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Original Article

The Public Roles of the Private Sector in Asia: The Emerging Research Agenda

Ann Florini*

Abstract

It is no longer possible to understand public policy without focusing intensively on the public roles of the business sector. The world is awash in experimental private governance, from corporate codes of conduct, to demands for disclosure of private sector environmental and social impacts, to 'social enterprises' that aim to save the world the profitable way. Such experiments are emerging within Asia, changing the terms of the social licence to operate as society becomes more adept at making demands for good corporate citizenship and as the natural resource crisis begins to hit home. And as Asian corporations go global, they encounter new standards for social responsibility. Yet far too little is known about the status of these trends in Asia and how the debates over corporate responsibility, developed in a Western context, might translate given the very different relationships among government, business and society in the region. This article explores practice and theory to uncover what is already known and how to frame further research. It concludes by laying out a research agenda to analyse how the public roles of the private sector in Asia are evolving, and why they matter.

Key words: governance, public policy, Asia, business, regulation

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1. Introduction

Public policy is no longer a responsibility of the public sector alone. A vast global debate now revolves around whether and how the private sector could and should help to save the world. Business school academics (Porter & Kramer 2011), consulting firm leaders (Barton 2011), corporate chief executive officers and too many others to count are pointing out ever more vociferously that the fundamental nature of the social contract for business is up for grabs. As the United Nations (UN) Secretary General Kofi Annan said, in a plea to the leaders of the world's largest corporations assembled at the annual meeting of the World Economic Forum in 1999:

The spread of markets outpaces the ability of societies and their political systems to adjust to them, let alone guide the course they take . . . We have to choose between a global market driven by calculations of short-term profit and one which has a human face. Between a world which condemns a quarter of the human race to starvation and squalor, and one which offers everyone at least a chance of prosperity. Between a selfish free-for-all in which we ignore the fate of the losers, and a future in which the strong and the successful accept their responsibilities, showing global vision and leadership.

These calls for change, which are becoming more and more mainstream, require much more than tinkering around the edges of the existing business models. And private sector responses to such calls are becoming more

mainstream. When such a corporate behemoth as Unilever embarks on what appears to be an entirely serious transformation of business practices to serve the broad goal of sustainability, when Nestle collaborates with Greenpeace to ensure the environmental sustainability of its palm oil sources, when the UN promulgates new principles on business and human rights (the 'Ruggie Principles') that take the business world by storm—something more than business as usual is going on. Corporations that have not yet set out to take on such broader responsibilities are both confronting numerous pressures to change how they do business and finding an extraordinary array of processes and tools intended to help—or make—them do so.

And these demands are making themselves felt intensively in the Asia-Pacific region. Asian businesses operating in their home countries face new pressures from the region's growing middle class to meet higher environmental and social standards than are enforced by the national governments. Asian businesses supplying multinational corporations have, for some years, been required to meet a variety of 'voluntary' labour and environmental standards set by the multinationals whom they wish to supply. Asian multinationals operating abroad are finding that markets in North America and especially Europe feature consumers who expect compliance with a bewildering variety of corporate social responsibility (CSR) standards.

Despite the flurry of experimentation, the public role of the private sector remains a strongly contested issue, with the utility and desirability of private engagement in solving public issues the subject of intense debates in both the public sphere and a wide range of academic literatures. To date, however, both the public and academic discourse has focused on Western cases and contexts, assuming Western models of capitalism and governance. That Western centrism is problematic given the degree to which Asian business, governments and societies are encountering major questions related to the public roles of the private sector and the significant ways in which Asian contexts differ.

Even within the West, the social contract among business, government and society varies in key respects across countries, particularly with regard to the degree to which government intervenes directly in the economy: US-style emergency bailouts do not much resemble German tri-sectoral governance. Clearly, lessons and findings from the West may or may not apply in Asia. Potentially confounding factors abound: capitalism in Asia is far more state-based, with much more importance of state and family rather than public ownership; labour and civil society organisations are relatively weak in many countries in the region; the legal and institutional frameworks governing the private sector are quite different, with an often substantial gap among formal rules enforcement and behaviour; and most of the region is at a very different level of economic and social development. But empirical data on the growing intersection of public and private in the region are lacking, and conceptual frameworks are far from fully developed.

This article aims to help create an Asian-focused research agenda that will enable us to evaluate what is happening empirically in the region, analyse similarities and differences with the West, and contribute to a deeper understanding of the private sector's actual, likely, and desirable roles in Asian public policy. To that end, the article discusses:

- why the private sector is increasingly important to public policy;
- the relevance of the concept of the social licence to operate and the empirical manifestations of changes in that social licence;
- what drives businesses to accept or reject these new roles; and
- which analytical frameworks might provide useful insights.

It concludes with a quick trip through a variety of potentially useful analytic frameworks and indicative research questions.

2. Why It Matters

The world's national governments are failing to come together to carry out the scale of

collective action needed in arenas from trade to finance, to climate, to health, to energy, to inequity, leaving massive and urgent global problems to fester largely unresolved. In the language of social science, the unmet imperatives to address negative externalities, provide public goods and establish legitimate authority for managing dilemmas of public policy have many turning to the world's other major source of collective action: the for-profit sector.

This agenda matters beyond scholarly interests in developing a fundamental understanding of how collective action problems in Asia are being and can be addressed. Asian governments, businesses and societies, like those the world over, face challenges that the old social contract cannot meet, many of them externalities generated by profit-seeking businesses. The best known of these is climate change, largely caused by greenhouse gas emissions that are the by-products of profit-making activities. Although governmental regulation is beginning to kick in, governmental action is far too slow (in significant part because of pressures from business vested interests) and is failing to induce business to achieve massively improved resource efficiencies. For the most pressing such issues, it is humanity versus the negative externalities, and as of now the externalities are winning. Similarly, governments are failing to effectively regulate the financial sector, which continues to privatise gains but socialise losses. And no one seems able to implement business models that can provide adequate quantities and quality of jobs, rendering the future of social inclusion and social stability highly problematic.

Yet, to date, the formal rules and institutional arrangements of the global era (such as the terms of World Trade Organization provisions and bilateral investment treaties) have aimed to facilitate efficient markets and to promote a flourishing private sector, not to deal effectively with the social and environmental impacts. Global rule making generally has favoured corporations' rights over corporations' responsibilities, in an era where the negative impacts of irresponsible behaviour are increasing and the state's ability to regulate

these are diminishing. As the extensive literature on global governance has demonstrated, those business-friendly global rules are not simply created by agreement among states (Haufler 2001; Hall & Bierstecker 2003; Florini 2005). Rather, corporations are key actors in setting and implementing many of the rules that govern their activities, as dramatically exemplified by the major corporate role in shaping the rules on Trade-Related Intellectual Property (Sell 2003). It is, thus, not surprising that other social forces want business to apply this capacity to shape public policy to serve the public, not just the corporate, interest.

3. Concepts and Practice: The Changing Social Licence to Operate

The concept of the social contract for business, or the social licence to operate, is the fundamental issue in thinking about how the public roles of business may vary. As Shocker and Sethi noted several decades ago, all social institutions, such as businesses, depend for their survival and growth on whether they deliver something that someone wants in a way that is socially acceptable: what they call the 'twin tests of legitimacy and relevance' (Shocker & Sethi 1973, p. 97). Free market systems are based on the premise that profit maximisation leads to maximum production of socially desirable goods. This is not automatically true, as the enormous literature on market failures has made clear.

Yet an extreme version of the argument, most forcefully articulated by Milton Friedman (1970), has held considerable sway over the past few decades. His conception of the appropriate roles of business and government led him to argue that business executives should refrain from undertaking any actions not aimed at profit maximisation because their only moral obligation is to amass as much financial profit as possible for their employers—the shareholders.

But the Friedmanite approach applies (if at all) only to a fairly narrow range of firms: publicly traded and privately (rather than state)

owned; occurring within a competent and democratic political structure able to provide coherent regulation of business externalities to the degree that society wants them regulated, via laws and rules in the public interest; and owned by shareholders with some degree of interest in the long-term viability of the business.¹ Friedman's model preceded the great wave of corporate globalisation, and thus never considered the issues that arise when the scope of business activity needing regulation does not correspond to the scope of governmental authority. Even at the time he was writing, Friedman's views were widely disputed within the US business community. However, with the spread of neo-liberal thinking around the world in the 1980s and 1990s, Friedman's summation of the case for this narrow conception of business roles took on great weight—ironically at just the time globalisation was undermining a key assumption of his argument.

It is, thus, not surprising that alternative views of the appropriate social licence for business have been gaining strength. For the most part, these are being expressed in a huge array of pragmatic experiments rather than in sweeping conceptual terms. Among the key forms of such experiments, we find codes of conduct that serve quasi-regulatory roles, disclosure systems intended to shape business behaviour, guidance systems such as the International Organization for Standardization 26000 CSR metrics, and new business models that privilege social and environmental ends in addition to purely financial

1. Even with that narrow range, it is not clear why there is necessarily a contradiction between focusing on profit and focusing on the well-being of society, especially in the longer term. Friedman specifically claims that social responsibility for a firm 'must mean that the executive is to act in some way that is not in the interest of his employers'. But the interests of the employers—the shareholders—are not so easily defined. Should an executive serve the interests of hyperspeed traders or of long-term shareholders such as pension funds? Should corporate managers externalise all possible costs and do everything possible to prevent short-term costs from government regulation, even if they know that the results will harm their consumers, and thus in the longer run their markets?

returns. A few example of each are given below:

3.1 Codes of Conduct

Private certification organisations, such as the Forest Stewardship Council and the Marine Stewardship Council, provide and, crucially, implement environmental standards where intergovernmental action has failed. Many such codes were initially driven by civil society organizations that brought business to the table. A growing number, however, now have the weight of major inter-governmental organizations (IGOs) behind them.

The most prominent of the IGO-promoted codes is the UN's Global Compact (UNGC), under which some 5,000 multinational corporations have agreed to make progress, in their sphere of influence, towards a set of 10 labour, human rights, environmental and anti-corruption standards gleaned from widely adopted international treaties and declarations. But the UNGC is just one of numerous—and proliferating—codes. The Global Compact and the UN Environment Programme's Finance Initiative launched the UN Principles on Responsible Investment (UNPRI). The UNPRI claims that it 'has become the leading network for investors to learn and collaborate to fulfil their commitments to responsible ownership and long-term, sustainable returns', with signatories representing more than \$30 trillion of assets under management (United Nations Environment Programme and United Nations Global Compact 2012, p. 1). The Organisation for Economic Co-operation and Development (OECD) has long had 'Guidelines for Multinational Enterprises', updated in 2011 to include the first intergovernmentally agreed recommendations to the private sector on human rights abuses and on the responsibility of corporations to manage related issues in their supply chains (OECD 2011). In 2011, the UN Human Rights Council endorsed a set of Guiding Principles on Business and Human Rights developed by UN Special Representative (and Harvard professor) John Ruggie (UN General Assembly 2011).

3.2 Disclosure

In the absence of governmental capacity or willingness to regulate business sufficiently to rein in major negative externalities, particularly in the environmental arena, many scholars and activists are looking to transparency as a possible, if partial, solution (Gupta & Mason, forthcoming). A huge array of initiatives call on businesses to disclose publicly what their negative externalities are, using a variety of sticks and carrots to try to induce such revelations. These approaches are based on the hope that the resulting internal awareness and/or external shaming will combine to induce corporations to reduce their negative externalities, even in the absence of regulatory requirements to do so. Probably the most prominent example is the Global Reporting Initiative, which in 2013 came out with a heavily revised fourth round of reporting standards. At about the same time, the International Integrated Reporting Committee released a draft of its efforts to devise a system for integrating financial and non-financial reporting.

To understand the new emphasis on non-financial disclosure as a tool for shaping business behaviour, the Carbon Disclosure Project (CDP) provides a useful example. As of 2013, CDP garners carbon emissions reports (and an increasingly wide range of other environmentally relevant information) from some 3,000 companies in scores of countries. It makes these requests for information on behalf of some 722 institutional investor holding US\$ 87 trillion in assets, which helps to induce firms to take its requests for information seriously.² Such disclosure processes could serve multiple purposes. They could help investors choose more environmentally responsible companies as favoured recipients of investment. They could induce companies to measure, and thus act on, an externality that had previously gone unnoticed, either out of risk management concerns (to fend off reputational risk or potential regulation) or to tighten up wasteful and thus costly production processes.

2. CDP website <<https://www.cdproject.net/en-US/Pages/About-Us.aspx>> accessed 28 February 2013.

So far, the evidence that most such disclosure systems bring about major behavioural changes is weak (Florini & Saleem 2011). But a flurry of promising experiments is underway. In 2011, the sportswear firm Puma published an environmental profit and loss statement (EP&L), examining in detail the environmental impact of its products all the way back down the supply chain. Its parent firm, Kering, has now promised to implement a group EP&L by 2015.³ An international study commissioned by the UN Environment Program on The Economics of Ecosystems and Biodiversity (TEEB) led to the formation in 2012 of the TEEB for Business Coalition, 'a global, multi-stakeholder open source platform for supporting the development of methods for natural and social capital valuation in business', with initial hubs in Singapore and London.⁴ It is aiming at a key goal: the creation of uniform quantification and reporting requirements that could be institutionalised via existing accounting standards bodies. Such steps could make corporate accountability for environmental and social impacts far more feasible.

Codes and disclosure as private and semi-private approaches to governance have become so significant in the international economy that UNCTAD's 2011 World Investment Report dedicated considerable attention to them, using the terminology of corporate social responsibility, or CSR. As the report's summary noted in a section entitled 'CSR standards increasingly influence investment policies':

Over the past years, corporate social responsibility (CSR) standards have emerged as a unique dimension of 'soft law'. These CSR standards typically focus on the operations of TNCs and, as such, are increasingly significant for international investment as efforts to rebalance the rights and obligations of the State and the investor intensify. TNCs in turn, through their foreign investments and global value chains, can influence the social and environmental practices of

3. <<http://about.puma.com/puma-completes-first-environmental-profit-and-loss-account-which-values-impacts-at-e-145-million/>>, accessed 28 February 2013.

4. <<http://www.teebforbusiness.org/what.html>>, accessed 28 February 2013.

business worldwide. The current landscape of CSR standards is multilayered, multifaceted, and interconnected. The standards of the United Nations, the ILO and the OECD serve to define and provide guidance on fundamental CSR. In addition there are dozens of international multi-stakeholder initiatives (MSIs), hundreds of industry association initiatives and thousands of individual company codes providing standards for the social and environmental practices of firms at home and abroad.

3.3 *New Business Models and Social Enterprise*

A third category combines business systems with non-financial goals. This combination is not a trivial factor—it is now leading to the creation and spread of new models aiming to harness business efficiency to social welfare and environmental protection. Such ‘social entrepreneurship’ is becoming so common that a global institutional ecosystem is rapidly arising to fund, develop and connect social enterprises.⁵ A rapidly growing number of states in the United States are promulgating legislation for the registration of ‘benefit corporations’ that are chartered to achieve social as well as financial goals, meaning that although they are profit-seeking, they cannot be sued by shareholders for devoting corporate resources to the pursuit of non-financial ends.

4. Drivers of Business Behaviour

What explains why businesses take on the new roles, comply with soft-law codes and disclosure requirements, and even completely overhaul their business practices in the public interest? What determines how major a role firms play overall in addressing negative externalities, in providing public goods, in resolving dilemmas of collective action and in

5. See, for example, the work of Ashoka, which since 1980 has been identifying and funding social entrepreneurs aiming at large-scale impact, and which has now expanded into providing infrastructure for the social enterprise sector: <<http://www.ashoka.org>>.

shaping public policy?⁶ Although some studies have studied, compared and contrasted legal and/or institutional systems to better understand what drives CSR practices and with what broader effects, such work has only recently begun to reach beyond North America and Europe.⁷

In shaping that Asian-focused research, two categories of factors may help explain why business may be prepared to engage much more broadly in addressing public policy issues and to transform business practices: the push factors and the pull factors. On the push side are external actors influencing business, including civil society, intergovernmental organisations, stock exchanges and (ironically) national governments. Factors pulling business in new directions may include the increasingly compelling case for a broadened approach to risk management, and the business opportunities that arise when the nature and time frame of business are redefined. Below, the push factors are briefly explored. Analysis of the pull factors would require several additional articles, but a good starting point is Porter and Kramer (2011).

Civil society organisations are frequent and sometimes powerful drivers of the evolution of the social licence for business, working to shame and/or cajole major businesses into meeting behavioural standards beyond those demanded by law. These organisations, often in the form of legally recognised NGOs, increasingly work together across national borders in advocacy campaigns to target specific corporations (Spar & La Mure 2003) or whole industry sectors. Such initiatives, which constitute an extra-governmental form of quasi-voluntary regulation, have led to an explosion in the number of corporate codes of conduct that extend beyond single firms (Florini 2005). Many scholars have argued

6. An important research initiative on these lines is centred at the Osgoode School of Law in Canada under the heading Transnational Business Governance Interactions, a multi-year, multidisciplinary study of how the private regulatory regimes interact with one another, whether it be competitively, cooperatively, hierarchically or chaotically.

7. For an excellent summary of earlier comparative work, see Williams & Aguilera (2008).

that they represent the single most important factor explaining business acquiescence in accepting non-governmental codes and reporting systems (Vogel 2008, p. 268).

As described above, intergovernmental organisations, such as the UN, have become major promoters of a variety of codes, along with experiments in other ways of engaging the private sector on behalf of internationally mandated goals. Although this clearly demonstrates a major shift in the attitude of the UN, which in prior decades was a hotbed of calls for transnational regulation, it is not so clear whether the UNGC is doing much to change corporate behaviour (Marx 2012).

Stock exchanges are proving particularly active in setting up codes and disclosure systems—as one analyst has noted, ‘[i]n China, India, Malaysia, Singapore and Thailand the stock exchange has led the charge in directing listed companies towards responsible behavior’ (Sharma 2013, p. 32). The Shanghai Stock Exchange (SSE), for example, has an interesting social responsibility index that ranks social contribution per share to reflect the performance of stocks that performed well in CSR, tied to the SSE’s Corporate Governance Index, but it relies on corporations that disclose their social responsibility reports.⁸

Yet the most important external actor in this arena remains the national government. Although the push for greater involvement by the private sector in achieving the public good originated out of frustration with inadequate action by national governments, those same governments are nonetheless key shapers of the corporate roles. One motivation for business action on a broadened social licence to operate is, of course, fear by business that if it does not clean up its own act, government might step in with the heavy hand of binding regulation. As Harvard’s Jane Nelson (2008, p. 1) has noted, an under-researched but strategically key question ‘is the relationship between CSR and the public policy frameworks and governance context within which companies are operating—locally, national and globally’.

8. <http://edu.sse.com.cn/sseportal/index/en/singleIndex/000048/const/index_const_list_en_1.shtml>.

Businesses have, of course, long lobbied governments in pursuit of business-friendly regulations, but they can also ‘lobby for good’ government regulations that serve broad public interests rather than only firms’ immediate self-interests (Peterson & Pfitzer 2009). Governments, for their part, can do much to encourage and empower the private sector to internalise negative externalities and contribute directly to the provision of public goods.

As Ward (2004, pp. 3–4) argues, key government roles can help create ‘better understanding of and capacity to engage with the CSR agenda’ in key government agencies as well as within the business community. Governments can, for example:

- mandate business participation in selected CSR programs;
- facilitate CSR initiatives by setting general policy frameworks, providing non-binding guidance or tax incentives, or promoting stakeholder dialogues;
- partner with business in pursuit of specific public policy goals; and/or
- endorse particular CSR practices and instruments (Ward 2004, p. 5).

UNCTAD’s 2011 World Investment Report similarly points out that:

Governments can play an important role in creating a coherent policy and institutional framework to address the challenges and opportunities presented by the universe of CSR standards. Policy options for promoting CSR standards include supporting the development of new CSR standards; applying CSR standards to government procurement; building capacity in developing countries to adopt CSR standards; promoting the uptake of CSR reporting and responsible investment; adopting CSR standards as part of regulatory initiatives; strengthening the compliance promotion mechanisms of existing international standards; and factoring CSR standards into IIAs. The various approaches already underway increasingly mix regulatory and voluntary instruments to promote responsible business practices (UNCTAD 2011, p. xviii).

National governments in Asia are clearly aware of CSR trends and seem to see advantages in encouraging greater corporate

responsibility as a way of achieving greater environmental sustainability and more inclusive growth. Among the more striking recent developments are laws aimed at promoting various notions of CSR. Indonesia's 2007 revision of its Companies Law (Law 40/2007 on Limited Liability Companies) included a potentially path-breaking requirement for CSR. Article 74 of the law requires limited liability companies in the natural resources arena to implement corporate social and environmental responsibility (CSER) activities, funded out of their own budgets (implying a redistributive former of CSR), and Article 66 requires companies to include an accounting of the CSER implementation in their annual reports (Rosser & Edwin 2010, p. 2). More recently, after considerable delays, in late 2012 India's Lok Sabha (the lower house of Parliament) adopted a revised Companies Law with a CSR requirement. Its Clause 135 requires larger companies⁹ to spend at least 2 per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its newly required Corporate Social Responsibility Policy, and if it fails to do so, the Board must report on why not. At this writing, the bill is before the upper house.

But the significance of such legislation is unclear. Indonesia's Article 74 is not enforced and will not be given the lack of any implementing regulations, unless a future Indonesian government makes such regulations and implementation a priority (Rosser & Edwin 2010). It remains to be seen whether the Indian companies bill will become law, and whether that law would be successfully implemented.

In every country, there is a gap between law and practice, and nowhere more so than in China, where 'rule by law'—use of legal systems to bring about political ends—still prevails over 'rule of law' (Florini et al. 2012). Laws in China are certainly not meaningless, however, and China is experimenting with a

number of creative ones, such as the 2008 'Measures for the Disclosure of Environmental Information' and the 2009 'Circular Economy Promotion Law'.¹⁰

But China raises much bigger questions about the role of business in public policy and global governance, in part because so much of China's economy is still in state hands in the form of state-owned enterprises (SOEs) whose role has become ambiguous. SOEs were formerly the source of all social services for their employees and families. The 1990s saw a period of 'corporatisation' during which about half of China's industrial SOEs were transformed into joint stock companies (Bo et al. 2009, p. 268), answerable to shareholders and meant to be profit-seeking, but with the state as dominant shareholder and the Party as appointer of top management.

The literature that directly addresses CSR in China's SOEs is small but suggestive. The provision of social welfare—what might be seen as the easiest and most direct form of CSR for reforming SOEs—has changed now that the central authorities no longer set SOE policy on social investment and no longer fund provision of SOE social services to employees. What is a newly—but only partially—depoliticised profit-seeking SOE to do for employees accustomed to having the enterprise provide all social services? Wages have risen, employees now have contracts rather than life tenure, but the government does not yet provide a full range of social services, and SOEs are still ultimately accountable to a Party concerned with social stability above all (Florini et al. 2012). One study found that state control correlates more strongly with state-shareholder extraction of value from enterprises than with CSR in the form of social services (Bo et al. 2009). Another study examines a much broader range of CSR criteria, as scored by the Shanghai National Accounting Institute (SNAI) (Li & Zhang 2010). The SNAI system assesses Chinese publicly listed companies according to criteria set by SA8000, a CSR accounting system established by Social

9. Defined as every company having net worth of Rs.500 crore or more, or turnover of Rs.1000 crore or more, or a net profit of Rs.5 crore or more during any financial year <http://www.mca.gov.in/Ministry/pdf/The_Companies_Bill_2012.pdf>. A crore is 10 million.

10. Thanks to Matthew Chan for translation of relevant documents.

Accountability International that covers everything from labour practices to energy use. But the SNAI system relies entirely on self-reporting by the listed companies, raising questions about the reliability of the data on which the assessment is based.

5. Conclusion: Frameworks for Analysis and the Broader Research Agenda

Beyond questions about what drives business to adopt a broader approach to its social contract loom larger issues. What are the appropriate analytical frameworks for investigating the roles of profit-seeking businesses in public policy in Asia, and particularly in China and other countries where the relationship among business, government and society differs so dramatically from the relationships found in the West? Analysing the role of business in public policy, whether national or cross-border, faces challenges posed by definitional disagreements and by the lack of clear metrics to operationalise and measure it (Williams & Aguilera 2008). But in addition to such challenges, the field offers a wealth of research options for a wide range of disciplines using a plethora of frameworks and theories.

Most obviously, the field cries out for political economy analysis, which is just beginning to emerge (Rosser & Edwin 2010; Zadek et al. 2013). A relatively simple set of questions might explore how new practices become embedded in a single company. But even in such apparently simple cases, as Baumann and Scherer (2010, p. 14) argue, despite the plethora of codes, disclosure systems and other experiments in what they call corporate citizenship (CC), 'it is still not clear how these structures and processes should be designed to instill CC into the organization. Empirical studies on the implementation of CC are scarce, and a systematic review of "good practice" is lacking'.

More broadly, the 'varieties of capitalism' approach would seem particularly relevant. The standard literature on varieties of capitalism, starting with Hall and Soskice 2001, describes two idealised forms of capitalism. Coordinated market economies are characterised by 'insti-

tutionalized dialogues between social partners and more stringent rules in policy areas relevant to CSR, such as labour standards and environmental protection' (Fransen 2012, p. 6). The literature suggests that since companies in these countries are already legally required to abide by standards that put them ahead of competitors elsewhere, it is easier for companies based in CME systems to participate in international CSR initiatives—the 'extension' model of explaining relative CSR participation (Fransen 2012, p. 6).

Liberal market economies (also called Anglophone), by contrast, are characterised by 'less interventionist states, individualized and adversarial capital-labor relations and liberal markets for corporate control', and in such states, the literature suggests, CSR arises as a *substitute* for governmental failures and governance gaps (Fransen 2012, p. 7).

The debate, to date, mostly takes for granted the shareholder-value model of capitalism, although there is plenty of scope for the European stakeholder models. Missing, however, is any focus on the implications of what is being called the state capitalism model. As Ian Bremmer (2010) has strikingly described, levels of state engagement in national economies vary enormously in ways that go far beyond the Western-centric varieties-of-capitalism literature. His helpful continuum sets out a variety of types of state-dominated economic entities that cumulatively help to distinguish countries at the freer-market end of the spectrum from those that see markets primarily as means of building state power and advancing political goals—the 'state capitalist' pole. Bremmer points to the roles of SOEs (particularly national oil companies, or NOCs), privately owned national champions¹¹ and sovereign wealth funds.¹² All may exist to

11. '[c]ompanies that remain in private hands (although governments sometimes hold a large minority stake) but rely on aggressive material support from the state to develop a commanding position in a domestic economy and its export markets' via cheap financing, tax breaks and quasi-monopoly status, exemplified by Japan's keiretsu or Korea's chaebol (Bremmer 2010, p. 67).

12. As defined by the International Working Group of Sovereign Wealth Funds (2008, p. 1), '[s]overeign wealth

one degree or another in more free-market countries as well, but it is the prevalence of these forms and the political uses to which they are put that makes Chinese capitalism so different from that seen in, say, Western Europe. What does CSR mean in the context of a country whose economy can be broadly directed to serve political ends?

Exploring CSR in Asia also offers great opportunities for empirical research and theory building in international relations/global governance arenas. The burgeoning literature on regime complexes, for example (Raustiala & Victor 2004), is now expanding to go beyond international regimes constituted solely by states to incorporate private authority (Auld & Green 2012). Research that focuses on the governors in global governance provides a framework for understanding the bases of private as well as public authority: institutional (are they formally at the table and in what role), delegated, expert, principled or capacity-based (Avant et al. 2010).

Research is needed on a host of potential topics:

- What are the implications of variation in state capacity? Lack of state capacity to regulate externalities and provide public goods may cause societies to turn to for-profit companies and demand that they step in. But it is equally plausible that greater state capacity would enable governments to create the enabling environment within which business could more readily meet higher standards of responsible behaviour.
- What are the effects in Asia of adherence to the large and growing number of UN-sponsored principles for responsible business practice? IGO principles may have

funds (SWFs) are special-purpose investment funds or arrangements that are owned by the general government. Created by the general government for macro-economic purposes, SWFs hold, manage, or administer assets to achieve financial objectives, and employ a set of investment strategies that include investing in foreign financial assets. SWFs have diverse legal, institutional, and governance structures. They are a heterogeneous group, comprising fiscal stabilization funds, savings funds, reserve investment corporations, development funds, and pension reserve funds without explicit pension liabilities'.

sufficient legitimacy to create focal points around which corporate behaviour may coalesce. Or they may simply provide 'blue-washing' opportunities for business to sign up to impressive-sounding standards that have no real influence on corporate behaviour.

- Does culture matter, and if so how? The social contract under which for-profit activities are allowed to occur varies greatly across societies. There may be significant differences in the degree to which various international standards have resonance. What is being adopted domestically across Asia's very different contexts, how are international standards being adapted and why?
- Perhaps most challenging of all: how can anyone know whether all the activity is worthwhile? Measuring the impact of corporate codes of conduct, disclosure systems and new business models remains in its infancy everywhere and has barely been attempted in Asia.

A wide range of disciplines can contribute to this rich research agenda. From the organisation theory and management perspective, for example, can come insights into how to assess whether corporate CSR commitments are mere lip service or are becoming embedded into and transforming corporate practices (Baumann & Scherer 2010). Political science and economics can contribute to questions related to the political economy of CSR policy formation. What are the interests of relevant government agencies, politicians, companies and civil society organisations in a given country, industrial sector or issue area? Which factors matter most to CSR outcomes in a given country: levels of economic development, exposure to international trade/international CSR standards, or prevailing discourses and elite mindsets within government, business and civil society? Are there significant differences across industrial sectors, issue areas or types of CSR tools?

This article has mostly addressed one compelling set of questions: what might explain the patterns of private sector engagement in public policy in Asia, do these patterns differ

in important ways from those observed in the West, and if so why? By itself, these are enormous questions, encapsulating the vast research agenda described above, and requiring ongoing empirical work to keep up with the extraordinary pace of change in the region.

But these are only part of a larger set of compelling questions about how the private sector figures in the twenty-first century's rapidly changing patterns of governance. The most important of these is, of course, whether these growing public roles of the private sector serve the public interest. Many of the tools of the new corporate responsibility, such as principles, codes of conduct and disclosure standards, constitute 'soft law'—alternatives to the hard regulation that only states, with their coercive powers, can create. Does soft law work in Asia? What should it be measured against: the explicit aim of a code or disclosure system, the general problem it tries to engage, or possible counterfactuals to evaluate how things might be worse in its absence? Does soft law lead to, complement, substitute for, or undermine hard law?

Such analyses are needed to advance our understanding of how Asian societies are functioning and are governed, and how developments in the region and in the larger world are interacting. But they are needed even more to provide the bases for effective and appropriate public policy at all levels.

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