Revisiting the national corporate social responsibility index

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Abstract

This study relies on Gjølberg's (2009) national corporate social responsibility (CSR) index while its purpose is twofold. First, it seeks to extend the methodological instrument for assessing national CSR and, second, it applies the new approach to a much larger pool of countries (n=86) in an attempt to provide a global CSR outlook. The emergent picture from the study is one of deficient CSR penetration and wide variation among countries where most of the assessed countries are still lagging in the endorsement of international CSR initiatives and schemes. Findings offer fertile ground to theorists and researchers for a deeper investigation of the national specificity of CSR and to further identify the institutional determinants that shape the social responsiveness and self-regulation of business entities.

Keywords:	Corporate social responsibility (CSR), national CSR, CSR measurement, index, ranking, cross-country comparison.
JEL classification:	M14; M19; P59; Q01; Q56.

Introduction

Since the 1970s the conceptual and practical implications of Corporate Social Responsibility (CSR) have been setting forth new directions to organizational management while gaining increased resonance internationally, in line with the emergence of the sustainable development discourse and towards the alleviation of contemporary social problems that transcend national boundaries. Nevertheless, the level of penetration and uptake of socially responsible business behavior differentiates among regions around the world. Scholars have drawn upon comparative political economy or new institutional theory to frame and classify such varying patterns of CSR engagement among national terrains. Likewise, a recent wave of conceptual and empirical studies attempt to assess and highlight national specificity perspectives of CSR and emphasize that it represents a global idea influenced and shaped by national cultural, socioeconomic and political dynamics.

To this end, Matten and Moon (2008) suggest a fundamental distinction between explicit and implicit CSR. The former is mostly described by patterns of voluntary business activities and strategies developed in order to address stakeholders' expectations and demands regarding responsible business conduct. In contrast, implicit CSR refers to (usually) codified and/or mandatory requirements stemming from sets of values, norms and rules shaped around salient issues with respect to the role of business in society. According to Matten and Moon, explicit CSR is mostly evident in liberal economies where corporate responsibility relies to a large extent on the discretion of business entities, while coordinated economies encapsulate corporate responsibility in their legal framework and other formal institutions, thus, narrowing corporate discretional power and the need to communicate such actions. In a similar vein, Campbell (2007) sets forth an array of normative propositions regarding various aspects of a national environment which define the level of responsible business conduct. These propositions indicate that the state of the economy as well as the level of market competition along with certain institutional conditions determine a firm's propensity to act in a socially responsible manner. Roome (2005) asserts that historical elements, domestic civic activism, the management education and training system, the social and environmental context and concerns both past and present define the social responsiveness of companies in a country. All these aspects form a basic national CSR institutional infrastructure, influenced by an array of social constituents (business, governmental bodies, investors, NGOs, educational institutions, etc.) that dynamically interact and collectively shape the evolutionary path of CSR in a country. Jamali and Neville (2011) introduce the dipolar of convergence vs. divergence in CSR and argue that while global convergence in explicit CSR is apparent, the CSR construct is molded by each country's historical, cultural, economic, and political context. Likewise, Gugler and Shi (2009) articulate the concept of a global North-South 'CSR divide' in order to shed light on gaps in terms of conceptualization and approaches adopted in CSR engagement which are evident between developed and less developed countries.

Such manifestations have fueled empirical research to explore CSR beyond the firm-level as the unit of analysis and towards the macro-level for a more holistic understanding of CSR development and its national embeddedness. Welford (2003; 2005) opts for 20 CSR elements (based on international conventions, codes of conduct and industry best practices) and investigates CSR penetration in Europe, North America and Asia. His studies provide preliminary evidence on national trends and developments amongst a diverse group of countries. Midttun *et al*. (2006) develop a national CSR index for 18 Western countries and juxtaposed national CSR patterns to long-established national political-economic structures revealing diversity and variation between countries. Based on the cultural specificity dimensions proposed by Hofstede (1980), Ringov and Zollo (2007) investigate the effect of differences in national cultures on the CSR performance of companies around the world and assert that in countries with higher levels of power distance, individualism, masculinity, and uncertainty avoidance the business sector exhibits lower levels of CSR performance. Jackson and Apostolakou (2010) focus on institutional determinants of CSR and conclude that discretionary CSR practices in Anglo-Saxon countries can be viewed as a substitute for institutionalized forms of stakeholder engagement, while, CSR in countries of Continental Europe tends to obtain more implicit forms. In a similar perspective, Ioannou and Serafeim (2012) utilize a dataset from Thomson Reuters ASSET4 covering firms from 42 countries and assess the impact of national institutions on corporate social performance. Their analysis suggests that the political, labor, cultural and education systems do influence the social performance of firms, with the financial system to have a relatively less significant impact.

Gjølberg (2009) offers a most refined national CSR measurement to date, employing the analytical utility of Midttun's *et al.* methodological approach and suggesting a comprehensive appraisal of CSR practices and performance. A composite index was devised based on nine well-established international initiatives and ratings (i.e. the 'variables' of the index) falling into four groups: i) socially responsible investment ratings, ii) subscription to global CSR initiatives, iii) CSR accounting and reporting schemes and iv) management system standards. The measure was applied to 20 OECD countries revealing striking differences among nations while offering fruitful findings on regional CSR patterns and underlying links between CSR and national specificity.

In this paper this index is extended to include more variables while it is applied to a larger sample of countries in an attempt to provide a world CSR outlook aiming to make a contribution to national CSR research given that the current state of relevant literature is very thin on the ground and mostly pertains to a very few cross-nationally comparative studies.

Material and Methods

In order to assess national CSR and in line with Gjølberg's index structure and rationale, a composite construct of national CSR evaluation was developed by utilizing country-level data from a series of sixteen international CSR initiatives, environmental and social standards, 'best-in-class' rankings and ethical investment stock exchange indices. Each one of these data sources (i.e. the 'variables') indicate the number of organizations included, certified, subscribed or formally endorsing the specific CSR 'variable'. These components of the national CSR index (NCSRI) are outlined as follows.

ISO 14001 - ISO 14001 is an environmental management system standard developed by the International Organization for Standardization (ISO) which maps out a framework that an organization can follow to set up an effective environmental management system. It can be used by any organization regardless of its activity or sector. It can provide assurance to company management, employees as well as external stakeholders that environmental impact is being measured and improved. The variable refers to the total number of organizations per country certified to the standard.

OHSAS 18001 - OHSAS 18001 is an occupational health and safety management system standard developed by the Occupational Health and Safety Advisory Services

(OHSAS) Project Group. It is intended to help organizations to control occupational health and safety risks. It was developed in response to widespread demand for a recognized standard against which health and safety performance can be assessed and certified. The variable refers to the total number of organizations per country certified to the standard.

SA8000 - The SA8000 standard is an auditable certification standard for decent workplaces developed by the Social Accountability International (SAI). It reflects a management systems approach by setting out policies and procedures that protect the basic human rights of employees and socially acceptable practices in the workplace are continuously maintained. The variable refers to the total number of facilities per country certified to the standard.

Global Reporting Initiative - The Global Reporting Initiative (GRI) Guidelines offer a set of reporting principles, standard disclosures and an implementation manual for preparing sustainability reports by organizations, regardless of their size, sector or location. The Guidelines also offer an international reference for all those interested in the disclosure of governance approach and of the environmental, social and economic performance and impacts of organizations. The variable refers to the total number of sustainability reports per country published in the year of reference and registered to GRI's Disclosure Database.

Global Compact - The Global Compact, developed by the United Nations, is a strategic policy initiative inviting companies to embrace, support and enact, within their sphere of influence, a set of ten universally-accepted principles pertaining to human rights protection, labour standards, benign environmental management and anti-corruption measures. The variable refers to the total number of companies per country which are formally endorsing the initiative.

World Business Council for Sustainable Development - The World Business Council for Sustainable Development (WBCSD) is a global association of companies that aims to promote strategic issues linked to sustainable development and corporate responsibility. It offers a platform for firms to share knowledge, experience and best practices, to advocate the business positions on such issues among various forums, in cooperation with governmental bodies, NGOs and intergovernmental organizations. The variable refers to the number of companies per country which are members of WBCSD.

Carbon Disclosure Project - Carbon Disclosure Project (CDP) is an international, non-profit organization that works in cooperation with market forces in order to motivate companies to measure, manage and disclose vital environmental information with respect to their greenhouse gas emissions and ultimately to take action in reducing them. The variable refers to the number of companies per country included in the Global 500 Climate Change Report 2012 which have responded to CDP's questionnaire and provided relevant information.

Greenhouse Gas Protocol - The Greenhouse Gas Protocol (GHG Protocol) is an accounting tool for quantifying and managing greenhouse gas emissions with the overall aim of contributing to credible and effective programs for tackling climate change. It offers the accounting framework for nearly every GHG standard and program in the world as well as hundreds of GHG inventories prepared by individual companies. The variable refers to the corporate users of the GHG Protocol per country.

KPMG's Survey of Corporate Responsibility Reporting - KPMG'S International Survey of Corporate Responsibility Reporting is a detailed analysis of corporate nonfinancial reporting and includes a descriptive assessment of the current status of the CSR/sustainability disclosure practices among the 100 largest companies in selected countries (N100). The variable refers to the number of N100 companies per country that report on corporate responsibility issues.

Ethibel Sustainability Index - The Ethibel Sustainability Index (ESI) Excellence Global contains a variable number of shares and collects the best-in-class companies with respect to CSR/sustainability across sectors and regions in Europe, North America and Asia Pacific. It is a free-float weighted index, designed to approximate the sector weights on the S&P Global 1200. The variable refers to the constituents of the ESI Excellence Global.

FTSE4Good Index - The FTSE4Good Global Index, created by FTSE International and Ethical Research Services (EIRIS) has been designed to objectively measure the performance of companies around the world that meet globally recognised corporate responsibility standards. It is one of the world's premier indices for socially responsible investing. The variable refers to the constituents of the FTSE4Good Global Index.

Dow Jones Sustainability Index - The Dow Jones Sustainability World Enlarged Index (DJSI World Enlarged) tracks the performance of the top 20% of the 2500 largest companies in the S&P Global Broad Market Index which lead in terms of corporate sustainability. These companies are assessed by RobecoSAM using an annual corporate sustainability assessment. The variable refers to the constituents of the DJSI World Enlarged Index.

ECPI ESG Index - The ECPI Global ESG Alpha Equity Index is composed of the 100 highest market capitalization and highest Environmental, Social and Governance rated and liquid companies. The variable refers to the constituents of the ECPI Global ESG Alpha Equity.

MSCI World ESG Index - The MSCI World ESG Index, a member of the MSCI Global Sustainablitity indices, consists of large and mid cap companies and provides exposure to companies with high Environmental, Social and Governance performance relative to their sector peers. The variable refers to the constituents of the MSCI World ESG.

Ethisphere's World's Most Ethical (WME) companies - The World's Most Ethical (WME) companies designation, developed by the Ethisphere Institute, recognizes companies that promote ethical business standards and practices internally, exceed legal compliance minimums and shape future industry standards by promoting best practices. At the heart of the evaluation and selection process for Ethisphere's WME companies is a proprietary rating system. The variable refers to the firms which are included in the WME list.

Global 100 - The Global 100 Most Sustainable Corporations in the World is a sustainability equity index, maintained by the Corporate Knights advisory group and calculated by Solactive, a German index provider. The variable refers to the constituents which are included in the Global 100.

For each one of these 'sub-indices', the sum of organizations from every country is divided by the total sum of companies of all countries included in the specific initiative, standard or rating. These ratios are normalized and corrected for GDP PPP rates, i.e. the GDP of every country is divided by the sum of GDPs of all sample countries. Next, the countries' ratios are transformed using the natural logarithm of scores, in order to avoid skewed results and preserve variation among values. In the final step of this calculation method, the aggregation of scores from every variable is performed in order to derive a national-level index (Expression 1).

$$\begin{array}{c} National \\ CSR \\ index \end{array} = \sum_{i=1}^{16} \left(\frac{\dfrac{Number\ of\ companies\ in\ indicator\ X_i\ from\ country\ A}{Total\ Number\ of\ companies\ in\ indicator\ X_i\ from\ all\ sample\ countries}}{\dfrac{GDP\ PPP\ country\ A}{Total\ GDP\ PPP\ of\ all\ sample\ countries}} \right) \quad (1)$$

Expression 1: The methodological approach for deriving the national CSR scores, adapted from Gjølberg (2009).

As Gjølberg points out "this aggregation from the company level to the national level is not an inverse ecological fallacy" (p.14), since, under this methodological formula, a zero score represents a perfect proportion of domestic companies active in CSR (relative to the size of the economy) and "positive scores equal over-representation, while negative scores equal under-representation" (p.15).

The year 2012 was selected as the reference period for data capture and a 'cut-off value' of inclusion in at least four of the sixteen CSR 'sub-indices' was employed (i.e. countries whose business sector had presence in less than four initiatives and ratings were excluded from the analysis). This resulted in 86 out of the 196 countries in the world, spanning from all geographical regions of the world and offering an encompassing worldview of CSR penetration.

Results

The emergent picture from the assessment is one of deficient CSR penetration and strong variation among countries where most of the assessed nations are still lagging in the endorsement of international CSR schemes (Graph 1). Findings reveal that in approximately 19 countries a considerable proportion of companies are active in CSR. In total, twelve countries achieve positive scores; out of which only two pertain to the Eastern Asia and Pacific region (Australia and Singapore) and the rest are European countries. Switzerland is ranked first in the assessment, followed by three Nordic countries (Sweden, Finland and Denmark). Japan and Canada receive an approximately zero score whereas Germany and the USA are assigned negative scores. Saudi Arabia has the lowest score (-37.06) in the assessment while the sample's average score is -18.32 (the full list of national scores is presented in the Appendix).

Applying the calculation formula to the subgroup of developing countries, only Brazil, Colombia and India receive positive scores (Graph 2). Likewise, in the case of developed nations, Switzerland, the Nordic nations, along with the United Kingdom, the Netherlands and Australia are ranked higher than the rest while Spain and Portugal received scores very close to zero (Graph 3). Focusing on the Asian region, Japan and Singapore are ranked first, followed by Hong Kong (Graph 4). In America, it is only Canada that is assigned a positive score, while in Europe Switzerland, the Nordic nations, along with the United Kingdom, the Netherlands, the Iberian Peninsula and France are ranked higher than the others (Graphs 5 & 6)[1].

Discussion

Blowfield (2005) asserts that the discourse fostered by contemporary CSR necessitates new and expanded lenses of analysis in which alternative frameworks for exploring the structural dimensions of CSR would be essential. Ringov and Zollo (2007) stress that a solid empirical base to link national specificity to CSR is lacking and 'most of the debate being fueled by conceptual arguments or anecdotal evidence' (p.477). Responding to such calls, this study attempts to shed light on CSR's heterogeneity across 86 countries and provide empirical findings on the degree to

[1] The country scores for each of the subgroups are available by the author upon request.

which the national business sector is actively engaged in global CSR schemes and initiatives.

Such discrepancies have been attributed to the varying institutional efficiency of countries (Campbell, 2006; Jackson and Apostolakou, 2010) “which in turn may translate into differences in comparative institutional advantages and thereby lead to the observed aggregate variation of CSR penetration among the assessed nations” (Gjølberg, 2009: 20). The institutional environment in every country sets a series of opportunities and barriers to companies in their decision to engage in CSR activities.

The comparatively low scores of such as Germany and the USA warrant further investigation, as is the cases of Spain, Portugal and Belgium. Jackson and Apostolakou (2010) indicate that Germany is often considered as a ‘CSR laggard’ compared to other European countries and that German firms have retained a highly ambivalent stance towards CSR initiatives while the favorable domestic economic climate relative and high level of social integration have contributed to slow public demand for CSR in the country. In contrast, the Nordic nations have a long-standing tradition of being strong welfare states and actively endorsing environmental and social responsibility. Likewise, the UK and the Netherlands have been pace-setters in international CSR governance with companies and organizations from both countries to adopt as well as shape CSR best practices.

Concluding remarks

The study has managerial implications for multinational enterprises since it provides a useful outlook of national CSR terrains and informs the diversification of the CSR programs portfolio in order to shape CSR-based competitive advantages or attract new business partners and opportunities. For instance, in countries where CSR endorsement by the domestic business sector is slack, a foreign company can lead-by-example and become a trend-setter in the domestic market. Likewise, choosing to operate in countries where CSR penetration is high, an enterprise should effectively meet minimum levels of socially responsible conduct in line with the CSR performance of its domestic competitors. Transnational policy-making can benefit from such evidence in developing CSR policy schemes to encounter and manage the strategic (re)location of corporations to countries with poor CSR standards (i.e. countries of the South-East Asia emerge as such stand-out cases of the past years) in an attempt to avoid strict self-regulation arrangements by 'exporting' irresponsible business conduct.

Still, beyond these indicative implications, the assessment is not without limitations that simultaneously indicate opportunities for future research. It relies on secondary data and no control on the variables of the overall CSR index was possible. In addition, our operationalization of national CSR pertains to well-established international initiatives and ratings but excludes regional or national CSR schemes which many companies may actively support. Finally, there are more than a 100 countries worldwide which are not covered in the assessment, which leaves plenty of room to developing more rigorous indexes to investigate the national CSR index on wider samples or to focus on regional-national terrains and either replicate or challenge these results.

Hopefully, such challenges in assessing CSR at the macro-level and clarifying its links to the institutional foundations of countries will be further addressed by researchers with qualitative and comparative studies to frame a better understanding of national patterns of CSR penetration.

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	Country	NCRI
1	Switzerland	20,64
2	Sweden	19,50
3	Finland	18,99
4	Denmark	12,59
5	United Kingdom	9,64
6	Netherlands	9,27
7	Norway	8,04
8	Australia	6,17
9	Spain	4,21
10	France	2,58
11	Portugal	2,30
12	Singapore	0,77
13	Japan	-0,25
14	Canada	-0,76
15	Belgium	-1,22
16	Italy	-1,56
17	Germany	-3,93
18	Hong Kong	-5,40
19	Ireland	-5,70
20	USA	-11,02
21	Luxembourg	-11,12
22	Brazil	-11,74
23	Colombia	-11,99
24	South Korea	-12,13
25	Austria	-12,21
26	South Africa	-12,58
27	Israel	-13,57
28	Chile	-15,13
29	New Zealand	-15,19
30	Greece	-15,36
31	Thailand	-17,79
32	Romania	-17,98
33	Malaysia	-18,99
34	Hungary	-19,50
35	Bulgaria	-19,68
36	India	-20,64
37	Lithuania	-20,87
38	Slovakia	-21,73
39	Taiwan	-22,02
40	Croatia	-23,07
41	Panama	-23,41
42	Slovenia	-23,83
43	United Arab Emirates	-24,17
44	Serbia	-24,26
45	Sri Lanka	-24,39
46	Latvia	-24,81
47	Indonesia	-25,03
48	Estonia	-25,12
49	Jordan	-25,19
50	Bahrain	-25,41
51	Viet Nam	-25,55
52	Mauritius	-26,04
53	Czech Republic	-26,25
54	Iceland	-26,36
55	Poland	-26,36
56	China	-26,65
57	Peru	-26,66
58	Uruguay	-26,98
59	Mexico	-27,36
60	Kazakhstan	-27,53
61	Turkey	-27,78
62	Costa Rica	-27,84
63	Ecuador	-28,06
64	Pakistan	-28,10
65	Argentina	-28,37
66	Bolivia	-28,37
67	Philippines	-29,56
68	Qatar	-29,65
69	Belarus	-30,18
70	Tunisia	-30,26
71	Honduras	-30,43
72	Kuwait	-30,65
73	Kenya	-30,79
74	Egypt	-31,45
75	Ukraine	-31,66
76	Georgia	-32,26
77	Russian Federation	-32,38
78	Oman	-32,50
79	Nigeria	-33,13
80	Guatemala	-33,51
81	Syrian Arab Republic	-33,70
82	Morocco	-33,94
83	Iran	-34,00
84	Bangladesh	-34,93
85	Venezuela	-35,44
86	Saudi Arabia	-37,06
	Average score: -18.32	

Appendix 1: The ranking of 86 countries according to the proposed national CSR index

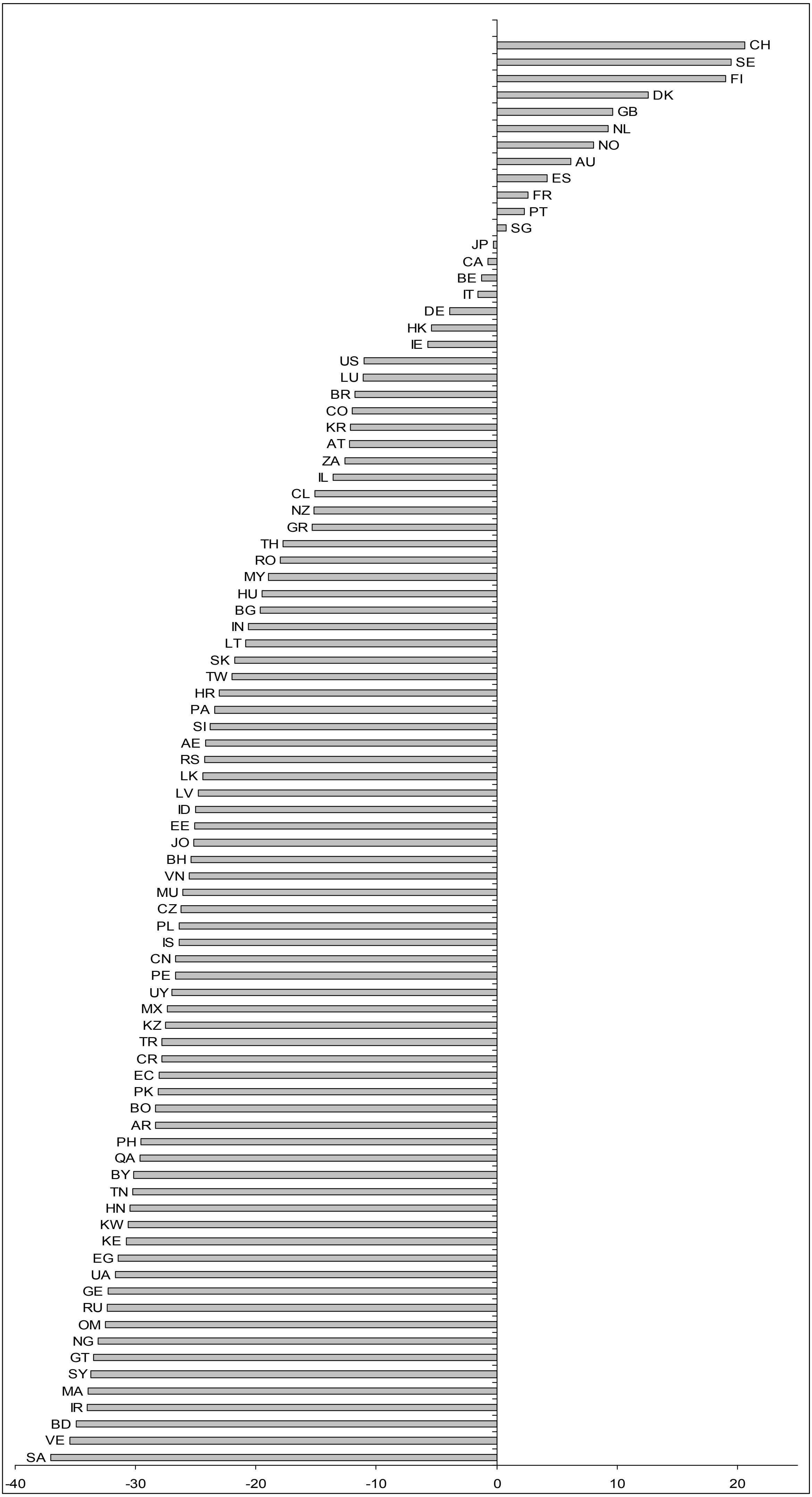

Figure 1: National CSR scores per country, indicating the under-/over-representation of each country in all sixteen components of the index

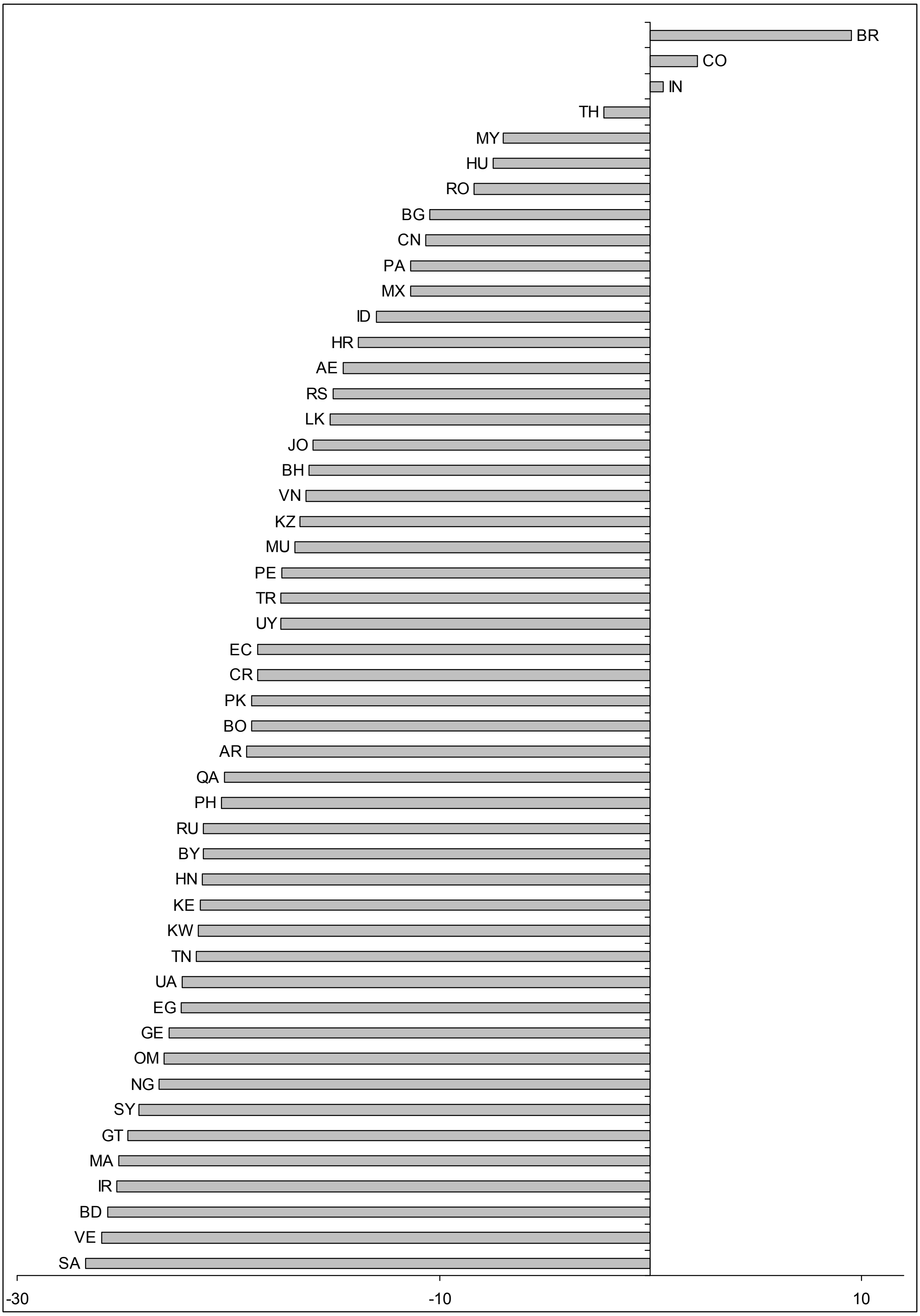

Figure 2: National CSR scores for developing countries

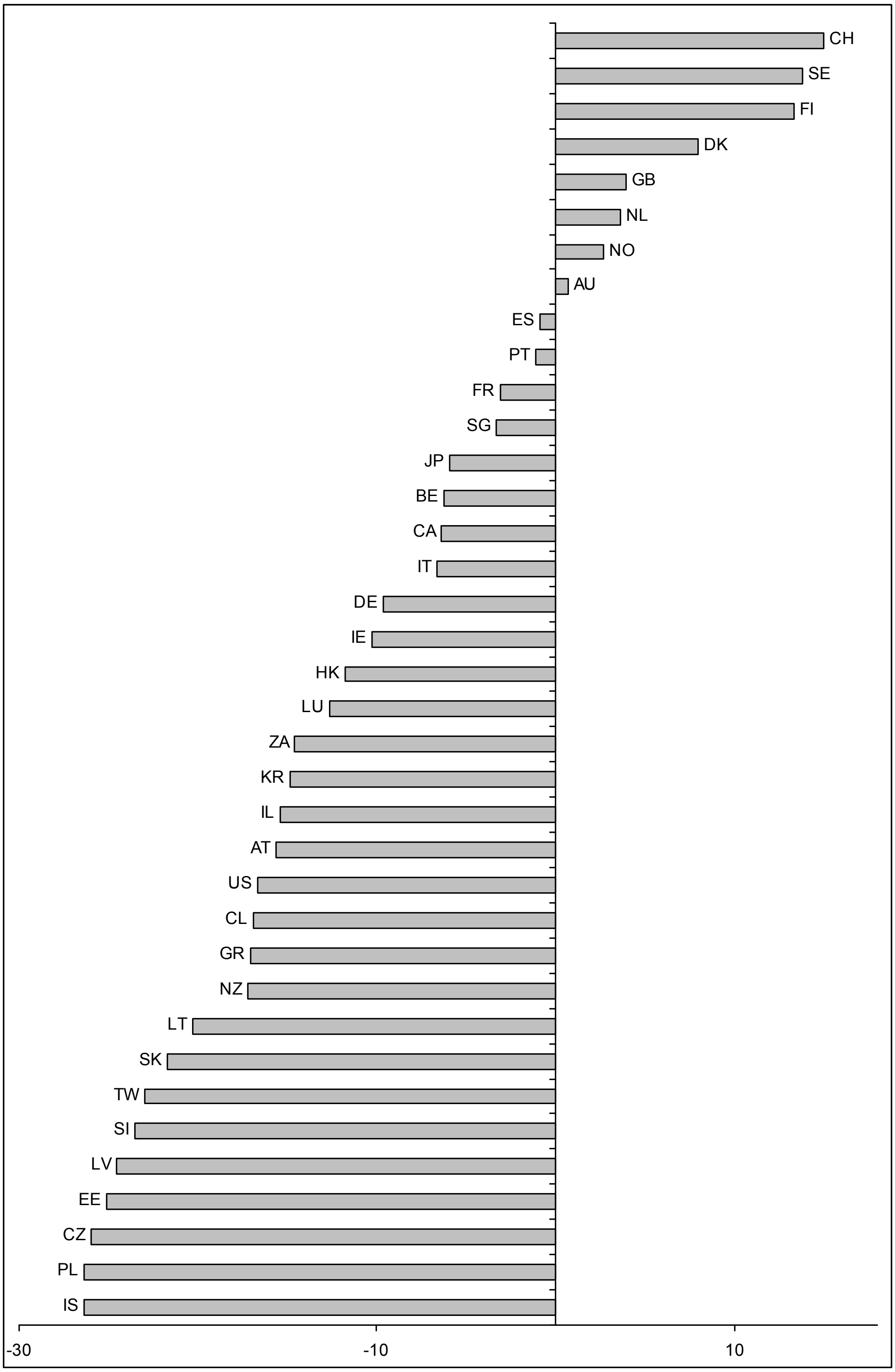

Figure 3: National CSR scores for developed countries

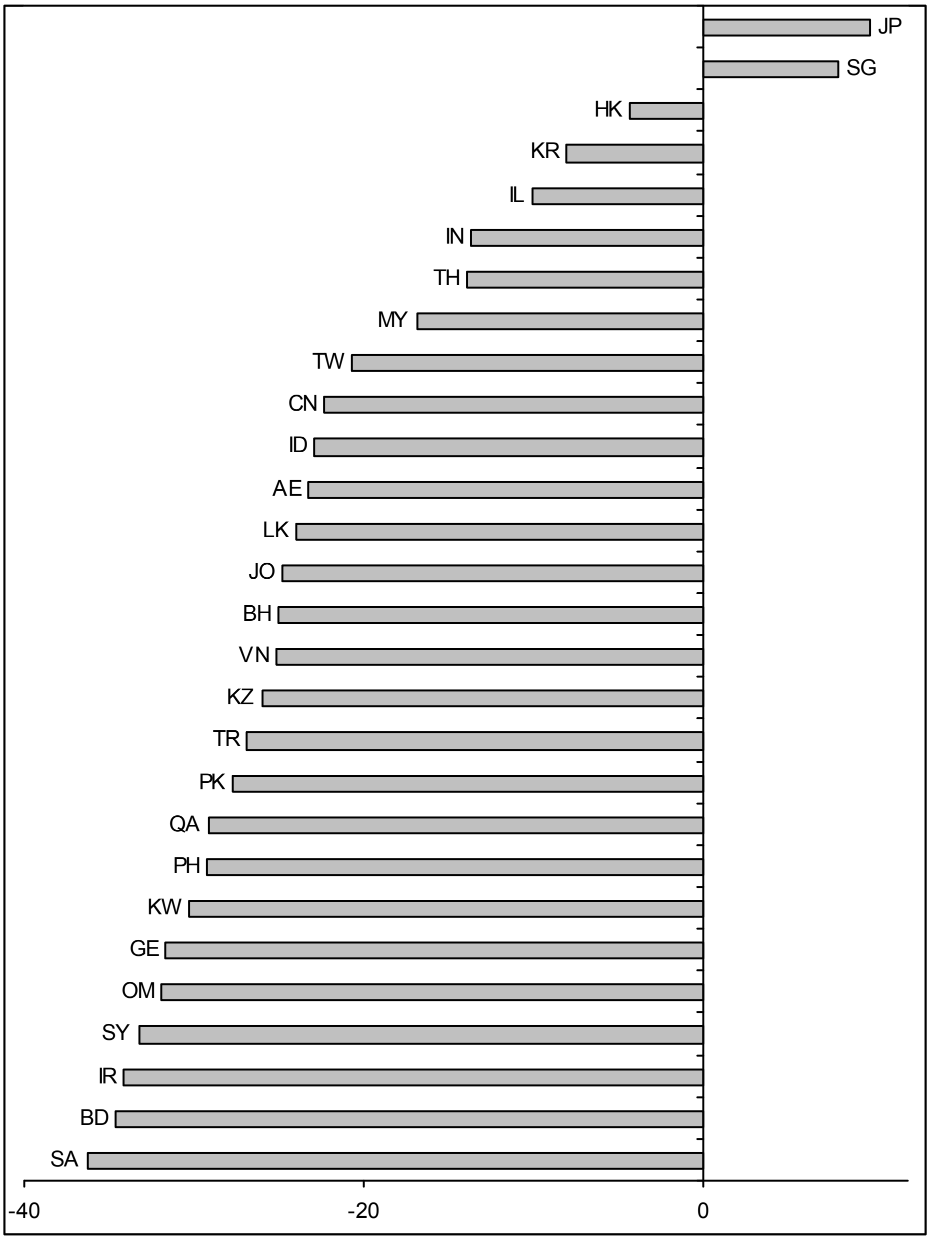

Figure 4: National CSR scores for Asian countries

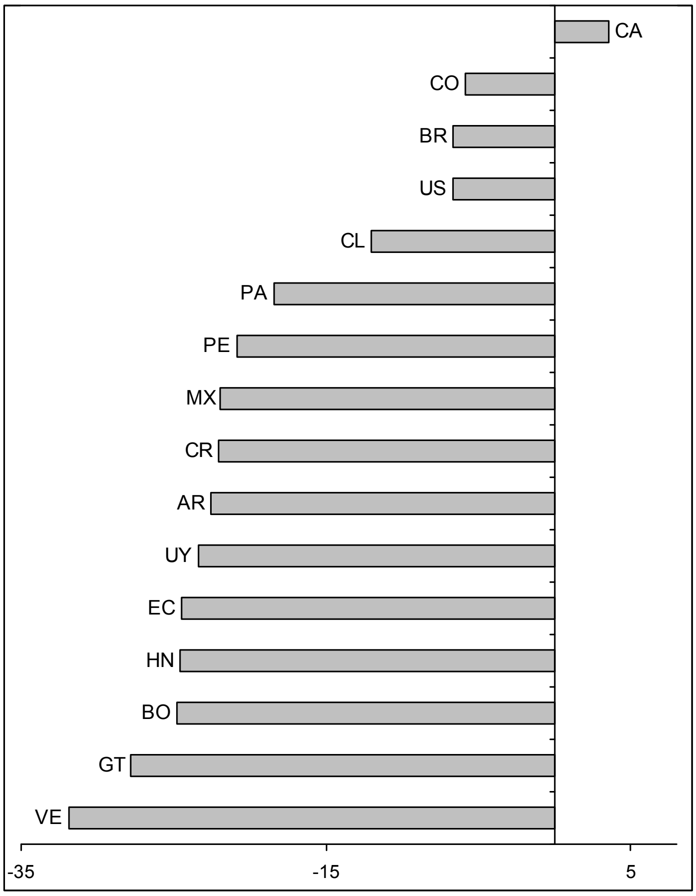

Figure 5: National CSR scores for countries in the Americas

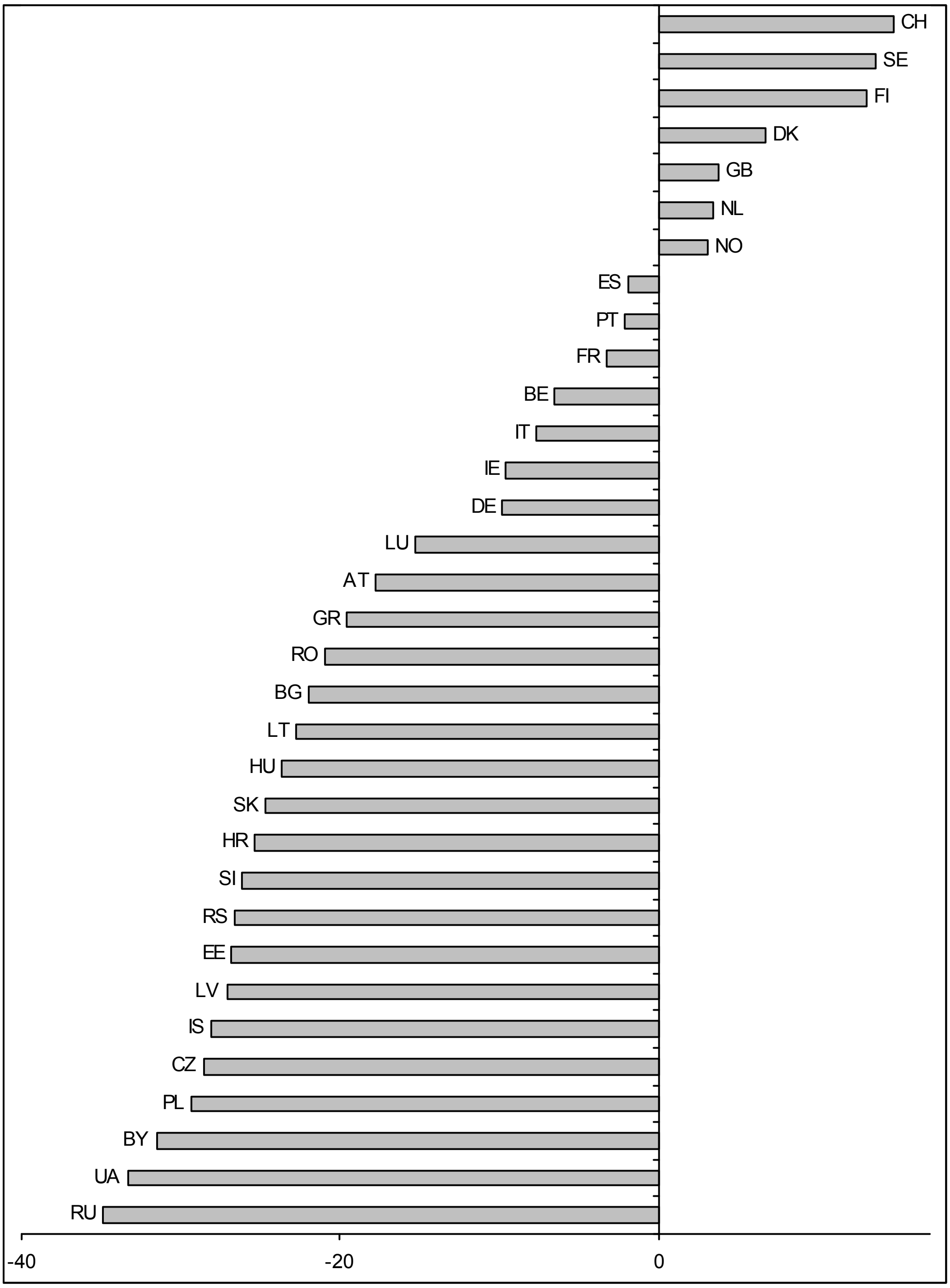

Figure 6: National CSR scores for European countries