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Series Editors
Dr Nahee Kang – nahee.kang@manchester.ac.uk
Dr Willy McCourt – willy.mccourt@manchester.ac.uk

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Instiutional Complementarity between Corporate Governance and CSR: A Comparative Institutional Analysis of Three Capitalisms

Nahee Kang[1] **and Jeremy Moon**

Abstract

This paper examines the causal mechanism by which national systems of corporate governance affect corporate governance (CSR), drawing on the institutional arguments of the comparative capitalism literature, and in particular the concept of institutional complementarity (a process of mutual reinforcement). The paper adopts the typologies of capitalisms used in the literature – namely, liberal market economies (the US and the UK), coordinated market economies (Germany and Japan) and state-led market economies (France and South Korea) – to explore and illustrate institutional complementarity at work. Through an analysis of comparative capitalism, corporate governance, and CSR, the paper supports the following propositions: first, CSR is a complementary institution to the national system of corporate governance; and second, national differences in the way CSR is perceived by the business community reflect variations in their corporate governance systems, which are embedded in broader institutional arrangements in the spheres of finance and labor relations.

This study goes beyond works that allude to close links between corporate governance and CSR to pinpoint institutional complementarity as the *causal mechanism* by which national corporate governance arrangements shape CSR motives. While CSR has been often perceived as a product of leadership, organisational culture, and sectoral and global pressures, the paper illustrates that it is also a product of national institutional arrangements. This implies that firms intending to commit to CSR should also understand that the broader institutional arrangements that shape their national corporate governance systems are likely to have a significant bearing on the nature and the degree of their commitments.

Keywords: Corporate Governance, Corporate Social Responsibility (CSR), Comparative Institutional Analysis, Comparative Capitalism, and Institutional Complementarity.

[1] Corresponding author: Dr Nahee Kang, Institute for Development Policy & Management, School of Environment & Development, University of Manchester, Arthur Lewis Building, Oxford Road, M13 9PL, UK; nahee.kang@manchester.ac.uk.

INTRODUCTION

There is ample empirical evidence that CSR practices vary across countries (Chapple & Moon, 2005; Maignan & Ferrell, 2003; Maignan & Ralston, 2002; Williams & Aguilera, 2008). There is also a growing interest in conceptualising comparative CSR at national level (Aguilera, Rupp, Williams & Ganapathi, 2007; Matten & Moon, 2008), taking CSR literature beyond the individual, firm (organisational), and sectoral levels to consider the explanatory significance of broader institutional arrangements in which the firm is embedded (Deakin & Whittaker, 2007). Many papers in this sub-field have relied on the comparative capitalism literature (Gjølberg, 2010; Matten & Moon, 2008).

Our paper builds on these analyses, but it differs in that it focuses on identifying the *causal mechanism* by which national institutional arrangements shape the incentive (or “motive”) for CSR. It does so by drawing on the institutional arguments of the comparative capitalism literature (comparative institutional analysis), and in particular, on the concept of institutional complementarity. Furthermore, it adopts the typologies of different capitalisms to examine institutional complementarity at work: liberal market economies (LMEs), coordinated market economies (CMEs), and state-led market economies (SLMEs). These are ideal-types in the Weberian sense (Weber, 1949:90), and as such, often used in the comparative institutional analysis for mid-range theory building (George & Bennett, 2005:233-62).

The paper’s significance lies in its contribution to the emerging field of CSR (Lockett, Moon & Visser, 2006),by specifying, and illustrating, the institutional mechanism by which CSR is shaped at the national level. It applies the concept of comparative institutional analysis and comparative typologies to engage with mid-range theory building and strengthen the theoretical underpinning of the CSR literature. In so doing it takes the CSR discussion from the exclusively private to the public domain. It thereby builds on the works on CSR in governance (Garriga & Melé, 2004; Levy & Kaplan, 2008), moving beyond pinpointing specific policies with which national governments can promote CSR (e.g., Albareda, Lozano & Ysa, 2007; Moon & Vogel, 2008), to providing insights into the broader structural issue of how the firm relates to its institutional environment.

The paper begins by reviewing the comparative CSR literature that seeks to understand and explain national variations. It identifies institutional complementarity as a potential mechanism by which national level arrangements shape CSR. Based on the secondary literature that documents the national variations in CSR, the study illustrates how CSR “complements” the corporate governance system in the contexts of LMEs (e.g., the US and the UK), CMEs (e.g., Germany and Japan) and SLMEs (e.g., France and South Korea). The paper proceeds to test the notion of CSR as a complementary institution to the respective national system of corporate governance by examining whether and how changes in the latter affect the former. It discusses the implications of findings for theory and practice, and concludes with a summary and directions for further research.

COMPARATIVE CORPORATE SOCIAL RESPONSIBLITY

The Problem of Definition

It is widely acknowledge that CSR is not a well-defined concept (De Bakker, 2005). For students of *comparative* CSR, the lack of clarity in the definition of CSR is compounded as CSR meanings and practices differ across national contexts, making any systematic cross-national comparison of CSR particularly challenging. We follow Matten & Moon (2008) who argue that it is axiomatic for comparative analysis not to define CSR in detail because the meanings and practices of business responsibility in different countries constitute part of the research question. Nonetheless, it is important to come to an operational definition that is sufficiently broad to capture cross-national differences in CSR.

We argue that a way of giving more analytic clarity to the CSR definition is to distinguish it from corporate governance, despite the fact that the terms are sometimes used interchangeably and may even overlap at the margins (Jamali, Safieddine & Rabbath, 2008). The most important difference we see is that corporate governance represents relationships between three sets of actors or stakeholders, namely, owners of the capital (financial capital), top management (including owner-managers), and labor (core employees). These three stakeholders all make investments, either financial or human, in the firm (Gospel & Pendleton, 2005:3-4). CSR, on the other hand, considers a wider group of stakeholders who have interest in the activities of firms such as other partnering firms (customers, suppliers and distributors), communities, consumers, and environmental stakeholders. Therefore, corporate governance is concerned with legally defined structure that defines who owns and controls the firm, in whose interest the firm is governed, and various ways (direct or indirect) whereby control is exercised (Gospel & Pendleton, 2005:3-4). The relative roles and power of the three stakeholders vary considerably between countries, and have important consequences for a whole set of management decisions, including CSR (Gourevitch & Shinn, 2005).

Therefore, we consider CSR to be firm's response to responsibilities beyond the narrow and immediate economic requirements to more broader and encompassing issues of long-term social, developmental and environmental benefits. Note that we do not define CSR as voluntary and legally non-binding. Although this is the way CSR has been interpreted, often in LMEs, this is not the case in other parts of the world (Matten & Moon, 2008). Firms will express divergent perspectives and policies on CSR according to their national system of corporate governance (Aguilera, Williams, Conley & Rupp, 2006; Aguilera et al., 2007). As institutions in the spheres of finance and labor ultimately shape a corporate governance system, corporate governance can be seen as the missing link that ties national level institutional arrangements to CSR.

The Causal Mechanism between National Institutional Arrangements and CSR

CSR is a field of study in development (Lockett et al., 2006). While the stakeholder theory has been most closely associated with the CSR literature, and informs organizational (firm) level CSR, most studies of comparative CSR have failed go beyond the detailed descriptions of similarity and contrast in CSR policies and practices to question why, theoretically, these differences exist. Some exceptions to this generalization offer a good starting point for our discussion.

Aguilera et al. (2007) theorize on explaining the variations in CSR by looking at firms' "motives" behind CSR at multi-levels; the individual, organizational, national and transnational. They identify three types of motive at all four levels: instrumental, relational and moral. Instrumental motivation is driven by self-interest, and is associated with enhancing competitiveness, including brand management (competitive CSR). Relational motivation is concerned with relationships among actors, and associated with the notion of social contract and building social cohesiveness (social cohesive CSR). Moral motivation is concerned with ethical standards and moral principles with a sense of business responsibility for the betterment of society and national development (developmental CSR). The three types of motivation are not mutually exclusive but co-exist to varying degrees.

The significance of this study is that it focuses on the underlying motive behind CSR as a way of explaining different approaches and commitment to CSR. It also contributes by steering the debate from the more conventional actor-centered approaches to CSR, which interpret variations and change in CSR as largely related to individual agency; that is, the personal beliefs and preferences of the top management. Clearly, actor-centered approaches to CSR have merit, for the simple reason that actors are the 'carriers of institutions'. However, to be exclusively reliant on the agency for explanation has limits. This is because – without revisiting the agency versus structure debate - actors' preferences (and power) are shaped as they are both constrained and enabled by institutions. In sum, Aguilera et al. (2007) help us to think about the key actors in the field of CSR and their varying motives as a way of understanding different approaches to CSR, but it does not fully explain how these motives are constructed.

We therefore turn to structural conditions; that is, the historically embedded institutions. Comparative institutional analysis, which is closely associated with the comparative capitalism literature (including the social systems of production, national business systems, and the varieties of capitalism approach), informs these discussions (Guillen, 2001). It is a firm-centered analysis that focuses on what national level institutional arrangements shape firms' incentives, behavior and performance. For instance, relying on Whitley's (1999) 'national business systems', Matten and Moon (2008) attribute the variations in LMEs and CMEs to nationally distinct political, financial, education and labor, and cultural systems. They suggest that these institutional arrangements shape firms' relations with the society such that

CSR has been explicitly articulated in LMEs, whereas it had conventionally been implicitly embedded in CMEs. Aligning more closely to the 'varieties of capitalism' approach, most commonly represented by, although not limited to, Hall and Soskice's (2001), Gjølberg (2010) attributes varying CSR performance (measured in terms of "commitment") at the national level to the configurations of "institutions for social embedding," such as the presence of a extensive welfare state, strong neo-corporatist arrangements, and a culture of political participation.

Both studies support the idea of a causal relationship between national level institutions and CSR from a comparative institutionalist perspective. However, what is less clear, and requires further scrutiny, is the *causal mechanism* by which the national institutional arrangements influence and shape CSR. Gjølberg (2010) too recognises this gap in the literature, and raises this very question. However, the choice of mixed methods approach does not allow a thorough exploration of the specific mechanism by which the so-called "institutions for social embedding" affect CSR. For instance, the argument that the presence of an extensive welfare state should lead to greater commitment to CSR is largely assumed, but this is problematic given that CSR has historically substituted for the welfare state (e.g., the development of corporate welfare in pre-welfare state societies). The same can be said for strong neo-corporatist institutions, as the presence of strong labour unions can not only stimulate CSR but also confine CSR agenda to a narrow set of labour-specific issues (e.g., the 1977 social reporting requirement in France).

Without identifying the specific mechanism by which the institutions for social embedding affect CSR commitment, the dynamics of causal relationship between the two remains ambiguous at best. This paper offers a more fine-grained cased-based qualitative approach to tease out such causality, taking into consideration not only the institutional arrangements, but also the institutional linkages at work.

CSR AS A COMPLEMENTARY INSTITUTION TO CORPORATE GOVERNANCE

We begin by going a step further than the earlier studies in applying the insights of comparative institutional analysis, in particular, the historical institutional variant (Campbell, 2004; Campbell & Pedersen, 2001; Hall & Taylor, 1996),[i] in three distinctive ways. Firstly, we attend to national systems of corporate governance (as the missing link), which are considered to be a core institution by the writers of comparative capitalism. Second, and relatedly, we draw on the concept of institutional complementarity – i.e., a mechanism of mutual reinforcement. Although this is a key concept to explain institutional logic, resilience, and change in the comparative capitalism literature it has been left largely unexamined in analysis of CSR. Third, we draw on the typologies of different models of capitalism often used in the literature as sites for exploration, but rather than relying on only two dominant models of capitalism (i.e., LMEs and CMEs), we introduce a third variant, namely SLMEs, to add theoretical, methodological, and empirical value to the study.

At this point some discussion of institutional complementarity is required. Although the concept has been often used indiscriminately to explain institutional logic, resilience, and change (Höpner, 2005), It embodies two different logics; the logic of contrast and that of similarity. According to Crouch (2002; 2005), the logic of similarity refers to an institutional link through which institutions of similar properties are found together (e.g., CSR reflects the corporate governance system). Complementarity based on the logic of similarity develops as actors in neighbouring spheres adopt similar institutional solutions (e.g., actors in corporate governance and CSR adopt similar approaches to firm relations). The logic of contrast, on the other hand, refers to the opposite kind of institutional link, through which institutions with contrasting properties find a balance, as one makes up for the deficiencies of the other, or supplies the 'missing ingredient' (e.g., CSR supplements the weaknesses in the corporate governance system). Complementarity based on the logic of contrast develops as actors in different spheres adopt contrasting solutions (e.g., actors in corporate governance and CSR adopt different approaches to firm relations but a find balance).

Most works that refer to complementarity do not distinguish between the two logics. Regarding CSR, Jackson and Apostolakou (2010) comes close by distinguishing CSR as a 'mirror' and a 'substitute'. However, the term 'substitute' does not fully capture the logic of contrast which requires not only making up of deficiencies to find a balance, but also relying on contrasting solutions to do so. It has also been suggested that the logic of contrast is the theoretically more powerful mechanism of reinforcement, because it suggests a stronger interdependence (Deeg, 2007). It has also been argued that a more accurate description of logic of similarity is institutional compatibility (Kang, 2010), and that complementarity should be reserved for logic of contrast. However, given that interdependence and therefore, mutual reinforcement, can arise from both the logics of similarity and contrast, albeit to varying degrees, we use the term complementarity to refer to both logics.

As a way of understanding how national-level institutional arrangements shape CSR motives, we can apply the above discussions to the relationship between corporate governance and CSR to derive the following proposition, which will be explored in the contexts of three models of capitalism:

Proposition 1. CSR complements the respective national system of corporate governance, either through the logic of similarity or the logic of contrast.

COMPARATIVE AND ILLUSTRATIVE CASE STUDY METHOD

We adopt a comparative case study method, using LMEs, CMEs, and SLMEs as illustrative sites for exploration. Comparison of different types of capitalist system, or explicit comparison, will be the focus of this paper. However, there is also an element of comparison of similar systems as we use paired case studies; i.e., the US and the UK as exemplars of LMEs, Germany and Japan, CMEs, and France and Korea, SLMEs. Needless to say, differences in history and culture make such cross-regional comparison challenging. However, the insights gained allows leverage to make ‘mid-range’ theoretical claims (George & Bennett, 2005:109-124); those that lie somewhere between “uncovering universal laws of human behaviour that hold across all times and places on one hand and settling for atheoretical descriptive narratives on the other” (Campbell, 2004: 63). For this reason, comparative institutionalists have long relied on cross-regional comparison (e.g., Albert, 1991; Dore, 2000a; Streeck & Yamamura, 2001; Yamamura & Streeck, 2003).

Of the three models of capitalism mentioned, SLMEs have received the least attention. Rather, than locating such systems on a LME – CME spectrum (Hancké, Rhodes & Thatcher, 2007), we recognise the possibility of greater capitalist variety stemming from more diverse institutional logics (Schmidt, 2002) and consider the SLME to be a distinctive model in its own right (Kang, 2010; Lee & Yoo, 2007; Orrù, 1997; Schmidt, 2002, 2003).

The inclusion of SLMEs accords not only theoretical, but also empirical and methodological value to this study (Jackson & Deeg, 2008). Empirically, studying SLMEs can provide broader and applicable insights than LMEs and CMEs given that many catch-up economies more closely approximate the SLMEs due to underdevelopment both of market institutions (LME) and voluntary association between neo-corporatist institutions (CME) in their initial phases of industrial development.

Methodologically, SLMEs provide a fitting site for exploration of complementarity and change because, in order to test the causal mechanism between national systems of corporate governance and CSR, we also need to be able to demonstrate casual mechanisms at work during the times of change. As has been observed institutional arrangements in the SLMEs have undergone more significant change in the last three decades than LMEs and CMEs (Dore, 2000; Kang, 2010).

We now examine the relationship between national systems of corporate governance and the motives behind CSR in the contexts of three models of capitalism to test proposition 1.

INSTITUTIONAL COMPLEMENTARITY BETWEEN CORPORATE GOVERNANCE AND CSR IN THE THREE CAPITALISMS

LMEs: Shareholder Value and Competitive CSR

National Institutional Arrangements. The basic tenet of the comparative capitalism approach is that behaviour and performance of large firms is dependent on institutional coordination and complementarity between the key capitalist sub-systems which, in turn accord distinctive national competitive advantage (Hall & Soskice, 2001). For instance, firms in the LMEs (e.g., the US, the UK) rely predominantly on the liberal market to coordinate their activities with stakeholders. In finance, they rely heavily on the stock market for corporate financing and they build close relations with their shareholders, and therefore, the financial system is characterised as predominantly stock market-based. In the sphere of labour LME firms rely on the de-centralised, individual and market (or contract)-based relations with their workforces and, therefore, the labour relations system is predominantly market-reliant. According to Hall and Soskice (2001), this gives large firms in LMEs a competitive institutional advantage in ‘radical’ innovation as they are endowed to raise a significant amount of money in a short period of time, and to allocate labour flexibly according to the fast changing needs of the market.

Corporate Governance. The outcome for the national system of corporate governance in large firms in LMEs is a system of two key stakeholders – shareholders and top managers – whilst labour remains marginalised from governance issues within the firm (Jackson, 2005; Vitols, 2001). Hence, the key problematic in corporate governance debate in LMEs, as identified by Berle and Means (1932), is the ‘principal-agent’ problem. In practice, due to information and power asymmetry between the shareholders and managers, there had been a strong element of managerialism in LMEs. Only since the corporate failures in the last two decades has shareholder value been taken more seriously in LME corporate governance heralding reforms on such issues as board composition and executive pay to redress the ‘principal-agent’ problem.

CSR*.* Much research into the dominant motive for CSR has attended to such data as corporate reports of leading firms. This has limits given that CSR discourse is inevitably packaged to communicate the three types of *firm* motives, i.e., competitive, social cohesive, and developmental. We therefore turn to the national level institutional arrangements to assess how they might impact on firms’ motivation for CSR. The shareholder value system in corporate governance means that top managers are exposed to the short-term demands of the shareholders, which in turn would lead to greater stress on the competitive motive for CSR than on the social cohesive or developmental motivations.

There is plenty of evidence to substantiate this motivation. First, at the rhetorical level it is instructive that in the one exception that Milton Friedman makes in his critique of CSR, he notes that investment in communities can be justified in order to improve profit. A similar motivation is also evident in *The Economist*, when the magazine portrayed Marks and Spencer’s expenditure on community work and charities as supporting a sensible long-term investment in its marketplace. It commented that “[a] healthy high street depends on healthy back streets” given that “if urban disorders become a regular fact of life, many of its 260 stores would not survive” (*The Economist*, 20 February 1982: 29).

At the analytical level it is therefore no coincidence that a great deal of research on CSR emerging from leading US journals gives a strong focus to enhancing the performance (and competitiveness) of the firm through CSR (e.g., Margolis, Elfenbein, & Walsh, 2007; Margolis & Walsh, 2003; Orlitzky, Rynes, & Schmidt, 2003). Maignan and Ralston’s (2002) evaluation of self-reporting of CSR in the US, the UK, France (which we designate a SLME), and the Netherlands (which is usually regarded as a CME) concludes that businesses in the US were most likely to describe their CSR as ‘part of core values' and those in the UK as 'performance driven'. This contrasts with their counterparts in France and the Netherlands which were most likely to describe their CSR in terms of 'stakeholder relations'. The US and the UK firms were also found to be more likely to report their CSR strategy and than French or Dutch businesses which Maignon and Ralston (2002) explain in relation to the traditions of public reporting on financial matters and of shareholder activism in the former group.

Because the motive behind CSR is largely competitive, CSR is considered to be in the realm of business, and as such, public policy in LMEs is designed to promote CSR as a voluntary and non-enforceable initiative. As such, public policy on CSR in the US has geared its efforts on encouraging business responsibility in politically sensitive industries, such as the consumer-facing industries (e.g., the Apparel Industry Partnership), and the extractive industries (e.g., the Voluntary Principles of Security of Human Rights in oil, gas, and mining) (Vogel, 2005). Although policy in the UK has been more broadly-based (Moon & Vogel 2008), key CSR policies have focused on the investor (e.g. the recent reporting amendments to the Pensions Act (1999) and the Companies Act (2006)).

Proposition 1a. Competitive CSR complements shareholder value, either through the logic of similarity or the logic of contrast.

Institutional Complementarity. The question of interest for this paper is whether competitive CSR complements shareholder value and, if so, whether through the logic of similarity or of contrast. The key is to examine whether the external actors of CSR – namely, organisations that engage with firms on social, developmental, and environmental issues – rely on similar institutional solutions as the stakeholders in corporate governance (logic of similarity) or on different solutions to find a balance making up for deficiencies of the other (logic of contrast).

In LMEs, the external actors of CSR (labour unions and NGOs) and stakeholders in corporate governance (shareholders and top managers) both rely on market-based solutions – or more specifically, shareholder activism – to pursue their agendas. Market-based approaches to CSR have had long history in these regions, and can be traced to socially responsible investors in the religious community (the Quakers) refusing to conduct businesses with those engaged in questionable trade activities such as tobacco, alcohol and slavery (Moon, Kang & Gond, 2010). Today, CSR actors such labour unions, who have always been marginalised from the corporate governance system have adopted a similar market-based approach as a credible way of protecting their interests within firm (Beeferman, 2009; Coiquaud & Morissette, 2010; Schwab & Thomas, 1998). For instance, the American Federation of Labor and Congress of Industrial Relations (AFL-CIO) established the Center for Working Capital to promote a progressive voice in the operation of union money, to educate the public on issues pertaining to employee-shareholders, and to educate pension trustees and union leaders to become activist investors (Beeferman, 2009; O'Connor, 1999). The move by the AFL-CIO to embrace shareholder activism as a key strategy – whether it is through employee ownership schemes or pension funds (e.g., CALPERS in the US and HERMES in the UK) – is a good indication of market-based logic.

Although, labour unions in the UK engage less with CSR than do their US counterparts for reasons of state tradition and industrial relations history (Crouch, 1993), many companies justify their CSR with reference to their employees in the UK (Charities Aid Foundation 2007). The fact that companies engage with employees through market mechanisms indicates a pressure to embrace more market-based solutions on the part of the unions.

Similarly, many of the NGOs and individual consumers rely on market-based approaches such as fair trade movement and shareholder activism to promote their agenda. In the US, shareholder activism has been a favoured approach to encouraging CSR, particularly but not exclusively reflecting religious motivation (e.g. The Sullivan Principles) (Kurtz, 2008). In the UK, NGOs concerned with corporations and international development have had remarkable success in developing the system of fair trade branding among leading wholesalers and retailers of consumer products (e.g., The Fair Trade Foundation) (Davies, 2009; Moore, 2004). Proliferation of such market-based activities have a ripple effect on areas such as social auditing and reporting, and all work to shape competitive CSR in businesses. This is not to argue that NGOs and labour unions in LMEs have abandoned more conventional forms of social movements for CSR (e.g., protests, lobbying, campaigns), rather to signal the leverage on firm motivation they can effect, like those in corporate governance, through similar market-based solutions.

CMEs: Stakeholder Value and Socially Cohesive CSR

National Institutional Arrangements. Comparative capitalism literature contends that large firms in the CMEs rely predominantly on voluntary association between organised interests (i.e., neo-corporatism) to coordinate their activities with other stakeholders (Albert, 1991; Hall & Soskice, 2001; Streeck & Yamamura, 2001). The underlying assumption is that market outcomes need to be mediated, negotiated, and redistributed (Streeck, 1984; Streeck & Hassel, 2004; Streeck & Yamamura, 2001). These firms rely heavily on banks for corporate financing and build close relations with their lenders: the financial system is therefore characterised as predominantly bank-based. In the sphere of labour, firms rely on centralised and collective bargaining arrangements to coordinate with its labour force. In Germany this is in a “solidaristic” manner supported by formal structure of ‘co-determination’ where union representatives sit on the board. In Japan this is on a “segmentalist” manner where, supported by more informal and shared understanding of ‘consensual managerialism’, extensive development of the internal labour market blurs the manager - worker distinction enabling the managers to balance the interests of the stakeholders through firm-level discretion (Jackson, 2001). In both systems, labour relations are predominantly reliant on neo-corporatist institutions. According to (Hall & Soskice, 2001) Hall and Soskice (2001), large CME firms have a competitive advantage in incremental innovation as they are able to induce long-term commitments from capital and labour, and invest in product and service improvements incrementally.

Corporate Governance. The distinctive outcome for the national system of corporate governance in large CME firms is that three stakeholders are involved – namely, shareholders, top managers and labour (Jackson, 2003; Vitols, 2001). For CMEs, the key problematic in corporate governance debate is not property rights and principal-agent approaches, but rather, balancing the varied, and even opposing, interests and needs of the stakeholders, especially the labour.

CSR. The inclusion of other stakeholders in corporate governance is precisely what has made corporate governance and CSR are not as easily separable in CMEs as it is in the LMEs. The stakeholder value system in CMEs means that top managers are able to mediate various interests, which in turn drive the motive of CSR towards social cohesion than competition or development. Unlike the firms in LMEs, the alignment of CSR with market performance is at odds with CME firms' formal and informal incentive structures, as it is not supported by institutional arrangements which favour stakeholder value. In fact, the bulk of the research on corporate governance and CSR emerging from leading journals on Germany and Japan gives a strong focus to society-centred perspective of the firm (Hiss, 2009; Jackson, 2003, 2005; Streeck & Yamamura, 2001).

Proposition 1b. Socially cohesive CSR complements stakeholder value, either through the logic of similarity or the logic of contrast.

Institutional Complementarity. Again, the key to examining if socially cohesive CSR complements stakeholder value, and in what way, is to inspect whether the key actors in CSR and corporate governance rely on similar or different institutional solutions. The key actors in corporate governance in CMEs are owners, managers and employees, and the external actors of CSR, NGOs. Compared to their counterparts in the LMEs, both sets of actors rely predominantly on organised interests and collective action (non-market based solutions) to pursue their agendas, rather than engaging with the market proactively. Although market-based approaches such as fair trade and shareholder activism have long been part of the CSR discussions, and flourished in the LMEs, and the same cannot be said of the CMEs. For example, Solomon, Solomon and Suto (2004) have traced the growth of socially responsible investment in UK and Japan, and the writers conclude that while the UK has witnessed socially responsible investment move from the margin to mainstream institutional investment, in Japan it has grown from being non-existent to only now being recognised as a marginal form of institutional (and individual) investments.

SLMEs: Public Value and Developmental CSR

Although SMLEs are, like CMEs, a variant of the 'non-liberal' capitalism,[ii] the critical difference from CMEs is the absence of neo-corporatist institutions due to the strong interventionist state (refs). Comparative capitalism literature contends that large firms in the SMLEs rely predominantly on the state to coordinate their activities with other stakeholders. Whilst the strong state is an inevitable prerequisite for all successful late industrializers as shown by Gerschenkron's work (1946), CMEs like Germany and Japan, have never had an interventionist state to the extent of France and Korea. With the introduction of post-war political liberalism, the CME state became "enabling" rather than "*dirigiste*", allowing the development of, and voluntary association between, business associations and labour unions (Schmidt, 2002). In France and Korea, the state's distrust of entrepreneurs in the initial phase of post-war development meant that voluntary and independent industrial self-organisation was difficult, and not encouraged (Amsden, 1989; Levy, 1999). Rather, their modernisation programmes were based on large firms as a route to national development through their capacity to compete in the world markets and spearhead national economic growth (Amsden, 1989; Chang, 1996; Maclean, 2002; Schmidt, 1996).

National Institutional Arrangements. Although there have been some changes in their financial systems and labour relations since the early 1980s (France) and late 1980s (Korea – see below), during the height of the state-led era, large firms relied on the state to coordinate their activities with other stakeholders. The underlying assumption in developmental motive of CSR is the "non-liberal" market ideology, but not through the mediated, negotiated, and redistributed modes of socially cohesive CSR in the CMEs, but governed through state intervention (Wade, 1992). SMLE firms relied heavily on banks for corporate financing, and therefore, the financial system was bank-based as in the CMEs, but the banks were public institutions controlled and governed by a system of administered credit, whereby the state made decisions regarding the allocation and price of credit (Woo, 1991; Zysman, 1983). SLME firms relied on centralised labour relations but, with weak business associations and labour unions, the state had enormous influence and control over collective bargaining; whether through indirect manipulation of minimum wage and scope of bargaining coverage (France) (Howell, 1992) or directly through state control of national-level union confederations (Korea) (Deyo, 1987). Both the financial system and labour relations were tightly controlled by the state, by-passing the organised interests and governing the market to provide large firms – be they French national champions or Korean chaebol – with the institutional conditions to attain speed in innovation by imitation required for catch-up development (Kang, 2010; Lee & Yoo, 2007).

Corporate Governance. What implications do these institutional arrangements have for the SLME system of corporate governance? They curbed short-term demands exerted by financial capital (return on investment) and labour (wage demands) that are negotiated in the CMEs and determined by the market in the LMEs (Kang, 2010). Therefore, corporate governance in the SLMEs gives rise to a distinctive national system of corporate governance to ensure 'public value' by insulating the top management from various short-term interests allowing sufficient managerial autonomy to carry out the state's long-term development agenda. In the so-called public value system of corporate governance, there is a larger degree of freedom enjoyed by the top management (or 'managerial unilateralism') than their counterparts in the

LMEs and CMEs who are constrained by shareholders or by stakeholders, respectively (Goyer & Hancké, 2005). However, this degree of freedom exists within the broad confines of the state directives regarding large-scale investment decisions and production targets for national development (Kang, 2010; Maclean, 2002). As recipients of state support, the owner-managers of leading firms often made public proclamations of their duty to uphold national interest (Barsoux & Lawrence, 1990:43; Chang & Park, 2004:50-51), cultivating the view of the firm as a pseudo-public institution. Thus elite public-private networks are regarded as a distinguishing feature of SLMEs (Lee & Yoo, 2007; Tiberghien, 2007).

CSR. The SLME public value system of corporate governance means that the motive for CSR gives greater stress to the developmental rather than socially cohesive or competitive motivations. Although there is less research on French and Korean CSR than on US, UK, German and, to lesser extent, Japanese CSR, evidence suggests that SLME CSR prioritises labour issues essential for economic growth. In France the legislation for the social report (*bilan social*) was introduced as early as 1977, which covered 134 items and indicators relating to labour relations (e.g., employment salaries, health and safety, training, working conditions, etc.) (Antal & Sobczak, 2007). In Korea, whilst the state took a hostile approach to organised labour (Deyo, 1989), it introduced extensive measures to protect individual worker welfare. This included national industrial accident insurance, compulsory training for large firms (the so-called 'train or pay scheme'), promotion of company welfare schemes (e.g., academic grants to children of employees, provision of secondary education on company premises, provision of dormitories, medical facilities), and even the legal prioritisation of wage claims over creditors in case of bankruptcy (You & Chang, 1993:36-37). These developmental practices of CSR perhaps explain the late emergence of the welfare state in both France and Korea (Im, 1999; Levy, 1999).[iii]

Proposition 1c. Developmental CSR complements public value, either through the logic of similarity or the logic of contrast.

Institutional Complementarity. The key to whether developmental CSR complements public value, and how, lies in whether the key actors in CSR and corporate governance rely on similar or different institutional solutions to find a balance. If actors in LMEs rely on market-based solutions and those in CMEs on voluntary association between organised interests, those in SLMEs can best be described as relying on the state. The external actors of CSR in SLMEs are labour unions and NGOs, and both have been historically weak in France and Korea. Although French and Korean unions have both been associated with union militancy, and the impression of strong labour, this can also be interpreted as institutional weakness. Conventional measures such as unionisation rate support this thesis of the weakness of French and Korean labour movements. French and Korean NGOs have also been historically weak; what Levy (1999) refers to as "Tocqueville's revenge". In the absence of LME and CME key CSR actors, the state has been the key actor, often deploying its resource of mandate.

Table 1. Institutional Complementarity Between Corporate governance and CSR in Three Capitalisms

	LME (US and UK, prior to 2000s)	CME (Germany and Japan, prior to 1990s)	SLME (France and Korea, prior to 1980s)
The dominant mode of firm coordination	Liberal market	Neo-corporatist institutions	State
National institutional arrangements			
Financial system	Stock market-based	Bank-based	State-controlled bank-based (administrative finance)
Labor relations	De-centralised, individual bargaining Flexible labor market	Centralised, collective bargaining Stable labor market	Centralised, state-controlled/mediated bargaining, Relatively stable labor market, but some flexibility given the rapid changes.
National system of corporate governance	Shareholder value Key stakeholders: Top management and shareholders (although shareholder value is constrained due to info asymmetry, and weak shareholder protection)	Stakeholder value, benign managerialism Key stakeholders: Banks, top management, and labor	Public value, managerial unilateralism. Key stakeholders: State and top management (elite networks between public and private)
CSR motives	Competitive CSR (e.g., brand and risk management). Key external actors: Labor, NGOs (esp., consumer groups)	Social cohesive CSR. Key external actors: NGOs	Developmental CSR Key external actors: None
Institutional complementarity Logic of similarity Logic of contrast (use of *different* solutions to make up for deficiencies).	Logic of similarity – YES. Both CSR and corporate governance actors rely on shareholder activism (market-based strategy) as a solution. Logic of contrast – NO. CSR redresses the perceived deficiencies* of shareholder value (namely, narrow responsibility of profit-maximisation), but uses the same solutions (i.e., the market), to do so.	Logic of similarity – YES. Both CSR and corporate governance actors rely on negotiated outcomes between organised interests and collective action as a solution. Logic of contrast – NO. CSR does not redress the perceived deficiencies of stakeholder value (namely, insufficient attention to investors and return on investment).	Logic of similarity – YES. Both CSR and corporate governance actors rely on the state as a solution. Logic of contrast – NO. CSR does not redresses the perceived deficiencies of public value (namely, over-emphasis on economic growth, managerial unilateralism).

Source: Authors' own.

Note: *We use the term “perceived” shortcomings to indicate perceptions of critics of each type of corporate governance system, thereby avoiding value judgements about the three different corporate governance systems.

The above discussion, Table 1, supports the proposition that *CSR complements national systems of corporate governance through the logic of similarity*.

INSTITUTIONAL CHANGE AND COMPLEMENTARITY IN CSR

If proposition 1 is to be firmly established, however, it needs to hold true in the face of change. The complementary relationship between national systems of corporate governance and CSR raises the question of whether the spread of competitive CSR associated with LMEs in other parts of the world could be understood not only in terms of pressures at the individual and organisational levels (Matten & Moon, 2008) which exist undeniably, but also by broader structural and institutional change at the national level. In particular we consider the impact of globalisation the non-market characteristics of the CMEs and SLMEs.

Proposition 2. As national systems of corporate governance undergo change, CSR reflects this change through the logic of similarity.

Change and Complementarity in LMEs: Continuity and Reinforcement

Although the current global financial crisis has challenged the US and the UK as exemplary archetypes of LMEs, the model itself has not been sufficiently discredited to warrant a path-shifting change. Although there has been debate about bringing the state back in (e.g., *The Economist,* 7-13 August 2010: 11-12), the focus of US and UK financial sector reform has been on regulation to ensure the smooth functioning of the market (i.e., on-path change), as opposed to command and control governmental regulation (i.e., path-shifting change). Hence, the characteristic mode of LME firm coordination remains market reliant (e.g., reinforcing shareholder rights).

Proposition 2a. As shareholder value takes root, CSR reflects this change through the logic of similarity.

Firms in LMEs have shown increasing commitment to CSR such that they are considered leaders of CSR. There has been a particular move towards accepting CSR as an integral part of firm’s competitive strategy, particularly for sectors which have little choice but to take seriously the suppliers’ local contexts (e.g., footwear and apparels) and the environment (e.g., automobile) for their own long-term competitiveness and survival. This indicates a shift not in what constitutes social responsibility of business, but what constitutes a competitive business model in the face of changing worldviews toward sustainability, development and environment (Hart, 1995; Hess, Rogovsky & Dunfee, 2002; Porter & Kramer, 2006). Hence, competitive CSR will continue to reinforce a system of corporate governance that gives primacy to shareholders interests through the logic of similarity.

Change and Complementarity in CMEs: Hybridisation and Layering

However, institutional change in 'non-liberal' models of capitalism has the potential to shed interesting insights on how complementarity works because the change in the institutional arrangements experienced by CMEs (since the 1990s) and SLMEs (since the 1980s) has been more profound than for LMEs, allowing close observation of the causal mechanism by which institutional arrangements mould the motives for CSR.

The notion of convergence towards LMEs, and therefore, a single type of capitalism, has been a highly contested topic amongst the writers of comparative capitalism (e.g., Kitschelt & Streeck, 2004; Lane, 2005; Schmidt, 2002; Yamamura & Streeck, 2003). Concerning CMEs, financial liberalisation over the last two decades has increased the dependence on stock market-based systems for corporate financing (with more recent growth in private equity), but not at the expense of relatively greater reliance on bank-based finance than in the LMEs (noting Japan's greater historic use of stock market-based finance than Germany's). Turning to CMEs, although Anglo-American investors are now more conspicuous (Goyer, 2006), labour remains able to impede shifts to towards shareholder value through abiding neo-corporatist institutional arrangements (Goyer & Hancké, 2005). Whilst same elements of the change have been judged transformational (Hiss, 2009; Lane, 2003), institutional arrangements in the spheres of finance and labour still reflect the evolution of a CME model of capitalism rather than is a wholesale turn to LMEs (Jackson & Moerke, 2005).

Thus the institutional change in CME corporate governance appears closer to *layering* – a process of amendments, additions, or revisions to an existing set of institutions (Streeck & Thelen, 2005) – as shareholder value is added on to existing stakeholder value; rather than a *displacement* – a process whereby traditional arrangements are discredited or pushed aside in favor of new institutions (Streeck & Thelen, 2005) –of stakeholder value.[iv] The German and Japanese financial systems and labor relations continue to exist and temper the process of change (Deakin & Whittaker, 2007; Streeck & Hassel, 2004).

Proposition 2b. As shareholder value is layered on to stakeholder value systems, CSR reflects this change through the logic of similarity.

As change in the corporate governance system is difficult to pinpoint precisely it is difficult to make this proposition definitively. However, assuming our conclusion about 'layering' (above), we anticipate a similar process of change in CSR motives; that is, a layering of competitive CSR on social cohesive CSR. Here, we would expect external actors in CSR (e.g. NGOs) adopting a mixture of traditional collective action and market-based solutions to engage with the firm. For instance, socially responsible investment in Japan has grown, albeit from being non-existent to being a recognised marginal form of investment (Solomon et al., 2004). However, there is no clear evidence of Japanese NGOs endorsing shareholder activism, in contrast to their SLME counterparts (see below). This could be because proposition 2b is false, but it could also reflect basic lags required for such changes in corporate governance to be reflected in CSR.

We now turn to devote a rather lengthier discussion of the impacts of the more fundamental change in the institutional arrangements in SLMEs to further verify this proposition.

Change and Complementarity in SLMEs: Transformation and Displacement

Both France (since the early 1980s) and Korea (since the late 1980s) have undergone a more radical change in their LME model than have Germany and Japan in their CME model (Dore, 2000; Pirie, 2007; Schmidt, 2003). This is principally explained by the de-legitimatisation of interventionist state engagement fundamental to the SLME model. In CMEs, although voluntary association came under pressure as neo-corporatist institutions weakened, the neo-corporatist mode of firm coordination has thus far remained largely intact. Whilst France and Korea have not made fully-fledged transformations to LMEs, they have undergone a path-shifting change such that they more closely approximate to the LME model than at any time in the post-war period, although some remnants of the SLME will inevitably persist rather longer (Kang, 2010).

With state disengagement, the respective financial systems were gradually liberalised. The stock market became a means for massive privatisation in France (Morin, 2000; O'Sullivan, 2007) and for corporate restructuring in Korea, particularly since the 1997 Asian financial crisis (Hahm, 2004; Shin & Chang, 2003; Woo-Cumings, 1997). Labour relations also became increasingly more market-reliant. In France, the Auroux reforms (1982-83) shifted labour activity from national level confederations to much weaker local unions and plant-level sections (Howell, 1992; Levy, 1999). In Korea, growth in the labour movement following the 1987 legalisation of independent unions was undermined by reforms aimed at labour market flexibility following the Asian financial crisis (Kwon & O'Donnell, 2001).

Changes in the institutional arrangements have meant a shift towards shareholder value from a public value type of corporate governance. First, the French and Korean governments are no longer able to provide owner-managers with such a degree of freedom (managerial unilateralism) in pursuit of national development agenda, as they had during the height of the state-led era. Secondly, these changes are complemented by corporate governance reforms that accord more rights to investors (Maclean, Harvey & Press, 2006:77). According to the shareholder protection index for the years 1992-2004, France averaged 64 points out of 100, lower than either the U.S. (97 points) and U.K. (81 points), but higher than Germany (44 points), and similar to Korea (65 points) (Gourevitch and Shinn 2005:48). Moreover, recent reforms facilitating the market for corporate control, which provides a powerful motivation for management to maintain share prices and return on equity rather than to uphold public value.

Proposition 2c. As public value system undergoes change, CSR reflects this change through the logic of similarity.

With this proposition we would expect a gradual but growing displacement of CSR motivation from developmental to competitive CSR as actors adopt similar market-based solutions to engage with the firm. Significantly, the growing prominence of non-state actors, such as the labour unions and NGOs, who were conspicuously missing in the height of the state-led era (Antal & Sobczak, 2007), is influencing the way CSR is perceived and enacted by the business community through the market suggesting that such displacement is at work. Naturally, shareholder activism in France and indeed, Korea is not prevalent to the extent found in the LMEs, but there are some early signs of development.

Previously French labour unions had been reluctant to promote employee share ownership schemes, for reasons of ideology and a fear of direct channels between employees and employers that would by-pass the unions (Jeffreys, 2003; Vaughan-Whitehead, 1995). By the mid-2000s, this was less of concern for the largest national labour union, the Confédération Française Démocratique du Travail (CFDT). Not only has the CFDT led the movement for shareholder ownership, but it was also a key player in the creation of a rating agency for socially responsible investment, subsequently led by a former CFDT head, Nicole Notat (Jeffreys, 2003).

Korean labour unions have not embraced employee share ownership schemes, portraying then as more about risk-sharing than a profit-sharing. However, NGOs, such as the People's Solidarity for Participatory Democracy (PSPD), have deployed shareholder activism to influence firm behaviour as reforms promoting shareholder value were introduced (PSPD, 2008). PSPD even sought to address the collective action problem facing minority shareholders by persuading them to take action as a group (Choi & Cho, 2003; Kim & Kim, 2001; Rho, 2004). Representing the collectivity of minority shareholders, PSPD won the first class action suit, and by the mid-2000s was regarded as the most powerful 'watchdog' of the *chaebol* community, enforcing business ethics. In 2006, PSPD leaders created the Korea Corporate Governance Fund, a socially responsible fund designed to target firms with records of poor governance, and therefore low stock evaluation, to instigate governance reform and increase the value of its worth in the market (Kim, Kang & Kim, forthcoming).

The state remains important in French and Korean CSR (Moon et al., 2010). For instance, in France, the scope of the 1997 social reporting requirement has been expanded. For example, an article of the New Economic Regulations stipulates that companies listed on the French stock market be required to publish social and environmental information in their annual reports. This information includes relations with subcontractors, the impact of firm activities on local development, and the human rights in subsidiaries abroad (Beaujolin & Capron, 2005).

Table 2. Institutional Change and Complementarity in Three Capitalisms

	LME (US and UK, post 2000s)	CME (Germany and Japan, post 1990s)	SLME (France and Korea, post 1980s)
Pressures for change	Corporate failures, global financial crisis	Economic slowdown and stagnation	State disengagement
Institutional change	On-path change	Hybrid	Transformation
The dominant mode of firm coordination	Liberal market	Neo-corporatist institutions and liberal market	Liberal market (with remnants of state-led)
National institutional arrangements			
Financial system	Stock market-based	Bank-based, but also stock-market based	Bank-based, stock-market based
Labor relations	De-centralised, individual bargaining Flexible labor market	Still centralised, collective bargaining Stable labor market	De-centralised, individual bargaining Flexible labor market
National system of corporate governance	Shareholder value. Key stakeholders: Shareholders and top management (constrained)	Stakeholder value, benign managerialism under pressure. Key stakeholders: Banks (as investors), top management, and labor (with diminishing power)	Shareholder value, although remnants of managerial unilateralism remain Key stakeholders: Shareholders and top management (constrained)
CSR motives	Competitive CSR (CSR as an integral aspect of corporate strategy). Key external actors: Labor (ALF-CLO in the US), NGOs	Social cohesive CSR. Key external actors: NGOs, less evidence of market-based solutions	Developmental CSR Key external actors: Labor (CFDT in France), NGOs (PSPD in Korea) rely on market-based solutions
Institutional change and complementarity at work	Reinforcement of competitive CSR; actors of corporate governance and CSR continue to rely on market-based solutions.	Layering of competitive CSR on top of social cohesive CSR; actors of corporate governance and CSR rely on mixed approaches to CSR.	Displacement of developmental CSR by competitive CSR; actors of corporate governance and CSR rely on market-based solutions, albeit early stages.

Source: Author's own.

Notwithsrtanding these state roles, the inclusion of social and environmental criteria into French annual company reporting reflects growing shareholder activism; that is, the growing need to meet the demands of the socially responsible investors, a notion closely aligned to that of shareholder value and associated with the competitive motive for CSR. Likewise, in contrast to the 1977 social reporting requirement for consultation with the works councils (weak as they were at the time), it makes no provision for such stakeholder dialogue, suggesting that these reports are largely for investors' benefit (Antal & Sobczak, 2007).

Second, whilst SLMEs may show a greater penchant for legislation than other types of capitalism, they are also exploring alternative ways of promoting CSR with the engagement of the civil society. The French have been more innovative in this regard, for example in creating 'labels' for firms with progressive employment policies as the "best practice", and in promoting voluntary international initiatives such as the UN Global Compact (Antal & Sobczak, 2007; Beaujolin & Capron, 2005). Similarly, the Korean government has promoted CSR through various endorsement activities (e.g., co-hosting an international conference on CSR and sustainable development in partnership with industry and civil society in 2007).

The above discussion, as summarised in Table 2, gives support to the proposition that *as national systems of corporate governance undergo change, CSR reflects this change through the logic of similarity.*

THE IMPLICATIONS OF INSTITUTIONAL COMPLEMENTARITY BETWEEN CORPORATE GOVERNANCE AND CSR

Having examined the two propositions in the context of three models of capitalism above, our findings show that CSR motives are shaped in a complementary way to the national system corporate governance (proposition 1), and as such as corporate governance undergoes change, CSR motives will change in a complementary fashion (proposition 2).

We demonstrated that in the case of LMEs, the competitive motive is dominant in CSR, and this type of CSR complements shareholder value as actors in CSR reflect similar market-based institutional solutions. With the move towards consolidating shareholder value, competitive CSR has also been reinforced both by developments in socially responsible investment and shareholder activism as influential ways of engaging with the firm. In CMEs, social cohesivness was the dominant motive in CSR, and this complemented stakeholder value as actors in CSR reflected similar non-market, neo-corporatist approaches. With gradual marketization of institutional arrangements over the years, shareholder value has been layered on top of stakeholder value. The incremental nature of changes in corporate governance makes it difficult to definitively assess the impact of change in corporate governance on CSR. This change is more clearly observable in the SLMEs where developmental CSR was the dominant CSR motive, and complemented public value system of corporate governance. However, with the radical marketisation of institutional arrangements, public value has been displaced by shareholder value, and actors in CSR now adopt similar market-based approaches to CSR.

Naturally, fine-grained empirical research should test and thereby refine the propositions. We have identified the causal mechanism by which national level institutional arrangements shape CSR motives, and suggested a stronger theoretical underpinning and a starting point for the study of comparative CSR by drawing on comparative capitalism and corporate governance literatures. Equally, CSR provides an avenue to explore institutional resilience and change in comparative capitalism and corporate governance. Although this study has focused on how corporate governance affects CSR – reflecting the notion of “institutional hierarchy” (Amable, 2003) – given that complementarity between corporate governance and CSR requires some degree of interaction between two sets of institutions (Jamali et al., 2008). We also raise the question of the extent to which CSR can affect institutional change and resilience in national systems of corporate governance, and wider institutions for capitalism.

In addition to its conceptual contribution the paper has several empirical implications. Whilst CSR has been often perceived as a product of leadership, organisational culture, and sectoral pressures, the findings show that it is also a product of national institutional arrangements. Notwithstanding the more recent development of CSR as a global phenomenon with accompanying policies and tools, our present point is simply that, as others have recognised (Aguilera et al., 2007; Gjølberg, 2010; Matten & Moon, 2008), its motivations and manifestations nonetheless bear the hallmark of their national contexts.

This suggests that change in the way firms perceive and commit to CSR (in whichever way) will need to be supported by the broader institutional arrangements in which they are embedded. For instance, promotion of a market-based CSR approach (e.g., socially responsible investment) without the complementary changes in the corporate governance towards shareholder value, and more broadly, a stock-market based financial system and a de-centralised, individual, and flexible labour relations system it is unlikely to become a mainstream initiative.

Secondly, our focus on SLMEs has shifted the CSR debate from the usual terrain of advanced economies and MNE impacts developing countries. Our insights into SLMEs suggest that in the catch-up economies, where the state is extensive and developmental, and local capital spearheads national development, the motive behind CSR will be largely developmental to complement public value (e.g., state-owned enterprises in China, the Tata Group in India). However, our analysis of France and Korea also illustrates how quickly changes in the institutions of capitalism and corporate governance can make for relatively rapid convergence towards the LME CSR model stressing shareholder value and competitive CSR.

CONCLUSION

While a growing literature examines national CSR policies and practices, progress beyond descriptions of similarity and contrast to question why these configurations exist and how they are shaped is limited. We have identified a causal mechanism by which national-level institutional arrangements shape the motives behind CSR. Our focus on motives of CSR goes beyond corporate policies and discourses to capture the underlying firm motivation to understand national CSR.

Our use of comparative (historical) institutional analysis enabled identification of corporate governance as the missing link. Whilst the terms corporate governance and CSR have often been used interchangeably, we distinguished the two in order to identify the conceptual link between the corporate governance structures and their shaping of motives behind CSR. To understand this conceptual link, we drew on the concept of institutional complementarity, identifying two different logics therein. We proposed that (i) CSR complements national system of corporate governance through either one of the logics, and therefore, (ii) as the institutional arrangements governing corporate governance undergo change, CSR changes in a complementary fashion.

We used the different models of capitalism as sites for exploration and illustration, and supported the two propositions with reference to the secondary literature. By identifying the causal mechanism by which national-level institutional arrangements shape CSR motives, the paper contributes by suggesting a way in which comparative CSR can be conceptualised, giving a stronger theoretical underpinning and a starting point for the discussions on comparative CSR.

Understanding how the CSR motive is shaped by national level arrangements has empirical implications. Substantial and enduring change in the way firms perceive and commit to CSR will need to be supported by the broader institutional arrangements in which they are embedded. Thus, in the case of SLMEs, where the role of the state is extensive and developmental, and where local capital spearheads national development the motive behind CSR will be largely developmental to complement public value. However, as illustrated in the cases of France and Korea, rapid change in corporate governance systems towards shareholder value can open opportunities for competitive CSR.

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[i] Hall and Taylor (year) distinguishes three types of new institutionalism; namely rational-choice, historical, and sociological. The key distinction between the three is that rational-choice seeks to explain social phenomenon by studying calculated interests, historical, the trajectories of development, and sociological, norms and values.

[ii] The divergence between liberal and non-liberal capitalisms, according to historical institutionalists, is attributed to historical sequence between political liberalism and economic liberalism by historical institutionalists (see Streeck and Yamamura 2001). Likewise, the divergence between CME and SLMEs can be attributed to the prolonged delay in (containment of) political liberalism – whether it be in the confines of democracy (i.e., France) or authoritarianism (i.e., Korea) – and as a result, the relative weakness of organized interests compare to CMEs (Kang 2010).

[iii] The welfare state emerged relatively late in France in comparison its neighbor, Germany (see Levy 2000 on the belated emergence of the French welfare state). In Korea, despite having achieved the status as the 11th largest economy in terms of volume of trade by early 1997, social welfare in Korea fell below the level of many less developed economies such as the Philippines in terms of expenditure proportion to GDP (Im 1999:86).

[iv] See Streeck and Thelen's (2005) on the five scenarios of institutional change: 'layering', 'drift', 'conversion', 'exhaustion' and 'displacement'.

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Centre for Organisations in Development (COD)
Institute for Development Policy and Management
School of Environment and Development
The University of Manchester
Arthur Lewis Building
Manchester
M13 9PL, UK

www.manchester.ac.uk/cod