School of Management, Royal Holloway University of London

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SoMWP-0908

Unilateral Standards for Social Responsibility: Corporations as Social Watchdogs?

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August 2009

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ISBN: 978-1-905846-36-8

Published by:
The School of Management,
Royal Holloway University of London
Egham Hill
Egham
Surrey TW20 0EX

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Abstract

This paper focuses on the social dynamics of unilaterally determined social responsibility standards. These are put in the context of large customers in a supply chain determining company-specific standards, compliance with which is then a requirement for suppliers. We draw a brief comparison between multilaterally derived standards (such as those determined by the International Standards Organization) and unilaterally derived standards. Notably, there is an important difference stemming from the level of involvement and degree of control which the unilateral standard-setter has throughout the standard creation *and* implementation process. Indeed, we claim that the unilateral standard-setter which requires supplier compliance acts as regulator, monitor, and applier of sanctions to those supplier organizations. Ultimately, this puts the large corporation in the role of a Corporate Social Watchdog. In closing the paper we consider a future research agenda for this new concept

Keywords:

Unilateral Standards, Corporate Social Responsibility, Supply Chain, Corporate Social Watchdog

Unilateral Standards for Social Responsibility: Corporations as Social Watchdogs?

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INTRODUCTION

The way in which we are to understand the social role of the corporation has received renewed attention in the light of Matten and Crane's (2005) work on the corporation as the administrator of citizenship rights, taking on activities seen traditionally as the domain of governments. While their arguments have been criticised (van Oosterhout, 2005), the controlling and powerful position of large corporations is widely accepted (Nace, 2003). This sometimes overwhelming power is the starting point for the current paper, with a special focus on the role corporations play in terms of Corporate Social Responsibility (CSR) standards. While it is a contested concept (Lockett, *et al.*, 2006), a consensus of sorts has been reached on the core characteristics of CSR. These are that it is voluntary, involves internalizing or managing externalities, encompassing a multiple stakeholder orientation, with alignment of social and economic responsibilities, includes both practices and values and goes beyond philanthropy (Crane, Matten and Spence, 2008, 7-8).

The context for this conceptual paper is the supply chain. Supply chains are important because they are a means of achieving competitive advantage and enhancing organizational performance "since competition is no longer between organizations, but among supply chains" (Li et al, 2006). It is our contention that to understand the social dynamics of the use of standards in the supply chain we need to take a closer look at the role of the large corporation than has hitherto been the case. Supply chains vary considerably, but we are interested here in the role of large, relatively powerful customer organisations requiring adherence to ethical and CSR standards by their suppliers. This is in keeping with Matten and Crane's (2005) notion that governing power over others – stakeholders outside the organisation in this case - is held at the corporate level. We introduce the concept of the Corporate Social Watchdog to describe and analyse the common pattern of the use of unilaterally determined standards to control CSR and ethics in the supply chain. We expand the consideration of the dynamics of standards ultimately to include the perspective of the large firm (customer in the supply chain) as regulator (determining the necessary standard), policer (monitoring activities and identifying possible cases of non-compliance) and - to stretch the point - judge and jury (determining guilt and handing down punishment). The paper's contribution is primarily in investigating in detail the social dynamics of the unilaterally rather than the multilaterally derived standard, and introducing the concept of the Corporate Social Watchdog as a way of framing the role of the large corporate customer in the supply chain.

The paper is organised as follows. First, the status of unilaterally determined standards as part of the range of social responsibility standards available to a corporation is discussed, and a comparison made between the characteristics of multilaterally and unilaterally derived standards. Second, a brief overview is given of some of the main standards for social responsibility. Then we describe the Corporate Social Watchdog framework as a mechanism for understanding the role of the large corporate customer in applying social standards to their supply chain and requiring compliance. We conclude with a research agenda.

UNDERSTANDING UNILATERAL STANDARDS AS 'STANDARDS'

Standards have gained credibility and prevalence in both organisational practice and organisational studies. They range from highly technical engineering specifications to recommendations for processes and procedures, and from the ubiquitous (such as the International Standards Book Number) to the relatively obscure. Brunsson and Jacobsson summarize this range as covering standards about being something, doing something or having something (2000, p.4). While the definition of a standard varies, essential characteristics entail a written statement of specifications in order to meet the standard, a degree of voluntarismⁱ (Seidl, 2007, p. 707), and that the standard be transmitted widely – if successful – to multiple actors and has the intention of coordinating and clarifying complexity (Brunsson and Jacobsson, 2000, p.16) especially across borders. There is some debate as to the distinction between norms, directives, rules (formal and informal) and codes of behaviour (Terlaak, 2007), though it is not our purpose to problematize this further here.

Cramer (2005, p.72) describes three different approaches to determining standards: multilateral, bilateral and unilateral. Bilateral standards might be agreed, for example between company and trade unions. Multilateral standards have received by far the most academic attention (at least descriptively if not analytically (Gilbert and Rasche, 2007, p.756)) and include the International Standards Organisation.ⁱⁱ Research on the application of multilateral standards include Beck and Walgenback (2005) and Casper and Hancki (1999) on quality and ISO 9000; Walton et al (1998) and Jiang and Bansal (2003) on environmental management and ISO 14000; Blind and Gauch (2008) on ICT standards; Gilbert and Rasche, 2007 and Göbbels and Jonker (2003) on ethics and accountability standards including the Global Reporting Initiative, SA8000 and AA1000. However, unilateral standards are, we argue, also important to understand because they are presented by individual companies as of equal relevance as international standards. Unilateral standards sometimes incorporate aspects of multilateral standards but adapt them to the specific context and operate in much the same way acting as a mechanism of control. For example, the UK retailer The John Lewis Partnership references several International Labour Organisation conventions in its Responsible Sourcing Code of Practiceⁱⁱⁱ. There are important nuances, however, in company-specific, unilateral standards which affect the dynamics of their establishment and implementation, and it is these which are of particular interest here. The type of thing we are referring to is classically the standards (e.g. technical quality, environmental, social) required by large customers from their suppliers (Brunsson and Jacobsson, 2000, p.6), although there may be wider examples. For instance, Camelot (the UK lottery organisation)^{iv} requires its retail customers who sell the lottery ticket product lines to follow its environmental and social standards (Spence, 2006).

The key differences between, for example, an internationally recognised multilaterally agreed standard determined and published by the ISO and a company-specific unilateral standard are as outlined in Table I. It is these elements which provide the context for the conceptual discussion below.

<Insert Table I here>

The differences outlined in Table 1 are evidently underpinned by the fact that the large company has *control* over all aspects of the standard. They are responsible for determining whether a standard is necessary, what it should entail, who should write it and have an input, the degree of institutionalisation required (i.e. who must comply with the standard), instructing (if not doing) auditing, assessing compliance and ultimately determining and issuing sanctions for non-compliance. It might be suggested that the degree of control of the standard makes it sufficiently different not to be treated in the same way as multilateral standards. However, we argue that the unilateral standard is simply another standard-type which needs to be taken into account particularly in the light of the special dynamics surrounding it in relation to a more independently created and implemented standard.

As we have noted, Matten and Crane (2005) acknowledge corporations as administrators of citizenship rights. They focus in their discussion primarily on employees and community members as, effectively, citizens of the corporation. In the same vein, we argue that we must acknowledge that corporations have a role as unilateral standard setters and purveyors, acting to their suppliers and potential suppliers as NGO standard-setting bodies do in a broader sense. As with the case of Corporate Citizenship, however, corporations prove to have more power and a further reach than the body whose activities they reproduce (i.e. governments/NGOS) and in some circumstances replace and surpass them. Indeed if, as Hamann *et al.* (2005: 14) argue, the supply chain is the most important pressure for most small suppliers to engage with CSR, then large corporate customers could be perceived as having a duty to attend to the social responsibility failings that others cannot promote with such success. The question is still open, however, as to the best way to act on that responsibility.

STANDARDS FOR SOCIAL RESPONSIBILITY

A wide range of international standards and guidelines on Corporate Social Responsibility have been developed which provide practical rules regarding how it can best be implemented within business organizations (Cramer, 2005: 71). These culminate in the ISO2006 Social Responsibility standard due for publication in 2010 (ISO, 2008). It will provide "guidance, not requirements" (*op* cit, p.2) and therefore won't be certifiable. ISO20006 will be consistent with the other international leaders in terms of CSR standards, that is, the International Labour Organization's labour standards, the United Nations Global Compact and the Organisation for Economic Co-operation and Development guidelines". The UN Global Compact is the world's largest voluntary

network consisting of ten principles relating to human rights, labour rights, environmental protection, and transparency (Cetindamar, and Husoy, 2007, p.167) and has the clear target and some degree of success in reaching developing countries and small and medium sized enterprises. SA8000 similarly proposes 8 central guidelines, particularly on workplace conditions. The Global Reporting Initiative is distinctive in that it requires stakeholder dialogue, and the Fair Labour Association, unsurprisingly, focuses on 9 principles relating to working conditions (Gilbert and Rasche, 2007, p.760).

Despite, or perhaps because of, this growing array of social responsibility standards, individual firms do sometimes wish to create their own standards. It is not the purpose of this paper to uncover why this is in more detail, but to explore the implications of this unilateral standard-setting in the supply chain.

Before proceeding, it should be noted that the distinction between multilateral and unilateral standards may be more blurred than has been outlined here for analytical purposes. Indeed, large corporations may well be involved closely in multilateral standard preparation (Brunsson and Jacobson, 2000, p.3), and use the opportunity to influence the standard according to their preferences. Gilbert and Rasche have suggested that multinational corporations have a disproportionate influence on standard setting, especially compared to "production facilities (i.e. suppliers to the multinationals) in developing countries that have to implement the standard." (2007, p.767). Similarly, there may be unilateral standards which have been arrived at with a high degree of independent experts and stakeholders having an input, but we assume that the unilateral standard is, by its nature, partial in favour of the wishes of the corporation (which may of course incorporate the genuine desire to improve social standards). Here we will assume the extreme case that the multilateral standard has been arrived at predominantly by independent experts in contrast to the unilateral standard.

REFRAMING THE LARGE, UNILATERAL STANDARD-SETTING CORPORATION AS A CORPORATE SOCIAL WATCHDOG

In this section the Corporate Social Watchdog approach is introduced in more detail. First, a brief overview of the literature on CSR in the supply chain is given. Focusing on the notion of extended responsibility up the supply chain, we identify the corporate customer role as one of a Corporate Social Watchdog.

CSR and the Supply Chain

Standards and codes are increasingly adopted as a mechanism for regulating corporate behaviour (Seidl, 2007, p.706), and a framework for transmitting desirable ethical standards through the chain. Corporate Social Responsibility mitigates the risks in supply chain management (Faisal *et* al, 2006, p.539). If upstream suppliers are adopting poor management practices (in terms of labour, environmental, health and safety standards etc), customers risk the security and sustainability of their supply chain as well as their own reputations (Eltantawy, Fox and Giunipero, 2009; Roberts, 2003). From the perspective of enhancing social responsibility, where a company has adopted

social or ecological standards, purchasing can be utilised to transfer these standards to its suppliers. A social or ecological multiplier effect can be set in motion, which could achieve social change more quickly and more thoroughly than an individual company could achieve on its own. Purchasing practice could thus become the most efficient change agent within the whole organisation (Preuss, 2000, p.143).

Research on supply chain social responsibility is multidisciplinary in nature and accordingly can be found in both the purchasing, supply chain management, logistics (e.g. Andersen and Skjoett-Larsen, 2009; Carter and Jennings, 2002; Walker and Brammer, 2009) and the business ethics / CSR (e.g. Cetindamar and Husoy, 2007; Van Tulder et al 2008) literature as well as in mainstream management (e.g. Liker and Choi, 2004; Munson et al, 1999; Wright et al, 2007). Spence (2000) has summarised the literature on supply chain social responsibility, and found that key perspectives in this developing literature are around the pursuit of long-term stable partnerships, the avoidance of abuse of power differentials, balanced with the need for objectivity. This latter point also relates to issues around equal opportunity for different types of supplier resulting in supplier diversity. In relation to the requirement to comply with standards and extend responsibility up the supply chain, such demands can exclude for example small and medium sized enterprises and developing country producers from meeting specifications (Hamman et al, 2005), despite the fact that standards are not always intended for or relevant to them.

Extended Responsibility

It is the notion of extended responsibility (Spekman and Davies, 2004) which is most important here in the application of standards through the supply chain by the large corporate customer. Preuss (2000, p.152) is one of the few who engages with the appropriateness of extended responsibility and asks "whether the whole process of a company imposing criteria on suppliers, even if they are socially responsible, can lay claim to a moral quality or whether it simply represents an extension of buyer power over suppliers." Walgenbach (2001) notes specifically that the implementation of ISO9000 in a supply chain has been found to act as a mechanism for both enabling and coercion. Lamprecht (2000) argues that an organisation should trust the craft and competence of the supplier, not interfering with their practices. Demands made, often by multiple customers, may be incommensurate with normal operating practices (Spence, 2006). Suppliers, especially small ones, might not use the same tools or language of ethics as large firms (Pedersen, 2009), and they often have perfectly laudable practices in ethical terms (Murillo and Lozano, 2006). Against this backdrop we reframe the - no doubt in part well meaning - activities of the large corporate customer as emulating a watchdog role over its suppliers.

Corporate Social Watchdogs?

The implementation of extended responsibility evident in the actions of global corporations, we call the Corporate Social Watchdog approach (CSW). We define the term 'watchdog' to mean an individual or organisation (self- or publicly-appointed) which sets standards, monitors and applies sanctions to the activities of others. It is drawn in a wider sense from reference to a canine which guards and warns others of some pre-defined wrong-doing (inefficiency, illegality, unethical or dangerous behaviour).

By way of comparison, examples of watchdogs outside of the supply chain context include entirely adversarial watchdogs, independent watchdogs and watchdogs with mixed motivations. Corporate Watch, a research and campaigning organisation on the social and environmental impacts of large corporations is run as a worker's co-operative and comes under the category of an adversarial watchdog. This type of watchdog is entirely and explicitly partial and designed to undermine the activities of corporations wherever they don't meet the watchdog's agenda. A second example is the independent watchdog, which operates within the establishment such as the Sustainable Development Commission (SDC). The SDC are the UK "Government's independent watchdog on sustainable development". The third use of the watchdog idea is an example of the mixed motive watchdog and is the one, we argue, that is most enlightening for CSW, which is watchdog journalism (Jakubowicz, 1989/99).

Watchdog, or public, journalism puts the media in the role of representing the people and acting as adversaries to politicians and large corporations by revealing truth and striving for justice. This model of journalism incorporates the role of a "watchdog in order to control the authorities" (Carpentier, 2007, p. 158.). Carpentier goes on to note the potential purposeful avoidance of objectivity in public (or civic) journalism, highlighting the "area of tension between involvement and neutrality" (p.160) which we similarly see in the account of the Corporate Social Watchdog approach presented here. Further supporting the evidence for parallels with CSW, in a typology of media effects, McQuail (1987, p.85) notes the effect of ideological stances of the media as resulting in social control, socialization, reality definition and institutional change – all aspects which we would also expect to see result from CSW activities.

Furthermore, large corporations in the supply chain not only are justifiably labelled as Corporate Social Watchdogs but are what might be called watchdogs 'with teeth', because of their power over those they 'watch' (i.e. their suppliers) to dictate the CSR standard or code which must be adhered to, monitor compliance and apply sanctions. In Figure 1 the case for the social dynamic of corporations applying their chosen standards to the supply chain as watchdogs is illustrated.

<insert Figure 1 here>

Hence the Corporate Social Watchdog combines the roles of regulator, policer and judge of ethical standards in the supply chain. While the proposed standards are presented as voluntary (Brunsson and Jacobsson, 2000, p.9), the customer retains the power ultimately to de-list and expose any organisation not seen to meet the dictated standard. At the extreme, it may be viewed that the corporation takes a paternalistic degree of moral responsibility for the suppliers, acting in *loco parentis*, almost as if they were subsidiaries of the corporation. Automotive manufacturer Toyota is renowned for such close relationships with its suppliers, for example (see Spence, 2006). This approach may be motivated by good will, but is also in the enlightened self-interest of the corporation.

The Corporate Social Watchdog approach is an important one because it identifies and highlights the social effects of the power and control held by large corporate customers

over their suppliers. In the CSW approach the relationship between the corporation and its suppliers becomes a dominant focus of consideration. Cox (2004) has noted that despite a rhetoric of partnership and win-win situations in supply chains, power differences remain a deeply-set issue.

At a more conceptual level, there are parallels between CSW and the notion of cultural imperialism or homogenization, effectively regulating culture (Tomlinson, 1997, p. 119). This is especially pertinent where suppliers are located in a different cultural context. In this respect the requirement for compliance with unilaterally determined and culturally embedded standards by a corporate customer can be understood as a cultural imposition of social responsibility standards. While this point requires further consideration, CSW does incorporate a dominating element of consistent influence and control of the large corporate customer on its suppliers. Again this is particularly important in the context of globalisation wherein, as Anthony Giddens reminds us, "(g)lobalisation is widely seen in the developing world as merely the latest stage in the exploitation of the third world by the West - a project from which the rich countries gain at the expense of the poor" (Giddens, 2003, pp.xx). In this case, the large corporation acts as a social watchdog, imposing unilateral standards in part at least in order to protect its own reputation. Bannerjee (2007, pp.66-93) points out in scathing terms the inequity and hypocrisy of Western corporate imposition of sustainability and CSR requirements on developing countries, when the Western context enjoyed a lack of these constraints in its developing phase.

RESEARCH AGENDA

We have argued that large corporate customers take on the role of a Corporate Social Watchdog when they choose to act upon their implied (by society and the media) extended responsibility for their supply chain. We are particularly interested in the case where the social responsibility standard set, which should be replicated throughout the chain, is unilaterally determined. While CSW still can be observed where multilaterally agreed standards are adopted, one element of the control which CSW organisations maintain has been forfeited, i.e. the specificity of the standards required – and hence the opportunity to fit them explicitly to organisational needs. We propose a range of avenues for research into the Corporate Social Watchdog phenomenon.

The first thing to understand in more detail is the factors which influence a corporation to take the decision to institutionalize the extension of its supply chain responsibility. While presumably up until that point they may well be held accountable for their supply chain's activities, they also retain an element of 'plausible deniability'. Once it is clear that the corporation has taken steps to take *active* responsibility for their supply chain members, there is no opportunity to hide behind this arms-length approach to social responsibility. Hence, to what extent are the drivers coming from social expectations as translated by the media, customers, keeping up with competitors, financial drivers (risk mitigation), social drivers? Furthermore, what are the moral implications of self-appointment as the moral arbitrator on social practices for a company's suppliers? Suppliers may consider this to be interference in their practices and indeed be offended at the implied criticism of their social credentials. Indeed, in practice the standards may

be inappropriate since they tend not to be written with (often) small suppliers in mind. This needs further investigation.

As with the wider research on standards, it would be useful to understand the process and influences on the formation of standard setting. Is it, as might cynically be assumed, simply a paper exercise led by the Corporate Social Responsibility department in isolation, or is their wider input from throughout the organisation? Given the emphasis on dialogue approaches to standard setting supported by Gilbert and Rasche (2007), is a wide spread stakeholder dialogue approach in evidence? Following on from these, how do different approaches to formulating the standard influence their content and successful application?

Once initial steps have been taken to ensure that suppliers comply with the chosen standard, what is the impact on practices? Is there a difference in this between multilateral and unilateral agreements? Are suppliers more motivated to follow one rather than another? From their point of view, any changes they need to make to follow a unilateral standard may *only* be relevant for that customer. Unless the supplier solely supplies that firm – which in itself is ethically questionable (Spence, 2006) - the efficiency of making changes may be lost. If all customers are requiring that the same standard be followed, then there is some economy of scale to be derived for the supplier.

As Seidl (2007) has noted, standards are built to embrace a degree of flexibility. Given that unilateral standards have been written with a specific case in mind, is it the case that this flexibility is reduced compared to more generic multilaterally determined standards? To what extent do corporations in practice require compliance with the standard? Under what circumstances is non-compliance accepted (for example, where the supplier is the sole producer of a given product, where there is a long standing special relationship, for micro firms etc)?

Furthermore, what happens when there is a clear violation of a social standard which has been implemented in a supply chain, what sanctions are applied in practice and how is the public relations perspective handled? Dhanarajan (2005, p.529) argues that "(s)imply mitigating negative impacts through castigating intermediaries or suppliers does not contribute to sustainable solutions". Thus, ultimately, to what extent does the application and extended control of unilateral standards influence the social responsibility of organisations?

Finally there are also practical and moral implications for the Corporate Social Watchdog concept. While public outcry when there is a problem in the supply chain effectively gives large corporate customers extended social responsibility for the actions of their suppliers, this in practice is incredibly difficult to control for. In this paper we have focused on first tier suppliers only. In practice compliance with a unilateral standard may be required for second, third, fourth or higher tier suppliers. It would be extraordinarily resource-intensive to control suppliers beyond the first level in this way, so what practical approach might mitigate the wider risk? On the other hand, corporations might question their right and whether it is morally just to take the implicitly imperialist approach of the Corporate Social Watchdog? While this moral

high ground could also be used as an excuse for not taking wider responsibility than inhouse operations, it might also hold considerable truth. On what moral basis does one organisation seek to determine the social practices of another? Indeed, are corporate customers better equipped to determine social responsibility? Are they more ethical in a sense, than their suppliers?

In conclusion, our focus on unilaterally derived standards and the implication for supply chains in which they are applied - and required – offers a new perspective on the social dynamics of standards. The concept of the Corporate Social Watchdog warrants further investigation. As things stand, we are unavoidably drawn back to Milton Friedman's (1970), now rather passé, adage that corporations and their managers are not qualified to make social and ethical decisions. While this perspective has been much critiqued, the extension of the reach and impact of the social and ethical opinions and decisions of a corporation's managers is much magnified where compliance with a unilateral standard is applied through a supply chain. This brings us ultimately to the deeply ethical question of the appropriate moral reach and limits of the modern multinational corporation. It is in this context which we believe the Corporate Social Watchdog approach, and the process around the unilaterally derived standard, are of most significance.

TABLES

Table I: Differences between multilateral and unilateral social responsibility standards

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	Multilateral standard	Unilateral standard
Drivers	Social improvement	Multiple: Risk mitigation,
		customer expectations,
		regulation avoidance, social
		improvement.
Mandate	Global movement	Self-appointed, consequence of
		power over suppliers.
Purpose	To align practices	To align supplier practices
	according to social	according to company
	expectations	expectations (influenced by
		social expectations)
Compiled by	Range of experts vii	In-house (possibly some
	_	external advisors)
Content	Cross-sectoral.	Company (and sector) specific.
	Single standard.	Likely to be a combination of
	_	several standards.
Relevant to?	Potentially all organisations	All suppliers and aspiring
		suppliers. Potentially second,
		third, fourth tier etc. suppliers.
Degree of	Independent of the standard	Dependent on the standard
Institutionalization/	setter	setter (full compliance a
voluntarism		possible requirement). Suppliers
		can self-select out of the process
		but risk losing that customer.
Role in	None	Critical. May appoint and direct
monitoring/auditing?		independent auditors or carry
		out own auditing.
Sanctions available	None	Public/Industry exposure;
		Delisting; Repeated auditing;
		Engagement and co-operation;
		Dialogue and reassessment of
		requirements.

FIGURES

Figure 1: The Role of the Corporate Social Watchdog in relation to Unilateral Standards Implementation in its Supply Chain

SELF-APPOINT AS A WATCHDOG: Decision to extend social responsibility through the supply chain reached → DETERMINE ACCEPTABLE BEHAVIOUR: Create a unilateral standard → ENHANCE CREDIBILITY: Ensure corporation's own compliance with the standard (risk mitigation and legitimacy) → COMMUNICATE EXPECTATIONS: Issue instructions for supplier/potential supplier compliance → MONITOR: Assess compliance of supplier/potential supplier (initial survey) → ★ Audit or instruct auditors to assess compliance in more detail as appropriate (risk driven) → Determine corrective measures where necessary → Assess the efficacy of corrective measures → DETERMINE SANCTION: Either continue/begin supplier relationship or do not embark on relationship/delist the supplier → Determine time frame to periodically return to '★' and iterate the process .

ACKNOWLEDGEMENTS

We thank the following for their comments on earlier versions of this paper: seminar participants at Bath, Bocconi and Cardiff Universities, EGOS 2009 and Andrew Crane. We are also grateful to the Institute for Business Ethics who funded the research which led to this paper (see Spence, 2006).

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ⁱ Although there is a clear intent to influence behaviour, products or practice, hence the term applied to standards of 'soft law' as discussed by Mörth, (2004).

ii www.ISO.org. Accessed 27 May 2009. ISO seeks to set international standards for 'Business, Government and Society' and consists of a network with representation from 161 countries which fund the non-governmental organization's activities by subscription.

iii www.johnlewispartnership.co.uk/assets/pdf/rscode2005.pdf Accessed June 2006.

iv www.camelotgroup.co.uk/socialreport2005/word-docs/Camelot-

Y For details see http://www.iso.org/iso/socialresponsibility.pdf Accessed January 2009.

vi http://www.sd-commission.org.uk/index.php. Accessed January 2008.

vii Seidl (2007 p.708)