variable "age" is insignificant and has a very low but positive estimate.

However, the variable "environment" has a positive but insignificant estimate indicating no considerable influence of the environmental impact of industries for the adoption of CSR reporting. Moreover, "domestic brand" replaces "global brand" among the significant variables, and "size" has a very significant instead of highly significant estimate. Thus, the effect of the independent variables is basically the same regardless of the title of the reports. Large MNCs that are members in the CBCC and are visible in the home market Japan tend to adopt CSR reporting early, and the tendency to adopt is strongly increased by an increasing number of adopters through diffusion of CSR reporting. Also a level of industry concentration increases the likelihood of early adoption. However, belonging to an environmentally sensitive industry or having a globally recognized brand have no significant effects on the adoption of CSR reporting.

Multinominal Regression

Like for non-financial reporting as dependent variable, possible differences in the importance of the independent variables across adopter categories will be examined by applying the multinominal regression model with CSR reporting as dependent variable. The adopter categories for adoption of CSR reporting are shown in Tab. 30. The total number of adopters of CSR reporting is lower than the total number of adopters of non-financial reporting. Non-adopters encompass a relatively large share of about 61 percent of the companies in the sample, so that only three groups can be distinguished among adopters of CSR reporting: innova-

Tab. 30: CSR Reporting Adopter Categories

	N	Percent
Innovators	14	2.43%
Early adopters	80	13.86%
Early majority	131	22.70%
Non-adopters	352	61.01%
Total	577	100.00%

tors, early adopters, and early majority. The adopter categories that can be distinguished have cut points close to the values suggested by diffusion research.

Tab. 30 reports the results of the multinominal regression. The model is significant (chi square: 141.425; $p > 0.000$) wih a Nagelkerke R^2 value of 0.251.

Most of the results of the independent variables are similar to the multinominal regression with non-financial reporting as dependent variable, but the levels of significance tend to be lower and vary across adopter categories. “Size”, “foreign sales”, “cbcc member”, and “industry concentration” show very and highly significant positive estimates at least in some adopter categories giving support to H1, H2, H5, and H7b. The indicators for having a top brand are slightly significant and there is also the same change from “global brand” to “domestic brand” from the innovator to subsequent adopter categories as predicted in H4 and H10. Also the positive estimate for “industry concentration” is very significant in the early adopter category, while it is insignificant in all other adopter categories. Another similarity is the slightly significant negative estimate for “foreign investors” in the early majority category as well as the change in sign of this variable from positive to negative. Different from non-financial reporting, the innovator category shows a significant positive estimate for “age”, and, similar to the results of the duration model for CSR reporting, the variable “environment” is insignificant in all adopter categories.

There is more variance in the level of significance and the influence of the organizational characteristics for belonging to early adopter categories is less clear compared to the model with non-financial reporting as dependent variable. This stresses the importance of intermediary institutions for the initial diffusion of CSR reporting, because “cbcc member” is very and highly significant for the likelihood of belonging to the innovator and early adopter categories. Also, the significant positive influence of the four-firm concentration ratio in the early adopter category confirms the relevance of imitation of practices in industries where few competing companies closely observe each other during the early diffusion stage.[37]

6.4. Discussion

The statistical analysis has attempted to explain the reasons why Japanese companies adopt CSR and how CSR diffuses. Corporate size is the only variable that has significant positive estimates in both the duration model of the cox regressions and in all adopter categories of the multinominal

Tab. 31: Multinominal Logistic Regression Estimates Across Adopter Categories: CSR Reporting

	Innovators versus non-adopters		**Early adopters versus non-adopters**		**Early majority versus non-adopters**	
Factors	**B**	**OR**	**B**	**OR**	**B**	**OR**
Intercept	–14.092		–8.126		–3.726	
Size	0.556*	1.744	0.386***	1.471	0.183*	1.200
Foreign Sales	–0.003	0.997	0.018**	1.018	0.017***	1.017
Foreigners investors	0.043	1.044	–0.005	0.995	–0.017ˣ	0.983
Global brand	1.457ˣ	4.293	0.428	1.535	0.364	1.439
Domestic brand	0.897	2.452	1.027ˣ	2.793	1.019ˣ	2.771
CBCC member	1.910**	6.751	1.601***	4.958	0.287	1.333
Environmentally sensitive industry	–0.304	0.738	0.433	1.542	0.085	1.088
Industry concentration	–0.670	0.512	2.238**	9.374	0.297	1.345
Age	0.031*	1.031	–0.003	0.997	0.002	1.002
-2LL	1,017.162					
Chi-square	141.425					
d.f.	27					
p	0.000					
Mc Fadden	0.122					
Nagelkerke R^2	0.251					

Note: OR = Odds ratio

*** $p<0.001$, ** $p<0.01$, * $p<0.05$, ˣ $p<0.1$

regressions. As expected, the estimates of size decrease from earlier to later adopter categories. Thus, size matters during all stages of the diffusion process, which can be related to high visibility and more scrutiny from stakeholders resulting in institutional and stakeholder pressures for CSR adoption. The significant results for size further confirm that large firms show sufficient diversity of practice for making meaningful observations on social disclosure even when looking at a sample of large firms only (Brammer & Pavelin, 2004: 89).

Regarding the variables reflecting the degree of foreign exposure of a company, the share of foreign sales exhibited highly significant positive results. This is in line with the result of Tanimoto & Suzuki (2005) who found a statistically significant positive relationship between the share of foreign sales and the adoption of the GRI guidelines in a horizontal study among Japanese companies (11). Also Suzuki, Tanimoto, & Kokko (2010) found a significant statistical relationship between the institutionalization of CSR by Japanese firms and their foreign sales ratio (391). Thus, the result confirms the findings of former studies on Japanese companies that foreign sales as a proxy for international business contact increases the likelihood of adoption of CSR practices, but the continuously high influence across all adopter categories indicates that it is no distinctive influence for early CSR adoption.

The estimates for the share of stocks held by foreigners in the duration models and the adopter categories are mostly insignificant and so small that they are almost indifferent. Slightly significant negative estimates were only found for the adopter category of early majority in both multinominal regressions. This rather supports the view that institutional investors from foreign countries tend to be short-term oriented conventional investors preferring shareholder orientation and inhibiting discretionary investments in CSR (Schaede, 2008). The information from Japanese CSR managers in the qualitative analysis also points out the so far relatively weak CSR demands by foreign investors even if they belong to the SRI type (see Section 5.3). This is different from the results of Suzuki, Tanimoto, & Kokko (2010) who found a significant and positive correlation between the share of stocks held by foreign investors and institutionalization of CSR practices in Japanese companies. When considering the very small estimates, the very low level of significance, and the change in the sign of the estimates from positive to negative across adopter categories, one explanation is that SRI oriented foreign investors have investments in early adopting companies while conventional investors have investments in late adopting companies. Thus, the observations in the model may include foreign investors of both long-term oriented SRI investors as well as short-term oriented conventional investors, which results in insignificant and indifferent statistical results. It was not possible to distinguish between different investor types, but if the interpretation of the indifferent result is correct, there is yet no majority of foreign investors with SRI preference. Future research should try to distinguish between different types of foreign investors.[38]

Membership in the national CSR organization CBCC shows very high and significant positive estimates in all models. When comparing the adopter categories, membership in the national CSR organization CBCC has very and highly and significant estimates in the innovator and early adopter categories. This leads to the conclusion that membership in a business association promoting adoption of socially responsible practices like the CBCC strongly influences early adoption of new practices in general, and of those that relate to the "CSR" concept in particular. The descriptive statistics show that adoption of CSR reporting started in 2003, the same year that was termed the first year of CSR. Within its mission of improving the relationships with trading partner countries of Japanese companies, the CBCC has actively promoted the dialog with foreign business associations also regarding social responsibility and the commitment to CSR among its members. As institutionalized intermediary, the CBCC acquires and adds credibility to new information about CSR. This appears to be the reason why Japanese companies reported that they mostly rely on business partners and business associations for obtaining information about CSR in a survey by Pascha & Holtschneider (2008), and stresses the relevance of public information releases in favor of adoption for speeding up the rate of adoption. Although the actual network ties between the companies were not part of the quantitative analysis as the data necessary to model connections and communication among companies is lacking, CBCC membership can be interpreted as a form of network ties among member companies.

The variable "environment" was insignificant in all models run with CSR reporting as dependent variable. However, when the models were run with a wider definition of non-financial reporting that included any kind of reports, the environmental impact of the industry a company belongs to was one of the most important variables. Insofar, the multinominal regressions confirmed the results of the univariate Kaplan Meier tests which showed strong influence of environmental impact for the adoption of non-financial reporting. One reason for this may be that the early non-financial reporting had a closer connection to the environmental CSR dimension,[39] so that companies operating in industries with high environmental impact may have tended to early adopt non-financial reporting. This fits the picture of Japan as a country in which companies shifted from environmental accountability to social responsibility (e. g., Brucksch & Grünschloss, 2008). As a result of the strong association of CSR with the environmental pollution incidents and the conflicts between companies and stakeholders in the early 1970s, there was more institutional and stakeholder pressure on companies in industries with high environmental impact for adopting CSR practices related to the environmental dimension. But with the increasing popularity of the CSR concept and the augmentation of corporate scandals in Japan since the beginning of the 2000s, the meaning of CSR has broadened beyond the traditional association of CSR with environment (see Section 4.5). Accordingly, environmental impact exerts less influence on the adoption of CSR reporting.

Both global and domestic brand as indicators for visibility show significant positive estimates for the adoption of CSR practices, suggesting that the most visible companies are exposed to high degrees of institutional and stakeholder pressure. While global brand is important for the early adoption of non-financial reporting practices, domestic brand gradually replaces global brand over subsequent adopter categories. Thus, globally visible companies tend to be among innovators and early adopters when a new practice is rather unknown, while domestically visible companies adopt once a critical mass of companies in their country of origin have adopted new CSR practices. This development is in line with several streams of diffusion research that expect actors with network ties reaching outside the own social system to be among the innovators, while those with high degrees of domestic visibility will adopt earlier than others without any kind of high degree of visibility. In line with the univariate results of the Kaplan Meier tests, domestic brand is highly significant in the duration model for CSR reporting, while global brand is highly significant in the duration model for non-financial reporting. This may be because CSR reporting can be regarded as a variant form of non-financial reporting instead of a completely new organizational practice. Thus, less external information is needed to adapt a variant form of an existing practice and foreign exposure is less important for its adoption. This interpretation is supported by the high estimates of the variable "cbcc member" for the adoption of CSR reporting. The information required for evaluating CSR reporting as a variant form of non-financial reporting gets channeled through the intermediary institution CBCC, which pools CSR related information derived from exchange with foreign organizations and distributes this information to its member companies. Both companies with global operations and companies with domestic operations only have access to such CSR related information, making direct channels of communication less important for altering an existing practice than for adopting a new practices, although having direct channels of communication and exposure to foreign influences through operations in foreign countries still facilitates early adoption of explicit practices.

There were arguments for negative or positive correlations between the industry concentration ratio and early timing of adoption of CSR practices, but the models showed significant positive estimates for industry concentration. This rather indicates that high degrees of within industry concentration induce early timing of adoption as formulated in H7b. The theoretical argument is that competitors in industries with relatively low competition closely watch each other and are connected through network ties. For the case of Japanese companies, a tendency to benchmark and imitate the behavior of competitors and industry opinion leaders or jointly arrange the adoption of new practices has been pointed out by the interviewees (see Section 5.3). Such a tendency was only visible among early adopters which showed highly significant positive estimates, suggesting that industry concentration plays a role during the stage of early adoption when competitors quickly follow each other's behavior. Moreover, it is noteworthy that concentration shows a negative but insignificant estimate in the innovator adopter category of CSR reporting as expected in H7a. This change in sign points out the possibility that a low degree of industry concentration rather facilitates the adoption by innovators who adopt first to gain first mover competitive advantages over the competitors, while a high degree of concentration facilitates adoption among early adopters who try to diminish competitive advantages of the first movers whom they can closely watch due to the relatively small number of direct competitors. This would indicate a non-linear relationship between competition and adoption of social responsibility practices as theorized by for example Campbell (2007). He argued that the relationship between competition and adoption of CSR practices is curvilinear as companies are less likely to show responsible corporate practices if the degree of competition is either too high or too low. This is because on the one hand, companies will refrain from adopting practices with uncertain results in situations of extremely high competition. On the other hand, in situations with extremely low competition, for example monopolies, companies will engage in collusive behavior generally showing a preference to preserve the status quo (953). The results across adopter categories in the multinominal regression of this study rather suggest that high competition facilitates early adoption while low competition facilitates diffusion. Future research should also examine such non-linear relationships between the degree of industry concentration and CSR adoption.

The diffusion of the new practices CSR reporting was expected to strongly influence further adoption by imitating companies. Due to its dynamic character, this variable could only be included in the duration model of the cox regressions. The highly significant positive estimates show that companies are influenced by each other supporting the theoretical arguments of diffusion research. Together with the results for membership in an organization that supports CSR adoption like the CBCC and the tendency of companies in industries with high concentration ratios, the result for the diffusion indicator shows that adoption of CSR practices can be promoted by gaining the support of influential intermediaries to increase the number of adopters to a critical point when a self-sustaining wave of diffusion starts.

The control variable age did not show a clear influence on adoption. Only the innovator adopter category in the multinominal regression on CSR reporting shows a significant positive estimate implying that older companies adopt very early. However, just like the estimates for the share of stocks held by foreign investors, the signs of the estimates for age show both positive and negative signs across different adopter categories so that there is no clear direction of the influence of age on adoption over time. Some authors have argued that age reflects the augmentation of social responsibility promises and claims which cannot easily dropped after they have been made and therefore expect age to positively influence companies' commitment to CSR. Others have argued that companies in newer industries are more likely to adopt new practices like CSR because they are more flexible than older companies. More research is needed to understand the nature of possible third variables that affect the direction of the relationship between age and adoption. A differentiation of company age according to industry may be a first starting point.

6.5. Conclusions From the Quantitative Analysis

In support of the argument that certain organizational characteristics distinguish adopters from non-adopters of CSR practices (Delmas & Toffel, 2004), the statistical tests show significant positive estimates for the independent variables that reflect size, foreign exposure, and visibility. The results of the duration models indicate that the timing of adoption is positively correlated to corporate size, share of sales in foreign countries, possession of a top corporate brand, membership in the CBCC, and industry concentration. However, the strength of some influences differs according to the type of the CSR practice and the stage of the diffusion process. While global brand is an organizational characteristic typically found among innovators and early adopters, domestic brand significantly affects belonging to later adopter categories. Moreover, the adoption of non-financial reporting is strongly influenced by the environmental impact of the industry a company belongs to, while the adoption of CSR reporting is strongly influenced by the possession of a top domestic brand.

The importance of the environmental impact for the adoption of non-financial reporting relates to the focus on the environmental CSR dimension of early reporting practices. Especially in Japan environmental pollution is strongly associated with corporate social irresponsibility due to the environmental pollution cases of the early 1970s which has resulted in external pressure for showing good performance in the environmental CSR dimension. However, environmental impact was unimportant for the adoption of CSR reporting which reflects the "Western" concept of CSR with a wider understanding of CSR including more than the environmental dimension. Instead, membership in a national business association giving endorsement to CSR is highly important for the adoption of CSR reporting. This is first because companies join an initiative like the CBCC due to an interest in complying with the rules and norms expected in countries they are operating in, and second because members of the CBCC continuously receive information on the global CSR trend from a credible information intermediary.

Once some innovator companies adopt new CSR practices, other companies who observe such behavior follow. This influence of companies on each other was highly significant for the adoption of non-financial reporting and CSR reporting, indicating that there is close observation and imitation among Japanese companies – a feature which has been named before as *yokonarabi* or the tendency to follow the crowd. This appears to facilitate adoption especially in industries with high degrees of concentration where a limited number of companies can closely observe each other.

Thus, the reasons for adopting CSR practices differ between earlier and later CSR adopters: Innovators receive information through the intermediaries like the CBCC and are more frequently exposed to reputational risks connected to having a global brand. Early adopters receive additional influence from close network ties due to high industry concentration. Later adopters are influenced by previous adopters' actions and increasingly available public information on CSR. But instead of an information cascade with simplistic imitation, the diffusion of CSR practices in Japan appears to be guided by intermediary institutions like the CBCC which act as a change agent in the early stage of the diffusion process by promoting adoption to the critical mass required for a self-sustaining wave of diffusion.

7. Findings, Conclusions, and Implications

This study has examined the reasons why and the process how Japanese companies adopted CSR practices. It contributes to the understanding of CSR adoption as a dynamic process over time, an area which despite many years of research in various disciplines is yet to be examined in more detail. As a one country study, it provides insight into the adoption and diffusion within the national social system of Japan connecting the two most common streams in CSR research of stakeholder and institutional theory with diffusion research for incorporating the dynamic process of the diffusion of CSR. The main hypotheses stated that the reasons and the process of CSR adoption are similar to the diffusion of other management practices. In the absence of a universal definition of CSR, the adoption and diffusion of explicit and observable CSR practices has been examined among Japanese companies. One disadvantage of this approach is that policies and practices do not reflect the actual corporate social performance of companies. Moreover, the absence of explicit practices is no reliable indicator for the absence of social responsible behavior. However, it is a common approach in CSR research to use observable criteria and in this line this study builds on and extends previous research.

The investigation started with a review of the historical development of explicit CSR practices in Japan. It has been argued that in Japan there has been an implicit CSR understanding, which for a long time was associated with the legacies of industrial environmental pollution. An analysis of the stakeholder and institutional environment showed that there are few stakeholders with CSR related expectations towards companies. Only customers and investors would have the salience necessary to influence company behavior, but these stakeholder groups have yet not developed urgency for CSR demands beyond the issues that have resulted as implicit CSR from the institutional system in Japan. Accordingly, Japanese companies showed excellent performance in some CSR areas, while they were criticized when their CSR performance did not meet the expectations of stakeholders in foreign countries. Therefore, foreign stakeholders, particularly foreign business customers, have played a more important role than Japanese stakeholders for the initial introduction of explicit "CSR" practices among Japanese MNCs.

The qualitative empirical research part further investigated the shift to a modern understanding of CSR and why Japanese companies adopted CSR practices. Exploratory interviews conducted in Japan in 2007 and 2010 with CSR managers from major companies, experts from consultancies, CSOs, and government agencies confirmed a lack of stakeholder interest towards CSR in Japan. The case studies of Japanese companies which early adopted explicit CSR practices showed that CSR was at least partly adopted because of demands or even pressure from foreign business customers. Additional pressure arose when companies were embroiled in misconduct and needed to rebuild reputation and trustful relationships with stakeholder groups they rely on for doing business. The companies in the cases maintained the CSR institutions, practices, and budgets despite of the global economic crisis. Some companies even try to connect CSR closer to their corporate strategies. This is a remarkable difference to the philanthropic activities of the early 1990s which were easily terminated after the economic downturn following the collapse of the Japanese bubble economy. Another characteristic shared by all of the companies in the cases is the participation in national and global CSR initiatives. The interviewees reported that such organizations serve as a venue for exchanging opinions, experiences, and CSR practices. However, while external information from CSR organizations, standards, and other companies was used to benchmark the own company versus other companies – and particularly competitors – the CSR strategies were genuinely defined within the companies. This was related to the first mover position of the companies examined in the case studies so that they could not draw on much external information at the time when they implemented CSR strategies and practices. Follower companies were mentioned to more frequently rely on imitating practices they observe at other companies. The insights from the historical analysis and the exploratory interviews were combined with reasons for CSR adoption found in the literature to formulate hypotheses on the adoption of CSR by Japanese companies. These addressed mainly the degree of foreign exposure of companies, their visibility, and the prior environmental performance as well as the role of intermediate institutions and diffusion due to the influence of companies' adoption on each other.

The quantitative empirical research part examined these influences with multivariate statistical methods. Duration models tested over time why Japanese companies rapidly adopted the explicit CSR practice of publishing separate non-financial and CSR reports. The duration models showed that companies become more likely to adopt CSR practices with an increasing number of previous adopters and thereby confirmed that once some innovator companies adopt new CSR practices other companies who observe such behavior follow. This influence of companies on each other was highly significant for the adoption of both non-financial reporting and CSR reporting. The results further showed that CSR practices were early adopted by large, internationally operating, and highly visible companies. Moreover, early adoption of CSR practices related to membership in a business association with a positive stance towards CSR and appears to be facilitated in industries with high degrees of concentration where a limited number of companies can closely observe each other. However, the strength of some of the organizational characteristics differed across adopter categories. Innovators receive information through intermediaries like the CBCC and are more frequently exposed to reputational risks connected to having a global brand. Early adopters receive additional influence from close network ties due to high industry concentration. Later adopters are influenced by previous adopters' actions and increasingly available public information on CSR. Some influences continuously decreased or increased in their relevance from early to late adopter categories. For example, having a globally recognized brand was found among earlier adopter categories, while having a domestic brand was found among later adopter categories. And certain influences appear to be issue specific. Companies in industries with high environmental impact first adopted non-financial reporting practices. This can be related to the focus of early reporting practices on the environmental CSR dimension which has received high attention in Japan since the cases of industrial environmental pollution during the early 1970s. In contrast, the environmental impact of an industry was completely unimportant for the adoption of "CSR" reports which go beyond the environmental dimension. The quick diffusion of explicit CSR in Japan is rather owed to the intermediary organizations that disseminate and add credibility to information on CSR. This is first because companies join an initiative like the CBCC due to an interest in complying with the rules and norms expected in countries they are operating in, and second because member companies of the CBCC continuously receive information on the global CSR trend from a credible information intermediary. Thus, instead of simple imitation, the diffusion of CSR practices in Japan seems to be guided by intermediary institutions like the CBCC which act as a change agent in the early stage of the diffusion process and help promoting adoption to the critical mass required for a self-sustaining wave of diffusion. In conclusion, the institutionalized network ties in a CME-type country like Japan facilitate the quick diffusion of a new practice like CSR reporting. This supports the hypothesis that the diffusion of CSR practices is similar to the diffusion of other management practices but that the actual adoption of CSR is shaped by national institutions.

The study has thereby shown that self-sustaining diffusion helps disseminate CSR practices. While the adoption of explicit CSR practices does not mean that all individuals in a company consider social responsibilities in their business activities, the continuous endorsement of CSR activities in internal and external corporate communication signals to company members that CSR is a part of their company's philosophy or even goal function. Thus, while CSR practices and policies in place do not assure good CSP, they may raise the awareness of the individuals in a company for CSR, and possibly the formal institutions thereby become part of the informal ways of conducting business of more and more company members. This is supported by the fact that CSR practices remain high on the agenda of most companies and are even tried to be strategically integrated with core business activities in spite of economic shocks like the global economic crisis. This would also mean that the diffusion of CSR practices indeed contributes to increase the consideration of social responsibilities in business activities, thereby offering a way to include private actors in solving contemporary challenges that cannot be solved by states and governments alone. At least in a CME country like Japan with close mutual observation of companies – *yokonarabi* or the tendency to follow the crowd –, the recommendation of diffusion research to concentrate efforts on a few companies that are regarded as opinion leaders can achieve a critical mass of adopters resulting in a diffusion process. Those with an interest in disseminating CSR practices should therefore concentrate their efforts on those companies whose adoption is likely to influence other companies.

Regarding the question if the adoption of CSR practices leads to increasing global convergence of business practices, the study cannot provide a clear answer since the quality and the content of the adopted practices was not the focus of the investigation. It is not possible to conclude from the adoption of explicit CSR practices by Japanese companies that there is a proceeding convergence of the Japanese system to global standards. But as far as the case studies allow for drawing general conclusions, it appears rather that globally operating companies are adopting global standards for smoothly conducting global business operations, while less globalized companies appear to take global standards as a kind of reference and adapt them in a way that fits their business strategy.

Overall, the study has contributed to the investigation of the adoption of CSR practices as a dynamic diffusion process over time which has been rarely considered in previous studies. It applied longitudal research designs in both the qualitative and the quantitative empirical research part. In contrast, horizontal studies cannot capture the influence of companies on each other and exclude the effect of the timing of adoption on the influence of the independent variables. However, the use of duration models and the examination across adopter categories has revealed that the influence of some variables differs according to the timing of adoption. Some variables showed decreasing levels of significance and estimates over adopter categories, some variables even changed the direction of their influence, and some variables are only significant in certain adopter categories. This indicates that the influence of some variables may encompass more complex than the often assumed linear relationships. It is therefore recommended to apply more longitudal research designs and use duration models for examining the adoption of CSR at different levels.

First, similar studies could be carried out in different countries to compare for similarities and differences in the adoption of CSR practices by companies over time in other countries. This may even be done in cross-country designs to simultaneously capture the influence of globally operating companies on each other and the influence of their adoption on companies in their countries of origin. As membership in business associations that promote CSR has been found to facilitate the adoption of CSR, it is suggested to further investigate the influence of membership in business associations promoting CSR in comparison with other CME-type countries, LME-type countries, or both.

Second, for better understanding the diffusion mechanisms for CSR practices, future research should try to incorporate the network ties at the firm, but also at the individual level. Anecdotal evidence in the narratives of the interviewees of the qualitative analysis suggests that the exchange on best practices, experiences, and opinions with managers from peer companies speeds up the rate of adoption of new practices. This stresses the relevance of individual managers who feel personal endorsement for CSR, which may be decisive for the implementation and long-term continuity of CSR practices in their companies. The individual level would also be interesting for studying how CSR awareness and support diffuse among individuals within companies, because knowledge on CSR diffusion among individuals could be useful to those entrusted with promoting CSR inside of companies. For example, the case studies showed that CSR managers in some companies have tried to promote CSR awareness among employees in a diffusion approach by winning the support of key persons who may act as change agents within the company. Therefore, it is suggested to examine the role of individual managers and top management support as well as personal networks across and within companies for the adoption of CSR practices.

Third, the main interest of this study was about general tendencies and directions of influences on the adoption of the practice CSR reporting. To increase the predictive power of the models, future research may also try to identify changes over time in the hazard rates in the duration models. Further, different ways for distinguishing more suitable adopter categories may be applied instead of the statistical approach of Rogers (e. g., Mahajan et al., 1990).

Finally, the study has concentrated rather on pressures than on opportunities in relation to CSR because companies appear to largely use a risk-aversive CSR approach. At least for the innovators, and particularly the opinion leaders among them, it would be useful to search for opportunities for CSR adoption and provide incentives for CSR adoption within a stable company environment as it has been shown that managers respond stronger to opportunities than to threats if they perceive situations as controllable (White, Varadarajan, & Dacin, 2003). Understanding opportunities and creating incentives for CSR adoption then may help to create economic policy instruments for speeding up the rate of adoption among opinion leaders and thereby induce self-sustaining diffusion of desired CSR practices and corporate behavior.

Appendices

Appendix 1: List of Japanese Terms

Tab. 32: Japanese Terms in Alphabetical Order of Romanization

Romanization	Japanese characters	Translation
dangō	談合	collusion; bid-rigging
gaiatsu	外圧	external pressure
gyōsei shidō	行政指導	administrative guidance
kaisha shikihō	会社四季報	Japan Company Handbook
kakun	家訓	family precepts
karōshi	過労死	death from overwork
keiei	経営	business, management ("governing the world in harmony" and "making ceaseless efforts to achieve", see Taka, 1997: 1500)
keizai	経済	economics, economy ("governing the world in harmony" and "bringing about the well-being of the people", see Taka, 1997: 1500)
kigyōshūdan	企業集団	corporate group
kyōsei	共生	co-existence with society
sanpō yoshi	三方よし	good on all [three] sides
shōbaidō	商売道	the way of doing business
shōnindō	商人道	the way of the merchant
sōgō shōsha	総合商社	general trading company
sōkaiya	総会屋	racketeers specializing in blackmailing companies with sensible information or disrupting shareholders' meetings
ushinawareta jūnen	失われた 10 年	the lost decade
ushinawareta nijūnen	失われた 20 年	the lost 20 years
yoi shigoto	良い仕事	good quality work
yokonarabi	横並び	following the crowd

Appendix 2: Interview Guidelines

2007 Interview Guideline (Companies)

Research Outline

The doctoral dissertation "**The adoption of corporate social responsibility by Japanese companies**" examines the perception of different CSR dimensions and how CSR is implemented in Japanese companies and their (global) supply chains. <Gatekeeper_title_and_name> informed me that <company> is one of the leading companies in the field of CSR in Japan and I would very much appreciate the chance to talk to you on CSR in general and its implementation at <company>.

Interview Questions

A. A few questions on your personal background and experience with CSR

1) When did you join <company>?
2) How long have you been in the CSR department?
3) When did you hear about CSR the first time?
4) Please describe what CSR means to you?
5) What is your general impression about the discussion on CSR in Japan?
6) What has it taken you to understand the globally discussed CSR issues?

B. CSR at your company

7) What is the understanding of CSR at <company>?
8) Why did <company> start CSR activities?
9) Where does the input for your CSR activities come from?
10) How do you communicate CSR to employees, customers and others?
11) How do you ensure CSR compliance of your suppliers?
12) How far do you think a company can exert influence on suppliers (1st tier, 2nd tier, etc.)?
13) Is there an industry wide or global CSR initiative you are participating in?

C. Stakeholder dialog

14) Which stakeholders do you engage with?
15) Which stakeholders try to exert influence on you?
16) What role plays the government currently in the debate of CSR?

D. Other

17) What do you expect CSR to look like in the future at <company> (in Japan/ worldwide)?
18) What do you think about the term "Corporate Social Responsibility"?
19) Who else would be an important person to also talk to on these and related topics?
20) Is there anything you would like to add?

2007 Interview Guideline (Civil Society Organizations)

A. A few questions on your personal background and experience with CSR

1) When did you hear about CSR the first time?
2) Please describe what CSR means to you?
3) What is your general impression about the discussion on CSR in Japan?
4) What are the particular strengths and weaknesses of CSR in Japan?
5) What has it taken you to understand the globally discussed CSR issues?

B. Companies' CSR and key stakeholders

6) It is often said that Japanese companies are rather weak and reactive in the social dimension of CSR. Do you agree and if yes, what would be the reasons for the weak social dimension?
7) Some studies (e. g., Keizai Dōyūkai; MOE) state that NGOs and media are not regarded as relevant CSR stakeholders by companies. Do you agree and if yes,
   a. Where does it come from?
   b. Is there an alternative source of pressure?
8) What ways do NGOs in Japan use to exert influence?
9) What are the particular problems that hinder NGOs from exerting more influence?
10) What role do media/consumers play?
11) Which other civil society actors are important in the debate on CSR in Japan?
12) What role plays the government currently as
   a. Regulator?
   b. Facilitator?

C. <organization> as a stakeholder

13) What is <organization>'s role as a stakeholder in regard to CSR?
14) Which topics of CSR does <organization> address?
15) Does <organization> co-operate with other stakeholder groups (e. g., NGOs) on CSR topics
   c. In Japan?
   d. Globally?
16) Which stakeholder dialog does <organization> participate in?
17) What "social responsibility" activities carries <organization> out itself?

D. Other

18) What do you expect to be the role of NGOs and other civil society actors to look like in the future?
19) Who else would be an important person to also talk to on these and related topics?
20) Is there anything you would like to add?

2010 Interview Guideline (Companies)

Research Outline

Why do companies adopt Corporate Social Responsibility (CSR)? What separates companies that adopt CSR from those that do not? And how do CSR practices diffuse among companies? These are the key issues in the doctoral dissertation "**The adoption of corporate social responsibility by Japanese companies**". The research examines the reasons leading companies to integrate social as well as ecological aspects into their business practices and in their interaction with stakeholders on a voluntary basis.

Interview Questions

A. A few questions on your personal background and experience with CSR
   1) How long have you been with <company>?
   2) How long have you worked on CSR? When did you hear about CSR the first time?

B. CSR evolution at <company>
   3) Who are important stakeholders (individuals/groups/organizations) for the direction of CSR at <company>?
   4) Where does <company> get the information on CSR from? What role did and do "best practices" and "standards" play for CSR at <company>?
   5) How does <company>'s CSR affect other companies CSR? Are the effects different between big and small and medium sized companies? Are the effects different inside and outside Japan?
   6) What cooperation occurs between <company> and other companies in the same industry (e. g., <industry_association>) regarding CSR topics, strategies and activities?
   7) What are the achievements of the <industry_association>'s code of conduct?
   8) How do Japanese business networks (e. g., Keizai Dōyūkai, CBCC, UN Global Compact network Japan) influence CSR at <company>? How does <company> influence these networks?

C. Effects of the global economic crisis on CSR at <company>
   9) How did the global economic crisis affect CSR at <company>?
   10) If <company> has a CSR budget, how did it change due to the crisis?
   11) What have been the main CSR topics for <company> initially? How have the main CSR topics at <company> changed since 2007?

D. CSR in Japan
   12) What are the CSR drivers for Japanese companies?
   13) In your opinion, what strengths and weaknesses has CSR in Japan compared to the global discussion of CSR?
   14) Which would you consider to be the most advanced industries in Japan in regard to CSR? Which companies are the leaders in these industries?

E. Outlook
   15) How do you expect CSR to develop in the future in Japan and at <company>?

2010 Interview guideline (Intermediary Organizations)

Interview Questions

A. A few questions on your personal background and experience with CSR
   1) How long have you been with the <organization>?
   2) How long have you worked on CSR?
   3) When did you hear about CSR the first time?
   4) What does CSR mean to you?

B. CSR evolution at the <organization>
   5) How did CSR become a topic at <organization>?
   6) What were the main drivers for CSR at <organization> in the beginning? And today?
   7) Where does <organization> get the information on CSR from?
   8) Who is important for the direction of CSR at <organization>? What is the role of key persons for the promotion and development of CSR at <organization>?
   9) How strong do "global" CSR developments influence the CSR direction of <organization>? Particularly, how important are "best practices" and "standards"?

C. The connection between the <organization>, other individual companies and business associations
   10) What influence has <organization>'s recommendations and information on Japanese companies' CSR? How far does it influence companies – especially member companies, but also other companies? Which other companies and how many do draw on the <organization> as information source?
   11) What influence has (leading) Japanese companies' CSR on the CSR direction of the <organization>? Are there strong influences of companies with good CSR reputations on the understanding of CSR at <organization>? If yes, is their influence strong because individual company members participate in <organization>? Or do individual company members participate in <organization> because they are from companies with excellent CSR records?
   12) What is the connection between <organization> and other business associations (e. g., Keizai Dōyūkai, UN Global Compact network Japan)?
   13) How did the global economic crisis affect the CSR agenda of <organization>?
   14) What have been the main CSR topics for <organization> initially? How have the main CSR topics changed since 2007?
   15) How would you expect CSR at <organization> to develop in the future?

D. CSR in Japan
   16) In your opinion, what strengths and weaknesses has CSR in Japan compared to the global discussion of CSR?
   17) Which would you consider to be the most advanced industries (and individual companies) in Japan in regard to CSR?

2010 Interview Guideline (Civil Society Organizations)

Interview Questions

A. A few questions on your personal background and experience with CSR
   1) How long have you been with <organization>?
   2) How long have you worked on CSR?
   3) When did you hear about CSR the first time?
   4) Please describe what CSR means to you?

B. Development of CSR in Japan
   5) In your opinion, what strengths and weaknesses has CSR in Japan compared to the global discussion of CSR?
   6) What have been the main CSR topics in Japan initially? How have the main CSR topics in Japan changed in recent years?
   7) How did the global economic crisis affect CSR at Japanese companies?
   8) Which would you consider to be the most advanced industries in Japan in regard to CSR? Which companies are the leaders in these industries?

C. Business-Society relations regarding CSR in Japan
   9) Who are important stakeholders (individuals/groups/organizations) for the direction of CSR in Japan?
   10) How did and do Japanese companies respond to the CSR topics in Japan?
   11) In many sources NGOs and media in Japan are not regarded as relevant stakeholders for influencing Japanese companies. Is there an alternative source of pressure? Or is CSR in Japan guided by the business sector itself?
   12) How do CSO organizations engage with Japanese companies regarding CSR? Has the form of engagement changed? How?
   13) From which sources do you and does the <organization> obtain information on CSR?

D. CSR drivers in Japan
   14) What drivers for the adoption of CSR by Japanese companies do you consider as important?
   15) What influence do business associations (e. g., Keizai Dōyūkai, CBCC, UN Global Compact network Japan) have on CSR, CSR diffusion among companies, and CSR implementation by companies?
   16) How do "global" CSR developments influence the CSR direction in Japan? Particularly, how important are "best practices" and "standards"?

E. Outlook
   17) How do you expect CSR in Japan to develop in the future?

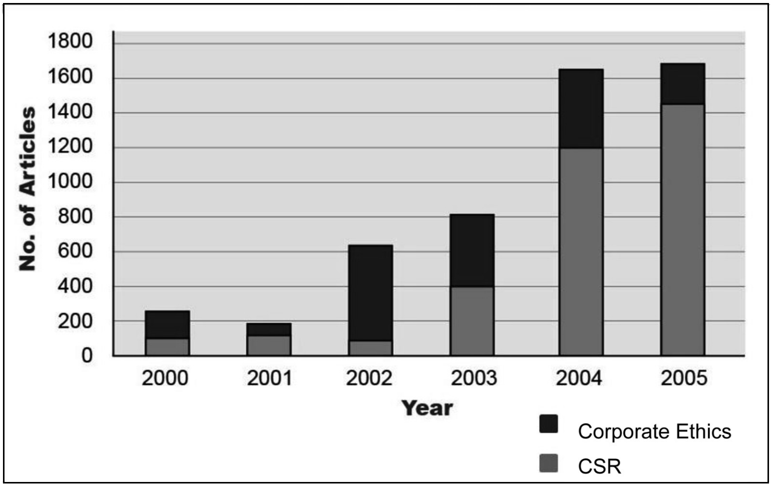
Appendix 3: Data on CSR Development in Japan

Tab. 33: Number of Articles Related to CSR in Four Major Nikkei Newspapers

Year	Eco-Fund	SRI	CSR	Concept of Corporate Social Responsibility
2003	9	31	25	32
2002	17	45	20	38
2001	43	25	17	22
2000	85	6	8	20
1999	82	10	3	18
1998	3	2	0	13
1997	0	1	0	32
1996	0	0	0	21
1990–95	0	10	0	269
-1989	0	0	0	193

Source: Kawamura (2003: 2)

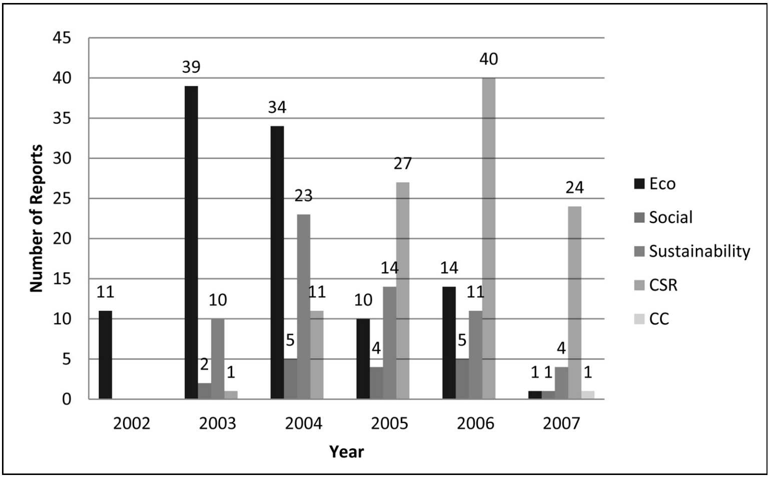
Fig. 13: Number of Articles Related to CSR in Japanese Business Newspapers



Source: Suzuki (2007: 6), slightly modified

Note: The examined newspapers are Nikkei, Nikkei Sangyō, Nikkei Ryūtsū, Nikkei Kinyū, Asahi, Yomiuri, Sankei, and Nikkan Kogyō.

Fig. 14: From Environment to CSR – Titles of Non-Financial Reports by Japanese Companies Based on GRI Standards (2002–2007)



Source: Author, based on data from GRI webpage, http://www.globalreporting.org, November 2007

Note: Majority of 2007 reports were released in 2008

Tab. 34: Development of CSR in Japan

Year	
1946	Yamashiro Akira publishes the book "Social Responsibility of the Management"
1950s-1960s	Citations of businessmen, often chairmen of the Keizai Dōyūkai, on business responsibilities; emphasis on economic responsibilities, but some acknowledgement of wider responsibilities towards society; overall, business responsibility understood as efficient production and inexpensive provision of goods and services
1956	Keizai Dōyūkai publishes a statement on responsibility of corporate executives titled "Awareness and Practice of the Social Responsibilities of Businessmen"
1967	Basic Law for Environmental Pollution Control
Early 1970s	Oil shock, opportunistic price hikes, market manipulation, and poor product quality lead to strong anti-business sentiment; emergence of a formal debate on social responsibilities of companies; Oil crisis leads to search for energy-efficiency and improves environmental performance in production processes; setting up of philanthropic foundations ("buying good-will")

Year	
1971	Creation of the Environmental Agency
1973	Japan Business Federation publishes statement on corporate behavior: "Toward the Establishment of Mutual Trust between Society and the Corporation" (16 March 1973); "Economy for Maintaining Welfare Society and Our Responsibility" (28 May 1973)
1974	First and only attempt to create regulation on social responsibilities of business: corporate responsibility cited as part of a Diet resolution attached to the Commercial Code revision as a way to address corporate misbehavior; Opposition from Japan Business Federation and Kansai Economic Forum and other business organizations with strong insistence that social responsibilities are of voluntary nature: "Business Ethics is not suited to the character of corporate law"; later re-stated in the Japan Business Federation's revised Charter of Good Corporate Behavior in 2004
Late 1970s / early 1980s	CSR debate subsides, economic effects of the oil crisis lead to economic priority over social responsibility
Mid 1980s	CSR debate reflourishes due to *sōkaiya* racketeering (corporate blackmailing) and exposure of Japanese MNCs to strong demands for engaging in CC activities when operating in the US
1989	Foundation of the "Association for the Corporate Support of the Arts"
1990	Foundation of the Japan Business Federation 1 % Club (self-commitment to dedicate one percent of company profit for philanthropic activities)
1991	Japan Business Federation creates the "Charter of Good Corporate Behavior"
1991	Tokyo Stock Exchange crash
1999	Japanese Financial Service Agency uses the term "compliance" in its inspection manual
2000	Basic law on establishing a recycling based society
2001	Environmental Agency becomes Ministry of Environment
2001	First SRI fund in Japan
2003	Keizai Dōyūkai publishes the 15th Corporate White Paper "Market Evolution and CSR Management: Toward Building Trust and Creating Stakeholder Value"
2004	Keizai Dōyūkai publishes results of a survey on CSR activities of Japanese companies
2004	Japan Business Federation revises the "Charter of Good Corporate Behavior"

Year	
2010	The Council for Better Corporate Citizenship (CBCC), established with support of the Japan Business Federation in 1989 for advancing good relations between Japanese affiliated companies and various stakeholders, becomes authorized as a public interest association

Source: Sharma (2010); Kawamura (2004); Schock (2008); Demise (2006); Kawamoto (1977)

Appendix 4: Supplementary Statistics

Tab. 35: Categorization of Industries with High Environmental Impact

Economic sector	Industry	Environmental impact
Primary	Fishery, Agriculture & Forestry	
	Mining	High
Secondary	Construction	High
	Foods	
	Textiles & Apparels	High
	Pulp & Paper	High
	Printing	High
	Chemicals	High
	Pharmaceutical	
	Oil & Coal Products	High
	Plastics Processing Industry	High
	Rubber Products	High
	Glass & Ceramics Products	High
	Iron & Steel	High
	Nonferrous Metals	High
	Metal Products	High
	Machinery	High
	Electric Appliances	High
	Transportation Equipment	High
	Precision Instruments	
	Other Products	
	Nuclear power	High
	Electric Power & Gas	High

Economic sector	Industry	Environmental impact
Tertiary	Information & Communication	
	Media and Broadcasting	
	Land, Marine & Air Transportation	
	Wholesale & Retail Trade	
	Banks, Securities & Commodity Futures, Insurance, and other Financing Business	
	Real Estate	
	Private Education & Research Institutions	
	Catering & Hotel Industry	
	(Other) Services	

Source: Brucksch (2010: 95)

Tab. 36: Descriptive Statistics of Different Industry Classifications

		SICC main classification	SICC sub classification
Categories		10	33
Range		337	90
Minimum		2	2
Maximum		339	92
Sum		577	577
Mean	Statistic	57.70	17.48
	Std. Error	31.929	3.075
Std. Deviation		100.970	17.667

Source: Calculations by author

Tab. 37: Number of Companies by the Securities Identification Code Committee (SICC) Industry Main and Sub Classification

SICC main classification	SICC sub classification	Number	Percent
Fishery, Agriculture & Forestry	Fishery, Agriculture & Forestry	2	0.3
Mining	Mining	11	1.9
Construction	Construction	19	3.3

SICC main classification	SICC sub classification	Number	Percent
Manufacturing		339	58.8
	Foods	24	4.2
	Textiles & Apparels	12	2.1
	Pulp & Paper	5	0.9
	Chemicals	50	8.7
	Pharmaceutical	15	2.6
	Oil & Coal Products	7	1.2
	Rubber Products	4	0.7
	Glass & Ceramics Products	12	2.1
	Iron & Steel	2	0.3
	Nonferrous Metals	14	2.4
	Metal Products	7	1.2
	Machinery	39	6.8
	Electric Appliances	92	15.9
	Transportation Equipments	31	5.4
	Precision Instruments	11	1.9
	Other Products	14	2.4
Electric Power & Gas	Electric Power & Gas	13	2.3
Transportation, Information & Communication		60	10.4
	Land Transportation	19	3.3
	Marine Transportation	5	0.9
	Air Transportation	2	0.3
	Warehousing & Harbor Transportation Services	2	0.3
	Information & Communication	32	5.5
Trade		45	7.8
	Wholesale Trade	20	3.5
	Retail Trade	25	4.3
Finance & Insurance		58	10.1
	Banks	33	5.7
	Securities & Commodity Futures	6	1.0
	Insurance	10	1.7
	Other Financing Business	9	1.6

SICC main classification	SICC sub classification	Number	Percent
Real Estate	Real Estate	11	1.9
Services	Services	19	3.3
Total	Total	577	100

Note: Number and percentage of SICC main classification left-aligned if classifications differ.

Source: Tokyo Stock Exchange, http://www.tse.or.jp/english/market/STATISTICS/e06.html, Access 22 March 2012; Tokyo Stock Exchange, http://www.tse.or.jp/sicc/sicc_en/sector/ct_chart_en.html, Access 20 December 2011

Tab. 38: Number of First Non-Financial Reports Published by Year

Year	Number	Percent	Valid percent	Cumulative percent
1993	2	0.3	0.5	0.5
1994	2	0.3	0.5	1.1
1995	1	0.2	0.3	1.3
1996	2	0.3	0.5	1.9
1997	3	0.5	0.8	2.7
1998	10	1.7	2.7	5.4
1999	27	4.7	7.3	12.6
2000	44	7.6	11.8	24.5
2001	42	7.3	11.3	35.8
2002	27	4.7	7.3	43.0
2003	27	4.7	7.3	50.3
2004	25	4.3	6.7	57.0
2005	25	4.3	6.7	63.7
2006	24	4.2	6.5	70.2
2007	29	5.0	7.8	78.0
2008	35	6.1	9.4	87.4
2009	22	3.8	5.9	93.3
2010	15	2.6	4.0	97.3
2011	10	1.7	2.7	100
Total valid	372	64.5	100	
Missing	205	35.5		
Total	577	100		

Tab. 39: Number of First CSR Reports Published by Year

Year	Number	Percent	Valid percent	Cumulative percent
2003	2	0.3	0.9	0.9
2004	12	2.1	5.3	6.2
2005	36	6.2	15.9	22.1
2006	45	7.8	19.9	42.0
2007	39	6.8	17.3	59.3
2008	31	5.4	13.7	73.0
2009	26	4.5	11.5	84.5
2010	19	3.3	8.4	92.9
2011	16	2.8	7.1	100
Total valid	226	39.2	100	
Missing	351	60.8		
Total	577	100		

Tab. 40: Multicollinearity Indicators

Independent variable	Tolerance	VIF
Size	0.765	1.307
Foreign Sales	0.733	1.365
Foreign Investors	0.863	1.158
CBCC member	0.777	1.287
Global brand	0.766	1.305
Domestic brand	0.899	1.113
Environmentally sensitive industry	0.629	1.589
Industry concentration	0.803	1.245
Diffusion	0.925	1.081
Age	0.823	1.215

Tab. 41: Comparison of Duration Models on Adoption of Non-Financial Reporting

	Full model			Model without "age"			Stepwise reduced model[a]		
		B	SE		B	SE		B	SE
Size		0.471***	0.060		0.448***	0.058		0.446***	0.058
Foreign sales		0.021***	0.002		0.021	0.002		0.020***	0.002
Foreign investors		–0.005	0.005		–0.004	0.005			
Global brand		0.755***	0.173		0.775***	0.172		0.805***	0.170
Domestic brand		0.331	0.275		0.408	0.271			
CBCC member		0.578***	0.162		0.537***	0.159		0.533***	0.159
Environmentally sensitive industry		0.713***	0.140		0.681***	0.137		0.681***	0.137
Industry concentration		0.703*	0.299		0.673*	0.297		0.672*	0.296
Diffusion		1.164***	0.143		1.174***	0.143		1.181***	0.143
Age		–0.004	0.003						
Observations	7,810			7,810			7,810		
AIC	4,830.863			4,831.175			4,829.425		
BIC	4,900.495			4,893.843			4,878.167		
-2LL	4,810.863			4,813.175			4,815.524		
Chi-square	452.766			450.454			448.105		
d.f.	10			9			7		
p	0.000			0.000			0.000		
Mc Fadden	0,086			0,086			0,085		

*** p<0.001, ** p<0.01, * p<0.05, × p<0.1

[a] Criteria: Enter if F<=0.05, remove if F>=0.10

Tab. 42: Comparison of Duration Models on Adoption of CSR Reporting

	Full model			Model without "age"			Stepwise reduced model[a]		
		B	SE		B	SE		B	SE
Size		0.193**	0.066		0.203***	0.064		0.241***	0.101
Foreign sales		0.013***	0.003		0.013***	0.003		0.015***	0.003
Foreign investors		–0.010	0.006		–0.011ˣ	0.006		–0.011ˣ	0.006
Global brand		0.279	0.222		0.262	0.221			
Domestic brand		1.018***	0.319		1.000**	0.318		0.990**	0.315
CBCC member		0.863***	0.194		0.874***	0.195		0.906***	0.192
Environmentally sensitive industry		0.142	0.179		0.143	0.181			
Industry concentration		0.881*	0.379		0.887*	0.400		0.739*	0.373
Diffusion		0.776***	0.101		0.774***	0.101		0.774***	0.101
Age		0.003	0.004						
Observations	3,952			3,952			3,952		
AIC	2,872.150			2,870.814			2,868.895		
BIC	2,915.728			2,910.035			2,897.319		
-2LL	2,852.150			2,852.814			2,854.895		
Chi-square	170.80			169.517			167.436		
d.f.	10			9			7		
p	0.000			0.000			0.000		
Mc Fadden	0.056			0,056			0,055		

*** p<0.001, ** p<0.01, * p<0.05, ˣ p<0.1

[a] Criteria: Enter if F<=0.05, remove if F>=0.10

Tab. 43: Comparison of Multinominal Logistic Regression Models on Adoption of Non-Financial Reporting

Full Model

	Innovators versus non-adopters		Early adopters versus non-adopters		Early majority versus non-adopters		Late majority versus non-adopters	
Factors	**B**	**OR**	**B**	**OR**	**B**	**OR**	**B**	**OR**
Intercept	–17.793		–14.120		–6.220		–4.960	
Size	0.909***	2.482	0.785***	2.192	0.399***	1.490	0.301***	1.351
Foreign sales	0.032***	1.033	0.044***	1.045	0.042***	1.043	0.033**	1.034
Foreign investors	0.021	1.022	–0.008	0.992	–0.028**	0.972	–0.013	0.987
Global brand	2.619**	13.723	2.666***	14.389	1.700**	5.473	1.431*	4.184
Domestic brand	0.415	1.514	–0.761	0.467	1.303*	3.680	1.434*	4.197
CBCC member	2.905***	18.261	1.508**	4.520	0.729	2.072	–0.415	0.661
Environmentally sensitive industry	1.785**	5.961	1.722***	5.597	0.888**	2.430	0.621ˣ	1.861
Industry concentration	0.283	1.327	1.629ˣ	5.099	0.659	1.932	0.060	1.061
Age	0.007	1.007	0.005	1.005	0.002	1.002	–0.005	0.995
-2LL	1,259.954							
Chi-square	338.184							
d.f.	36							
p	0.000	AIC	1,339.954					
Mc Fadden	0.212	BIC	1,514.199					
Nagelkerke R^2	0.474	Predicted	56.6%					

*** p<0.001, ** p<0.01, * p<0.05, ˣ p<0.1

Model with merged innovator/early adopter category

			Innovators and early adopters versus non-adopters		Early majority versus non-adopters		Late majority versus non-adopters	
Factors			**B**	**OR**	**B**	**OR**	**B**	**OR**
Intercept			–14.305		–6.226		–4.968	
Size			0.808	2.244	0.399	1.491	0.301	1.352
Foreign sales			0.042	1.043	0.042	1.043	0.033	1.034
Foreign investors			–0.003	0.997	–0.028	0.972	–0.013	0.987
Global brand			2.642	14.046	1.692	5.429	1.426	4.162
Domestic brand			–0.169	0.844	1.289	3.630	1.434	4.195
CBCC member			1.825	6.203	0.741	2.099	–0.412	0.662
Environmentally sensitive industry			1.734	5.663	0.886	2.426	0.621	1.861
Industry concentration			1.430	4.178	0.662	1.939	0.056	1.058
Age			0.005	1.005	0.002	1.002	–0.005	0.995
-2LL	1,179.005							
Chi-square	322.793							
d.f.	27							
p	0.000	AIC	1,239.005					
Mc Fadden	0.215	BIC	1,369.688					
Nagelkerke R^2	0.463	Predicted	59.2%					

*** p<0.001, ** p<0.01, * p<0.05, ˣ p<0.1

Tab. 44: Comparison of Multinominal Logistic Regression Models on Adoption of CSR Reporting

Full Model

	Innovators versus non-adopters		Early adopters versus non-adopters		Early majority versus non-adopters	
Factors	**B**	**OR**	**B**	**OR**	**B**	**OR**
Intercept	–14.092		–8.126		–3.726	
Size	0.556*	1.744	0.386***	1.471	0.183*	1.200
Foreign Sales	–0.003	0.997	0.018**	1.018	0.017***	1.017
Foreigners investors	0.043	1.044	–0.005	0.995	–0.017ˣ	0.983
Global brand	1.457ˣ	4.293	0.428	1.535	0.364	1.439
Domestic brand	0.897	2.452	1.027ˣ	2.793	1.019ˣ	2.771
CBCC member	1.910**	6.751	1.601***	4.958	0.287	1.333
Environmentally sensitive industry	–0.304	0.738	0.433	1.542	0.085	1.088
Industry concentration	–0.670	0.512	2.238**	9.374	0.297	1.345
Age	0.031*	1.031	–0.003	0.997	0.002	1.002
-2LL	1,017.162					
Chi-square	141.425					
d.f.	27					
p	0.000	AIC	1,077.162			
Mc Fadden	0.122	BIC	1,207.845			
Nagelkerke R^2	0.251	Predicted	62.2%			

*** $p<0.001$, ** $p<0.01$, * $p<0.05$, ˣ $p<0.1$

Model with merged innovator/early adopter category

			Innovators and early adopters versus non-adopters		Early majority versus non-adopters	
Factors			**B**	**OR**	**B**	**OR**
Intercept			–8.041		–3.792	
Size			0.408***	1.504	0.183*	1.201
Foreign Sales			0.016**	1.016	0.017***	1.017
Foreigners investors			0.000	1.000	–0.017ˣ	0.983
Global brand			0.547	1.728	0.366	1.443
Domestic brand			1.037ˣ	2.820	1.011ˣ	2.747
CBCC member			1.676**	5.344	0.289	1.335
Environmentally sensitive industry			0.352	1.422	0.083	1.087
Industry concentration			1.978**	7.227	0.300	1.350
Age			0.000	1.000	0.002	1.002
-2LL	957.683					
Chi-square	121.461					
d.f.	18					
p	0.000	AIC	997.683			
Mc Fadden	0.113	BIC	1,084.805			
Nagelkerke R^2	0.225	Predicted	64.1%			

*** $p<0.001$, ** $p<0.01$, * $p<0.05$, ˣ $p<0.1$

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Conducted Interviews

Nissan Motor Co., Ltd

Manager
CSR Group, Communications CSR Department, Global Communications CSR and IR Division; Global Environmental Planning Office, CSR Group combining with Corporate Planning Dept.

17–1, Ginza 6-chome, Chuo-ku, Tokyo 104–8023, Japan
Interview on 6 December 2007, 10.00 a. m. – 11.45 a. m.

Interview language	English
E-Mail language	English

GKN Driveline

Plant Director & President

1–6–4, Marunouchi, Chiyoda-ku, Marunouchi OAZU Café, Tokyo 100–8203, Japan
Interview on 16 December 2007, 10.00 a. m. – 11.00 a. m.

E-Mail language	Japanese
Interview language	Japanese

NEC Corporation

General Manager
Customer Satisfaction Promotion Division & CSR Promotion/Social Contributions Office, CSR Promotion Unit

Manager
CSR Promotion Office, Social Contributions Office, CSR Promotion Unit

7–1, Shiba 5-chome, Minato-ku, Tokyo 108–8001, Japan
Interview on 12 December 2007, 2.00 p.m. – 3.30 p.m.

and

Manager
CSR Promotion Office, Social Contributions Office

7–1, Shiba 5-chome, Minato-Ku, Tokyo 108–8001, Japan
Interview on 12 November 2010, 2.00 p.m. – 3.45 p.m.

E-Mail language	English
Interview language	English

Toyota Motor Corporation

Project Manager
CSR Public Affairs Group, CSR Dept., CSR & Environment Affairs Div.

CSR Public Affairs Group, CSR Dept., CSR & Environment Affairs Div.

4–18, Koraku 1-chome, Bunkyo-ku, Tokyo 112–8701 Japan
Interview on 18 December 2007, 1.30p.m. – 2.30 p.m.

E-Mail language English
Interview language Japanese

Mitsui & Co., Ltd.

Deputy General Manager
Planning & Administrative Dept., CSR Promotion Division

General Manager
CSR Promotion Division

Planning & Administrative Department, Community Relations Department, CSR Promotion Division
and Rikkyo University 21st Century Society Design Graduate Course
CSR Internship Program
Research Fellow and Lecturer concurrent post

Chinese Academy of Social Sciences
Institute of Economics, Assistant Fellow
Mitsui Global Strategy Studies Institute, Visiting Fellow

2–1, Ohtemachi 1-chome, Chiyoda-ku, Toyko 100–0004, Japan
Interview on 10 December 2007, 3.00 p.m. – 4.30 p.m.

and

Deputy General Manager,
Planning and Coordination Department, Corporate Planning and Strategy Division

2–1, Ohtemachi 1-chome, Chiyoda-ku, Toyko 100–0004, Japan
Interview on 17 November 2010, 2.00 p.m. – 3.00 p.m.

E-Mail language English
Interview language English

Sony Corporation

General Manager,
Corporate Social Responsibility Department

Senior CSR Manager,
Corporate Social Responsibility Department

Corporate Social Responsibility Department (in charge of the CSR report)

1–7–1 Konan, Minato-ku, Tokyo 108–0075 Japan
Interview on 5 November 2010, 4.05 p.m. – 5.10 p.m.

E-Mail language English
Interview language English

Sompo Japan Insurance Inc.

Associate Director, Chief CSR Officer
and Council for Better Corporate Citizenship (CBCC), Steering Committee Chairman

26–1 Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo 160–8338, Japan
Interview on 11 November 2010, 5.20 p.m. – 7.00 p.m.

E-Mail language English
Interview language Japanese

Amnesty International Japan

Secretary General

Fundraiser

4F Kyodo Bldg. 2–2 Kandanishiki-cho, Chiyoda-ku, Tokyo 101–0054, Japan
Interview on 29 November 2007, 11.30 a. m. – 13.30 p.m.

E-Mail language English
Interview language Japanese

Japan Center for a Sustainable Environment and Society (JACSES)

Executive Director

401, Sanshin Bldg., 2–3–2 Iidabashi, Chiyoda-ku, Tokyo 102–0072 Japan
Interview on 17 December 2007, 2.00 p.m. – 3.30 p.m.

E-Mail language English
Interview language Japanese

Arata Sustainability Co., Ltd.

Chief Researcher

Sumitomo Fudosan Mita Twin Bldg., East Wing 13th Floor, 4–2–8 Shibaura, Minato-ku, Tokyo 108–0023, Japan
Interview on 14 December 2007, 4.00 p.m. – 5.45 p.m.

E-Mail language English
Interview language English

Ministry of Economy Trade and Industry (METI)

Director, WTO Compliance and Dispute Settlement
Multilateral Trade System Department, Trade Policy Bureau
and author of the book "CSR in Japan and Europe"

Ministry of Economy Trade and Industry, Kasumagaseki 1–3–1, Chiyoda-ku, Tokyo 100–8901, Japan
Interview on 20 November 2007, 12.15 p.m. – 13.30 p.m.

E-Mail language English
Interview language Japanese

CSO Network Japan

Co-Director, CSO Network Japan
and Japan Director, The Asia Foundation

Avaco Bldg., 5th floor, 2–3–18 Nishi Waseda, Shinjuku-ku, Tokyo 169–0051, Japan
Interview on 16 November 2010, 4.30 p.m. – 6.00 p.m.

E-Mail language English
Interview language English

Council for Better Corporate Citizenship (CBCC)

Council for Better Corporate Citizenship (CBCC), Executive Director

Japan Business Federation (Nippon Keidanren), International Affairs Bureau

Keidanren Bldg., 1/3/2. Otemachi, Chiyoda-ku, Tokyo 100–0004, Japan
Interview on 17 November 2010, 4.30 p.m. – 5.35 p.m.

E-Mail language English, Japanese
Interview language Japanese

Footnotes

Footnotes to Chapter 1: Introduction

[1] This study follows the categorization of Matten & Moon (2008) when comparing member states of the EU with countries from other regions. Although the member states of the EU are not homogeneous, Europe refers to Scandinavia, the Benelux countries, Germany, Switzerland, Austria, France, Italy, the United Kingdom, and Ireland. Although these countries do not fully represent the European CSR experience, they are long-standing democratic, capitalist, welfare systems (Matten & Moon, 2008: 404, 419). For differences among European countries see for example Midttun, Gautesen, & Gjølberg (2006).

Footnotes to Chapter 2: Corporate Social Responsibility

[1] For a historical review of business responsibility see Eberstadt (1973), for a detailed description of the first half of the twentieth century of business responsibilities see Heald (2005).

[2] For the key arguments for and against social responsibilities of companies see, for example, Davis (1973) and Carroll & Shabana (2010: 88–89).

[3] In the historic view, CSR results from the efforts of individual entrepreneurs or, in the words of Bowen, "businessman". With the increasing institutionalization of incorporated companies as legal persons, responsibility can be ascribed to companies, although individual persons have to take over responsibilities ultimately (Hiß, 2010: 290). For an overview of arguments for and against social responsibilities of incorporated companies and how the corporate internal decision structure and organizational culture influence decisions of individuals that are part of it, see, for example, Crane & Matten (2007: 44–45).

[4] Fifka (2011) mentions that the term corporate citizenship was increasingly used by business practitioners in the US in the 1980s. It gained attention in the academic literature although it was mentioned occasionally since the mid 1970s (14).

[5] These distinct but related arguments are commonly found in the CSR literature but according to Matten & Moon (2008: 47) have been largely derived from Davis (1973) and Mintzberg (1983).

[6] Carroll states that the philanthropic responsibilities are in the discretion of the companies, as stakeholders appreciate but do not expect their fulfillment like in the case of ethical responsibilities (Carroll, 1991: 42). In his initial presentation of the four-part model, Carroll called the top layer discretionary responsibilities (Carroll, 1979: 499). Throughout this study, the non-mandatory ethical and philanthropic responsibilities are categorized as voluntary responsibilities of the company. Voluntariness is explained in more detail in Section 2.4.

[7] Carroll (1991: 41) states that the ethical responsibilities often address newly emerging values or norms that reflect higher expectations than codified by current law, and become a driving force for creating new laws and regulations.

[8] For the case of Germany, Hiß (2010) describes, as early examples, the efforts of Werner von Siemens, Alfred Krupp, or Ernst Abbe to reduce the burden of work, improvement of working conditions and supply of housing facilities or social security (290–293). Such initial voluntary practices later became legal requirements.

[9] Eisenegger & Schranz (2011: 92) conclude that the more a company aligns its CSR activities into a certain direction, the more the company's CSR activities can steer social change into a certain direction. A means for companies to define their own responsibilities is to state specifically, in a code of conduct or by other means of communication such as advertising, which responsibilities and obligations it undertakes toward specific stakeholders (compare Section 2.6) (Clarkson, 1995: 109).

[10] Carroll (1979) took up the delineation from Wilson (1975).

[11] Otherwise, only companies that demonstrate CSR in policies could be judged. Indeed, the majority of the CSR related research and observations by practitioners tend to focus on companies that *demonstrate* CSR.

[12] It could be argued that the operations of any company have a global impact, so that the scope of stakeholders equals the overall human race and future generations as in the broad concept of sustainability. Indeed, some CSR advocates expect that corporate social responsibility will deliver solutions to the big global problems from climate change, poverty and inequality, global poverty gap, to social exclusion and environmental degradation (Doane, 2005: 222; van Marrewijk, 2003: 96). However, already Bowen stated that CSR is no panacea (Bowen, 1953 in Carroll, 1999: 270). Any single company, no matter how big and powerful it might be, may be able to contribute to the solution of the problems within its sphere of influence, but not to the solution of all problems of the planet and its inhabitants: "Businesses are not responsible for solving all social problems. They are, however, responsible for solving problems that they have caused, and they are responsible for helping to solve problems and social issues related to their business operations and interests" (Wood, 1991: 697). Thinking in terms of a company, corporate sustainability or CSR rather than sustainability is the right concept for analysis, as it allows for identifying, analyzing, and responding to claims brought forward by a limited number of stakeholders.

[13] Matten, Crane, & Chapple propose an additional view on CC, which they call extended perspective. The extended view on CC, as offered by Matten et al. acknowledges an extended political role of the company in society (Matten, Crane, & Chapple, 2003). As an integrated part of society, companies are expected to contribute to society like citizens (Kaiser & Schuster, 2003: 609). CC in the extended view stresses the notion of 'citizenship' with its connotation as a set of individual rights, and concentrates on the description of how companies govern citizenship rights for individuals (Crane & Matten, 2007: 71, 74–77). Critics doubt that the extended view of CC as offered by Matten et al. provides a plausible explanation for the reasons why companies will administer citizenship rights and whether or not CC captures more descriptively the con-

cept of CSR (van Oosterhout, 2005: 680). This study excludes questions related to the extended view on CC such as the social or political validity and meaningfulness of CC.

14 Although CC is not mentioned directly, the idea that companies integrate social and environmental concerns shows that the role of a company is extended beyond economic operations, implying that a company embraces more than just economic responsibility as good corporate citizen.

15 The goal to of the green paper was to raise awareness and stimulate the debate on promoting CSR and not to formulate concrete proposals for action (European Commission, 2001: 24).

16 Dahlsrud's result is in accordance with Prieto-Carrón, Lund-Thomsen, Chan, Muro, & Bhushan (2006: 978) finding that the EC's definition is one of the most quoted ones. The definition of the European Commission had the highest frequency count (286), ahead of the definition of the World Business Council for Sustainable Development (WBSCD) (180), and contains all of the five dimensions as identified by Dahlsrud. However, Dahlsrud's study mainly analyzes recent CSR definitions from Western countries. The 37 definitions examined by Dahlsrud were published between 1980 and 2003, but 34 originated from 1998 onwards. Most definitions come from Europe and the US, although definitions from India and Canada were also included (Dahlsrud, 2008: 3, 7).

17 Most of the definitions Dahlsrud identified in articles and web pages have been set out by organizations such as Business for Social Responsibility (BSR), the Commission of the European Communities, and CSRwire (Dahlsrud, 2008).

18 For example Kinderman (2008) reports that German companies have increased CSR efforts in exchange for reduced regulation and greater freedom. However, in the US and the UK, the CSR rhetoric places more emphasis on social compensation (31). For the influence of institutional differences on companies' CSR strategies and understandings see Section 3.1.

19 Some CSR definitions also include the natural environment as a stakeholder. While Starik (1995) and Driscoll & Starik (2004) advocate for the inclusion of the natural environment as a primary stakeholder, Phillips & Reichart (2000: 192) and Phillips (2004: 2) argue that only humans can be organizational stakeholders, but that the natural environment must be considered by companies if legitimate stakeholders show concern for it. Mitchell, Agle, & Wood (1997), among others, accept that human consciousness and willful exercise is not a necessary stakeholder feature, but they still consider it necessary for stakeholders to gain managerial attention (Mitchell, Agle, & Wood, 1997 in Driscoll & Starik, 2004: 66). Although the environment can affect a company deeply and is also affected by the company's operations, "an entity may possess power to impose its will upon a firm, but unless it is aware of its power and willing to exercise it on the firm, it is not a stakeholder with high salience for managers" (Mitchell, Agle, & Wood, 1997: 866). Mitchell et al. therefore classify the natural environment as a dependent stakeholder (see Section 3.2), because it depends on other stakeholders or the company's managers with the power to carry out its will, "either through the advocacy of other stakeholders, or the guidance of internal management values" (877). This study distinguishes between actors and issues and follows those authors that take a social-agency perspective for explaining stakeholder salience. As the environment is not a group or an indi-

vidual that can articulate its interest and directly affect a company's purpose (Grünschloss, 2010: 8), the natural environment is treated as a stakeholder interest, not as a stakeholder itself.

[20] In the 37 CSR definitions examined by Dahlsrud, 11 organizations and authors provide 14 definitions that explicitly name groups to which the company has responsibilities, listed by decreasing frequency: employees, communities, environment, customers, shareholders, suppliers, government, and competitors. Only individual authors provide a wide range of stakeholders, while most business organizations refer to either employees and communities, to employees and the environment, or to employees, communities and the environment (Dahlsrud, 2008: 7–11).

[21] Other characteristics beside legitimacy of claims determining the degree of influence stakeholders can exert on a company are explained in Section 3.2.

[22] Of course, this view holds only for the most advanced economies. In some developing countries with opportunities for bribery and lax enforcement of legislation, fulfilling a company's economic and legal responsibilities might be considered as voluntary CSR if companies can easily avoid their mandatory responsibilities.

[23] The common view that CSR relates to social and environmental impacts in business activities and less to the economic activity itself becomes also clear in the definition of the Commission of the European Union that had the highest frequency count in Dahlsrud study: "(…) companies integrate social and environmental concerns in their business operations (…)" (European Commission, 2001: 8).

[24] The possibility that countries would engage in a race to the bottom regarding environmental regulation to attract foreign direct investment and resulting problems of pollution havens have been widely discussed. Most empirical studies that look at whole economies do not find evidence for a race to the bottom effect, but some studies that only look at pollution intensive industries find that companies relocate production facilities from countries with strict environmental regulation to countries with lax environmental regulation (for an overview see OECD, 2002: 6–7), for instance Japan and the United States (Mani & Wheeler, 1998).

[25] Compared to the race to the bottom hypothesis, the Porter Hypothesis proposes that stronger environmental regulations can improve a country's competitiveness by fostering innovation and efficiency (Porter, 1990: 88), which might even result in a race to the top regarding environmental standards in some countries (OECD, 2002: 9). Hahn (2009: 118–126) offers a comprehensive discussion of race to the bottom and race to the top effects of globalization on developing countries including the role of MNCs.

[26] Partly the comparatively low frequency of the environmental dimension results from its absence in early definitions of CSR, which might have influenced later definitions. It is also not mentioned in the definition of CSR of the WBSCD, as the WBCSD has a separate definition of corporate environmental responsibility. If taking into account that the WBSCD integrates the environmental dimension in a separate definition and adding the frequency counts for the WBSCD CSR definitions in Dahlsrud study, the relative use of the environmental dimension would be similar to the other CSR dimensions (Dahlsrud,

2008: 5) and all of the definitions provided by organizations would include the environmental dimension. The environmental dimension might also be less frequently used because some definitions refer to stakeholders but do not mention their particular interests, and the environment is often regarded as an issue that needs advocacy by stakeholders (see Subsection 2.4.2).

[27] The social dimension on sustainability lagged behind the environmental one, partly owing to the initial focus on environmental protection in the concept of sustainability (see Subsection 2.3.2).

[28] Prahalad uses the term of BOP to refer to the market which consists of the poor with an average annual income of less than 1400 US dollar in purchasing parity power and proposes that companies can tap the fortune at the BOP by "selling to the poor and helping them improve their lives by producing and distributing products and services in culturally sensitive, environmentally sustainable, and economically profitable ways" (Prahalad & Hart, 2002: 2), and thereby helping in the eradication of poverty. Karnani criticizes that the BOP proposition is both logically flawed and inconsistent with the evidence presented by Prahalad. Karnani does not question a role for MNCs to make a positive social impact on developing countries, but he proposes that instead of selling to the poor at the BOP, buying from them will be the best way to increase their real income and thereby help to eradicate poverty (Karnani, 2007: 91; 102).

[29] The eight Millenium Development Goals are to: eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDS, malaria, and other disease, ensure environmental sustainability, and develop a global partnership for development (UN, 2010).

[30] Companies operating in crisis areas benefit from better educated staff and growing economic activity bringing along employment for local citizens. An executive of a large oil company referred to the fringe benefits for improving the situation of local citizens in relation to improved security for his company's operations in an African country quite bluntly: "If the people down there have a job and get enough food they are less likely to flock together and throw grenades on our facilities or highjack our staff" (Anonymized Personal Interview, 2007).

[31] Some authors name additional motivations for CSR adoption such as compliance with existing laws and forestalling of future regulations (Arnold & Day, 1998: 3), relational motivations that are concerned with shaping and maintaining relationships among group members (Aguilera, Rupp, Williams, & Ganapathi, 2007: 839), and need to maintain legitimacy (Frynas, 2009: 16, based on DiMaggio & Powell, 1983; Meyer & Rowan, 1977; North & Thomas, 1973) or social contracts with governments, communities, and other stakeholders in society to operate effectively (Donaldson & Dunfee, 1999). Ultimately, these motivations constitute reasons for CSR adoption because of assumed positive effects for the company and will be subsumed under the umbrella of instrumental motivations.

[32] Even personal moral motivations may be construed as self-interested in the form of psychological egoism (Baier, 1991: 197–199), but it is very hard to support empirically the view "that all our actions can be traced back to self-interest; for example feeling good (or avoiding guilt) by doing good" (Hemingway

& Maclagan, 2004: 36). This view of psychological egoism stresses that persons do what they really want to do based on their own motivation, not on somebody else's. Egoism in the ordinary sense distinguishes between goals: egoistic individuals strongly regard their own interest and seek to promote their own benefit; non-egoistic individuals adequately regard others' interest and seek to promote their own benefit constraint by considerations of what is morally permissible (Baier, 1991: 199). The division into moral and instrumental motivations therefore can be useful to distinguish between adequate regard of other's interest based on moral considerations (moral motivation) and strong regard of self-interest (ESI).

[33] When Friedman (1970) wrote that the only responsibility of business is to make profits, he actually acknowledged that a company can act socially responsible if it contributes to profit maximization, but claimed that CSR, if based on a business case, is not CSR at all but profit maximization (Crane & Matten, 2007: 47). However, he was often understood to simply mean that companies should not engage in any kind of socially responsible action.

[34] Using CSR to conceal irresponsible business practices is often referred to as "window dressing". When used in connection with CSR, window dressing describes public relation efforts that aim at displaying CSR to the public while internally doing business as usual or even intentionally engaging in misconduct. Window dressing is characterized by significantly spending resources on advertising rather than acting responsible, which reduces the CSR of the company to a lip service (Campbell, 2007: 950).

[35] Manne argued earlier that "in practice it is often extremely difficult, if not impossible, to distinguish a purely business expenditure only alleged to have been made for the public's good from one actually made with real charitable intent" (Manne & Wallich, 1972: 8).

[36] Based on the idea that society grants legitimacy and power to business, Davis (1973) argues that "if business wishes to retain its present social role and social power, it must respond to society's needs and give society what it wants" (314), which Davis & Blomstrom (1971) formulated as the "iron law of responsibility": "in the long run, those who do not use power in a manner which society considers responsible will tend to lose it" (95).

[37] The question of whether or not companies have a moral conscience has been debated controversially. While a company as an artificial person is responsible for its actions from a legal perspective, few would assume that a company has a sense of responsibility and feeling of pride and shame in doing the right or wrong thing like a human being. Due to the influence of the corporate internal decision structure which directs the behavior of individuals in the company and as a result of the organizational culture which influences the values and beliefs – and thereby moral behavior of individuals in the company –, some level of moral responsibility that is more than the responsibility of the individuals constituting the company can be attributed to the company (Crane & Matten, 2007: 43–45). However, Schein (1985) points out that the executives manage the belief systems or corporate cultures out of which organizations respond to their environments (2, 6), thereby linking the corporate culture again to the individual executive's decision making (Swanson, 1995: 59).

[38] Some of those driven by moral motivations may even become social entrepreneurs and create social enterprises with the main purpose of solving specific social problems by using business methods. Yunus (2010) calls a social enterprise a social business if no dividends are paid and all profits are reinvested in expanding and improving the business (1).

[39] Aguilera et al. (2007) provide a framework for analyzing motivations at the individual, the organizational, the national, and the transnational level, but admit that empirically taking into account all levels simultaneously would be hardly possible (837).

[40] For example Manne & Wallich (1972) argued in the early 70s that more profitable firms will be able to use profits for the higher costs of voluntary corporate altruism (13). While some demand that any working definition of CSR has to include the idea that CSR must incur a net financial loss to the company (e. g., Karnani, 2011: 106; Manne & Wallich, 1972: 4), the view that CSR always has to incur costs itself, is questionable. Remembering that some of the expected positive effects of CSR are intangible, it can be also argued that CSR related activities do not require "investments" that could be measured in monetary terms, e. g, integral behavior may generate trust and thereby reduce monitoring and transaction costs (Jones, 1995). Waldman & Siegel (2008) also argue that certain types of CSR, and particularly responsible leadership, are largely or entirely free of monetary costs. For example, responsible leadership can encourage diversity by supporting the development and promotion of women into new leadership roles, or facilitating total quality management techniques that allow improving product and service quality without large expenditures. Leadership integrity is associated with the reduction of business costs such as fines, attorney or audit fees, but also with less quantifiable costs that arise in cases of insufficient leadership integrity such as losses of company reputation or difficulties in recruiting, motivating, and retaining employees (121). Margolis and Elfenbein's (2008) analysis of 167 studies on the CSR-CFP link also shows that only 2 percent of the studies indicate that corporate resources dedicated to social performance impose a direct cost to shareholders (19).

[41] CSR or CSP in empirical studies have often been measured in reference to one indicator representing CSR. Some CSR indicators are provided by third parties that evaluate the company performance regarding several CSR related issues and construct a weighted indicator. But many authors apply one single indicator that represents CSR through one observable practice, policy, or outcome such as disclosure of CSR related information (especially pollution), indices and ratings on reputation (e. g., Fortune Reputation rating), participation in CSR initiatives, compliance with standards, environmental or social awards, and charity expenditures (Margolis & Walsh, 2003). CFP indicators are largely divided into accounting, market, or mixed measures (Margolis & Walsh, 2003: 274–277). The CFP indicators that have been most widely applied include accounting measures such as return on assets, equity, or investment (ROI, ROE, ROA) (e. g., Preston & O'Bannon, 1997: 425), market measures such as total return, mean abnormal return, or stock price, and mixed accounting and market measures such as price to earnings or market to book value (Margolis & Walsh, 2001: 18). Given that a variety of different indicators for CSR and CFP has been applied in empirical research, it is no wonder that the results are in-

conclusive. It is questionable if a manifold concept like CSR could be captured in one single indicator applicable to all companies, since CSR will differ widely among companies (van Marrewijk, 2003).

42 Particularly event studies are flawed due to their limitations for examaning long-term effects. Event studies are more reliable to test the effect of unanticipated events on company performance, usually measured in the stock price, and thus measures how the arrival of new information influences investors' expectations of a company's future performance. Event studies require the researcher to isolate the effect of an event that is intended to study, but the longer the event window, the more difficult it is to control for confounding effects (McWilliams & Siegel, 1997: 628–635). Remembering that most of the positive effects associated with CSR are expected to show in the long-term, it is doubtful that event studies are helpful to determine the relationship between CSR and CFP. Given that stock markets fully react within 15 minutes of the release of company-specific information (McWilliams & Siegel, 1997: 636), the effects of other events may counter, strengthen, or conceal the effect of CSR in long-horizon event studies. Another basic criticism relates to the assumption that markets are an efficient instrument to assess the value of CSR: given the difficulties to evaluate the influence of CSR on CFP, why would investors be better able than others to adequately assess the (long-term) value of CSR, especially those related to intangible assets?

43 Carroll & Buchholtz do include the aspect of improved reputation for companies stemming from more CSR or better CFP.

44 The type of indicator used to measure CSR and CFP affect the degree of the positive relationship. CSR appears "to be more highly correlated with accounting-based than with market-based indicators of CFP" (Orlitzky, Schmidt, & Rynes, 2003: 403).

45 Marketing for example is carried out with the goal to enhance a company's performance and yet marketing campaigns sometimes bear disastrous outcomes, even destroying brands or whole companies at worst (Baker, 2008 in Werther & Chandler, 2008: xiv). CSR, just like marketing or innovation, then is a process that includes "choices, dilemmas, benefits and catastrophes", and a business case rather is a rationale of taking a course of action because of the economic expectation to receive more benefits from it than it bears costs (Baker, 2006). If attention to the quality of managing day-to-day operations is the key to improvements to reputation and financial performance, then there is little difference between managing CSR and managing well (Waddock, Bodwell, & Graves, 2002: 133; Waddock & Graves, 1997a: 273; Waddock & Graves, 1997b: 313–314).

46 In a global survey 94 percent of company executives believe that developing a CSR strategy can create real business benefits (Ernst & Young, 2002). In a worldwide survey among top managers of the Economist Intelligence Unit (EIU, 2005), 69 percent of the participants perceived that CSR efforts significantly or a little add to the financial performance. Another 22 percent did not believe in this connection but saw CSR as a necessary cost of business, adding up to a total of 91 percent of the managers who either believe that CSR contributes to financial performance or at least see it as unavoidable. Only seven percent were indifferent about CSR effects and two percent regard it as unnecessary (EIU, 2005: 65).

[47] For the US see for example the sustainability survey report of Pricewaterhouse-Coopers (PWC, 2002: 1, 7). For companies from all over the world see for example a report by the Economist Intelligence Unit (EIU, 2005: 65). A global survey of 365 senior executives by the Aspen Institute and Booz Allen in 2004 showed that the executives considered reputation, followed by employee recruitment and customer loyalty, to be the most important factors to a company's strategy and to be the factors most affected by CSR (The Aspen Institute, 2005: 5). Results are similar when stratifying among chief financial officers, investment professionals, and CSR professionals who perceive enhanced reputation and/or brand equity to be the most important way to derive improved financial company performance from CSR activities with at least 75 percent of the respondents (McKinsey, 2009: 3).

[48] This positive effect on CFP is stronger for activities in the social than in the environmental CSR dimension.

[49] The link may work from CSR to CFP, from CFP to CSR, or mutually between CSR and CFP but with corporate reputation as underlying and enhancing variable.

[50] Negative perceptions may even induce punishment of companies through boycotts, which is especially frightening to a consumer-oriented company or industry such as soft drinks or supermarkets that suffer devastating consequences even in case of a small decline of customers (Manne & Wallich, 1972: 5). In a global sample of 25,000 consumers in 1999, 40 percent of the participants had at least considered punishing a specific company over the past year that appeared to them as not behaving responsibly (Smith, 2003: 61).

[51] Customers, investors, and employees are the top three stakeholders that were named by at least 60 percent of the participating managers in a survey on CSR. Other stakeholders were mentioned by not more than 25 percent of the participants (EIU, 2005: 63).

[52] For example, higher employee morale was ranked second after reputation in the worldwide survey on top management perspectives on CSR (EIU, 2005: 36), and employee recruitment was ranked second in a global survey of Aspen Institute and Booz Allen in 2004 (The Aspen Institute, 2005: 5). In a national survey in the US by Grant Thornton (2007), the highest ranked CSR benefits also were reputation, attraction and retention of employees, and customer relations, which is in line with results of a survey by McKinsey (2009: 3).

[53] The following paragraph draws on a comprehensive review on the relevance of CSR for the decisions of job seekers by Hoppe (2009: 31–37).

[54] Of course, CSR is one factor, among others, that influence the decision of job applicants. Other factors on job applicant's decisions are, for example, familiarity with the company and perception of the company as an attractive employer (Gatewood, Gowan, & Lautenschlager, 1993: 419–421), whereby industry, employment development opportunities, and corporate culture influence the perception of the company as an attractive employer (Cable & Graham, 2000: 943).

[55] Diversity is an issue from which some employees benefit directly while others benefit indirectly, dependent on the belonging of a potential employee to a minority group or not.

[56] Of course, there may be inter-personal differences regarding the degree of importance and the direction of the employees' response to companies' CSR reputations. Based on the premise of person-organization fit theories, when values and norms that a person attributes to a company are congruent with his or her values and norms, the person's self-concept is enhanced (Greening & Turban, 2000: 260). Through a process of self-selection, employees will tend to seek or cease employment with companies showing behavior that is compatible or incompatible with their value image. People with moral standards will tend to leave or avoid companies that show opportunistic behavior, and opportunistic people will tend to leave or avoid companies that engage in moral ("irrational") decision making (Jones, 1995: 419).

[57] Social identity theory explains the connection between CSP and job choice with the assumption that individuals derive their self-concept partly from membership in social groups (Tajfel, 1982: 24). Theoretically, job seekers will perceive companies with high CSR reputations as more attractive as they can expect an improved self-concept by belonging to such companies (Albinger & Freeman, 2000: 245).

[58] Another employee-related benefit of particular interest for MNCs is diversity (European Commission, 2001: 9), i. e. to integrate an increasing number of diverse cultures of executives and employees as a result of global business operations (Kell & Ruggie, 2001: 326).

[59] A change in consumer values towards increasing attention to CSR has been apparent during the last decades. In the 1990s, Macchiette & Roy (1994) reported changes in American consumer concerns with increased attention paid to CSR in their purchasing decisions (63). In the United Kingdom, consumer values also changed from materialism of the 1980s to higher concerns of CSR in the 1990s (Hemingway & Maclagan, 2004: 38). In the first European survey of consumer attitudes towards CSR in twelve European countries in the year 2000, 70 percent of the 12,000 participants claimed that a company's CSR commitment is an important factor when buying a product or service (MORI, 2000: 4). Also in a global sample of 25,000 consumers in 1999, consumers most frequently mentioned to consider CSR issues such as treatment of employees, community involvement, and ethical and environmental issues as important when forming their opinion of a company (Dawkins & Lewis, 2003: 186). Other stakeholders such as employees, legislators or investors also pay increasing attention to CSR (Waddock, Bodwell, & Graves, 2002: 132).

[60] A survey on consumer reactions to CSR shows that in the EU, on the average, 44 percent of the consumers are willing to pay more for socially and environmentally responsible products (MORI, 2000: 8). American consumers claimed to be willing to pay five to ten percent more for environmentally packed products in 1989 (Coddington, 1990: 7). Smith (2003) illustrates the actual willingness to pay a premium price for products with CSR features with the growth in sales of free-range eggs in the UK that around 2003 had a share of 35 percent of sales although being 25 percent more expensive than eggs from battery hens. He qualifies the relevance of the products' CSR features by arguing that at least some consumers act out of self-interest and buy free range eggs because they perceive product-related benefits to their personal health and safety (62). Nevertheless, this is an example that CSR can bear functional value for customers,

which can be an important and enduring reason to choose products with CSR features over others (see the rest of the section for a discussion of consumer value from CSR).

61 Many consumers who claim that a company's CSR record influences their purchasing decisions and willingness to pay premium prices actually often do not buy CSR compatible products (Laroche, Bergeron, & Barbaro-Forleo, 2001: 516), resulting in a CSR attitude-behavior gap (e. g., Boulstridge & Carrigan, 2000; Roberts, 1996: 80). Predictions on consumer tendencies to pay premiums for CSR are largely derived from survey data, which typically suffer from social desirability biases (Mohr, Webb, & Harris, 2001: 50). Auger & Devinney (2007) tested the items used in surveys on ethical consumerism and conclude that traditional survey methods are very likely to overstate the importance of CSR issues and thereby conceal consumers' true preferences (378). Laroche et al. (2001) name the example of overstocking of environmentally compatible products in British supermarkets in the early 1990s. Consumers had claimed to wish to buy environmentally compatible products, but later explained that these products were too expensive (516). In 2001, while around 30 percent of consumers claimed to be ethical consumers, only few products that make ethical claims (e. g., to protect the environment or animals) had a market share greater than 3 percent (Smith, 2003: 62). For a recent discussion of the gap between ethical purchase intentions and actual buying behavior see Carrington, Neville, & Whitwell (2010: 139–141).

62 Regarding the impact of different CSR practices, Creyer and Ross' (1996) results for example show that employee volunteerism or donations are a more effective response to negative news about a firm than cause-related marketing, i. e. donating a percentage of sales (176). Mohr & Webb (2005) report that the effect of environmentally related CSR on consumers' evaluation of companies and purchase intentions is stronger than the effect of philanthropically-related CSR (141).

63 This is in line with a central assumption of Kahneman & Tversky's (1979) prospect theory that human beings react more sensitively to losses than to gains, which can be applied to non-monetary outcomes (279, 288).

64 "Consumers, investors, and other constituencies become suspicious of corporate imperatives that don't deliver demonstrable results, and corporate values are no exception" (The Aspen Institute, 2005: 10). Research suggests that consumers will punish companies that they perceive to be insincere in their CSR claims (Becker-Olsen, Cudmore, & Hill, 2006: 46). Consumers acknowledge that companies pursue self-interests with CSR and do not respond negatively when perceiving a company to do so, but consumers respond negatively to CSR if they perceive that a company tries to conceal that it is pursuing self-interest (Eisenegger & Schranz, 2011: 82).

65 Green and Pelozza follow Rowley & Moldoveanu (2003) who expect consumers, like all stakeholders, to be largely (self-) interest-based-driven (206–207).

66 When making a purchase of a product or service with a CSR attribute, emotional value relates to the personal good feeling, social value relates to positive judgments of others about oneself, and functional value relates to actual benefits that the consumer receives from CSR attribute of the product or service (Green & Peloza, 2011: 53).

[67] Realizing value from corporate reputation requires achieving the perception of uniqueness, which needs consistent actions over time to demonstrate credibility and to earn trust (Fombrun, 1996: 9). It can be assumed that social enterprises (see Subsection 2.5.1) will be most successful in showing consistent actions to demonstrate credibility and obtain customer trust to be able to charge premium prices and attract customers that wish to support the company in solving a certain CSR issue.

[68] This result is consistent across participants from different backgrounds. Companies' chief financial officers, investment professionals or CSR professionals all rank access to capital as the least important way in which CSR can improve CFP (McKinsey, 2009: 3).

[69] Mitchell et al. categorize a stakeholder who combines all three attributes of power, legitimacy, and urgency as definitive stakeholder (878).

[70] The social investment forum (SIF) reports that between 1995 and 2010 SRI has grown by 380 percent from 639 billion US dollars to 3.07 trillion US dollars, outpacing the increase of overall assets under professional management that rose by 260 percent from 7 trillion US dollars to 25.2 trillion US dollars during the same period of time (SIF, 2010: 8).

[71] Johnsen (2003) argues that SRI funds can rather affect companies' CSR activities through active investment than by avoiding certain companies through negative screening (220–221). The share of SRI funds that use positive screening or several exclusion criteria has grown quickly in Europe between 2001 and 2007; the majority of SRI funds use simple screening with a maximum of two exclusion criteria, which represents a growth in mainstream SRI investment. Particularly, the 2008 global economic crisis and incidents like the BP Deepwater Horizon case have made investors aware of the need to consider CSR risks and have positively affected SRI investment, which, when compared to conventional investment, has remained resilient to the slowdown in economic growth in Europe in recent years (Eurosif, 2010: 9).

[72] Similar to the factors that determine interest in CSR criteria of job seekers in their decision process, gender and education have been found to partly explain the individual investors' interest in SRI funds (Michelson, Wailes, van der Laan, & Frost, 2004: 2). Younger, well educated people, particularly females, are more likely to be attracted by SRI (Cheah, Jamali, Johnson, & Sung, 2011: 318).

[73] Rudd admits that the reduction in portfolio performance will be rather incremental for CSR criteria as they do not significantly limit the portfolio choice.

[74] This finding adds credibility to the claim that SRI funds differ from conventional funds.

[75] Chegut, Schenk, & Scholtens (2011) provide a meta-study on the empirical literature on SRI funds performance and find that existing differences in results of the studies relate to methodological and selection differences and shortcomings. The majority of the studies examine SRI funds performance for the period between 1990 and 2004 (81, 84). The focus on this period of time may result in underestimating SRI funds performance. Climent & Soriano (2011) compared environmentally screened funds to conventional funds in the US between 1987 and 2009 and found that conventional funds performed better than environmentally screened ones during the sub period between 1987 and 2001, while there was no significant difference during the sub-period between 2001 and

2009. Climent & Soriano suggest that the results for the more recent sub-period are more reliable. This is because environmentally screened funds and SRI funds have become rated as established financial assets similar to conventional funds. Climent & Soriano relate the poorer performance of environmentally screened funds in the earlier sub-period to more restricted investment criteria, which limit investment choices and reduce performance as theorized by Rudd (Climent & Soriano, 2011: 11).

[76] For example, 76 percent of the companies included in the UK based FTSE 100 index qualify for the FTSE4Good index that lists companies based on sustainability criteria (Smith, 2003: 63). Further, many SRI funds accept unaudited self-assessments from companies as evidence for CSR performance (Haigh & Jones, 2006: 3).

[77] Heinkel, Kraus, & Zechner (2001) calculate that at least 25 percent of investors are required to influence a company's environmental and other ethical behavior (447). As the overall size of the SRI market in the US in 2010 was slightly more than 12 percent (SIF, 2010: 8), not all companies can be equally influenced.

[78] For a comprehensive review of shareholder activism see, e. g., Sjöström (2008).

[79] Also CSO activists have engaged in attempts of shareholder activism by buying stocks and filing shareholder resolutions related to CSR issues at corporate annual meetings (Guay, Doh, & Sinclair, 2004: 128–129).

[80] Commonly cited examples of pension funds that influence invested companies are the California Public Employees' Retirement System and the UK-based Hermes (Haigh & Jones, 2006: 3).

[81] As a rough indicator for the importance of indirect finance in influencing companies, Scholtens (2006) compares stock market capitalization versus domestic private credits in 21 countries. The sum of finance exceeds the sum of stock market capitalization in most countries and in all G7 countries the ratio between private credits and stock market capitalization is about 1.5 to 1, which indicates that financing through private credit is the dominant way to access capital in these countries (25).

[82] Menz (2010) finds in his analysis of the corporate bond market that CSR is not yet significantly rewarded in the pricing of corporate bonds as credit ratings still matter to bond investors more than CSR ratings (129).

[83] Since 2002 legislation made non-financial reporting mandatory in France (Smith, 2003: 63).

[84] For a list of principal agencies and indices operating in OECD countries see Márquez & Fombrun (2005: 305). For a list of sustainability and conventional indices used in academic research on SRI fund performances see Chegut et al. (2011: 84).

[85] Reputational capital materializes in the excess value that investors are willing to pay for the company's shares (Fombrun, 1996: 80).

[86] The civil society literature focuses to a large extent on non-government organizations (NGO), and much of the CSO related contents in this section refers to NGOs, but there are other organizations such as labor unions, consumer associations, and religious and community groups that exert pressure on companies. Therefore, the term CSOs will be used as an umbrella term for all types of voluntary, not-for-profit organizations outside of business and government (Crane & Matten, 2007: 404–405).

[87] Investors, customers, and employees all received at least 60 percent, supporting Hill's expectation that a company will favor the stakeholders that it considers the most critical for its survival.

[88] Guay et al. (2004) determine the beginning of the rising prominence of CSOs in the US to 1984, when several NGOs, including religious and community groups, human rights organizations, and other anti-apartheid activists, jointly pressured US cities and states to divest their public pension funds of companies doing business in South Africa, resulting in withdrawal of US capital from South Africa, which among other factors worked towards the collapse of apartheid (129).

[89] Carty (2002) illustrates how CSO activists use the internet and other new social media using the Nike case (see below).

[90] Den Hond and de Bakker (2007) suggest that activist groups predominantly target companies with proactive CSR strategies, because, if it can be shown that even proactive companies insufficiently fulfill CSR expectations, laggard companies will be viewed as even less acceptable, which will increase the pressure on all companies in an industry and might ultimately result in industry wide change of business practices (916).

[91] Starting in 1991, Nike was targeted by activists for the labor conditions in its overseas' suppliers facilities. Initially, Nike argued that it cannot be held accountable for conditions in factories that it does not own. In the face of weak consumer demand, oversupply, and steady activist pressure, in 1998 – after seven years of ongoing accusations – Nike subsequently announced a number of reforms, addressed labor conditions abroad, and actively promoted the formation of the worldwide operating Fair Labor Association (Spar & La Mure, 2003: 89–91). For more details on the Nike case, see the debate between Nike executives and Jeff Ballinger, one of Nike's principal critics and initiator of the anti-sweatshop movement in the early 90s (Wokutch, 2001).

[92] For example, consumers are less skeptical towards cause-related marketing campaigns whenever companies exhibit a long-term commitment to nonprofit organization (Webb & Mohr, 1998: 236).

[93] From in depth interviews with managers, Fineman & Clarke (1996) conclude that among the several stakeholders, managers only consider CSO activists and government as influential in triggering pro-environmental responses, although their influence varies among industries (719). Fineman & Clarke suggest differences in the perceived role of the government according to the history of relationships between the business and governmental sector, the balance of power, and the cultural setting of the industry (724).

[94] A few countries have chosen to enforce CSR by law. Indonesia enacted a corporate law on July 20, 2007, making it the first country worldwide to codify CSR (CSR WeltWeit, http://www.csr-weltweit.de/en/laenderprofile/profil/indonesien/index.nc.html, Access 4 May 2011). The law was controversially discussed and was criticized by some CSR experts to be nothing more than a philanthropy tax (CSR Asia, http://www.csr-asia.com/index.php?id=13245, Access 3 June 2011). Denmark does not require companies to do CSR but has demanded companies to report on CSR in their annual reports since 2009 (Danish Government Centre for CSR, http://www.csrgov.dk/sw51190.asp, Access 17 June 2012). Meanwhile, other Asian countries have issued guidelines and some countries

even have made reporting on CSR mandatory, for example China, Taiwan, and Malaysia (CSR Asia 2012).

[95] Campbell (2007) argues that belonging to business associations with a proactive stance towards CSR instills in the members the idea of enlightened self-interest due to education, training, and proliferation of best practices from other companies (949).

[96] Aguilera et al. (2007) expect that efforts like those of Chiquita company, which implemented living wage standards for all farm workers in all countries where it harvests fruit and environmental standards throughout the supply chain, will be imitated by other global companies in every sector (838).

[97] Porter & Kramer (2003) propose that companies that initiate philanthropic activities will enjoy the rather local effects and disproportional benefits of reputational improvement (42–43).

[98] To conceal the decoupling they will use window dressing for keeping a desirable public image and reputation (Süß, 2009: 191), which Brunsson & Adler (2006) call "organisation of hypocrisy".

[99] When decoupled structures and policies of free-riders are publicly revealed they incur a loss of reputation affecting even other companies complying with their CSR pledges (Sethi, 2002: 25–26). Effectiveness of collective CSR initiatives like codes of conduct requires mechanisms that allow all partners to minimize the free rider problem, particularly mechanisms that prove accountability and foster transparency (Arya & Salk, 2006: 217–218).

[100] Compare the Nike case in Subsection 2.5.2.

[101] While supply chain codes of conducts have had some impacts, most were not founded on a systematic approach and mainly focused on monitoring of suppliers (The World Bank, 2003: 2). For example, the main indicator for measuring supply chain efforts has been the percentage of supplier factories that are monitored on an annual basis, which some call "a blunt instrument (…) better suited to diagnosing the illness than providing a cure" (Business for Social Responsibility, 2007: 18). Further, different objectives and incentives for CSR and purchasing staff remain that reflect the conflicting interest of a buyer who wants to ensure economic success and CSR standards (The World Bank, 2003: 38). Progress in regard to efficient supply chain codes of conduct would include shift in budgets from monitoring compliance to cooperating with suppliers, spread of existing industry initiatives (like in electronics, automobiles, etc.) to other sectors and attainment of a critical mass in other industries, and development of better indicators to assess the economic development impacts of supply chains (Business for Social Responsibility, 2007: 18).

[102] Leipziger mentions that in spite of its frequent use, the term standard is misleading in regard to the implication of its technical meaning that companies could and should achieve a uniform output. She notes that, as companies differ significantly according to sectoral, regional, cultural, and historical differences, it is unlikely that standardization is possible or even desirable. Leipziger further remarks, citing Gemma Crijns of Nyenrode University, that "the majority of the so-called CR standards are, in fact, a series of norms" and concludes that norm might be a better term than standard (38). It is important to remember that not all CSR standards aim at homogeneous outputs, but due to its common use, the term standard will be used throughout this study.

[103] The KPMG survey includes the largest 250 companies of the Fortune 500 index and the largest 100 companies from 16 countries respectively and was conducted every three years from 1993 on (KPMG, 2008b: 31).

[104] Codes of conduct of any sort need transparency to be respected and credible (see the next subsection).

[105] In the academic literature, disclosure of CSR information is often viewed as a response to public pressure and media attention with the goal to achieve a favorable public perception of the company (Hooghiemstra, 2000: 56). The business case for issuing a CSR report then is to demonstrate that a company's operations are consistent with social norms and expectations (Carroll & Shabana, 2010: 99–100).

[106] CSR information can also be integrated in the annual report or sometimes other company publications, including information on company websites.

[107] While the KPMG surveys show a rapid increase in the percentage of large US companies that issue CSR reports from 36 percent in 2002 after a slight decline to 32 percent in 2005 to 73 percent in 2008 (KPMG, 2005: 10; KPMG, 2008b: 16), a study by PWC (2010) shows a much smaller level of US and Canadian companies issuing standalone CSR reports. In general, the percentage of companies that issue a CSR report increased in all regions of the world from 2008 to 2010. While in 2010 the percentage of European, Japanese, and Australian companies that issue CSR reports exceeded 80 percent, the percentage of US and Canadian companies that issue CSR reports did not even reach 40 percent. The PWC study encompasses a narrower sample with 423 global companies compiled from the five Standard & Poor's indices S&P/TSX Composite, S&P 500, Europe 350, Global 100, and Australia's S&P/ASX 100 as well as 25 CSR reports from Canada, 25 CSR reports from the US, and 25 CSR reports from Europe, Asia and Japan (PWC, 2010: 3–4), while the KPMG study includes more than 2200 companies compiled from the Global Fortune 250 and the largest 100 companies by revenue in 22 countries.

[108] Among the six countries with differing results, companies in Japan together with companies in Mexico and Portugal name innovation and employee motivation as their two top drivers.

[109] While Sweeney & Coughlan (2008: 115) mention that studies by Cowen, Ferreri, & Parker (1987) and Balabanis, Phillips, & Lyall (1998) found no differences in CSR reporting by industry, the authors of these studies actually report some differences. Cowen et al. (1987) investigate a sample of CSR reports by US companies with content analysis and find that the scope of topics in CSR reports are similar across industries, but that disclosure on topics such as energy use, environment, and community involvement appear to differ by industry. In particular, companies from the chemical industry tend to have more disclosures than companies from other industries (117, 120). Balabanis et al. (1998) did not find obvious differences across industries but qualify this result as their sample is limited to 56 companies spread over more than 20 industries. Further, the companies are taken from the British FTSE4Good sustainability index, which makes it probable that all companies use best practices in their reporting and are of similar size (35, 37). Due to the limited sample of very similar companies, it is no surprise that the analysis shows no significant results for the control variables size, industry, and membership in business association with a positive stance towards CSR.

110 Sweeney & Coughlan qualify their results with the non-representativeness of their sample, which consists of only 30 companies listed in FTSE4Good Global, UK, US, and other European indices, and that can therefore be expected to use best practices in reporting (117).

111 There is some evidence that CSR reporting can help to achieve favorable stakeholder opinions. The first survey on readers of CSR reports by KPMG shows that 90 percent of the readers of CSR reports claim that their opinion on a company is influenced by its CSR report. 85 percent of those claiming to be influenced report a more positive perception of the company after reading its CSR report, showing that CSR reports that provide information that meet its readers needs can positively contribute to the long term reputation and even brand value of a company, and open dialog with readers who clearly want to engage with the company (KPMG, 2008a: 10).

112 The GRI engages in multi-stakeholder consultations to create and improve its reporting framework to achieve credibility with a wide range of stakeholder groups (GRI, 2011: 4). The GRI guidelines have been developed and refined in an ongoing multi-stakeholder dialog, which has steadily grown and in 2008 encompassed 507 organizational stakeholders from 55 countries (GRI, 2007; GRI, http://www.globalreporting.org/AboutGRI/WhatIsGRI/History/OurHistory.htm, Access 22 June 2011). In 1999, only 20 companies released CSR reports based on GRI guidelines. In 2007, more than 1000 companies released reports based on these guidelines and many others used them informally without reference.

Footnotes to Chapter 3: Theoretical Framework

1 Jones specifically criticizes that previous research paid too much attention to the CSR-CFP link.

2 The term institution usually refers to a set of interrelated rules and the mechanisms to enforce it rather than to a single rule (Göbel, 2002: 2; Richter, Furubotn, & Streissler, 2010: 7). Davis, North, & Smorodin (1971) further distinguish between the institutional environment and institutional arrangements (6–7). The institutional environment refers to constraints that guide human behavior, the rules of the game, which are typically not viewed as designed by anyone, although they can be seen as a result of the choices of individual actors and their goals and beliefs (Klein, 1998: 458). Institutional arrangements are governance structures (Williamson, 1985: 18), the choice within rules, designed by someone to mediate specific economic relationships, e. g., long-term contracts (Klein, 1998: 458).

3 Social actors form organizations to advance collective interests, often aiming at having their interests codified as formal rules, informal practices, or both (Doh & Guay, 2006: 49).

4 The core approaches of NIE are transaction costs economics, property rights, and agency-theory (Richter, Furubotn, & Streissler, 2010: 42). Transaction cost economics is concerned with determining efficient institutional arrangements for governing different types of transactions (Williamson, 1985: 46). Property

rights examine the effect of different distribution of property rights on the behavior of economic actors. Agency theory emphasizes the divergence of interest and asymmetric information when an agent is entrusted to act on a principal's behalf, and the choice of solutions to overcome problems resulting from asymmetric information, such as reducing the degree of information asymmetry, harmonizing goals, or building trust between principal and agent (Göbel, 2002: 61–62, 110).

5 Institutions, at least formal rules, are usually created to serve the interest of those with the power to create them, rather than to be socially efficient (North, 1994: 360–361), and therefore "the social arrangements justify (…) constraining (…) private contracts in the name and in the interests of larger society" (Mayhew, 1984: 1289 in Williamson, 1985: 405).

6 Choosing institutional arrangements is therefore participation in society and, by participating in society's institutions, individuals and organizations recreate them (Mayhew, 1984: 1289). Therefore, the rules of the institutional environment arise rather as by-products of individual choices than as deliberate plans through collective action (Klein, 1998: 458–459). The majority of choices are routine but some involve change, either within the existing institutional structure or in the rules itself. Alteration of formal institutions is accompanied by gradual change or disappearance of informal institutions (North, 1994: 361).

7 "Varieties of capitalism" is an actor-centered approach. In line with the previously discussed assumptions of institutional theory, multiple actors seek to advance their own interests in a rational way in strategic interaction with others. Companies, however, have relationships with other actors, internal and external stakeholders, and the quality of these relationships enables companies to develop core competencies or dynamic capabilities for operating profitably (Hall & Soskice, 2001: 6).

8 CME countries are further distinguished into three sub-types: "industry based (or intra-sectoral) co-ordination (typically Northern European based on intense intra-sectoral cooperation); group-based coordination (Japan and Korea, where cooperation is based within a family of companies); and state-led coordination (France and Southern Europe, where senior industry managers have strong connections to the state)" (Dorward, Kydd, Morrison, & Poulton, 2005: 17). Countries that cannot be clearly categorized as LME or CME country show specific capacities for some coordinated and some liberal arrangements (Hall & Soskice, 2001: 21).

9 Institutions condition company strategies, but do not fully determine it. Inside all LMEs and CMEs, company strategies will vary due to additional differences such as resource endowments and market setting. Apart from the national level, further influence comes from the institutions at the regional and sectoral levels. However, the "varieties of capitalism" approach in its original form stresses that many institutional factors remain nation specific (Hall & Soskice, 2001: 15–16).

10 Measurement problems of CSR affect research on the effect of institutions on the extent of CSR, similar to the limitations they put on research on the CSR-CFP link (see Subsection 2.5.1).

11 Some authors suggest that national institutions constrain or support a particular dimension of CSR rather than CSR in general (Jackson & Apostolakou, 2010: 389).

[12] Carroll's four-part model of CSR, however, includes economic and legal responsibilities so that companies which comply with the law and customary ethics act responsibly even if they do not claim distinctive authorship (Carroll, 1979). Nevertheless, if in CME countries the institutional framework leads companies to address social responsibilities, companies will also be less likely to explicitly demonstrate such activities to the public. While their actual CSP might be better than that of companies from LME countries, companies from CME countries might be perceived to have inferior performance compared to companies from LME countries as the latter do demonstrate their activities to the public.

[13] According to Doh & Guay (2006), Williamson (1993) has argued that shareholders deserve special consideration because their stake in the company is specific to the success of the company, and "that agency problems are aggravated when managers act on behalf of non-shareholder stakeholders" (Williamson, 1993 in Doh & Guay, 2006: 56). But many other stakeholders have stakes that are, to a degree, company specific. Moreover, shareholders can withdraw from the relationship with the company more easily than other stakeholders in a more liquid market, namely the stock market (Freeman, 2004: 235).

[14] See the discussion of possible benefits of CSR in relation to stakeholders in Subsection 2.5.2.

[15] Disclosure of information, for example in CSR reports, is a way to decrease the degree of asymmetric information and facilitate convergence of interests (see Subsection 2.6.3).

[16] A comparative advantage does not imply that companies using ethical contracting always outperform those using other contracting mechanisms. However, all else being equal, companies using ethical contracting will have an advantage as they have lower agency and transaction costs (Jones, 1995: 422). Thus, the outcome is contingent on certain behavior, but the desired outcome will not automatically occur, or in the words of Jones: "*if* certain types of behavior occur, certain (favorable) outcomes become more probable; it does not assume that the desirable behaviors *will* occur" (408). Compare also Baker's arguments that CSR outcome is contingent on the quality of the CSR management process in Subsection 2.5.1.

[17] Contributions to better company performance refer especially to opportunities that arise from increased corporate reputation. However, avoiding negative impacts may be more important than deriving positive effects, as stakeholders, in general, punish negative company behavior rather than reward positive company behavior (see Subsection 2.5.2).

[18] Salient stakeholders interact with and may exert influence on companies, and companies that operate outside accepted norms and neglect salient stakeholders' claims will experience pressure to adjust their behavior to conform to accepted norms (Mitchell et al., 1997: 864). Mitchell et al. refer to isomorphic pressures on organizations that show illegitimacy (DiMaggio & Powell, 1983), and link the legitimacy to the survival of the organization (Mitchell, Agle, & Wood, 1997: 864). The risk of failure to survive is also inherent in Davis' "iron law of responsibility" (see Subsection 2.5.1).

[19] Doh & Guay (2006) state that these variations include national institutions which result in different perceptions of the legitimacy of stakeholders and their

claims (48). They assess qualitatively the expectations in regard to topical CSR issues in Europe and the US and find that institutional differences affect government policy, company strategy, and CSO activism in regard to CSR (47).

[20] Freeman acknowledges that this definition was brought forward earlier by the Stanford Research Institute in 1963 (Freeman, 1984: 31 in Donaldson & Preston, 1995: 72; Freeman, 2004: 229).

[21] Freeman (2004: 230) maintains that the stakeholder theory is always intended to embrace all three categories as distinguished by Donaldson & Preston (1995).

[22] Phillips (1997) anchors the stakeholder approach in the normative principle of fairness, assuming that actors who enter voluntarily into cooperative agreements create an obligation to act fairly (56, 63). The crucial stakeholders then are "(…) those groups from whom the organization has voluntarily accepted benefits, and to whom the organization has therefore incurred obligations of fairness" (Phillips, 2004: 2).

[23] Clarkson includes into the primary stakeholders governments and local communities that grant companies the right to build facilities and benefit from taxes or economic and social contributions of the company. The local community as a stakeholder is more easily delineated than the larger public body government, as the community can be regarded as the physical space in which a company is located and to which a company's direct impacts such as provision of employment, taxes, and also pollution can be attributed. Although company-community relations are an interesting field of study, community will be subsumed under the umbrella of the secondary stakeholder "government" to simplify the analysis.

[24] Employees provide labor, shareholders provide capital, business partners and suppliers provide materials and intermediate products, and customers provide revenue.

[25] Thus, the main difference between primary and secondary stakeholders is that primary stakeholders are engaged in economic transactions with the company, while secondary stakeholders are not. Although not directly part of the production function, secondary stakeholders may supply a company with important resources or contributions, e. g., governments provide rules and regulations that govern transactions and maintain fair competition, and may have claims for taxes and obligations (Hill & Jones, 2001: 44). Clarkson (1995) categorizes the government as primary stakeholder, while others distinguish local communities as primary stakeholder and the national government as secondary stakeholder (107). According to the distinction by Wood (1991) between traditional stakeholders in economic relationships with companies and a broader variety of stakeholders not included in the traditional view of the company (696), governments will be regarded as secondary stakeholder although they may be sometimes engaged in economic transactions with companies as a customer.

[26] The arrows pointing in both directions indicate the mutual ability of company and stakeholders to affect each other. Rowley (1997) considered that stakeholders themselves may have obligations to their own set of stakeholders as well as to other stakeholders of the company and argued that to build a stakeholder theory of the firm, researchers had to go beyond the analysis of dyadic relation-

ships (906). Such network analysis goes beyond the scope of this study which regards pressure from stakeholders as an important driver for CSR adoption of companies but does not aim at explaining in detail the complex interactions between stakeholders apart from their direct relevance to the company.

27 Mitchell et al. use the term salience to describe the degree of importance of a stakeholder.

28 Mitchell et al. elaborate in more detail on the importance and relationship of stakeholders with the company by presenting seven possible combinations of the three attributes in a Venn diagram (872–879).

29 The "varieties of capitalism" approach attributes institutional change mostly to external shocks, "contemporary challenges, and particularly globalization" that lead to adoption of practices to maintain or (re)create competitive advantages (Hall & Soskice, 2001: 62–64). Institutional analysis is rather comparative static, i. e. it allows for comparing several institutions in a given point in time or one institution in several points in time. Differences in several institutions in a given point in time can be explained with different development paths, and differences in one institution in several points in time can be explained with the progression along a current development path. However, it is difficult to explain the actual process of change with comparative static analysis.

30 A member of a social system is an actor within a certain institutional environment. Members as used here encompass only those actors who may or may not adopt an innovation. For example companies are organizations that may adopt CSR, while companies' stakeholders are organizations which try to influence the adoption decision.

31 The following discussion of diffusion research largely builds on Rogers' (2003) comprehensive work on "The Diffusion of Innovations", which reviews the generalizations derived from several streams of diffusion research since its founding in the early 1940s.

32 Diffusion research is mainly concerned with the question of how to speed up the rate of adoption of an innovation. More than half of all publications in diffusion research have investigated adopter categories and the differences between earlier and later adopters during the diffusion of an innovation (Rogers, 2003: 96). The rate of diffusion is high in the following situations: (a) if an innovation has low complexity in terms of usage and comprehension, (b) if potential adopters can partially adopt or experiment with an innovation, and (c) if the consequences of adoption can be easily observed among previous adopters in the social system.

33 The S-shaped curve applies for certain adoption processes if the innovation is accepted by and diffuses among potential adopters under condition of high uncertainty (e. g., Gatignon & Robertson, 1985).

34 When 10 to 20 percent of the members of a social system adopt, network ties between them become activated, the adoption rate increases, and the S-curve takes off. Once this critical mass of earlier adopters is reached the diffusion process to later adopter adopters can hardly be halted even if intended (Rogers, 2003: 12).

35 In terms of institutional theory, localized conformity is basically a result of the common history, beliefs, and culture in an institutional environment (see Section 3.1).

[36] Bikhchandani, Welch, & Hirshleifer (1992) and Banerjee (1992) independently developed models of herd behavior that result in information cascades. By emphasizing the fragility of cascades when external shocks occur, Bikhchandani et al. not only explain conformity but also drastic change such as fads (995). Due to this additional explanatory capability for the occurrence and reversal of conformity in real life situations, Bikhchandani et al.'s model is discussed in this section.

[37] Same gains are based on the concept of perfect Bayesian equilibrium, which occurs when an existing equilibrium remains unaffected by expectations of what other actors do (Riechmann, 2008: 79). When one actor's gains are unaffected by subsequent actors' choices, rational actors have no incentive to choose out-of-equilibrium moves in order to influence the choices of later players (Bikhchandani, Welch, & Hirshleifer, 1992: 999).

[38] The model assumes the least informative case where actors cannot communicate and can only observe the actions of their predecessors. As information conveyed by action is more credible than information conveyed by conversation, Bikhchandani et al.'s model allows for more generalization than models that allow for communication between the actors (Bikhchandani, Welch, & Hirshleifer, 1992: 996).

[39] In the basic model of herd behavior, actors are forced to make a decision due to the exogenous order of sequential decisions. The basic model expects actors who are indifferent between adoption and rejection to adopt or reject with equal probability. However, in reality, it can be expected that actors who are indifferent will wait to obtain more information by observing the actions of others or conversing with them.

[40] Examples are higher costs for catching up and lost first mover advantages. Banerjee (1992) also discusses a scenario with endogenous ordering (815).

[41] As cascades aggregate the information on early decisions of only a few actors, "the public information thus needs only to offset the information conveyed by the action of the last individual before the start of the cascade, even if millions subsequently imitated" (Bikhchandani, Welch, & Hirshleifer, 1992: 1006). This is because after a cascade has begun, previous actors' decisions convey no further information and the subsequent actors rationally infer from which moment previous actors have followed a cascade (Bikhchandani, Welch, & Hirshleifer, 1992: 1005).

[42] This presupposes that the highly accurate signals and public information are in favor of the correct decision. Incorrect cascades may still occur when some of the highly accurate signals or public information releases are in favor of the incorrect decision.

[43] Among the internal and external actors who affect diffusion as mentioned in the previous subsection, emphasis is given on change agents' efforts in speeding up the rate of adoption. "The relationship between the rate of adoption and change agents' efforts, however, may not be direct and linear. A greater payoff from a given amount of change agent activity occurs at certain stages in an innovation's diffusion. The greatest response to change agent effort occurs when opinion leaders adopt, which usually occurs at somewhere between 3 and 16 percent adoption in most systems. The innovation will then continue to

spread with little promotional effort by change agents, after a critical mass of adopters is reached" (Rogers, 2003: 222).

44 Bikhchandani et al. (1992) admit that there are other explanations for conformity. However, they intended to offer a formal model that can explain conformity and fragility of conformed behavior (993). While Bikhchandani et al. and Banerjee limit their models to observed actions of other actors, Shiller (1995) describes a scenario wherein actors may reveal their private signal through communication. This allows subsequent decision makers to take into account the full information derived from the actions and signals of previous actors. Then, it becomes relevant how actors transmit information, for example the tendency of actors to bring up certain information and to reveal the source of information, or the assumed relevance of the actions of other actors in general and the action of an actor in particular (185). Under the assumption of opportunism, though, decision makers will have doubts if a revealed signal is correct or if there was intentional misleading by previous actors.

45 Apart from additional pressure, Hess, Rogovsky, & Dunfee (2002) report that companies increasingly devote resources to their social initiatives to derive competitive advantages (122). A company is likely to take the role of an earlier CSR adopter when it perceives substantial advantages from a first-mover position. Sirsly & Lamertz (2008) propose that CSR provides first mover advantages when a company can sustain differences in its CSR in comparison with those of its competitors (364). It can be argued then that organizational differences account for different relative timing of CSR adoption because earlier adopters move first when they want to maintain or enlarge differences in comparison with competitors. As discussed in Subsection 3.1, one of the main benefits perceived to be obtained from CSR is reputation, which has been identified as an incentive to strategically adopt CSR practices such as codes of conduct or CSR reporting. Arya & Salk (2006) suggest that this leads companies to "respond to one another in a race to adopt codes of conduct to boost their reputations" (217). While some earlier adopters decide to adopt because of perceived benefits, it is questionable if a company practice like CSR will be quickly imitated by other companies, as most CSR benefits are intangible, hard to measure, and need time to unfold so that it is uncertain if CSR ever compensates its costs. In other words, it is uncertain if CSR can solve a certain perceived organizational problem. Under uncertainty, however, even without well-defined incentives or external pressure, CSR practices may become similar just "because companies imitate the policies of their competitors" (Frynas, 2009: 17).

46 See Subsection 2.5.2 on competitive advantages related to CSR and CSO advocacy against Nike.

47 Delmas & Toffel (2004) maintain that high market concentration was a major reason that urged US automotive suppliers to adopt similar quality and environmental practices (214). A comparative company survey by Pascha & Holtschneider (2008) supports the relevance of the supply chain as a channel for diffusion of CSR practices (89–92).

48 Some of the propositions related to institutions and stakeholders are partly based on those formulated by Campbell (2007), and some of the organizational characteristics of earlier CSR adopters draw on propositions formulated by Delmas & Toffel (2004).

Footnotes to Chapter 4: Corporate Social Responsibility in Japan

1 Taka (1997) states that the meaning of the character *kei* in the words *keiei* and *keizai* is "governing the world in harmony". The second character *zai* in the Japanese word for economy means "bringing about the well-being of the people", and *ei* in the Japanese word for business means "making ceaseless efforts to achieve". The epistemological tradition indicates that the Japanese compound "economy" includes "morality" or "ethics" in its wide and fundamental meaning, and Taka assumes that the Japanese compound "business" means "to make efforts to develop societies harmoniously and raise the well-being of the people" allowing for the interpretation that the term "business" originally included the meaning of "ethics" (1500). Today, the inherent meaning of ethics in the economy – the Japanese term *keizai* and its epistemological origin stems from the Chinese compound *jingji* (1499) – is taken up in the CSR discussion in China. For example, the vision of a "Harmonious Society" was introduced at the Fourth Plenum of the Central Committee in September 2004 in Beijing, giving the impression that the Chinese leadership promotes the image of "righteous leaders serving the people with the intention of constructing a role model to be emulated by companies, individuals and other social groups" (Jensen, 2006: 20, 22).

2 Marshall (1967) points out that during the Tokugawa period, the merchant class had the lowest social status among the four classes of samurai, peasant, artisan, and merchant. Good government in the Confucian tradition required a ruling class to display in their personal conduct the highest human virtues. Merchants were thought of being governed by self-interest and not by the virtue of selfless devotion to duty due to their sole function in society of acting as middlemen for selling goods produced by other classes in distant districts. By devoting themselves to early versions of codes of conduct, merchants could show that commerce is no immoral activity but an essential function within society, justifying that merchants are able to perform an honorable occupation and receive appropriate social and material rewards (5, 8).

3 According to Boardman and Kato, Kaku (2003) reports that the Confucian scholar Fujiwara Seika developed a set of guidelines called *shuchu kiyaku* on behalf of the trader Suminokura Soan (Boardman & Kato, 2003: 322; Kaku, 2003: 128). Suminokura Soan was one of the few persons permitted to travel abroad and engage in foreign trade. He entrusted Fujiwara Seika to create a merchant-house code for providing guidance on how to conduct successful foreign trade, resulting in regulations such as non-discrimination of trading partners and equal treatment despite differences in skin color and culture. At the core of these guidelines was that trade must be carried out for both one's own benefit and the benefit of others. Similar codes were set up by other merchant houses, among them Konoike, Sumitomo, or Mitsui (Boardman & Kato, 2003: 318, 322, 331). Ultimately, abiding by a code is instrumental as doing so was expected to result in a good long-term financial performance as well as mental and physical sanity. During the early Tokugawa period, ethical guiding principles were particularly interesting for merchants exposed to foreign influence through cross-country business operations. Also during the Meiji period,

some authors stressed the importance of morality in foreign trade to keep trust and avoid ruining Japan's foreign trade (Marshall, 1967: 11).

4 This three-way-relationship is inherent in the name of the Ōmi merchant-house code s*anpō yoshi*, which can be translated as "good on all [three] sides" (Fukukawa, 2010: 5).

5 For a comprehensive overview of the economic development in Japan since the Tokugawa period see, for example, Itō (1992).

6 Eichi Shibusawa who founded the Tokyo Stock Exchange in 1878 and who is also considered as the founder of Japanese capitalism during the Meiji period presented his ideas in a treatise called "Compatibility between the Analects of Confucius and the Abacus" (Sharma, 2010: 31). Marshall (1967) reports that Shibusawa even went as far as to deny personal profit as a consideration in business decisions for Japanese businessmen (3).

7 In pre-war Japan of the 1930s, more than before, Japanese businessmen needed to claim patriotic devotion and a willingness to sacrifice for the common good (Marshall, 1967: 3). While similar to the idea of having good relations with those on whose support business relies to operate as codified in the early merchant-house codes, the emphasis of giving something back had a wider scope at that time. It encompassed the whole Japanese people, i. e. society, because of the predominance of concepts like nation and community over society and the novelty of ideas like civil society. The responsibility of business was a national rather than a social responsibility, so that doing good for society was a legitimation of the social reputation of a "first-class citizen in society" (Ishikawa, 2006: 274) and a justification for private ownership and justification (Marshall, 1967: 4).

8 Taka (1997) applies a slightly different categorization until the 1970s: the post-war era until the mid-1960s, the mid-1960s until the mid-1970s, and the second half of the 1970s (1500).

9 The author distinguished the information provided by Kawamura into issues and company-society interaction. For a more detailed listing of events related to the development of CSR in Japan see Tab. 34 in Appendix 3.

10 The debate of that time was led by newly emerging innovative entrepreneurs. For example, the founder of Matsushita proposed the idea that a company should be a public institution based on good relation with those it serves, namely consumers, local community, and employees. Further importance was attached to respecting legal and social rules (Ishikawa, 2006: 275).

11 Salient stakeholders in the perception of managers at this time were primary stakeholders. The exclusion of explicit mentioning of investors and suppliers can be explained by the relatively low dependence on external investors and a high degree of intermediary long-term finance in Japan at that time. On categorizing local communities as a primary stakeholder see Subection 3.2.2.

12 A Japanese version of Bowen's book was published in 1960 (Bowen, 1960).

13 The "big four cases" are the Yokkaichi air pollution, Minamata disease, Niigata Minamata disease, and Itai-Itai disease.

14 The emergence of environmental policy in Japan coincides with increased global environmental concern. While there was no independent political field of environmental policy before the 1970s, attention to negative environmental externalities increased due to visible effects of environmental pollution resulting

from rapid economic growth. In 1972, when the book "The Limits to Growth" commissioned by the Club of Rome (Meadows, 1972) was published and the UN Conference on the Human Environment took place, the attention towards environmental pollution problems reached a critical level resulting in the creation of environmental policies and environmental plans, and establishment of environmental agencies in many countries. A second international wave of environmental policy emerged in the 1990s. Cross-boundary impacts of environmental pollution like the destruction of the ozone layer spurred a supranational debate. Milestones that promote the awareness for the borderless impacts of pollution include the Brundtland report (see Subsection 2.3.2) and a subsequent UN Conference on Environment and Development (UNCED) in Rio de Janeiro in 1992, 20 years after the first conference in 1972.

15 In September 1973, the Japanese Chamber of Commerce made a commitment for social responsibilities: "Corporate social responsibility is for industrial circles and corporations to take the initiative for voluntary action toward cleaning Japanese land by liquidating pollution and taking back clean sky and water, recovering scattered wastes for recycling, and saving energy and resources" (Japanese Chamber of Commerce 1973 in Ishikawa, 2006). Also other business associations, while not necessarily referring to social responsibility, issued similar statements (Ishikawa, 2006: 276):

- Keizai Dōyūkai: "Toward the Establishment of Mutual Trust between Society and the Corporation" (16 March 1973),
- Japan Business Federation: "Economy for Maintaining Welfare Society and Our Responsibility" (28 May 1973),
- Nikkeiren: "From Proposal to Practice at Work" (19 April 1973),
- Japan Chamber of Commerce and Industry: "Clean Japan Movement" (20 September 1973), and
- Kansai Keizai Dōyūkai: "Toward the New Corporation Pattern and its Practice" (2 October 1973).

For a more extensive overview including measures implemented by individual companies see Kawamoto (1977: 2–6).

16 The data as presented by Yamada do not clearly state if the costs of the Minamata disease are calculated for the Minamata disease, the Niigata Minamata disease, or both.

17 Some companies transferred such practices to their operations in Japan. In 1990, the Japan Business Federation 1 % club was founded. Members committed to donate 1 % of their profits for philanthropic activities (Lewin, Sakano, Stephens, & Victor, 1995: 85). While initially turning to the US for guidance on good corporate practices, the attention shifted towards the developments in the EU where, although the idea of explicit CSR emerged later than in the US, policy initiatives have influenced the development of systematic CSR approaches in recent years.

18 Since 2004 the Japan Business Federation has published several reports on CSR. It has also established a subcommittee on socially responsible management in 2003. The Japan Business Federation in 1989 backed the establishment of the CBCC that became a designated public-benefit organization in June 1990 (CBCC, http://www.keidanren.or.jp/CBCC/english/profile/activity.html, Access 12 September 2010; Japan Business Federation, http://

www.keidanren.or.jp/english/policy/csr/economic-trend_200411_p60.html, Access 12 September 2010).

[19] The bubble economy eventually collapsed in 1990 leaving the Japanese economy in a continuous period of economic downturn. Although many institutional and other changes took place during this time, the years between 1990 and 2000 are called "the lost decade" (*ushinawareta jūnen*) due to the persistent negative economic effects. The underperformance of Japan's economy continued with successions of recoveries and recessions, so that it has been rather 15 years (Itō & Patrick, 2005: 10), and recently some observers include the decade from 2001 to 2010 to speak of "the lost 20 years" (*ushinawareta nijūnen*) (Asahi Shinbun Henten Keizai, 2009). For a more detailed analysis of the causes of the Japanese asset price bubble see for example Itō & Iwaisako (1996).

[20] The 1988 "Recruit Scandal" was the start of a large number of company scandals throughout the 1990s. The Recruit company had provided access to stocks before the initial public offering of affiliated real estate company Recruit Cosmos to politicians and bureaucrats in exchange for favorable support of the Recruit company (Taka, 1997: 1502). It turned out that not only some individuals but almost all major politicians were involved, ultimately resulting in the resignation of Prime Minister Takeshita in April 1989 (Pascha, 2010: 40).

[21] *Sōkaiya* are racketeers who specialize in blackmailing companies with sensible information or disrupting shareholders' meetings. Reversely, companies also hired *sōkaiya* to prevent critical shareholders to raise their voice in shareholders' meetings (Pascha, 2010: 88).

[22] Mismanagement of financial institutions culminated in the bankruptcy of two large bank and security companies Yamaichi Securities and Hokkaido Takushoku Bank (Kawamura, 2004: 6).

[23] For example, in 1991, the Japan Times published an editorial stating that Japanese business "should recognize the urgent need to establish business ethics matching the economic status of this country" (Japan Times, June 26, 1991 in Taka, 1997: 1502).

[24] According to Demise (2006), the term "compliance" was used by the Japanese Financial Services Agency (FSA) in 1999 (13). The FSA was entrusted to enact strict controls of banks in Japan as part of the Japanese Big Bang, which was a set of measures "aiming to rebuild the Japanese financial market into an international market comparable to New York" (FSA, http://www.fsa.go.jp/p_mof/english/big-bang/ebb37.htm, Access 7 May 2010).

[25] After individual cases occurred in the 1990s such as sales of HIV tainted blood products by pharmaceutical companies or partial charges on customers by gas suppliers (Taka, 1997: 1502; Wokutch & Shepard, 1999: 531), cases with direct impacts on individual citizens became more frequently revealed since 2000. For example, food poisoning of the Snow Brand Milk Products in 2000 poisoned more than 14,000 Japanese citizens (Doeg, 2005: 186) and mislabelling of imported beef as domestic beef during the spread of the mad cow disease by Nippon Meat Packers in 2002 (Kawamura, 2004: 7). In 2000, Mitsubishi Motor Company was exposed to have concealed a car defect that caused serious accidents, and in 2002, the Tokyo Electric Power Company (TEPCO) had to admit that it had falsified safety reports to conceal malfunctions in nuclear power plants (Schock, 2008: 75).

[26] For example, the Japan Association of Corporate Executives sent a mission who participated in the EC multi-stakeholder dialog on CSR.

[27] CBCC, http://www.keidanren.or.jp/CBCC/en/about.html, Access 6 July 2011.

[28] After the Japan Business Federation emphasized the importance of CSR in its 2004 revision of the Charter of Good Corporate Behavior, several Japanese industry associations have taken measures for preventing scandals from reoccurring, among them the Japan Ham and Sausage Processors Cooperative Association, the Japan Foreign Trade Council, and the Federation of Electric Power Companies of Japan. Other industry associations followed to study independent initiatives (Kawamura, 2003: 6).

[29] Sethi (1975) pointed out double standards behind some Japanese companies' practices that received appreciation by some observers and emphasized the instrumental motivations and institutional drivers behind these practices: "The most lauded activities of Japanese business are related to the 'humane' nature of their organizational structure and personnel policies, emphasis on internal harmony, guaranteed employment, no layoffs, and a wage structure geared to the workers' needs. (…) Japanese companies do not pursue their humane policies for altruistic reasons. They do so because the nature of Japanese society is such that they could not behave any other way and expect to survive as viable entities. (…) But Japanese corporations do not hesitate to behave differently when dealing with non-Japanese employees operating in a different sociopolitical context. In many instances Japanese companies have used dual standards for treating Japanese and non-Japanese workers and customers" (60).

[30] Compared to surveys which allow for choosing multiple answers, a survey asking to choose the one most important stakeholder by the Japanese Productivity Center (JPC, 2005: 1) revealed that companies prioritize customers (57 %) before investors (11 %) and employees (8 %).

[31] The stock prices of four companies declined sharply by more than 35 percent.

[32] A distinctive feature of Kohlbacher's study of 835 Japanese citizens is that it measures both consumer attitudes and real behavior, which both show above average values for attitudes and behavior for environmentally friendly products and slightly above average values for fair trade products. However, a certain attitude-behavior gap is also visible in this study (Kohlbacher, 2011: 248–252).

[33] Most of the other internationally published studies on ethical consumption in Japan are either comparatively old, do not examine directly consumer behavior, or address very specific aspects of certain consumer groups only (Kohlbacher, 2011: 229).

[34] With a long history of foreign direct investment and trade relations in East Asian countries, Japanese MNCs may contribute to the transfer and diffusion of CSR practices to other Asian countries. As discussed in Subsection 2.4.3, MNCs may be a key to increase compliance in developing countries. The CBCC recommends CC activities as a means for improving Japanese companies' reputation in Asian countries, but finds a gap between implementation of CSR activities of Japanese companies and the perceptions of local stakeholders, resulting from either low profile activities without active involvement of local stakeholders, insufficient communication of CC activities, or both (Tateisi, 2004). A survey of the Foreign Investment Advisory Service (FIAS) and BSR

published in July 2007 states that Japanese companies generally do not convey CSR expectations to their local suppliers in host countries: “Many suppliers were only receiving pressure or hearing about CSR expectations from customers representing less than 25 % of their sales, or 1 or 2 key customers. These suppliers felt they would be more motivated to make CSR investments if pressure was coming from the entire industry. Many suppliers sold to a large number of Japanese as well as US and European customers. There was a consistent response that generally Japanese and Korean customers do not convey CSR expectations” (FIAS & BSR, 2007: 32).

[35] Japan is the first of the OECD countries to experience a decreasing population since the year 2007 (e. g., Coulmas, Conrad, Schad-Seifert, & Vogt, 2008)

[36] Hoppe also checked the cross-relationship among corporate social orientation, job choice, and buying choice, and found that students who show higher degrees of corporate social orientation prefer working for socially responsible employers and buying from companies with higher CSP ratings.

[37] Sakuma & Louche (2008) offer a comprehensive review of the development, drivers, and mechanisms of SRI in Japan.

[38] CalPERS, which provides retirement benefits for more than 1.6 million Californian public employees (CalPERS, 2011: 1), is one of the largest public pension funds that has utilized SRI criteria in its investment decisions and is known for actively seeking to influence the CSP of companies it invests in. For a comprehensive review on the influence of CalPERS for the development of SRI in Japan see Jacoby (2007).

[39] PFALGO held 113 billion US dollars in assets in 2002, while CalPERS held 165 billion US dollars in 2003 (OECD, 2005).

[40] The Japan Business Federation and later the Kansai Economic Forum opposed the attempt to regulate social responsibilities. In 2004, the Japan Business Federation reaffirmed its opposition to regulation by emphasizing in its revised Charter of Good Corporate Behavior that CSR is of voluntary nature (Sharma, 2010: 33).

[41] There has been legislation on other areas belonging to CSR issues such as the Equal Opportunity Law and its amendment in 1997, but so far these areas have not shown impact similar to the environmental laws.

[42] The good CSP of Japanese companies in the environmental dimension is influenced by other domestic factors such as the rising environmental concerns during all phases of CSR development in Japan.

[43] The terms NPO and NGO are often used interchangeably in Japan, but NGOs by definition excludes any government organizations. NPO usually refers to any kind of Japanese nonprofit organizations, while NGO is used for international organizations (Meierhans, 2004: 480).

[44] Ricoh was the first company to set up a CSR department in 2003. Thereafter, Japanese companies implemented new CSR initiatives, which, according to Kawamura (2004: 7), was done from the perspective of risk management and sustainability.

[45] Own calculations by the author based on data of the GRI initiative (GRI webpage, https://www.globalreporting.org/Pages/default.aspx, Access 13 November 2007). For illustrations on these results and the newspaper article counts see Tab. 33, Fig. 13, and Fig. 14 in Appendix 3.

[46] 26 percent have a corporate motto in which "co-existence with society" is emphasized the most. "Co-existence with society" is a translation of the Japanese term *kyōsei*. Ryuzaburo Kaku, former chairman of Canon Inc., has widely promoted the "path of *kyōsei*" as a guiding CSR principle in Japan (Kaku, 2003). The most common translation of the rather ambiguous term kyōsei is "living and working together for the common good" (Kaku, nd: 1 in Wokutch & Shepard, 1999: 537). For more details on the term *kyōsei* see Boardman & Kato (2003).

[47] Currently, there are no Japanese company members in the SA8000 and Fair Labor Association (see Subsection 2.6.2) (Fair Labor Association, http://www.fairlabor.org, Access 4 December 2011; Social Accountability International, http://www.sa-intl.org, Access 4 December 2011).

[48] UNGC, http://www.unglobalcompact.org/news/95-01-20-2011, Access 20 January 2011.

[49] Apart from Japan, none of the top 20 countries has a share of non-communicators below 10 percent and only six other countries have a share of non-communicators below 20 percent.

[50] The UNGC defines SMEs as companies with less than 250 employees and large companies as companies with 250 or more employees. As of December 2011, Japanese company members consisted of 118 large companies and 203 SMEs. Of the 203 SMEs, only 5 joined the UNGC before 2005, 14 joined the UNGC before 2011, and the large majority of 185 SMEs joined in 2011. Among the large companies, 19 joined before 2005, 82 between 2005 and 2010, and 17 in 2011. Among the 13 large companies listed in the Fortune 500, 3 joined before 2005, 9 between 2005 and 2010, and only 1 in 2011.

[51] Corporate Register, http://www.corporateregister.com, Access 21 November 2011.

[52] For a detailed comparison the total number of companies should be reduced by cases of mergers or bankruptcy, but it is unlikely that this would have a significant effect on the overall picture.

Footnotes to Chapter 5: Empirical Part I: Qualitative Analysis of CSR Adoption by Japanese Companies

[1] Richter & Furubotn (1996) also mention the disadvantages of qualitatively trying to assess efficiency of institutional solutions due to the lack of measurability. For instance, two options can only be comparatively evaluated in regard to which one better serves the intended purpose but not about the degree of how much better it serves that purpose (579). Comparative evaluations are more trustful than absolute ones especially in exploratory qualitative field research due to questionable representativeness, but exploratory research gives detailed illustration that can hint at the answers to research questions and suggest which methods could provide the answers (Babbie, 2008: 93, 298).

[2] Bea & Göbel (1999) distinguish two streams of methods in New Institutional Economics (NIE): one stream builds models on strict assumptions for mathematically optimizing solutions to organizational problems. Strict assumptions imply

that the model will be substantially far from reality. The other, reality-based, stream assumes weaker rational considerations of economic actors and allows for including some moral considerations that are considered to be important in long-term transaction relationships. However, the better reflection of reality implies that conclusions are weaker and allow recommending institutional arrangements only usually based on typification, for instance, specific, uncertain, and frequent transaction types as proposed by Williamson (1985: 140–141). The consideration of long-term relationships is an important part of the CSR stakeholder dimension and the CSR goals derived from sustainability. The reality-based stream of NIE that tries to capture such long-term relationships allows for including some morality as motivation for economic actors, which better fits with the research topic of this study than the model-based stream of NIE.

[3] Exploratory research is flexible and can address research questions of all types (what, why, how). Exploratory research is used when problems are in a preliminary stage, when the topic or issue is new and when data is difficult to collect, and is often used to generate formal hypotheses (Babbie, 2008: 91–93), as careful description can help understand what factors to concentrate on for later explanatory studies (Punch, 2005: 16).

[4] For interviewees that did not participate in the 2007 interview series, the interview started with questions on the background of the interviewees related to their experience with CSR just like in the 2007 interview guideline.

[5] One interviewee asked to obtain an overview of the research project and the interview guideline two weeks before the interview, indicating that the questions in the interview guideline were critically checked by superiors. The interview guideline therefore needed to demonstrate legitimacy to assure the endorsement of interviewees and their superiors to participate in the qualitative research.

[6] A gatekeeper may be someone connected to the person of interest or someone connected to the researcher. It might be difficult to find a gatekeeper when one is trying to establish contact with a certain person of interest. While existing contact to a gatekeeper is a precious asset for obtaining access to his or her network, certain persons of interest might not be included in the gatekeeper's network (Campbell, 2003: 234).

[7] The author feels deeply grateful to Prof. Dr. Kanji Tanimoto for his kind and valuable support. As a Japanese senior researcher who studied CSR and state-society relations for more than 20 years, he has a network with all types of actors in the field of CSR in Japan such as companies, CSOs, and the government. He introduced the author to high-ranking senior managers, often the heads of the CSR-related department in the company that were expected to provide valuable information for understanding the reasons and processes of CSR adoption in Japan. Without his introduction, it would have been hardly possible for the author to establish contact to the heads of the CSR departments or senior managers of several large Japanese companies. Further support was provided by Toshihiki Fujii from the Ministry of Economy and Industries (METI), former Secretary General of the Japanese Business Council in Europe (JBCE) and author of books on CSR.

[8] For this approach in the Japanese context, see also Campbell (2003: 235). See Bestor, Steinhoff, & Bestor (2003a) for the complex obligations to act responsi-

bly and not to misuse or damage this trust by attending to the principles of reliability and validity induced when borrowing trust from a "well placed Japanese" who provides the instructions that open doors for young foreign researchers (14–15). Among the interviewees, Mr. Makoto Teranaka was very informative on the relationship between companies and CSOs in Japan and kindly offered to establish contact to further interviewees from the non-profit sector. Mr. Masuo Seki took time to talk about his own company as well as the activities and role of the CBCC where he is an active member in several committees, and kindly introduced the author to the CBCC for further interviews with full time staff.

9 It follows that, beside a general possible social desirability bias, interviewees belonging to early adopting companies may express positive attitudes towards CSR because their company supports it. However, the interviewees did not ask for positive reports about their company and gave self-critical descriptions of their companies CSR programs that frequently addressed areas needing improvement. For example, the interviewees openly answered questions on their companies and addressed internal and external difficulties of CSR managers in spreading a CSR culture in a large company or in achieving adequate demonstration of their company's CSR to stakeholders.

10 Chapple & Moon (2005) refer to the study by Maignan & Ralston (2002) as an example for the bias on large companies in CSR research.

11 In the year 2009, transport equipment had the largest share (21.9 %) just before electrical machinery (19.9 %) in the exports by principal commodity statistic according to data of the Japanese External Trade Organization (JETRO, 2009).

12 Companies from other industries were also approached when interviewees or CSR experts recommended other companies as interesting model cases that might add value to the research.

13 Aside from formal interviews with structured interview guidelines, the author had several talks and discussions with CSR experts which helped understanding the development of CSR in Japan and selecting companies for the research samples.

14 Prior participation in field research in Japan, including more than ten interviews in the Japanese language which were partly carried out in the function of an assistant in a German Research Foundation (DFG) funded research project, provided the author the opportunity to practice general interview techniques and to acquire knowledge on doing interviews in the Japanese context and in Japanese language (Kvale, 1996: 106–107, 147).

15 The detailed interview guidelines are presented in Appendix 2.

16 Recording the interview only incurs a slight increase in formality to the interview situation, but offers the advantage to concentrate on the interview as sometimes it can be hard to talk in Japanese and take notes at the same time for a non-native Japanese speaker (Campbell, 2003: 237). None of the interviewees who participated in the interviews of this study rejected to record the interview. Only one interviewee asked to temporarily stop the recording for a short confidential explanation, one asked to treat one particular piece of information as confidential, and one asked to present the obtained information only anonymously without mentioning names of persons or organizations.

[17] There are 20 Japanese companies in the Asian Sustainability Rating 2009 of the best 200 companies regarding CSR in Asia from all Asian countries. Of the four companies included in the sample, Mitsui is the overall highest ranked Japanese company at rank 17. Nissan Motor Co., Ltd., which is rank 34 and Sony, which is rank 35, are among the top 5 Japanese companies (Asian Sustainability Rating, 2010).

[18] Japan's Corporate News Network, http://www.japancorp.net/company_show.asp?compid=1833, Access 23 February 2012.

[19] Sir Howard Stringer served as CEO at Sony from June 2005. On 1 February 2012, Sony announced that Kazou Hirai has been appointed as President and new CEO effective 1 April 2012 and that Howard Stringer will become chairman of the board of directors in June 2012 (Sony Corporation, http://www.sony.net/SonyInfo/News/Press/201202/12-018E/index.html, Access 1 February 2012).

[20] Sony Corporation, http://www.sony.net/SonyInfo/csr_report/report/index.html, Access 23 February 2012.

[21] According to the Corporate Register database, the first company that published a non-financial (environmental) report was the Tokyo Electric Power Company in 1993 (Corporate Register, http://www.corporateregister.com, Access 21 November 2011).

[22] The first Japanese company that established a CSR department was Ricoh (Kawamura, 2004).

[23] Sony Corporation, http://www.sony.net/SonyInfo/csr/report/index.html, Access 23 February 2012.

[24] "The EICC consists of is a coalition of the world's leading electronics companies working together to improve efficiency and social, ethical, and environmental responsibility in the global supply chain" (EICC, http://www.eicc.info/about_us.shtml, Access 9 September 2011).

[25] One example mentioned by the interviewee is the Dodd-Frank Wall Street Reform and Consumer Protection Act enacted by the US government which includes one section related to "conflict minerals". It requires companies covered under the act to disclose information "regarding the degree to which they use the specified minerals originating in the Democratic Republic of the Congo and neighboring countries and whether those minerals are conflict minerals" (Sony Corporation, 2011b: 22).

[26] The impact on sales and profit exclude influence resulting from prevention of selling the game console during the rework period. At that time, the Netherlands was the chair of the working group for the implementation of the European Community Regulation on chemicals and their safe use, dealing with Registration, Evaluation, Authorization and Restriction of Chemical substances (REACH), which was codified in a law that was entered into force on 1 June 2007 (BOMcheck.net http://ec.europa.eu/environment/chemicals/reach/reach _ intro.htm, Access 20 February 2012).

[27] Sony Corporation, http://www.sony.net/SonyInfo/csr/news/2002/02.html, Access 20 February 2012.

[28] Sony Corporation, http://www.sony.net/SonyInfo/csr/engagement/index.html, Access 14 September 2011.

[29] EICC, http://www.eicc.info/about_us.shtml, Access 14 September 2011.

[30] One other Japanese company is listed as a member. However, this company is a Hitachi subsidiary that had joined the EICC as a former IBM hard disk division.

[31] Sony Corporation, http://www.sony.net/SonyInfo/csr_report/engagement/, Access 14 September 2011.

[32] CBCC, http://www.keidanren.or.jp/CBCC/en/officials.html, Access 12 September 2010.

[33] The Restriction of Hazardous Substances (RoHS) Directive (Directive 2002/95/EC) was enforced on 1 July 2006 by the European Union. Member States shall ensure that, from 1 July 2006, new electrical and electronic equipment put on the market does not contain any of the six banned substances: lead, mercury, cadmium, hexavalent chromium, poly-brominated biphenyls or polybrominated diphenyl ethers, in quantities exceeding maximum concentration values (http://www.rohs.eu/english/index.html, Access 20 July 2011).

[34] Corporate Register, http://www.corporateregister.com, Access 21 November 2011.

[35] NEC's CSR Digest is a short version of NEC's CSR report.

[36] The information presented by Tanimoto is based on an interview with the head of NEC's CSR Promotion Unit and Social Contributions Office, on 28 January 2005. The same informant kindly indulged to participate in the first interview series carried out by the author in 2007.

[37] A comparison of the brand value of NEC as a company mainly selling to business customers and Sony as a company mainly selling to consumers may illustrate the different degree of importance of brand and reputation for the companies. Interbrand estimates a brand value of 566 million US dollars for NEC and 11,353 million US dollars for Sony in the year 2011. Also other producers of consumer electronics reach brand values that are several times higher than the brand values of providers of computer services such as NEC or NTT data (InterBrand, 2012: 4, 7).

[38] Once, one company of the NEC Group was targeted by advocacy groups in China due to its subcontract with a Chinese company in Shenzhen which was criticized for the poor working conditions in the factory. However, the NEC Group was not selected as main target by advocacy groups, as NEC was only one among many companies who had subcontracted to this Chinese company.

[39] Some of NEC's customers asked NEC to join the UNGC (Suzuki, 2007: 14).

[40] According to information obtained from the interviewee in 2010, the EICC has become a de facto standard in the electronics industry; companies have to consider its norms and rules when they want to deal with certain customers. One example is the Swedish government which has adopted the EICC in its procurement prescriptions and suppliers have to apply the EICC code of conduct. EICC emphasizes human capital, human rights, and occupational health and safety, while JEITA includes these and additional CSR issues covering environmental issues like CO2 emissions, as well as ethical and information security issues.

[41] *Sōgō shōsha* were founded at the time of Japan's opening to foreign trade at the beginning of the Meiji period (see Section 4.1). The primary role of *sōgō shōsha* lies in coordinating the activities related to procurement, production, and distribution, often holding partial or controlling shares of other companies per-

forming these activities (Yoshino & Lifson, 1986: 2–3, 6). These companies developed and controlled Japanese foreign trade and became major industry groups and financial institutions with significant influence on the Japanese economy. *Sōgō shōsha* do more than buying and selling goods for a profit and are active in all stages of the production and distribution processes, from upstream raw material extraction or creation, through the stages of production, and downstream distribution to the end customers. The role of a *sōgō shōsha* goes beyond contracting and encompasses consulting, introducing, sourcing, and facilitating of business activities without selling of goods. Regarding international trade, *sōgō shōsha* have played an important role in Japanese mining and resource development in the 1960s and 1970s (Farrell, 2004: 16). However, the role of *sōgō shōsha* for Japanese foreign trade has declined since the 1990s. The share of all Japanese exports and imports handled by the largest 11 *sōgō shōsha* companies fell from 90 percent of all exports and 50 percent of all imports in 1990 to 23 percent of all exports and 12 percent of all imports in 2002. Building on their connections in business networks and international supply chains, *sōgō shōsha* developed new business fields that expanded into domestic retail of consumer goods, primarily food (Larke & Davies, 2007: 4–6, 14). A comprehensive overview on *sōgō shōsha* and Mitsui as the "prototype" of Japanese general trading companies is provided by Yoshino & Lifson (1986).

[42] Mitsui & Co., http://www.mitsui.com/jp/en/company/history/1950/index.html, Access 15 January 2011.

[43] Mitsui & Co., http://www.mitsui.com/jp/en/company/outline/index.html, Access 15 January 2011.

[44] Yoshino & Lifson (1986) elucidate the need for business organizations to justify their license to operate through contributions to society as has been pointed out in Section 4.1: "The House of Mitsui, a prosperous merchant family whose origin goes back to the late seventeenth century (…) was given the first opportunity by the new government to enter into banking, mining, and trading. (…) in 1876 the finance minister informed Mitsui leadership that the privilege they had been granted by the government was predicated not on their personal worthiness but on expectation of their future service to the state" (10–11).

[45] The first incident was the Kunashiri incident in 2002, which was related to bid-rigging over a power plant on the Kunashiri Island.

[46] "In November 2004, Mitsui & Co., Ltd. (Mitsui) discovered that false data had been produced and submitted to authorities for diesel particulate filters (…). Purchase of these filters was subsidized by the Tokyo Metropolitan Government and other prefectural and municipal governments, as well as governmental ministries and related industry associations" (Mitsui & Co., http://www.mitsui.com/jp/en/company/governance/dpf/index.html, Access 17 April 2010). The collection of all DPF parts took almost two years and incurred compensation costs of 400 million US dollars, excluding production costs, recollection costs, human resources, and losses in intangible assets such as reputation and credibility. Moreover, Mitsui was exposed to the risk of losing contracts due to cross-default clauses, which allow customers to terminate a contract if another contract defaults. The company was excluded from public biddings by the Tokyo Metropolitan Government which had bought and paid subsidies for diesel particular filters (Mitsui & Co., 2007a).

[47] "Good quality work" is a translation of the Japanese phrase "*yoi shigoto*".

[48] In workshops held after the DPF incident, employees identified too much emphasis on profitability and quantitative targets of the performance appraisal system as one cause of the DPF incident (Mitsui & Co., 2009: 7).

[49] Mitsui & Co., http://www.mitsui.com/jp/en/csr/index.html, Access 30 January 2012.

[50] Mitsui & Co., http://www.mitsui.com/jp/en/company/governance/dpf/index.html, Access 12 July 2012.

[51] During the first interview in 2007, researchers from a Japanese university and a Chinese research institute participated in the CSR Promotion Division of Mitsui, and the CSR report was reviewed by a senior researcher of CSR in Japan, showing that academic expertise on CSR is welcome at the company.

[52] CSR in relation to business operations has been attached to the corporate planning division because influencing employee behavior is ultimately closely connected to corporate governance, which needs to set incentives for doing "good work" and thus cannot be separated from compliance issues.

[53] Apart from the Kunashiri incident in 2002 and the DPF incident in 2004, some smaller incidents that occurred in 2008 and 2009 are reported.

[54] Mitsui & Co., http://www.mitsui.com/jp/en/company/governance/dpf/index.html, Access 17 April 2010.

[55] Pro-active CSR approaches are at least to some degree owed to the personal commitment and efforts of those managers entrusted with CSR increasing the chance of successful implementation of CSR institutions and practices growing into the day-to-day practice of all employees at large companies. Most interviewees believe in the positive contribution of CSR to their company: "I'm expecting that CSR can play a very important role. For example, the change of a company and also the change of society itself. Personally I feel that. So that's why I'm doing this job" (Sony Corporation, 2010b). "It's a really a good combination of the work activity, what we can do as a person and what we can do as a corporation globally. This is something that we do for our work (…) connected to our personal life, as well. So CSR is something a little bit personal, but it's of course, connected to the corporate work" (Sony Corporation, 2010b).

[56] Company name replaced with "our company" by the author for securing anonymity.

[57] Size has been criticized as a proxy for political exposure because many other organizational characteristics correlate with size (Roberts, 1992: 603). Nevertheless, size is included in the model as proxy for overall visibility, but it needs to be taken into account that size of course does not solely express political or media visibility.

[58] The mediating effect of different industries may explain why studies that do not control for industry effects do not find significant influence of size on CSR disclosure (e. g., Roberts, 1992: 608).

[59] There are other measures such as the number of employees in overseas subsidiaries (Suzuki, Tanimoto, & Kokko, 2010: 389), which cannot be used here in absence of the necessary data.

[60] There is even a Japanese term for similar behavior among competitors in Japan, which in a negative sense is called *yokonarabi* ("following the crowd"),

[61] This may be related to the use of different industry categorizations, number of categories, or sample size, similar to the studies on the CSR-CFP link (see Subsection 2.5.2). Studies including industry as independent or control variable often suffer from small samples compared to manifold industry distinctions (e. g., Balabanis, Phillips, & Lyall, 1998: 35, 37).

[62] While not included as independent variable, age will be included as control variable in the quantitative analysis of the diffusion of certain CSR practices in Chapter 6.

Footnotes to Chapter 6: Empirical Part II: Quantitative Analysis of CSR Adoption by Japanese Companies

[1] Sometimes the names or abbreviations of companies differed across the data sources. For example, "Ajinomoto Co Inc" versus "Ajinomoto Company Inc", "NYK Line" versus "Nippon Yūsen Kabushiki Kaisha", etc. In cases in which the corporate names could not be matched, the company website was consulted for name changes in the company history and the TSE number was looked up in the database of the Tokyo Stock Exchange. This information was double-checked to assure correct matching of company data from different sources.

[2] The Japanese Small and Medium Enterprise Agency defines SMEs according to the amount of assets and the number of employees in the sectors of manufacturing (less than 300 million yen assets or less than 300 employees), wholesaling (less than 30 million yen assets or less than 100 employees), retailing (less than 50 million yen assets or less than 100 employees), and services (less than 50 million yen assets or less than 50 employees) (Small and Medium Enterprise Basic Law § 2, http://www.chusho.meti.go.jp/koukai/hourei/index.html, Access 10 October 2011).

[3] This includes four universities and one industry association.

[4] CSR communication does not necessarily equal with actual CSR activity. Further, the absence of CSR disclosure does not necessarily equal with CSR non-activity (Wood, 1991: 692–693). However, as "reporting, transparency and accountability are part and parcel of CSR, there is reason to expect some increased congruence between communication and action. Moreover, in today's climate of close stakeholder and media scrutiny of business claims and business practice, a company would no doubt pay a higher reputational price for being revealed to have misled in its CSR communications than if it had made no CSR claims at all" (Fukukawa & Moon, 2004: 6). Fukukawa and Moon's assumption that the loss of trust and reputation is much more severe in case of intentional misleading of a company in its CSR disclosure is empirically confirmed in studies by Becker-Olsen et al. (2006: 46) and Eisenegger & Schranz (2011: 82) (see Subsection 2.5.2).

[5] Corporate Register, http://www.corporateregister.com/, Access 31 December 2011.

[6] Corporate Register is a web based directory of CSR resources and as of November 2011 lists 22,833 reports across 5,622 companies worldwide, among them 498 Japanese companies. Corporate Register lists reports according to compa-

ny and offers more detailed information on title, type of report, number of pages, third party certification etc. (http://www.corporateregister.com/stats/, Access 22 November 2011; updated 8 January 2012).

7 It was also considered to aggregate sustainability and CSR reports as both terms are sometimes used interchangeably (see Subsection 2.3.2). However, the descriptive statistics show differences in the timing of adoption of CSR and sustainability reports, indicating that prior adoption of sustainability reporting inhibits the adoption of a more holistic CSR thinking (see Section 6.2).

8 Nikolaeva & Bicho (2011) also include a measure for the rate of adoption within industries. Since the sample of this study contains 577 companies across 33 industries, it was expected that the relatively high number of industries would cause distortions in the results or bring forth inconclusive effects (Balabanis, Phillips, & Lyall, 1998: 35, 37). When included in the duration models, the within industry diffusion did not flaw the results of the other variables, but did also not show any significant sign and thus remained excluded from the reported results.

9 Interbrand, http://www.interbrand.com/, Access 21 March 2012.

10 Fortune, http://money.cnn.com/magazines/fortune/mostadmired/, Access 21 March 2012.

11 The Interbrand report provides brand evaluations aggregating three criteria. Financial performance defined as a company's raw financial return to investors, role of brand defined as the portion of the customer decision to purchase that is attributable to the brand, and brand strength defined as the ability of the brand to secure delivering future earnings.

12 If it is a company operating in business to business markets it must be known to at least 10 percent among consultants at Interbrand's global offices. The Interbrand report also shows Japan's Best Domestic Brands to which apply the same criteria except that less than 30 percent of a company's sales must come from sales outside Japan (Interbrand, http://www.interbrand.com/de/best-global-brands/best-global-brands-methodology/Overview.aspx, Access 21 March 2012).

13 Of the 20 studies that treat CSP as dependent variable examined by Margolis and Walsh, almost one third (six) studies use the Fortune reputation ranking to measure CSP (Margolis & Walsh, 2003: 277).

14 The TSE company code number was used to match TK data from several CDs with each other for compiling longitudal data over time. Complete data for annual company sales, number of employees, share of stocks held by foreigners, and share of sales in foreign countries could be found for the majority of companies in the sample.

15 Number of employees as an alternative measure for size showed pearson correlations of more than 0.75 significant at the one percent level with annual sales. To avoid collinearity among the independent variables, number of employees was not included in the model.

16 Another argument in favor for logarithmic transformation of measures reflecting size such as turnover or sales is that they often are right-skewed. The transformation results in higher effects of the same increase for small than for large values of the independent variable on the dependent variable (e. g., Stock & Watson 2012: 310). For example, an increase of annual sales from 100,000 to

150,000 would be expected to cause a higher increase of the effect on the dependent variable than an increase from 1,000,000 to 1,050,000. Therefore, many researchers apply logarithmic transformations when including such variables, also in studies on CSR (e. g., Jackson & Apostolakou, 2010).

17 SICC, http://www.tse.or.jp/sicc/sicc_en/sector/ct_chart_en.html, Access 7 March 2012.

18 TSE, http://www.tse.or.jp/english/market/topix/, Access 7 March 2012.

19 For example, the SICC main classification category "manufacturing" comprises almost 60 percent (399 companies) of the sample, while the largest sub classification category "electrical appliances" comprises not more than 16 percent (92 companies) of the sample. The values for range, mean, and standard deviation of companies per industry are much lower for the SICC sub classification compared to the ten SICC main classification (see Tab. 36 in Appendix 4).

20 Four or eight firm concentration ratios are calculated by adding the market share of the largest four or eight firms in an industry.

21 A discussion of different measurements of concentration can be found in, for example, Hay & Morris (1991: 209pp)

22 As Nikolaeva & Bicho selected the firms in their sample based on size in terms of revenues, it is likely that the included number of firms in certain industries reflects the actual industry population.

23 The list classifying the environmental impact of industries provided by Brucksch is presented in Tab. 35 in Appendix 4.

24 Nikoleva and Bicho build on the argument by Allison (2007) that the best solution in the case of time-varying variables and adoption-timing ties is to use a logit or cloglog link for estimating a discrete hazard model. The logit model is very similar to alternatively used probit and cloglog models, and results are unaffected by choosing any of these models most of the time. In general the logit model is recommended because of its wider familiarity (Beck, Katz, & Tucker, 1998). Differences between probit and cloglog functions appear when probabilities are higher than 50 percent (Nikolaeva & Bicho, 2011: 149). Here, the overall percentage of adoption of CSR reporting is slightly higher than 39 percent.

25 The estimates for the exp (β) values are also reported to illustrate the probability for belonging to an adopter category versus belonging to "non-adopters". The values of these estimates are to be read as odd ratios, where values higher than one increase the probability of a company to belong to the respective adopter category instead of belonging to "non-adopters", values lower than one decrease this probability, and a value of one has no effect. For example, in Tab. 28 on page 233 the probability of a company's adopter category to become "innovators" is multiplied by 2.482 when the variable size is increases one unit.

26 CSR reports are those reports titled as "CSR", "Corporate Responsibility", or "CC" (see Tab. 19).

27 Even if a company abolishes the practice of CSR reporting later, a company can only once publish one "first" CSR report which is thus a non-recurrent event. There are no censored observations so that the survival function corresponds to the actual process of adoption within in the sample.

28 Most correlation coefficients are lower than 0.3 and none exceeds 0.5. The strength of correlations is typically categorized as follows: $0.0 < r <= 0.3$ small

correlation, $0.3 < r <= 0.5$ medium correlation, $0.5 < r$ high correlation (Bortz, 2005: 218). Bühl (2012) offers a slightly different categorization with $0.0 < r <= 0.2$ very small correlation, $0.2 < r <= 0.5$ small correlation, $0.5 < r <= 0.7$ medium correlation, $0.7 < r <= 0.9$ high correlation, $0.9 < r <= 1.0$ very high correlation (303).

[29] Usually only very large MNCs achieve the status of a global brand. Furthermore, the CBCCs founding goal is to improve relationships with foreign business partners. It follows that in a process of self-selection those companies that have an interest in receiving information on foreign business practices become members in the CBCC.

[30] This may be because many industries with high environmental impacts belong to the manufacturing industries which account for comparatively high shares of Japanese exports, for example in the automobile and electronics industries (see Subsection 5.1.4).

[31] Urban & Mayerl (2011) recommend that independent variables should have tolerance values higher than 0.25 and variance inflation factors lower than 5 (232). All independent variables have tolerance values higher than 0.6 and variance inflation factors lower than 1.6 (see Tab. 40 in Appendix 4). Moreover, the main interest of the quantitative analysis is the direction of the effects and less about prediction, so that even if indication for multicollinearity had been found it would be of low importance for interpreting the estimates (Nikolaeva & Bicho, 2011: 147).

[32] The duration models require this data to be transformed into firm-year observations (Nikolaeva & Bicho, 2011: 147). This resulted in a total sample of 7,810 observations for non-financial reporting and 3,952 observations for CSR reporting. Descriptive statistics were basically the same for the firm-year observations and are not reported here.

[33] The p values are referred to as highly significant ($p < 0.001$), very significant ($p < 0.01$), and significant ($p < 0.05$). Lowly significant variables ($p < 0.1$) are interpreted as tendencies.

[34] The fact that the adopter category of late majority does not reach the theoretically ideal share of 34 percent indicates that either the adoption process is incomplete or the sample contains companies that do not belong to the group of possible adopters. The analysis is based on the assumption that the sample consists of the possible adopters and that the diffusion process is incomplete at the end of the observations in 2011. As the share of companies classified as innovators is very small, the multinomial regression was run again with innovators and early adopters as a combined group. For this approach see" e. g., Mahajan, Muller, & Srivastava (1990: 46). The results are presented in Tab. 43 and Tab. 44 in Appendix 4 and are very similar to the results that distinguish innovators and early adopters reported here. But the ratio of correct prediction was increased for the regression with the combined group, indicating that other ways than the theoretical-statistical approach proposed by Rogers may be better for classifying adopter categories.

[35] One of the tasks of the CBCC is to search for ways on how Japanese-affiliated companies can run their operations smoothly overseas. Originally, the focus of the CBCC activities was on resolving conflicts resulting from imbalances in the volume of trade with trading partners, particularly the US. With increasing

criticism about Japanese companies' absence of explicit commitment towards responsible business operations, the CBCC also started to address CSR issues. This encompasses inviting community-relations experts from Japan and overseas to broaden the understanding of the overseas societies in which Japanese companies operate, networking with actors in other countries where Japanese or Japanese-affiliated companies operate to strengthen the Japanese understanding of local cultural and societal norms, and conducting surveys on US and Asia to deepen the understanding of the current status of community relations activities, the needs of local communities and locally emerging issues (CBCC, http://www.keidanren.or.jp/CBCC/english/profile/activity.html, Access 12 September 2010; Japan Business Federation, http://www.keidanren.or.jp/english/policy/csr/economic-trend_200411_p60.html, Access 12 September 2010). It follows that especially those companies which are interested in business conduct and stakeholder expectation in foreign countries are likely to become members of the CBCC. This would also explain the relatively high correlation between "cbcc member" and "global brand", because especially those companies in the focus of foreign stakeholders have an interest to receive information about ways to respond to stakeholder expectations and are thus likely to adopt CSR practices.

36 The reason for the negative estimate in the later adopter categories may also be that all or almost all CBCC member companies have adopted the practice earlier, but this would even give more support to the argument that membership in a business association supporting CSR helps speeding up the rate of adoption.

37 The duration models reported above show the same signs and significant variables when leaving out the control variable "age" with occasionally slight changes in the level of significance. For the models without the control variable see Tab. 41 and Tab. 42 in Appendix 4.

38 A possible distinction between companies could be made according to the theoretically calculated minimum share of SRI investors of 25 percent required to influence a company's environmental and ethical behavior as calculated by Heinkel et al. (2001: 447).

39 For example, environmental, responsible care, and sustainability reports.

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