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Harmonization in CSR Reporting: MNEs and Global CSR Standards

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Abstract

- This paper focuses on MNEs' corporate social responsibility (CSR) reporting, which previous studies have found to exhibit strong country-of-origin effects. It examines whether MNEs' adherence to global standards (as adopted by e.g. ILO, OECD, UN, ISO) is associated with smaller cross-country differences and less country-of-origin effects in CSR reporting, and whether stringency of standards' enforcement mechanisms affects reporting harmonization.
- To test our hypotheses, we collected data on 25 CSR items for a sample of firms consisting of the top 250 firms listed in the Fortune Global list, using ordered logistic regression analysis.
- We find evidence for upward harmonization in reporting for those MNEs that adhere to global CSR standards. Stricter enforcement mechanisms did not result in stronger harmonization.
- Our findings imply that global standards and guidelines do not only increase the overall level of CSR reporting, but are also associated with a harmonization of CSR activities of firms from different countries, thus reducing the role that domestic institutions (including legislation and societal concerns) play in shaping CSR practices. Implications for research and practice are discussed.

Introduction

Both theorists and practitioners have long been interested in firms' responses to increased stakeholder pressures to aim for more than just profit maximization. Such responses are generally considered as Corporate Social Responsibility (CSR), which can hence be seen to encompass firms' economic, legal, ethical and social responsibilities (Carroll 1999; Whetten et al. 2002), or, in line with the terms 'sustainability', 'triple bottom line', or triple P (People, Planet and Profit) (Elkington 1997), as the environmental, social and economic dimensions of firms' activities. Regardless of the precise definition, with growing attention to firms' CSR strategies, interest in how firms account for, and report on, their CSR activities has increased likewise. In the 1990s, more and more firms started to voluntarily report on their environmental and social activities and impact, providing information on their policies, progress and results. This has resulted in a wide variety of reports, with substantial differences in length, approach, scope and depth of accountability (Kolk 2009; KPMG 2002, 2005, 2008). Non-financial reports may range from health and safety reports to CSR reports and from global citizenship to sustainability reports. Firms disclose different kinds of information, presented in a variety of ways, using a range of definitions and indicators. In spite of these efforts, questions are often raised about the extent to which reported practices reflect actual performance and what the reliability of reporting is, particularly in view of the multitude of dimensions of CSR and related measurement difficulties. The accounting scandals of the past few years have only added to already existing skepticism about managerial and professional 'capture' of for example the environmental agenda, and the doubtful nature of auditing (Ball et al. 2000; Owen et al. 2000; Power 1991).

Partly in response to these doubts, partly in an attempt to ward of more stringent government regulation, and partly also to assist individual firms to implement and shape their CSR strategies, a search for voluntary standardization of reporting contents is taking place. Different organizations have drawn up guidelines and designed formats that firms can voluntarily adopt. Most notable is the international, multistakeholder Global Reporting Initiative with its extensive guidelines to improve the "quality, rigor, and utility of sustainability reporting" (GRI 2002, p. 1). By joining or supporting such initiatives firms hope to acquire expertise, gain credibility for their efforts and have some influence on the

shape of such guidelines (Selsky and Parker 2005). Nevertheless, here too firms are often accused of referring or ascribing to global initiatives and standards as a means to 'green-wash', or – in the case of UN-sponsored initiatives – 'blue-wash' their activities. Therefore, a key issue in the CSR literature, and the main focus of this paper, relates to the effectiveness of such global standards in stimulating firms to step up their CSR reporting activities, and in harmonizing these activities across firms, thus making them more comparable.

This question finds strong resonance in related literature on the role of the institutional context. Many studies on CSR and environmental and sustainability reporting find remarkably strong 'country-of-origin effects', which reflects how the debate on corporate accountability has had divergent ramifications in different countries, in line with the specific domestic constellation of legislative and societal concerns (Adams et al. 1998; Kolk 2005; 2009; Lee and Hutchison 2005). The global standards, however, create an international institutional context as well, in addition to the domestic ones. The question thus becomes to what extent, in an era of internationalization and harmonization, firms start to resemble each other in the area of CSR reporting, reducing the influence of the country of origin, and what implications this has for the amount and types of information that firms disclose.

This paper addresses this question by an in-depth analysis of the published non-financial reports of Fortune Global 250 firms for the year 2004. On the basis of 25 different items, five indicators were developed that measure the extent and breadth of reporting on internal and external employee issues, community, economic and environmental issues. By including – in addition to our control variables –indicators for country of origin, standards adoption, and their interaction effects in an OLS regression model, we are able to see whether firms' adherence to global standards has a positive and harmonizing effect on reporting across countries. Before moving to the empirical evidence, however, we first review the literature on CSR disclosures and, drawing on institutional theory, examine the role of domestic institutions and global standards, from which we develop our hypotheses. Subsequently, the data and methods used to test these hypotheses are explained, followed by a presentation and discussion of the results.

Literature review and hypotheses development

Country-of-origin effects in CSR reporting

In the past decades, an extensive body of literature has emerged on CSR reporting and its determinants (for overviews, see Berthelot et al. 2003; Gray et al 1995; Kolk 2009; Lee and Hutchison 2005; Mathews 1997). Within this literature a considerable number of studies has examined CSR reporting in a cross-national context (Adams et al. 1998; Adams and Kuasirikun 2000; Buhr and Freedman 2001; Gamble et al. 1995; Halme and Huse 1997; Holland and Boon Foo 2003; Van der Laan Smith et al. 2005; Williams and Wern Pei 1999), but only a few have focused on MNEs, specifically considering the consequences of cross-border operations for non-financial disclosure practices (Fekrat et al 1996; Kolk 2005; Meek et al 1995). In research on the international dimensions of voluntary non-financial disclosure, different theoretical perspectives have been applied; some studies have adopted an economic perspective with a focus on market forces while others have taken social and political perspectives into account (e.g. stakeholder, legitimacy, and political economy theory) (Gray et al. 1995; Solomon and Lewis 2002).

Since there are no agreed-upon terms for the status and contents of non-financial reports, research has looked at different types of voluntary disclosures, ranging from a narrow focus on environmental disclosures to fully integrated reporting on the environmental, social and economic dimensions of CSR, so-called triple bottom line reporting (Deegan 2002; Elkington 1997). Most studies have focused on non-financial information contained in the annual report, but some studies in the past years have also included stand-alone non-financial reports in the analysis (e.g. Buhr and Freedman 2001; Holland and Boon Foo 2003; Kolk 2003) or a mix of the two given that firms start to integrate their former CSR report as separate section in their annual report (Kolk 2005). Regardless of the exact measurement, however, studies that have examined non-financial disclosures in an international context have revealed clear differences in the quantity and type of non-financial information disclosed by firms from different countries, reflecting a strong country-of-origin effect. Kolk (2005), for example, found an internal environmental accounting orientation on the part of Japanese firms, while US and European firms had a broader focus; at the same time, external verification and reliance on third parties was largest for European firms, and highly exceptional for US firms,

with Japanes firms in between. Country of origin also played a large role in the likelihood that firms published non-financial reports, something that has been confirmed more broadly (Adams et al. 1998; Kolk 2009; Lee and Hutchison 2005).

The country-of-origin effect has more generally been explained by Sethi and Elango (1999, p. 286) as the impact of "a country's physical and human resources and political institutions, as well as culturally based characteristics" on the competitive position of a firm from this particular country. Elango and Sethi (2007) have for example shown that an MNE's home country influences the relation between internationalization and firm performance. The importance of a country-of-origin effect for CSR reporting mainly stems from institutional pressures from the government, professional accounting and industry associations, and pressure groups in an MNE's home country (Neu et al. 1998). The extent of an MNE's susceptibility to such pressures differs between MNEs in relation to cultural, political and legal peculiarities of their respective home countries (Buhr and Freedman 2001; Kolk 2005). Meek et al. (1995), for example, contend that national differences in legal requirements for reporting affect voluntary disclosures because strict requirements may suppress disclosure innovations and thus also voluntary reporting. A study by Holland and Boon Foo (2003), which focused on environmental management in general, confirms this argument.

Institutional differences also play out in the relation of a firm with its stakeholders. Pressure from stakeholders is relevant for CSR reporting, because non-financial information addresses issues of social accountability, valuable for a wider group of stakeholders than a firm's shareholders alone (Meek et al. 1995). Drawing on stakeholder theory, Van der Laan Smith et al. (2005) argue that institutional differences between countries (particularly differences in corporate governance systems and ownership structure) affect how the role of a firm and its stakeholders is defined in each country. In a comparison between firms from Norway/Denmark and the US (based on 1998 and 1999 annual reports), their study shows that the extent and quality of CSR disclosures differs significantly between these countries. Based on these findings, Van der Laan Smith et al. (2005) conclude that non-financial reporting is used as a way to respond to stakeholder pressure, but in distinctive ways in each individual country.

In recent years, however, many institutions that have some bearing on MNEs' practices

and reporting are becoming increasingly detached from individual countries. The tendency towards international expansion appears no longer an exclusive trait of MNEs; institutions are currently quickly moving in the same direction. For example, in the area of financial reporting, the International Accounting Standards (IAS) were introduced to improve comparability and transparency of financial statements (Tarca 2004). Likewise, a wave of global CSR standards has started to emerge. This study focuses on five of the most eye-catching global CSR standards: the Global Reporting Initiative's (GRI) guidelines, the United Nations (UN) Global Compact, the Organization for Economic Cooperation and Development (OECD) Guidelines for MNEs, the International Labor Organization (ILO) Conventions, and the International Standard Organization's (ISO) standard on how to concretely implement and manage non-financial (in particular environmental) commitments within the organization (ISO14001). The aim of all these standards is generally two-fold: on the one hand, to increase and stimulate responsible (corporate) behavior, and on the other hand, to harmonize and increase comparability of firms' CSR activities.

The UN Global Compact, for example, which consists of ten principles in the areas of human rights, labor, the environment and corruption, aims to "mainstream these ten principles in business activities around the world", and to provide an "international framework to assist companies in the development and promotion of global, values-based management" (Global Compact 2005). The OECD guidelines – voluntary principles and standards for MNEs on *inter alia* employment, human rights, bribery, competition and taxation – are intended to "level the playing field between competitors in the international market place" (OECD 2005). Also the ILO Conventions and ISO standard aim to be a reference for responsible behavior respectively management, while the GRI guidelines on reporting about the economic, environmental, and social dimensions of firms' activities, products, and services aim to serve as a common framework that can help users to assess and compare information across reports, and that "elevates the level of rigor, comparability, credibility, and verifiability" of these reports (GRI 2002).

The question can therefore be raised whether global standards for CSR harmonization in CSR reporting counteract the country-of-origin effect found in prior studies. In the following, we argue that in addition to the disparate domestic contexts, this wave of global CSR

standards has created an issue-level organizational field around CSR reporting which transcends national borders (Hoffman 1999; Levy and Kolk 2002).

The influence of global CSR standards on CSR reporting

The literature on MNEs' adherence to standards and adoption of organizational practices draws heavily on institutional theory (Guler et al. 2002; Kostova 1999; Kostova and Roth 2002; Rosenzweig and Nohria 1994; Rosenzweig and Singh 1991; Westney 1993). Institutional theory argues that firms homogenize organizational practices because they start to resemble the institutions of their organizational context in competing for power and legitimacy (DiMaggio and Powell 1983; Meyer and Rowan 1977). This process of homogenization is reflected in individual firms becoming structured in organizational fields as a result of three related isomorphic pulls – coercive, mimetic and normative – which *inter alia* arise out of pressures from actors on which firms depend for resources and legitimacy, standard responses to uncertainty, and professionalization (DiMaggio and Powell 1983). However, isomorphic pulls can be very diffuse because the organizational field is not a homogeneous construct (Levy and Rothenberg 2002) and the boundary of a field is often difficult to establish (Westney 1993). Moreover, as their activities span industries and national borders, MNEs belong to multiple fields (Rosenzweig and Singh 1991; Westney 1993); some form around an industry or national context, while others form around specific issues (Hoffman 1999, Levy and Rothenberg 2002). As a consequence, an MNE is subject to sometimes incompatible or inconsistent isomorphic pulls because it tries to conform to a wide variety of geographically disparate institutional pressures (Rosenzweig and Singh 1991; Westney 1993).

The extant literature on the diffusion of organizational practices in MNEs emphasizes the internal differentiation of an MNE, where each part of the MNE can be different, under the isomorphic pull of home and/or host country, investigating on a subsidiary level whether it is the MNE parent or the local institutional context that is most influential (Kostova and Roth 2002; Rosenzweig and Nohria 1994). Rosenzweig and Nohria (1994), for example, find that human resource management practices primarily resemble local practices. In studying quality management practices, Kostova and Roth (2002) discover a more diffuse pattern where the

influence of the parent and the local context – which they refer to as 'institutional duality' – plays out differently, depending on issues related to the parent-subsidiary dependence, trust, and identification as well as different isomorphic pulls from the local context. However, it has been argued that an MNE is not only under the influence of its home and host countries, but also of the global context because an MNE can be "regarded as a set of differentiated structures and processes, and each of these structures and processes exists in the many subunits of the organization", which means that an MNE will strive for a degree of internal consistency (Rosenzweig and Singh 1991, p. 344). In other words, on a subunit level, the MNE is subject to an isomorphic pull from the global context because its activities are interdependent with other parts of the MNE (Westney 1993). Correspondingly, Guler et al. (2002) find that MNEs themselves act as a strong coercive isomorphic pressure for spreading quality management systems across the globe, both from interdependence within the MNE and interaction with competitors and suppliers. Research on human resource and quality management practices and standards thus shows that MNEs aspire a degree of global consistency in adopting organizational practices, in addition to different isomorphic pulls that operate at the home and host country levels.

Yet, the emergence of global CSR standards seems to have created an additional coercive pull, explicitly operating on a global level under the influence of international governmental or nongovernmental organizations (Matten and Moon 2008). The global CSR standards we focus on in this paper are all initiatives of such international organizations that tend to have been developed through a process of multistakeholder engagement with a wide variety of governmental, non-governmental and corporate actors, in which, interestingly, MNEs appear to have played a pivotal role (Levy et al. 2010). Therefore, we argue that global CSR standards have resulted in a global issue-level field centered on CSR reporting (Hoffman 1999; Levy and Kolk 2002), and it is because MNEs conform to these standards that they become less responsive to their country of origin. The reason why MNEs have been instrumental in developing and adhering to global CSR standards is because it creates new institutional arrangements that better fit their corporate context. Seo and Creed (2002) argue that MNEs take on this role because they face a situation of interinstitutional incompatibilities and adhering to global standards can thus be seen as a way of dealing with

seemingly incompatible or inconsistent isomorphic pulls. Seo and Creed (2002, p. 229) view MNEs as "those actors whose ideas and interests are not adequately served by the existing social arrangements as potential change agents who, in some circumstances, become conscious of the institutional conditions that leave their needs unmet and take action to change the present order". For example, Greenwood and Suddaby (2006) find that the Big Five accounting firms changed their organizational structure from focusing on local jurisdictions towards an international scope to better service their international clients. Notably, in this process they resisted or even reversed normative and coercive pressures from local professional accounting associations and the Securities and Exchange Commission.

We posit that the way MNEs adhere to global CSR standards in positioning themselves in the global issue-level field of CSR reporting is a response to such interinstitutional incompatibilities, which is both driven by a need for efficiency and safeguarding a global reputation and legitimacy. An important driver of the need for globally-consistent business practices is the economic pressure to compete on the global market (Bartlett and Ghoshal 1989). CSR can be considered a form of investment in response to demand from consumers, employees, investors and communities, which is subject to economies of scale and scope and can be a source of intangible assets (Gardberg and Fombrun 2006; McWilliams and Siegel 2001; Portney 2008). Dowell et al. (2000) argue, for example, that the competitive effect of globalization induces MNEs to adhere to stringent environmental standards, because in doing so they avoid potential clean-up costs, develop globally transferable environmental management routines, and create competitive advantage vis-à-vis local companies that merely comply with (less stringent) local standards.

However, MNEs have also repeatedly been criticized for the social and environmental implications of their activities, so this clearly can also be seen differently. Adherence to global CSR standards may also be seen as a mechanism to respond to stakeholder pressure that MNEs face on the issue of exploiting cross-country social and environmental differences (Christmann 2004). Moreover, cross-national convergence of (environmental) policies, norms and rules creates a global isomorphic pull as well (Bennett 1991; Busch and Jörgens 2005), which could have a harmonizing effect on MNE business practices (Harzing and Sorge 2003). Christmann (2004) finds, for example, that institutional pressures from

international convergence of environmental regulations, industry codes of conduct, and consumers' opinion on an MNE's reputation lead to global standardization of environmental standards, policies and communications.

In other words, even when the competitive effect of globalization may not be enough to incur harmonization of MNEs' non-financial disclosures to a higher standard by itself, the recently emerging global CSR standards and cross-national convergence of institutions governing social and environmental issues may invigorate this effect and bring about a harmonization of such reporting. Therefore, as global CSR standards respond to the need of MNEs for internal consistency across subunits and deal with interinstitutional incompatibilities, we expect that the adoption of global standards will moderate the country-of-origin effect: for firms that adhere to many of the above-mentioned global standards, we expect domestic institutions to play a less important role in explaining variance of CSR disclosures than for those firms that do not adhere to global standards. Therefore we hypothesize:

Hypothesis 1: MNEs' adherence to global CSR standards reduces cross-country differences in CSR disclosures.

Up to this point, we have treated global CSR standards as an isomorphic pull which has a harmonizing effect on MNEs' CSR disclosures. What is important at this point, however, is that global CSR standards are considered a *coercive* isomorphic mechanism, because these standards define new rules for the organizational practice of CSR reporting (Matten and Moon 2008), which, once adopted, involve a system of monitoring and sanctioning (Scott 1995). This coercive nature of global CSR standards means that adoption only grants legitimacy to an MNE in the global issue-level field centered on CSR reporting, when it conforms to the rules set by the standard. In other words, MNEs depend on the standard-setting bodies for legitimacy as a resource; a resource which becomes more valuable as the standard-setting body monitors and enforces conformity, since this will increase the risk of withdrawal of the standard (DiMaggio and Powell 1983; Scott 1995). We therefore posit that the strength of the harmonizing effect is also subject to the level of coercion global CSR

standards create for firms.

The coercion level depends both on the entity which makes the rules and how these rules are enforced (Ingram and Clay 2000). In the case of the five global CSR standards under study, the rule-making entity is fairly similar as they all represent international organizations. Yet, the extent to which the standards exert pressure for compliance particularly varies depending on systems for monitoring and enforcement put in place (King and Lenox 2000; Van Tulder and Kolk 2001). Standards without clear monitoring and enforcement run the risk of falling victim to opportunistic behavior by firms which adhere to the standard, but fail to comply with all requirements set by the standard (Ingram and Clay 2000; King and Lenox 2000). While there is an isomorphic pull among MNEs towards adhering to the principles set forth by a global CSR standard, only good CSR performers will also implement the principles because they have an incentive to communicate their performance to external stakeholders (Jiang and Bansal 2003). Poor performers, on the other hand, have the potential for opportunism to free-ride on the halo effect of good performers and will thus only adopt the CSR principles on paper (King and Lenox 2000). The only way to set limits to opportunism is to strengthen a standard with systems for monitoring and enforcement.

Regarding the five global CSR standards, on the one hand, the UN Global Compact and the GRI Guidelines are standards that firms can freely say to comply by without facing clear ramifications in the case they do not, or do not entirely, meet the terms.[1] On the other hand, ISO 14001 includes a framework that provides for initial certification by an external party based on the standard's requirements and subsequent continuous improvement provisions. The OECD Guidelines and ILO Standards fall somewhat in between these two, as both have the option for official complaints to be filed against firms not meeting these standards, after which an official 'interpretation' of the guidelines follows, and in some cases conflict mediation is provided (though these interpretations are by no means binding, and mediation is voluntary). Thus, with regard to a standard's pressure for compliance, we expect that global standards with better systems for monitoring and enforcement will have a stronger upward harmonization effect on disclosures and we hypothesize:

Hypothesis 2:   Global CSR standards which are more stringently monitored and enforced

will more likely result in a greater cross-country harmonization in CSR disclosures.

Data and Methodology

Sample

To test our hypotheses, we collected data on CSR reporting for a sample of firms consisting of the top 250 firms listed in the Fortune Global list published on 26 July 2004 by Fortune Magazine. Data collection took place in the period September 2004 to January 2005. All 250 firms in the sample were scrutinized for their most recent corporate report that dealt with environmental, health and safety, corporate responsibility, sustainability, social or similar types of information. This could be either a separate non-financial report or, if that was not available, the annual financial report if it contained a substantial section with non-financial information. Only reports that covered either the year 2003/2004 or 2004 (depending on the fiscal years used by companies) were included. In order to find these reports, websites were visited to actively search for reports and, if this did not yield results, the firms were contacted, several times if necessary, by letter, mail and/or phone, in order to have certainty about reporting by the whole set of 250 firms.

For a total of 161 firms (64.4% of the Fortune 250), either a stand-alone CSR report was obtained, or a financial report in which a substantial section on non-financial issues was included. The firms without such reports were not included in our analysis, since the focus of our study is on CSR reporting and on how international standards may both stimulate such reporting practices and lead to harmonization in reporting practices across firms from different institutional backgrounds, depending partly on their stringency. Because our analysis focuses on the Triad regions, the 6 firms that came from developing countries were excluded from the sample. The remaining 155 reports form our final sample, and data were gathered for each firm. In order to test whether these 155 form a good representation of the total set of 250 Fortune Global firms, we used Kolmogorov-Smirnov tests for the key variables reported in the Fortune list. These tests indicated that there are no significant differences in the distribution of our sample versus the total set of 250 Fortune Global firms for either revenues ($p = 0.941$), total profits ($p = 0.995$), assets ($p = 0.241$) or employees ($p =$

0.963).

Variables

Dependent Variables

To measure our dependent variables we apply the concept of triple bottom line reporting (Deegan 2002; Elkington 1997), which takes into account the social, economic, and environmental dimensions of CSR reporting. Because the social dimension of CSR reporting reflects a broad range of issues and is therefore difficult to measure with a single variable or construct (Chapple and Moon 2005), we constructed three separate variables that reflect different aspects of the social dimension of CSR reporting. These three variables are 1) internal employee issues, 2) external employee issues, and 3) community issues. The distinction between internal and external employee issues has been proposed by Cassell (2001), Park (2004), and Turban and Greening (1997). Internal employee issues refer to labor conditions on the work floor, where external employee issues refer to labor and human rights at large. The concept of community issues builds on Hess et al. (2002). The three variables are named *Employment*, *Rights*, and *Community*, respectively.

For the economic dimension of CSR reporting we created one variable that not only takes into account how firms benefit themselves through profits, but also comprises what business contributes to society in their regular business practices, such as taxes, competition, or fair trade (specified as 'economic impact') (cf. Carroll 1999; Fortanier and Kolk 2007). Finally, for the environmental dimension of CSR reporting we decided to focus on one particular issue that has become prominent for firms worldwide: climate change (KPMG 2005).

The reports were thus analyzed in detail to see if firms reported on the issues employment, (human) rights, community, economic impact and climate change. Each of these issues was measured by 5 binary items, indicating if a firm reported (yes or no) on a particular issue (thus, the reports were analyzed on 5x5=25 binary items in total). Table 1 indicates the items that were included for each of our five dimensions of CSR reporting, as well as the means and standard deviations for these indicators. In addition, a brief description of the criteria used to classify whether a firm reports on a certain indicator is included. In general, the mere mentioning of a particular issue (like firms would say to be 'committed to human rights'

without any further specification) was not sufficient to be scored as reporting on a particular issue. Instead, a specification of the mechanisms in place to address a particular issue, or a description of the qualitative or quantitative efforts to obtain a certain goal, or quantified results and outcomes of certain policies *were* considered to merit a score of '1'.

All coding of the information was done by one researcher. This individual researcher did discuss in detail the results for the first 20 observations with two colleague academic experts and with several researchers at an accounting and consultancy firm who specialized in the issue of CSR. These discussions showed that there were no differences in interpretation between these experts and the individual researcher that coded the reports. It is important to note that the variables are binary and do not impose an implicit or explicit valuation of firm behavior other than indicating whether a particular issue is reported at all in the CSR report (which occasionally could be negative). Since that was relatively easy to objectively assess, and since there were no differences between the individual researcher and the panel of experts that reviewed the scores for the first batch of firms, it was not deemed necessary to have the reports coded by more than one rater. The description of each of the 5 constructs below indicates in more detail when a firm was deemed to report on a certain aspect and hence obtained the value '1' for a particular variable. Some illustrative – and sometimes rather remarkable – examples of what firms report exactly on these five issues can be found in box 1.

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Table 1 and Box 1 about here

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Employment. For the variable *Employment,* the indicators 'Employee satisfaction', 'Diversity', 'Equal opportunity', 'Working conditions', and 'Training' were included. Employee satisfaction refers to if firms report on whether employees are content with working for the firm. In the majority of cases, it implied the publication of the results of employee surveys. Diversity was measured by whether the report contained quantitative information on the diversity of its workforce, by either gender or ethnicity, or both. Closely

related to that, the third indicator, 'Equal opportunity', refers to the inclusion of information on the specific policies, programs or committees aimed at promoting or ensuring equal opportunities regardless of gender and ethnicity. Working conditions refer to information published on a firm's primary and secondary working conditions, including for example to compensation, working hours, overtime, various types of leave of absence, and benefits related to pensions or (health) insurance. The indicator 'training' measured if the firm reported on its efforts to train its employees. Often it meant reporting on total hours of training (total or per employee) or the total expenses of staff training.

Rights. For the variable *Rights*, the indicators included reporting on employee and human rights, including 'Freedom of association', 'Collective bargaining', 'Human rights', 'Child and forced labor', and 'Corruption and bribery'. Firms were deemed to report on freedom of association if they explicitly stated to allow their employees to e.g. join unions, to promote freedom of association, or mentioned the percentage of unionization of their workforce. Reports on collective bargaining elaborate on the process of collective bargaining within the firm, including for example (European) Works Councils. Firms were considered to report on either of the other three indicators if the reports included statements about commitments to human rights, the condemnation of using child or forced labor, and denunciation of corruption and bribery, especially if combined with more detail on how a firm implements these commitments (via committee members, or training programs for employees on these issues).

Community. The variable *Community* refers to reporting on issues related to the 'good causes' that firms contribute to, often – although not always – charity related. We selected contributions to health programs in general, those related to HIV/AIDS, to educational programs and water projects, and at a more general level, to a corporate foundation. Firms are considered to report on these issues if they disclose information on the size of their contribution or commitment, or the effects of the programs.

Economic impact. Firms' economic impact extends beyond contributions to concrete community projects. One of the most important potential channels through which firms can contribute to improving the lives of many is their day-to-day operations. Creating employment, paying taxes, engaging in fair trade and competition, is increasingly being seen

as an economic component of CSR (and one that international organizations regard as important in the framework of the Millennium Development Goals). To construct the variable *Economic Impact*, we examined if firms reported on tax issues, such as transfer pricing policies, or the firms' effective tax rate; on engagement in fair trade and commitment to fair competition, their economic impact on society; and their philanthropic commitments that surpass concrete community programs.

Climate Change. The variable *Climate Change* was constructed by combining information on whether firms reported on climate change issues in general, by whether they disclosed information on their greenhouse gas emissions; their participation in voluntary agreements and the achievement on the targets related to those agreements; and the size of their engagement in either emissions trading schemes or carbon reducing projects (for related measurement instruments see Freedman and Jaggi 2005; Kolk and Pinkse 2005).

The five items for each of the five scales were combined to form reflective indicators (see e.g. Baxter 2009; Coltman et al. 2008). Although formative scale construction becomes increasingly popular (cf. Diamantopoulos 2008; Wilcox et al. 2008), the theoretical and empirical aspects that should be considered when deciding between these two approaches consistently point at a reflective model in our case (cf. Coltman et al. 2008): our constructs (reporting strategy) exist independent of the measures used, the causality runs from the construct (in our case: reporting) to the items (disclosure on individual components), and the items are manifested by the construct in the sense that they share a common theme and are interchangeable to a degree. Also in previous studies, CSR (reporting) strategies are generally considered to be multidimensional constructs, whereby overall corporate strategy towards CSR (reporting) influences behavior with regard to a variety of sub-dimensions (items) (cf. Perrini et al. 2007; Outtes Wanderley et al. 2009). As a reflection of this, the items we use also show high and positive inter-correlations for each of the scales: the Cronbach's alpha for these scales were good to reasonable, with 0.79 (*Employment*); 0.70 (*Rights*); 0.62 (*Community*); and 0.57 (*Climate Change*). The scores for Community and Climate Change are relatively weak (although scores of 0.6 and higher are accepted in more exploratory studies; Cavana et al. 2001), But especially the *Economic impact* construct scored very low (alpha = 0.40), and while excluding one to two items did increase scale

reliability (to 0.58), the regression results were not affected, so we still preferred to use the broader 5-item construct. Finally, for reflective indicators, measurement error is part of the variables and hence the construct. This may be eliminated using factor analysis. Therefore, for all five constructs, we used the factor scores resulting from confirmatory factor analysis, using tetrachoric correlations (that are appropriate given the binary data of our items) as input into the factor analysis (cf. Knol and Berger 1991). The extracted factors accounted for 56,2% (employment); 46% (rights); 40,6% (community); 38,4% (climate change) and 31,0% (economic) of the total variance in the underlying items. It should be noted that these percentages are not very high (50% is generally used as proof of unifactoriality, cf. Fornell and Larcker 1981), reflecting also the Cronbach's alpha values. However, for all five constructs, the factor analysis pointed at a single factor solution (i.e., only 1 factor had eigenvalues greater than 1).

Independent variables

Country. A set of dummy variables is created that clusters firms according to their countries of origin. Six different groups are distinguished: US, Asian (including 33 Japanese as well as 3 South Korea firms), French, German, UK, and Other European firms (which includes firms from Belgium, Finland, Italy, Luxembourg, the Netherlands, Norway, Spain and Switzerland). In all estimations, the USA is used as the reference category in the set of country dummy variables.

Standards. Five of the most common global standards or guidelines to which firms and their non-financial reports can adhere to have been distinguished (see above): the Global Reporting Initiative (GRI), the UN Global Compact (UNGC), the OECD Guidelines for Multinational Enterprises, the ILO Conventions, and ISO14001. Firms were scored 'yes' if their report explicitly stated that the firm was member of, or followed/implemented the guidelines of, or was certified by, a particular standard.

Control variables. We followed the existing literature explaining environmental and CSR reporting and included three control variables in our estimation. First, studies on environmental disclosure have shown that the size of firms is important for environmental accountability (Adams et al. 1998; Gray et al. 1995; Neu et al. 1998). The logic behind these

findings is that with increasing size, firms become more visible and so do their environmental impacts, thus exposing them to increased public pressure to increase their disclosure. We measure the variable *LogSales* as the logarithm of a firm's total sales. Second, it is often suggested that higher levels of environmental disclosure contributes to economic performance and profitability (Al-Tuwaijri et al. 2004). Although the causal relation may also run the other way round, in our cross-section data we expect a positive relationship between economic and environmental disclosure. *Profitability* is measured as return on sales. Third, we expect that differences in capital intensity (i.e. capital versus labor intensive production) positively influence non-financial disclosure, because it is related to the visibility of a firm (Belkaoui and Karpik, 1989), and its susceptibility to stakeholder pressures on either social (labor intensive) or environmental (capital intensive) issues. Capital intensity (*CapInt*) is calculated as the logarithm of the amount of assets per employee. Finally, we included the degree of internationalization (*DOI*), which is calculated as foreign sales as a percentage of total sales, as control variable. We expect that higher degrees of internationalization positively influence the adaptation of international standards. Data used to calculate the control variables were taken from the information (on sales, assets, returns, and employment) reported in the Fortune 2004 list, with the exception of DOI. For this last variable, we used data from Rugman (2005); missing values were obtained by taking data from corporate annual reports. All these data refer to the year 2003, and hence slightly precede the years of the dependent variables and main independent variables (that covered either the 2003/2004 or 2004 period).

One control variable that is often included in research related to CSR and has been shown to affect an MNE's degree of globalization is the firm's sector or industry (Kolk 2005; Rugman and Verbeke 2008). Given the limited sample size, it was not possible to include a full set of industry dummies. Instead, we included a 3-category dummy variable *Sector,* indicating if a firm was involved in low-tech manufacturing, high-tech manufacturing, or services (with respectively 38, 51 and 66 observations). While this is a less than optimal classification, previous research has shown however that while adding a set of industry dummy variables importantly increases the explanatory value of model with CSR reporting as dependent variable, it does not affect the individual effect on CSR reporting of our main

variables of interest in this study: the country of origin of the MNE (Kolk 2005). Therefore, we believe that our results are not likely to be biased due to including only limited industry controls.

Analysis

In order to test our hypotheses, we estimated the following regression equation for each of our five dependent variables, using ordered logistic regression in view of the nature of our dependent variables (which are ordinal variables with values ranging from 0 to 5):

$$logit\left(\frac{p_1^j + p_2^j + ... + p_k^j}{1 - p_1^j - p_2^j - ... - p_k^j}\right) =$$

$$\beta_k^j + \beta_{1_{i-1}}^j Sector_{i-1} + \beta_2^j Profitability + \beta_3^j LogSales + \beta_4^j CapInt +$$

$$\beta_5^j DOI + \beta_6^j Stand + \beta_{7_{m-1}}^j Country_{m-1}^j + \beta_{8_m}^j Stand * Country_m$$

where: $j = [1\text{-}5]$, the number of different dependent variables;

$i = [1\text{-}3]$, the number of categories in the Sector classification;

$k = [0\text{-}5]$, the categories within the dependent variables;

$m = [1\text{-}6]$, the number of categories in the Country classification;

$p = $ the probability of an observation having a certain value on dependent variable j (N.B. the sum of $p_1 + p_2 + ... + p_k = 1$)

The equation represents the model that is estimated for each of the five issues that were selected as dependent variables: Employment, Rights, Community, Economic impact and Climate Change. The model includes the interaction effects between standards and country of origin, to test the hypothesis of decreasing importance of country-of-origin effects for firms that are actively adopting global standards. We are particularly interested in differences in the *spread* of the Country intercepts between firms that have not adhered to global standards, versus those that do. Therefore, after performing the regression analysis, we calculate from the estimated regression equation the intercepts for each country for the set of firms that did and did not adhere to the standard of interest. By exploring the variation in the estimated intercepts (via coefficients of variation), we can assess if adhering to standards is not only paired with increased disclosures, but also with a reduction of the country of origin effect.

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Results

Descriptive statistics of the variables and their correlation coefficients are displayed in table 2. The table shows that all five dependent variables are significantly positively related to each other; with the exception of climate change. Apparently, firms that report extensively on one particular issue are also more inclined to report extensively on other issues. Still, as the correlation coefficients are not extremely high, the dependent variables do represent different dimensions of reporting, as also becomes obvious from the different coefficients of the correlations with the independent variables. For example, profitability is positively related to the extent to which firms report on community issues, and negatively to reporting on climate change. The degree of internationalization is positively related to reporting on Rights and Community, but not to the other dependent variables in the analysis. No significant correlations are present between Profitability and the other dependent variables. Firm size (Log Sales) is positively related to all dependent variables, while Capital Intensity does not seem to be significantly related to CSR reporting. The extent of the adoption of global standards is positively related to all dependent variables, and negatively with the capital intensity of production. Although the independent variables are often related to each other as well – for example, more international firms tend to more frequently adopt global standards – the correlation coefficients are not very high, indicating that multicollinearity is not likely to be a problem. VIF statistics (that were below 2 for all variables in all models) confirmed this.

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Table 2 about here

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The results of the regression analyses are presented in table 3. Since we estimated a total of 25 regression equations (for each of our five development variables, with each of the five different standards as independent variables), displaying the complete results for all the models was not feasible. Hence, table 3 gives a few examples of the results, with '*GRI*' as standard. The table shows for each of the five dependent variables, the results with and without the interaction effects between the country variables and the standard variable.

Although not all individual variables that constitute the main and interaction effects are significant, the F -test shows that adding the interaction terms improves the model significantly in all cases. In addition, the substantial increases in R^2–values indicate that adding the interaction effects improves the model fit.

The first models in each set (i.e., models (1)) that include only the country dummies show that with the exception of climate change issues, reporting is always significantly influenced by country-of-origin effects, in the sense that there are significant differences between firms from different countries. In addition, in particular corporate size (logSales) has positive effects on the extent of reporting on all the issues under examination: employment, rights, community, economic and climate change issues. Capital intensity is positively associated with reporting climate change issues, while profitability – measured as returns on sales – is positively related to reporting on employment and community issues and negatively to climate change issues. Differences across industry are also significant, especially between low-tech (the reference category) and high-tech manufacturing. High-tech manufacturing firms are more likely to report on employment issues and community issues than low-tech firms. Services firms in turn are particularly less prone to report on issues related to climate change.

Particularly reporting on employment and rights shows strong differences across home countries. French, German, British and other European firms report much more than US firms (the reference category) or Asian firms on employment issues and rights. Employee issues are typically addressed differently in most European countries (with institutionalised negotiations with labour representatives, and accepted unionization) with a more explicit approach to right more generally, than that is the case in the US and Japan, although the latter show large cultural variety amongst the two. Still, the wide variety in coefficients across European countries suggests that non-financial reporting on many of the dimensions we identified here, is still influenced by national, and not regional (i.e. European or Triad, as suggested by Rugman 2005; Rugman and Verbeke 2004) institutional backgrounds (cf. Kolk 2005).

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Table 3 about here

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Table 3 also clearly shows that adherence to a standard such as GRI is paired with higher levels of CSR reporting. Similar results were found for the other standards. The key question of this paper, however, is not only if global standards lead to an increase in CSR disclosures, but also if the differences across countries are less pronounced in the group of firms that adopts global standards, versus those that do not, and how this effect potentially varies across the stringency of global standards. This implies analyzing whether the variance in intercepts between the countries of origin is different for high-standard versus low-standard firms. Table 4 gives an overview of all the calculated intercepts for all dependent variables and all standards, to examine whether the adoption of global standards leads to more harmonized reporting practice. In order to assess this harmonization, we calculated for both the sets of firms that do (i.e., the column 'yes') and do not ('no') adhere to a particular standard, a) the variance in the six intercepts, b) the difference between the maximum and minimum values of the intercepts, and c) the so-called Coefficient of Variation (C.V.).

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Table 4 about here

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The first indicator in table 4 used to examine the extent of harmonization is the variance. In light of our first hypotheses, we would expect this variance to be smaller among the firms that do adhere to a particular standard, compared to the firms that do not. However, the table does not show a clear pattern in this direction. We find that in comparing the 'no' and 'yes' columns, 11 out of the 25 sets of intercepts show indeed, as expected, a lower variance for the firms that adhere to a standard, but 14 out of the 25 sets of intercepts showed in contrast that the variance in the 'yes' column was higher. The same applies to the difference between maximum and minimum values.

However, one reason for the increase in variation for some of the dimensions is that the

overall level of intercepts is higher for firms that adhere to a particular standard. For example, a variance of 1 on a mean of 2 implies considerable more spread than that same variance of 1 in comparison to a mean of 50. To account for this effect, we calculated the Coefficient of Variation (CV), which corrects the variance (standard deviation) for the level of the mean. The CV is therefore a very suitable statistic to compare variation in intercepts between the groups of firms that did and did not adhere to a particular standard, and can also be used to compare results across dependent variables and standards, since it is 'unit-less' (see also table 5 below).

With this measure, we do find evidence of harmonization, lending support to Hypothesis 1. In 17 out of 25 comparisons, the CV among the estimated country intercepts is lower among those firms that mention a global standard ('yes') compared to those that do not (the 'no' column). In addition, for 5 out of the remaining 8 comparisons, the higher CVs were caused by a single extreme value that in turn was caused by a limited number of observations from a particular country (mostly Asia) that disclosed information on the dependent variable. Excluding the extreme also resulted in lower CVs in all these comparisons.

In order to explore how strong the harmonization effect of standards is, and to see if it differs depending on the enforcement characteristics of the standard (i.e., hypotheses 2), table 5 displays the ratios of the CVs of the intercepts that were listed in table 4. For example, the first number on the first line of table 5 indicates that the CV of the estimated country intercepts in the model with Employment as dependent variable and GRI as standard, for firms that did not adhere to the GRI standard was 2,70 times larger than the CV of the intercepts of firms in that model that did adhere to the GRI standard (compare 0.71 and 0.26 in table 4).

When we analyze the results in table 5 in light of the enforcement mechanisms of standards, we see that the relatively strictest standard (ISO14001) is actually among the standards with the least strong harmonization effect (the OECD guidelines are worst in this respect). In contrast, the highest scores with respect to harmonization are found in the more lenient standards of GRI and Global Compact. This means that hypothesis 2 is not supported. Part of this can be explained by the scope of the standards, however. The two standards with a narrow scope – ISO14001 and ILO which focus on respectively the environment and

employment issues – do have the strongest harmonization effects for the issues they deal with in particular: ILO for employment issues, followed by rights, and ISO14001 for climate change issues (although in both cases, the OECD respectively the GRI has the strongest harmonizing effect overall). These aspects deserve further attention in follow-up research.

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Table 5 about here

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Discussion and Conclusion

The aim of this study was to examine the influence of global standards on MNEs' CSR reporting. As put forward in the hypotheses, we expected MNEs' adherence to global standards to be associated with smaller cross-country differences and less country-of-origin effects in CSR reporting than found in prior studies. In addition, we expected variation in this 'upward harmonization' effect depending on the stringency of enforcement mechanisms included in the standards. We tested these hypotheses using 2004 data for all Fortune Global 250 firms that reported on CSR (n=155). For these firms, we collected data on their reporting practices for a range of CSR items that combined into five indicators regarding internal and external social issues, as well as community, economic and environmental issues (specified respectively as employment, rights, community, economic impact and climate change). Using GLS regression analysis, we examined the combined effect of country of origin and standardization on each of these five indicators, controlling for other variables such as firm size, degree of internationalization, and profitability.

The results supported our hypothesis 1: standards are indeed associated with more harmonization in CSR reporting across firms from different countries. Domestic institutions play less of a role in explaining CSR reporting among firms that have adopted global standards in comparison with firms that have not adopted them. We established this for all five dimensions of CSR reporting that we studied: issues related to employment, rights, community, economic impact, and climate change. We further explored the results to see if any differences could be identified in this 'upward harmonization effect' across the five standards we selected. The standards in our analysis – i.e., the GRI, the Global Compact, the

OECD Guidelines for MNEs, the ILO Conventions, and ISO14001 – differ strongly with respect to the strengths of their enforcement mechanisms. We found that the data did not provide strong support for this hypothesis: stricter enforcement mechanisms did not result in stronger harmonization.

These results have some important political and managerial implications. First of all, the findings indicate that international cooperative efforts to develop standards of responsible behavior appear to bear fruit. Even for firms originating from countries where social and regulatory pressure is highest (i.e., the European countries), the adoption of standards increases the extent of reporting in comparison to firms that have not adopted these global standards. While this should not lead to the conclusion that voluntary standards are more effective than legislation, the findings do indicate that global voluntary guidelines at least have a distinctive role to play in addition to domestic legislation. The results also suggest that fears that these standards and guidelines only serve for firms to 'green-wash' or – in the case of UN sponsored standards – 'blue-wash' their activities might be unwarranted.

In addition, global standards and guidelines do not only increase the overall level of CSR reporting, they are also associated with a harmonization of CSR activities of firms from different countries, thus reducing the role that domestic institutions (including legislation and societal concerns) play in shaping CSR practices. This finding becomes particularly interesting if CSR is seen from an international strategy perspective, where the idea of globalization pressures resulting in global, footloose and uniform firms that converge strategies and practices in all sorts of respects often enters the debate (e.g. Ohmae 1990; Reich 1991). While empirical evidence on all kinds of other strategic and organizational indicators still hints at strong country-of-origin effects (e.g. Harzing and Sorge 2003), our results indicate that in the area of CSR reporting, international institutions may lead to harmonization.

This seems to hint at a dynamic in which MNEs adhere to global standards, stimulated by and put in the context of international institutions, which leads to increased interaction between these firms, often via regular events that take place. The Global Reporting Initiative, for example, has since 2006 bi-annually organized a large-scale sustainability reporting conference, attended by many practitioners with the purpose of learning and exchange, and

giving rise to more informal and smaller kinds of meetings and contacts. Particularly CSR managers are likely to be active in this regard. Such a degree of harmonization may reflect what has been called a 'market morality' in the case of ethical norms (cf. Bowie and Vaaler 1999), although this is something that needs further investigation. It would be interesting to contrast this with non-reporting firms to explore their involvement in this 'market' – we excluded non-reporters in our study as our focus was on CSR reporting.

From a managerial point of view, it appears to be a good choice for those firms looking to improve their activities in the area of CSR to join such global codes and guidelines. These global standards, and the networks of firms, governments and NGOs that are created around it, may be a good way to transfer (tacit) knowledge on CSR management, implementation and reporting that are not, or not as easily, available through other means. It also helps to create awareness on how to deal with international as well as home/host country demands, and in which cases there are indeed large cultural differences that are wise to consider more explicitly and on which aspects there is much more convergence. The former, which seems to reveal national peculiarities, can then be approached differently and specifically, for example through a targeted stakeholder dialogue or processes of internal consultation including the subsidiaries involved.

These considerations followed from our findings that the harmonization effect is stronger for some issues than for others, and these results also point at interesting areas for follow-up research. Harmonization seems to have progressed most for the more traditional reporting topics, community and employment issues (KPMG 2002), where firms have gained more experience and where knowledge about the specifics of implementing and measuring is easier available. Rights issues and economic impact are more difficult to assess and delineate and frequently involve difficult dilemmas about firms' role in society, and may therefore be more likely to reflect domestic idiosyncrasies rather than global standards. Particularly economic impact has only recently been placed more firmly on firms' CSR agenda. Climate change is perhaps subject to a different dynamic: while almost by definition, it is a global issue and subject to global (UN) policy-making (Levy and Kolk 2002), existing disagreements about e.g. the ratification of the Kyoto Protocol and the implementation of the Kyoto mechanisms seem to have led to a stronger country-of-origin effect (less

harmonization) than for most other CSR issues that we studied.

There are several other aspects that deserve further investigation, as there were limits to what was covered in our study. Longitudinal data could shed more light on how the process towards international harmonization of CSR reporting practices under the influence of standardization takes place. Such a research design could for example also help to assess the consequences of what happens when requirements are reduced or strengthened. Will this influence the harmonizing effect of that particular standard? It could also be studied whether some standards have a different impact on firms' behavior than others, and which firm-specific factors (for example degree and type of internationalization of firms, both upstream and downstream) play a role in this regard. In addition, the effects of standardization on the sophistication of reporting (e.g., external verification of the report, a path that especially European firms are taking (Kolk 2005; KPMG 2005) should be an interesting direction for further inquiry. And finally, as global standards often also refer to the management system needed to implement CSR commitments and policies, and ask for example for information on corporate governance, similar studies on the harmonizing effects of standardization on the organizational dimensions of MNEs' CSR activities could also yield important information on CSR strategies, implementation and performance.

Endnotes

[1] In recent years, the Global Compact has become somewhat stricter when participating firms repeatedly fail to submit a report. However, this was after we did our empirical study and it is generally seen as still very weak in terms of sanctions and compliance.

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Table 1: Items in the Dimensions of Sustainability Reporting (n=155)

Indicator	Firm is considered to report on indicator if:	mean	s.d.
EMPLOYMENT			
Employee satisfaction	Report contains information on whether employees are content with working for the firm (generally the results of employee satisfaction surveys)	0.329	0.471
Diversity	Report contains quantitative information on the diversity of the firm's workforce, by either gender or ethnicity, or both	0.697	0.461
Equal opportunity	Report contains information on specific policies, programs or committees aimed at promoting or ensuring equal opportunities regardless of gender and ethnicity	0.632	0.484
Working conditions	Report contains information on a firm's primary and secondary working conditions and benefits	0.626	0.485
Training	Report contains information on firm efforts to train employees (often hours or expenses of training)	0.729	0.446
RIGHTS			
Freedom of association	Report includes statement that firm allows its employees to join unions and promotes freedom of association, or the percentage of unionization of their workforce	0.271	0.446
Collective bargaining	Report elaborates on the process of collective bargaining within the firm, including e.g. a (European) Works Council	0.329	0.471
Human rights	Report includes statements on commitments to human rights in combination with detail on implementation (often, via committee members, or training programs for employees).	0.529	0.501
Child and forced labor	Report includes statement condemning child and forced labor, in combination with detail on implementation (often, via committee members, or training programs for employees).	0.310	0.464
Corruption and bribery	Report includes statement denunciating corruption and bribery, in combination with detail on implementation (often, via committee members, or training programs for employees).	0.187	0.391
COMMUNITY			
Health programs	Report includes information on size of contribution to, or effects of, health programs	0.400	0.491
HIV/AIDS relief efforts	Report includes information on size of contribution to, or effects of, HIV/AIDS relief efforts	0.297	0.458
School/education programs	Report includes information on size of contribution to, or effects of, school/education programs	0.665	0.474
Water projects	Report includes information on size of contribution to, or effects of, water projects	0.103	0.305
Foundation	Report includes information on size of the foundation or its effects	0.490	0.502
ECONOMIC IMPACT			
Tax issues	Report includes information on tax issues, such as transfer pricing policies, or the firms' effective tax rate	0.155	0.363
Economic impact	Report includes information on the size of the firm's economic impact on society	0.265	0.443
Engagement in Fair Trade	Report includes information on firm's engagement in fair trade	0.065	0.246
Philanthropy	Report includes information on philanthropic commitments that surpass concrete community programs	0.742	0.439
Fair competition	Report includes information on firm's commitment to fair competition	0.065	0.246
CLIMATE CHANGE			
Climate change issues	Report includes information on firms commitment to mitigating climate change	0.845	0.363
Direct GHG emissions	Report includes information on a firm's direct Green House Gas emissions	0.716	0.452
Voluntary agreements	Report mentions if firm participates in a voluntary agreement and on the achievement of targets related to those agreements	0.206	0.406
Emissions trading	Report mentions the size of a firm's engagement in emissions trading schemes	0.245	0.432

| Carbon-reduction | Report mentions the size of a firm's engagement in carbon-reducing projects | 0.129 | 0.336 |

Box 1: Examples of firms' reporting - excerpts from their CSR reports

Employment issues
Aviva on equal opportunity: "Our diversity forum continues to meet on a regular basis to encourage and actively promote diversity in the business. A diversity business case has been prepared and discussed at the highest levels internally."
Hewlett-Packard: " Regular employee satisfaction surveys provide feedback on company programs and help identify areas for improvement. HP's VoW survey is available online to all employees in 17 languages. In 2003, more than 93,500 employees (65.8% of HP's total workforce) participated in the survey […] Areas identified by employees for improvement included [inter alia to] communicat[e] more clearly how employees, and the strategies of different HP businesses, contribute to the overall company strategy and goals".

Rights
Norsk Hydro on human rights: "Amnesty maintains a challenging dialog with us on human rights and provides training for Hydro employees in this area. We paid NOK 1 million to Amnesty in 2003, the same amount as the year before. Hydro has signed the Voluntary Principles on Security and Human Rights, which regulates companies' use of armed forces to protect their activities in vulnerable areas."
International Paper on corruption: IP has "clear, globally applicable policies prohibiting anti-competitive behavior, bribery and corruption. […] Our anti-bribery policies and enforcement mechanisms are based on the U.S. Foreign Corrupt Practices Act. We have an active awareness program that provides information on these policies to employees in their countries of residence using local experts and attorneys. We had no court decisions related to antitrust or anti-competitive behavior during 2002."

Community
Siemens on education: "Siemens has education programs in various countries. […] "South Africa: In Mosselbay, one of the country's poorest regions, we financed the construction of a school for 80 students. Siemens also pays for the building's up-keep and for a school bus."
Bristol Myers Squibb on HIV/AIDS: BMS initiated "a $115 million program […] in May 1999 to respond to the growing HIV/AIDS crisis. Since then it has developed and funded more than 160 innovative and sustainable community education and outreach and medical care and research initiatives in nine countries in southern and western Africa."

Economic impact
Pemex on taxes: Pemex made an interesting observation on its country's tax policy. Its report stated that "in spite of Pemex's efforts in 2003, the net return after taxes showed a deficit of 41.7 billion pesos, which reveals the need to modify the current fiscal regime to promote the company's health and sustainable growth."
Coca Cola on its economic impact: "With nearly 60,000 employees in 54 countries and territories, the Coca-Cola system is Africa's largest private sector employer."

Climate change
Citigroup on greenhouse gas emissions: "Beyond its own direct emissions, Citigroup is committed to publishing a carbon intensity index on new power generating projects that it finances."
Mitsui on climate change services: "As the issue of global warming is expected to exert significant influence on the future activities of Japanese corporations, Mitsui has taken the initiative to launch new businesses for the prevention of global warming, thus accumulating knowledge in this unexploited field. Now we offer comprehensive services, from the development and coordination of emissions reduction projects utilizing Mitsui's global network, to trading and brokering carbon credits, providing solutions for risks and opportunities of this new environmental businesses."

Table 2: Descriptive statistics and correlations (n=155)

	Variable	m.	s.d.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
(1)	Employ	0,00	1,00	1,00												
(2)	Rights	0,00	1,00	0,54 **	1,00											
(3)	Community	0,00	1,00	0,35 **	0,39 **	1,00										
(4)	Economic impact	0,00	1,00	0,35 **	0,38 **	0,30 **	1,00									
(5)	Climate change	0,00	1,00	0,06	0,26 **	0,14 †	0,16 *	1,00								
(6)	ROS	5,38	7,48	0,08	-0,07	0,14 †	-0,07	-0,25 **	1,00							
(7)	LogSales	4,60	0,24	0,14 †	0,19 *	0,30 **	0,25 **	0,17 *	-0,05	1,00						
(8)	LogCapin	1,98	0,62	0,01	-0,07	-0,07	-0,08	0,08	0,15 †	0,11	1,00					
(9)	DOI	40,72	23,62	0,11	0,17 *	0,21 *	0,08	0,05	-0,03	0,31 **	0,02	1,00				
(10)	GRI	0,51	0,50	0,27 **	0,30 **	0,30 **	0,35 **	0,30 **	-0,04	0,03	-0,11	0,12	1,00			
(11)	Global C.	0,35	0,48	0,37 **	0,47 **	0,37 **	0,24 **	0,10	-0,11	0,21 **	-0,01	0,26 **	0,14 †	1,00		
(12)	OECD	0,11	0,32	0,24 **	0,39 **	0,35 **	0,12	0,12	0,06	0,23 **	-0,04	0,18 *	0,19 *	0,40 **	1,00	
(13)	ILO	0,19	0,39	0,27 **	0,42 **	0,37 **	0,09	0,10	-0,04	0,15 †	-0,07	0,17 **	0,18 *	0,32 **	0,44 **	1,00
(14)	ISO14001	0,60	0,49	0,14 †	0,13 †	0,01	0,15 †	0,31 **	-0,21 **	0,13	-0,15 †	0,12	0,22 **	0,19 *	0,01	0,06

** p<0.01
* p<0.05
† p<0.10

Table 3: Regression results

	Employment		Rights		Community		Economic impact		Climate change	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Constant	-4.07 ***	-4.83 ***	-3.64 **	-3.64 **	-5.46 ***	-5.24 ***	-4.75 ***	-4.66 ***	-3.12 **	-3.14 **
	-2.79	-3.37	-2.57	-2.60	-3.84	-3.71	-2.23	-3.53	-2.23	-2.29
DOI	0.00	0.00	-0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	-1.13	-0.97	-1.49	-0.89	-0.01	0.34	-0.86	0.75	-0.86	-0.15
ROS	0.02 **	0.02 **	0.00	0.00	0.02 **	0.02 *	-0.01	-0.01	-0.02 **	-0.03 ***
	2.12	2.25	-0.36	-0.33	2.37	1.87	-2.49	-1.24	-2.49	-2.77
logSales	0.71 **	0.83 ***	0.71 **	0.65 **	1.01 ***	0.97 ***	1.07 ***	1.04 ***	0.57 *	0.55 *
	2.22	2.62	2.26	2.10	3.19	3.09	1.84	3.56	1.84	1.82
logCapin	-0.06	0.00	0.00	-0.01	0.07	0.04	-0.16	-0.20	0.36 **	0.32 **
	-0.41	0.02	-0.01	-0.06	0.48	0.30	2.58	-1.51	2.58	2.30
Stand (=GRI)	0.57 ***	1.23 ***	0.50 ***	0.32	0.67 ***	0.18	0.61 ***	0.08	0.54 ***	0.26
	3.84	3.72	3.47	1.03	4.59	0.59	3.82	0.29	3.82	0.86
Sector										
High tech	0.41 **	0.28	0.32 *	0.23	0.38 *	0.46 **	-0.32 *	-0.30	-0.36 *	-0.36 *
	2.03	1.43	1.67	1.19	1.93	2.31	-1.86	-1.60	-1.86	-1.91
Services	0.25	0.10	-0.22	-0.26	-0.12	-0.03	-0.23	-0.17	-0.79 ***	-0.77 ***
	1.24	0.51	-1.12	-1.28	-0.60	-0.15	-4.08	-0.90	-4.08	-3.94
Country										
Asia	-0.04	-0.23	-0.36	0.02	-0.20	0.02	-0.32	0.06	0.39 *	0.68 **
	-0.19	-0.72	-1.64	0.08	-0.89	0.05	1.80	0.20	1.80	2.29
France	1.14 ***	1.46 ***	0.85 ***	1.48 ***	0.70 ***	0.31	0.18	0.07	-0.09	-0.04
	4.44	4.56	3.41	4.74	2.81	0.97	-0.38	0.23	-0.38	-0.13
Germany	0.63 **	1.08 ***	0.57 **	0.82 **	0.33	0.37	-0.55 **	-0.23	0.80 ***	1.47 ***
	2.21	3.00	2.06	2.33	1.18	1.03	2.88	-0.68	2.88	4.02
UK	0.55 **	1.22 ***	0.57 **	0.93 ***	0.31	0.45	0.61 **	0.79 **	0.27	0.48
	2.06	3.48	2.20	2.72	1.19	1.29	1.06	2.44	1.06	1.42
Rest Europe	0.74 ***	0.90 **	0.97 ***	1.01 ***	0.05	-0.35	0.11	-0.17	0.13	-0.25
	3.00	2.39	4.04	2.75	0.21	-0.87	0.54	-0.47	0.54	-0.67
Stand (=GRI) × Country										
Stand × Asia		-0.97 *		0.27		0.80		-1.07		-0.53
		-1.93		0.29		0.83		-1.13		-0.56
Stand × France		-0.97 *		-0.84 *		1.33 ***		0.93 **		0.34
		-1.93		-1.71		2.69		2.03		0.73
Stand × Germany		-1.22 **		0.16		0.14		-0.13		-0.93 *
		-2.32		0.32		0.28		-0.27		-1.83
Stand × UK		-1.71 ***		-0.04		0.12		0.34		0.12
		-3.16		-0.07		0.23		0.69		0.25
Stand × Rest Europe		-0.64		0.46		0.98 *		1.07 **		0.97 **
		-1.29		0.97		1.96		2.32		2.07
Stand × N. America		-0.30		0.73 *		0.44		0.74 *		0.55
		-0.72		1.81		1.10		1.94		1.40
R-square	0.28	0.35	0.31	0.37	0.32	0.37	0.34	0.39	0.32	0.39
F	4.60 ***	4.28 ***	5.43 ***	4.79 ***	5.48 ***	4.64 ***	6.04 ***	5.10 ***	5.62 ***	5.09 ***
F-test for interaction		2.81 **		2.55 **		2.11 *		2.22 **		2.90 **

*** $p<0.01$; ** $p<0.05$; * $p<0.10$
T values below coefficients

Table 4: Analysis of variation in the estimated intercepts of the Country-Standard interaction effects[a]

	GRI		Global Compact		OECD		ILO		ISO14001	
	no	yes	no	Yes	no	yes	no	yes	no	yes
Employment										
Asia	-0.23	0.97	0.10	1.11	0.03	0.97	0.11	1.09	0.53	0.35
France	1.46	1.71	0.98	1.14	1.08	1.19	1.10	1.25	1.15	1.53
Germany	1.08	1.10	-0.33	1.29	0.36	1.12	0.33	1.25	1.52	0.76
UK	1.22	0.77	0.41	0.87	0.54	0.83	0.59	0.73	0.92	0.83
Rest Europe	0.90	1.49	0.86	0.93	0.83	0.87	0.90	0.83	0.88	1.28
N. America	0.00	0.91	0.00	0.41	0.00	1.16	0.00	0.98	0.00	0.85
Variance	0.48	0.13	0.26	0.10	0.19	0.02	0.19	0.05	0.27	0.17
Max -/- min	1.69	0.94	1.31	0.88	1.08	0.35	1.10	0.52	1.52	1.18
C.V.	0.71	0.26	0.75	0.24	0.91	0.15	0.87	0.21	0.63	0.44
Rights										
Asia	0.02	0.61	-0.14	0.41	-0.30	0.23	-0.20	0.34	0.54	-0.04
France	1.48	0.95	1.06	0.83	0.66	1.66	0.72	1.15	1.20	1.12
Germany	0.82	1.30	-0.43	1.22	0.06	1.20	0.12	1.20	0.56	0.97
UK	0.93	1.22	0.51	0.75	0.30	1.21	0.46	0.85	1.09	0.79
Rest Europe	1.01	1.79	0.70	1.49	0.80	1.99	0.77	1.66	1.30	1.42
N. America	0.00	1.05	0.00	0.79	0.00	-0.07	0.00	0.82	0.00	0.99
Variance	0.34	0.15	0.32	0.15	0.18	0.65	0.16	0.20	0.25	0.25
Max -/- min	1.48	1.17	1.49	1.08	1.10	2.06	0.97	1.32	1.30	1.46
C.V.	0.82	0.34	0.78	0.28	0.75	0.60	0.77	0.37	0.64	0.57
Community										
Asia	0.02	1.00	-0.12	1.43	-0.17	1.38	-0.13	1.42	0.40	-0.09
France	0.31	1.82	0.61	0.01	0.45	1.15	0.38	0.92	0.73	0.44
Germany	0.37	0.69	-0.54	1.42	-0.03	0.85	0.19	0.41	0.80	-0.04
UK	0.45	0.75	0.30	0.18	0.41	-0.31	0.34	0.23	0.37	0.69
Rest Europe	-0.35	0.81	-0.07	0.81	0.02	1.63	0.03	1.01	0.49	0.34
N. America	0.00	0.63	0.00	0.30	0.00	-0.46	0.00	0.51	0.00	0.66
Variance	0.09	0.20	0.15	0.39	0.06	0.78	0.04	0.20	0.08	0.11
Max -/- min	0.80	1.20	1.15	1.42	0.62	2.09	0.51	1.19	0.80	0.78
C.V.	0.61	0.34	0.68	0.51	0.44	0.75	0.74	0.50	0.51	0.77
Economic impact										
Asia	0.06	-0.93	-0.23	-1.26	-0.26	-1.30	-0.19	-1.28	0.24	-0.14
France	0.07	1.08	0.08	0.06	-0.04	1.02	-0.09	0.68	0.45	0.11
Germany	-0.23	-0.27	-1.02	-0.47	-0.79	-0.49	-0.52	-0.80	-0.65	-0.44
UK	0.79	1.22	0.20	1.17	0.43	1.14	0.72	0.55	0.52	0.95
Rest Europe	-0.17	0.98	0.06	0.65	0.36	0.29	0.45	0.32	-0.05	1.01
N. America	0.00	0.82	0.00	0.21	0.00	-0.48	0.00	0.31	0.00	0.41
Variance	0.13	0.76	0.20	0.72	0.20	0.92	0.20	0.65	0.18	0.35
Max -/- min	1.02	2.15	1.22	2.43	1.22	2.44	1.23	1.96	1.18	1.45
C.V.	0.36	0.61	0.51	0.78	0.35	0.71	0.52	1.04	0.57	0.60
Climate Change										
Asia	0.68	0.40	0.50	0.03	0.44	-0.08	0.49	-0.01	0.15	0.93
France	-0.04	0.56	0.24	-0.54	-0.15	-0.53	-0.27	0.10	-0.03	0.33
Germany	1.47	0.80	0.45	0.44	0.75	-0.14	0.97	-0.16	0.52	1.15
UK	0.48	0.86	0.33	0.01	0.26	0.16	0.24	0.37	0.35	0.79
Rest Europe	-0.25	0.99	0.20	0.00	0.04	0.87	0.24	0.11	0.69	0.44
N. America	0.00	0.80	0.00	0.15	0.00	0.55	0.00	0.29	0.00	1.06
Variance	0.40	0.05	0.03	0.10	0.11	0.26	0.18	0.04	0.09	0.11
Max. -/- min.	1.72	0.58	0.50	0.98	0.90	1.40	1.24	0.54	0.73	0.82
C.V.	0.97	0.21	0.22	0.56	0.44	0.75	0.76	0.49	0.91	0.41

C.V. = coefficient of variation. Calculated as Stdev/mean*100. Since the CV is only appropriate for positive numbers, those sets of intercepts in which there were negative values, were all increased with the lowest value. E.g., for the effect of Global Compact on Employment, all intercept values (both for firms that did and that did not adhere to the GRI standard) were increased with 0,33.

Table 5: Ratio of CVs of estimated intercepts for MNEs that do and do not adhere to a selected global CSR standard

Standard		Ratio of CVs for each dependent variable and standard				
Name	Enforcement	Employment	Rights	Community	Econ. impact	Climate change
GRI	Lenient	2.70	2.42	1.80	0.58	4.54
GC	Lenient	3.17	2.78	1.34	0.65	0.39
OECD	Average	6.09	1.25	0.58	0.49	0.58
ILO	Average	4.13	2.09	1.47	0.50	1.55
ISO	Strict	1.42	1.14	0.66	0.95	2.25

N.B.: Values higher than 1 indicate cross-country harmonization among MNEs that adhere to a CSR standard. Values lower than 1 indicate the opposite. Higher values indicate stronger harmonization.