Valuing Stakeholder Engagement and Sustainability Reporting

This conceptual paper sheds light on some of the major intergovernmental benchmarks, guidelines and principles for corporate social responsibility (CSR), corporate governance and sustainability reporting. It reports on several governments' regulatory roles as their societal governance is intrinsically based on interdependent relationships. There are different actors and drivers who are shaping CSR communications and policies in relational frameworks. This paper mentions some of the countries that have already introduced intelligent substantive and reflexive regulations. It also shows how certain businesses are stepping in with their commitment for sustainability issues as they set their own policies and practices for laudable organisational behaviours. Very often, corporate businesses use non-governmental organisations' regulatory tools such as process and performance-oriented standards. These regulatory instruments focus on issues such as labour standards, human rights, health and safety, environmental protection, corporate governance and the like. Afterwards, this paper discusses about the relationship between governance and sustainability. It makes reference to some of the relevant European Union Expert Group recommendations for non-financial reporting and CSR audits. Relevant academic contributions are indicating that customers are expecting greater disclosures, accountability and transparency in sustainability reports. This contribution contends that the way forward is to have more proactive governments that raise the profile of CSR. It maintains that CSR communications and stakeholder engagement may bring shared value to business and society. Ultimately, it is in the businesses' interest to implement corporate sustainability and responsibility and to forge fruitful relationships with key stakeholders, including the regulatory ones, in order to address societal, environmental, governance and economic deficits.

INTRODUCTION

Corporate social responsibility (CSR) often involves the development of network relations as both private and government actors invest in and draw upon social capital (Habisch and Moon, 2006). CSR necessitates legal compliance as well as 'customary ethics' (Carroll, 1991). In this context, it seems that a motivation for CSR may be borne out as a necessity to offset the threat of regulation. 'Many companies prefer to be one step ahead of government legislation or intervention, to anticipate social pressures themselves' (Moon and Richardson, 1985: 137; Crane *et al.* , 2008: 308). Non-Governmental Organisations (NGOs) sought to step into the regulatory vacuum created by the inadequacies of both national governments and international institutions to regulate multinational corporations (MNCs) by forging alliances with consumers, institutional investors and companies themselves (Newell, 2000: 117-118). Although they cannot replace the role of the state, these social movements have created new mechanisms of global business regulation. According to Knill and Lehmkuhl (2002: 442), global corporate responsibility is intended to compensate for the decreasing capacities of national governments for providing public goods. CSR may have represented an effort to challenge the increasing reluctance of national governments to impose regulations on global firms. At the time, many governments believed that such regulations could have

discouraged domestic investment. The aim of this paper is to better understand how business and government may become more aligned with regard to the regulatory aspect of CSR. There is scope for governments to take an active leading role in triggering CSR behaviour among firms. The businesses themselves will realise that appropriate CSR regulation can bring in economic value as well (Porter and Kramer, 2011).

INTERGOVERNMENTAL BENCHMARKS AND GUIDELINES

Background of the Regulatory Frameworks for CSR

The growth of global CSR engagement can be viewed in the context of business developments within the international trade law. For instance, a number of bilateral and regional trade agreements were entered into force in North American and European countries. They contained such provisions about the inclusion of labour, human rights and environmental standards in trade agreements. Nonetheless, the former General Agreement on Tariffs and Trade (GATT) and the World Trade Organisation (which replaced GATT in 1995) never necessitated countries to conform to any product labelling standards that describe how products have been sourced and produced outside of their borders. In this light, during the mid-1990s, Mr Robert Reich in his capacity as the American Secretary of Labour has asked the International Labour Organisation (ILO) to develop a social label that would certify to consumers which products comply with the ILO labour standards. However, his proposal has been denounced by the representatives of the developing countries as it was considered as a form of protectionism and was eventually abandoned (Crane *et al.*, 2009). Surprisingly, this setback has triggered the formation of private labour certification standards, which now represent a critical dimension of contemporary global corporate responsibility (Vogel, 2005). The ILO has limited itself to establish minimum standards for working conditions and these have been agreed to by numerous governments. These standards were and still are entirely voluntary in nature as the ILO has no enforcement capacity. The growth of interest in the private regulation of global firms is a direct outgrowth of the lack of effective regulation of global firms (Rasche 2007; Newell, 2002). Thus, the regulation of trans-national firms was denounced from the agenda of the United Nations' (UN) Commission on Environment and Development, while another related initiative - the UN Agenda 21 - did not recommend the creation of global codes of conduct for MNCs (see Agenda 21, 1992). Likewise, the Commission on International Investment and Trans-national Corporations was unable to agree on a code of conduct for global firms because of conflicts between developed and developing nations. Yet, the Organisation for Economic Cooperation and Development (OECD) issued guidelines for MNCs. The OECD Principles provide an international benchmark for corporate governance. These principles guide policymakers, regulators and market participants in improving their legal, institutional and regulatory framework. The OECD (1999) Principles are reproduced in Table 1 (See PDF) . These principles have served as the basis in various reform initiatives by different governments and have been taken up by the private sector in different countries (Jesover and Kirkpatrick, 2005). Apparently, the ILO and the OECD Guidelines have garnered the formal support from many business organisations. The UN Global Compact has also been recognised on a number of occasions by the UN General Assembly as well as by all the Heads of States and Governments in the World Summit Outcome document. The International Finance Corporation's 'Environmental and Social Standards' were also developed within a governmental framework, and sometimes with significant inputs from businesses and other sectors. Enterprises can better identify and manage issues that may influence their business success by disclosing social, environmental and governance information (European Union (EU), 2012).

Several experts have supported the idea of a principles-based approach, rather than a detailed rules-based one. According to this view, the EU Commission Expert Group suggested that their framework on non-financial reporting has given flexibility to the companies to decide the topics to report on and on the metrics they use. The EU's (Directorate General of the Internal Market and Services) experts came up with an innovative approach, which incentivised the companies to report their non-financial information. Of course, materiality is considered as a key concern by several audit experts. The experts stressed that improving materiality of reports is useful to address the comparability issues. They advocated that the companies' boards should have ownership on reporting, in order to make it relevant and effective. Clearly, the experts did recognise that there were significant differences in

national cultural contexts as well as in their respective reporting mechanisms. Some experts have indicated their concern about the consequences of adopting more detailed reporting requirements (including specific key performance indicators) into EU legislation. On the other hand, they did not reject the idea of proposing a list of topics that could be covered by any company when reporting its responsible practices. The current EU framework still does not provide a specific reference framework as to the expected quality of the disclosure of the non-financial reports. It transpires that there are significant differences in mentalities across different member states, and within particular economic sectors (EU, 2011). To date there is still no 'one-size-fits-all' with regard to CSR or sustainable reporting. For the time being, the instruments for sustainable reporting are not compulsory, although quite a lot of CSR tools and standards have already been developed. Arguably, such initiatives may have directed enterprises to appropriate CSR behaviour, by providing good guidance for best-practice through workshops, formal policy guidelines and media releases (EU, 2011). The European perception has been drawn from a myriad of environmental management tools that measure the degree of sustainability. 'It is against this background of weak instruments and failed initiatives at the international level that NGOs have begun to target MNCs with increasing frequency and vigour in recent years' (Newell, 2002: 910).

International Standards for Sustainability Reporting

Academic literature about corporate responsibility is proliferating. The corporations' political role has inevitably raised the need for further transparency and accountability of their practices. The national and international laws have failed to hold corporations accountable for their actions (Bondy *et al.*, 2012). Apparently, the so-called accountability standards were assisting businesses in taking into account their stakeholders' interests (see Rasche *et al.*, 2008). The accountability standards represent voluntary predefined norms and procedures for organisational behaviour with regard to social and/or environmental issues and are often valid on a global level (Rasche, 2010). There are several well-known examples of such standards, which of course possess considerable differences. These standards help corporations to be accountable to the consequences of their actions. Organisations are encouraged to assess and communicate their responsible activities and impacts on social and environmental issues to their stakeholders (Crane and Matten, 2004). Many scholars have often described the basic characteristics of these standards (Leipziger, 2001, 2003). Yet, it may seem that there is still no formal model that can be used as a yardstick to evaluate the standards' strengths and weaknesses. The accountability standards reflect a shift towards a 'quasi-regulation' that is based on a substantive (outcome-based) and reflexive (process-based) law approaches (Rasche *et al.*, 2008). A 'substantive' law approach is regulated by prescribing predefined outcomes, whereas a 'reflexive' law approach is regulated by prescribing procedures to determine outcomes in a discursive way (see Hess, 2001). It is suggested that the standards can be analysed on two distinctive levels: a macro-level that reflects standards' substantive element and a micro-level that reflects standards 'reflexive element' (Gilbert and Rasche, 2007; Rasche and Esser, 2006). Different stakeholders are shaping CSR communications in relational networks. On the macro-level, the institutionalisation of CSR can be described as a multilevel process between regulatory drivers. These actions may possibly be triggered by different external expectations and conditions. In the micro-level, stakeholders translate and interpret CSR according to their personal values, organisational roles and constructions of reality.

The macro-level represent the substantive standard, whereas the micro-level corresponds to the implementation procedures to make macro-level norms a success. On the macro-level, accountability standards seem to provide the general norms that focus on outcomes and echo a substantive law approach. For instance, the standard Social Accountability (SA8000) came up with eight central norms that can be taken up by organisations (eg, health and safety standards). Macro-level norms are outcome-focused, as they indicate which practices are expected from the corporations in order to be perceived as accountable (Rasche, 2009). As most accountability standards are addressing corporations all over the world, their macro-level norms appear to be generic and broad. Interestingly, Leipziger (2001, 2003) has inquired about the accountability standards that are positioned at the macro-level. The author went through the macro-level norms and questioned how the standards can become legitimised. She looked at the standards' compliance as well as their verification processes with the macro-level norms. Finally,

Leipziger (2003) concluded that there is an appropriate level of specification for global macro-level norms. Rasche and Esser (2006) argued that most standards do not differ much with regard to the content of their macro-level norms. The authors implied that the key challenge ahead is not the development of more norms, but rather to make the existing ones more effective, by issuing guidance on how to implement them appropriately.

THE LOCAL GOVERNMENTS' REGULATORY ROLE

The governments are usually considered as the main drivers of CSR policy. However, there are other actors within society, such as civil organisations and industry. It is within this context that a relationship framework has been suggested by Mendoza (1996) and Midttun (2005). Inevitably, it seems that there was a need for a deeper understanding of the governments' role and function in promoting CSR. Societal governance is intrinsically based on a set of increasingly complex and interdependent relationships. There are different expectations and perceptions within each stakeholder relationship, which have to be addressed to develop an appropriate CSR policy. Essentially, this relational approach is based on the idea that recent changes and patterns affecting the economic and political structure may transform the roles and capacities of various social agents (Albareda *et al.*, 2009). The exchange relationships among different actors and drivers that are shaping CSR policy and communications are featured hereunder in Figure 1 - See PDF,.

According to Golob *et al.* (2013) CSR communication is concerned with the context/environment within which CSR communication practices take place. The authors went on to say that it is necessary to observe CSR communication processes between organisations, (new) media and stakeholders. Apparently, several governments have chosen to draw business further into governance issues without strictly mandating behaviour and specifying penalties for non-compliance. For example, the UK government's Department for Business, Innovation and Skills (DBIS) website states: 'The government can also provide a policy and institutional framework that stimulates companies to raise their performance beyond minimum legal standards. Our approach is to encourage and incentivise the adoption of CSR, through best practice guidance, and where appropriate, intelligent (soft) regulation and fiscal incentives' (DBIS, 2013).

Similarly, in the context of high unemployment levels and social exclusion in Denmark, Ms Karen Jesperson, the Minister of Social Affairs (2003) had unveiled the campaign entitled, 'It concerns us all', which drew attention to the ways in which CSR could assist in addressing public policy problems (Boll, 2005). In a similar vein, the Swedish governments' CSR initiative had called on the companies' commitment in upholding relevant international standards. In Australia, the former Prime Minister, John Howard, had formed the Business Leaders' Roundtable as a means of encouraging business leaders to think about how they could assist government in solving the social problems (Crane *et al.*, 2009). Arguably, the governments can facilitate CSR implementation by setting clear frameworks that guide business behaviour, establishing non-binding codes and systems, and providing information about CSR to firms and industries. For instance, the UK and Australian governments came up with the notion of CSR as a response to mass unemployment. They set public policies that have encouraged companies to engage in CSR practices by providing relevant work experience and training opportunities to job seekers (see Moon and Richardson, 1985; Moon and Sochacki, 1996). Similarly, the EU institutions have frequently offered trainee subsidies and grants for education, including vocational training for the companies' human resources development (EU, 2007). Governments' role is to give guidance on best practice. Japan is a case in point, where there are close relationships between government ministries and corporations. The firms in Japan report their CSR practices as they are required to follow the suggested framework of the Ministry of Environment (Fukukawa and Moon, 2004). Apparently, there is scope for the respective governments to bring their organisational, fiscal and authoritative resources to form collaborative partnerships for CSR engagement. National governments may act as a catalyst in fostering responsible behaviours.

For instance, India has taken a proactive stance in regulating CSR as it enforced corporate spending on social welfare (India Companies Act, 2013). With its new Companies Bill, India is pushing big businesses to fork out at least 2 percent of their 3-year annual average net profit for CSR purposes. Clause 135 of this bill casts a duty on the Board of Directors to specify reasons for not spending the specified amount on CSR (Ernst Young (EY), 2013).

It mandates companies to form a CSR committee at the board level. The composition of the CSR committee has to be disclosed in the annual board of directors' report. The board will also be responsible for ensuring implementation of CSR action plan. The annual Director's Report has to specify reasons in case the specific amount (2 percent of the Profit after Tax) has not been utilised adequately. Indian Business (IB) (2014) has recently estimated that around 8,000 companies in India will be shortly accounting for CSR-related provisions in their financial statements. These provisions would closely translate to an estimated discretionary expenditure between US $1.95 bn and $2.44 bn for CSR activities. In a similar vein, the European Parliament passed a vote to require mandatory disclosure of non-financial and diversity information by certain large companies and groups on a 'report or explain' basis. This vote amended Directive 2013/34/EU and affects all European-based 'Public Interest Entities' of 500 employees or more as well as parent companies (EU, 2014).

NON-GOVERNMENTAL REGULATORY TOOLS

The corporate statements, codes of conduct and the ethical codes serve as a basic institutional indication of organisation commitment and aspiration for social responsibility. While the businesses' very own codes of conduct tend to be designed primarily for internal use and scrutiny (Gilbert and Rasche, 2007), there are international standards and guidelines that focus on social or environmental issues. Nowadays, several standards span in more than one company or industry. The process-oriented standards are applied in particular industries, while other performance-oriented standards are more generic in their approach as they focus on specific areas such as human rights, labour standards, environmental protection and the like (see Jamali *et al.*, 2008). Many NGOs are providing a certification for compliance with proposed rules and guidelines as they incorporate their own independent monitoring systems (Berkhout *et al.*, 2008). The following are some of the most popular standards and reporting instruments: Accountability's AA1000, British Assessment's - OHSAS 18001, Eco-management and Audit Scheme, Global Reporting Initiative (GRI), Fair Labor Association, International Standards Organisation's ISO 26000 - Social Responsibility International Standards, Organisation's ISO 14001, Environmental Management System, Social Accountability's SA8000 and the UN Global Compact, among others.

There is an ongoing discussion about the gap between theory and reality concerning the CSR policy and practice. CSR reporting instruments and standards for social and environmental performance such as industry-based certifications (eg, SA8000; ISO 14001) and product-based standards (eg, Fair Trade) have grown in number and became quite popular in the past decade. In many cases, these standards have been taken up voluntarily by businesses. Such instruments signal the firm's responsibility credentials to its stakeholders (Simpson *et al.*, 2012). Non-governmental agencies have developed standards to certify specific types of manufacturing practices (eg, ISO 14001 and OHSAS 18000) so that firms can identify responsible suppliers and niche producers. Suppliers are increasingly aware of the importance of honesty and quality in all their procurement contracts, dealings and advertising. Similarly, consumers are also becoming acquainted with organic certifications and 'Fair Trade' initiatives that can possibly improve the identification of products with unique characteristics. Apparently, many standards are providing adequate guidance to businesses that are voluntarily applying the predefined norms and procedures in their social and/or environmental issues. Evidently, the CSR 'standards' may be very different from the individual firms' codes of conducts. Such standards are designed by third parties and are usually applied across different industry sectors and geographic regions (Leipziger, 2003: 37). The standards include initiatives such as SA8000, AA1000 and the GRI. For instance, GRI grew out of a joint initiative between the US Coalition for Environmentally Responsible Economies and the UN Environment Programme. It seems that the GRI complements existing financial reporting frameworks with an environmental reporting framework that provides guidance for companies in reporting on the environmental sustainability of its current operations. GRI codes involved consultation with industry and government groups in their formulation. The author believed that they are issue-specific, designed to improve reporting requirements in the areas of environmental impact assessment and reporting NGOs have drafted the predefined norm catalogues and standards about social and/or environmental issues.

CSR standards are often related to soft law solutions for the business as they are not legally binding. However, the

rules usually emerge directly from the hard provisions, which arise from government legislation and are enforced by public authorities. Conversely, the compliance with soft law is voluntary and is not legally enforceable. Such instruments in this sense act as a precursor, and may pave the way for harder or legalistic initiatives. Once a particular standard gains broader cultural acceptance, it turns out that it is usually internalised by businesses. Apparently, the corporate responsibility standards may seem to fill numerous governance and accountability gaps for which there is no applicable law or enforcement. Interestingly, the US Occupational Safety and Health Administration converted a large number of voluntary health and safety standards into regulatory requirements. Moreover, the Brazilian state of Acre has made certification under the Forest Stewardship Council's sustainable forestry programme a requirement for practicing forestry in the state. Zimbabwe has incorporated ISO 14001 into its regulatory system (Stenzel, 2000). Nonetheless, the quality of the ISO 14001 has often been criticised altogether (Mueller *et al.*, 2009). A study by the University of Sussex among 280 companies has indicated that ISO 14001 certified companies were not so different than other companies without an ISO certificate. This study revealed that the employees' behaviour has hardly changed following certification (Berkhout *et al.*, 2008). Some standards have been developed to ensure that corporations remain accountable in their behaviour, as they provide assurance mechanisms. For example, the social accountability standard SA8000 maintains a universally accepted 'working conditions standard' throughout the global supply chain (Reynolds and Yuthas, 2008: 51-52). This standard is applicable to a wide range of industry sectors and to any size of organisation (Jiang and Bansal, 2003). Interestingly, the businesses that implement the standards have committed themselves to integrate the standard into their existing management systems. This may effectively include incorporating SA8000 into staff training, strategic planning and the facility's supply chain management. Apparently, SA8000's focus on the establishment of management systems has been drawn on the experience of the well-acclaimed ISO 9000 and ISO 14000 standards (Leipziger, 2001: 9). SA 8000 configures the requirements for social evaluation, as it refers to forced labour. The companies pledge themselves to fulfil all standard requirements when they implement them. This is followed by thorough examinations of adequateness and continuous improvements of the procedures. Klettner *et al.*'s (2013) article has outlined a good example of how corporate governance processes and structures are being implemented by 50 listed companies in the Australian context. Although, the authors have presented an empirical analysis of the governance of sustainability, this paper gave no evidence of how leadership structures were put in place to ensure that board and senior management were involved in their corporate sustainability strategy. On the other hand, Michelon and Parbonetti's (2012) paper examined the relationship of board composition, leadership and structure on sustainability disclosure. The authors indicated how good corporate governance and sustainability disclosure can be seen as complementary mechanisms of legitimacy that companies ought to resort to continuous dialogue with their stakeholders. Specifically, they claimed that, as disclosure policies emanate from the board of directors, sustainability disclosure may be a function of the board attributes. They investigated the relationship between different characteristics of the board and sustainability disclosures among US and European companies. Their results show that in order to explain the effect of board composition on sustainability disclosure we need to go beyond the narrow and traditional distinction between insider and independent directors, focusing on the specific characteristics of each director.

Gilbert and Rasche (2007: 202) identified that there was a lack of participation by all key stakeholders in the process management of the SA8000 standard. The lack of meaningful stakeholder involvement can threaten the legitimacy of the standard (Gilbert and Rasche, 2007). In practical terms, this means that CSR communication should not be reduced to a corporate function that is carried out at the strategic level or by marketing and public relations departments, but should be treated as a holistic endeavour that encompasses the organisation as a whole (Schoeneborn and Trittin, 2013). In the age of social media and blogging, every employee, from the CEO down to the worker on the ground, can potentially become a crucial actor of CSR communication (Kjærgaard and Morsing, 2012).

Corporate Governance and Sustainability

According to the EU Commission Expert Group (EU, 2012), non-financial reporting enables investors to contribute

to a more efficient allocation of capital, and to better achieve longer-term investment goals. Sustainability reporting can also help to make enterprises more accountable in a strategic and instrumental manner. It makes sense to contemplate it as a corporate communications tool that helps companies to be judged as 'legitimate' by stakeholders in order to survive and prosper (Nielsen and Thomsen, 2007). At the same time, it brings higher levels of citizen trust in business. Aras and Crowther (2008) sought to explore the relationship between corporate governance and sustainability of FTSE100 companies. They suggested that the extent of disclosure manifest through the reporting of corporate governance and sustainability - first to shareholders, then to potential investors, then to other stakeholders. Evidently, firms are recognising the benefit in providing increased non-financial disclosures. They raise their profile among stakeholders by being transparent and accountable to them. Overall, there appears to be a developing acceptance among large corporations that efforts towards improved corporate sustainability are not only expected but are of value to the business. This may translate to commercial benefits for the reputable and trustworthy businesses that regularly disclose their social and environmental reports. Klettner *et al.* (2013) suggested that there is a managerial shift away from an orthodox shareholder primacy understanding of the corporation, towards a more enlightened shareholder value approach, often encompassing a stakeholder-orientated view of business strategy. Generally, there is evidence of a willingness to engage and communicate clearly the results of these strategies to interested stakeholders. Ioannou and Serafeim (2011) maintained that disclosure regulations may have different effects across countries. For instance, they pointed out that firms in China and South Africa are often characterised by severe social and environmental challenges. There are increased disclosure requirements in some countries, coupled with efforts to increase the comparability and credibility of sustainability reports. Ioannou and Serafeim (2011) went on to suggest that increases in disclosures that are driven by the regulation are associated with increases in firm value.

DISCUSSIONS

Regular stakeholder engagement as well as strategic communications can bring more responsible organisational behaviours. This conceptual paper builds on emerging theoretical underpinnings that are related to reporting corporate sustainability and responsibility behaviours. It considered some of the major intergovernmental benchmarks in corporate governance. Many corporate businesses use NGOs' regulatory tools, process and performance-oriented standards with a focus on issues such as labour standards, human rights, environmental protection, corporate governance and the like. This paper reported on some of the most relevant EU Expert Group recommendations for non-financial reporting and CSR audits. Academic commentators have often suggested that stakeholders, particularly customers expect greater disclosure, accountability and transparency in corporate reports. At the same time, relevant literature has indicated that corporate sustainability and responsible behaviours, including stakeholder engagement may bring added value to businesses. This paper posits that the business case of CSR focuses on building approaches to attain competitive advantage by strategically directing resources towards the perceived demands of stakeholders. The way forward is to have more proactive governments which address societal, environmental, governance and economic deficits. This paper reported how governments' regulatory roles with stakeholders are intrinsically based on relational frameworks. Governments have a vital role to play in improving on the environmental and social practices of business and industries operating from their country. At the moment, we are witnessing regulatory pressures for mandatory changes in CSR reporting (EY, 2013; IB, 2014; EU, 2014). Yet, to date there is still no empirical evidence that suggests that the Indian or European disclosure regulations may have positively or adversely affected the corporations' shareholders. Perhaps, firms may respond differently to reporting regulations according to their local contexts and realities. Such pressures are responding to energy crises and addressing contentious issues such as resource deficiencies including water shortages. Nowadays, firms are tackling social issues and implementing certain environmental initiatives (eg, waste reduction, alternative energy generation, energy and water conservation, environmental protection, sustainable transport etc). A case in point is India. Although its economy is growing year on year, this country is striving to improve its credentials on human rights and precarious labour conditions among other issues. Perhaps, regulators would accomplish much more by focusing on measuring social and

environmental performance by introducing standards, phase-in periods and utilisation of innovative technologies that will ultimately bring operational efficiencies. Such measures may improve the environment, and increase the organisations' competitiveness. Governments may give fiscal incentives and enforce regulation in certain areas where responsible behaviour is needed. The regulatory changes may involve the efficient and timely reporting of sustainable (responsible) practices. The reporting may be primarily aimed at the larger businesses. The governments may provide structured compliance procedures and they have to explain their objectives. The CSR practices and their measurement, their reporting and audit should be as clear and understandable as possible for businesses. The governments' reporting standards and guidelines may be drawn from the international reporting instruments (eg, ISO, SA, AA and GRI). Nevertheless, it must be recognised that there are different businesses out there that consist of various ownership structures, sizes and clienteles. In addition, there are many stakeholder influences that may possibly affect the firms' level of social and environmental engagement.

Although regulation is desired to limit the pursuit of exploitative, unfair or deceptive practices, this paper has shown that in some cases regulation (and legislation) is taking the form of command-and-control mandates. This conceptual paper maintains that it is in the businesses' interest to anticipate such regulatory changes and to implement sustainable environmental initiatives to mitigate their effects. It may be argued that any compulsory reinforcement of the regulatory measures may possibly result in efficiencies and cost savings for businesses, in the long term. On the other hand, many governments are realising that social and environmental behaviours lead to economic growth, social cohesion and sustainable environmental practices. In this light, more communication and dialogue between stakeholder groups will help to raise awareness of 'creating shared value'.

Implications and Conclusions

Relevant literature suggests that CSR may no longer bring the same reputational benefits that were reported in earlier studies (see Bird *et al.*, 2007). Laudable CSR activities in philanthropic activities and stewardship practices may no longer differentiate companies and lead them to a sustainable competitive advantage. The public may have become acquainted with such practices. Yet, Porter and Kramer's (2011) 'shared value' approach is relatively straightforward and uncomplicated. This notion may be more easily understood by business practitioners. In a nutshell, this shared value proposition requires particular areas of focus within the businesses' context, at the same time it looks after society's well-being. Presumably, shared value can be sustained only if there is a genuine commitment to organisational learning, and if there is a willingness to forge relationships with key stakeholders. It is hoped that empirical studies in this area can possibly uncover what conditions may be required to create shared value for business and society.

AuthorAffiliation

[1] Department of Corporate Communication, University of Malta, Msida, Malta E-mail: mark.a.camilleri@um.edu.mt

References

Agenda 21 (1992) 'United Nations sustainable development', *Conference in Rio de Janerio*, Brazil, 13 June, http://sustainabledevelopment.un.org/content/documents/Agenda21.pdf, accessed 3 January, 2013.

Albareda, L., Arenas, D. and Lozano, J. (2009) 'The role of NGOs in CSR: Mutual perceptions among stakeholders', *Journal of Business Ethics*, **88** (1), 175-197.

Aras, G. and Crowther, D. (2009) 'Corporate sustainability reporting: a study in disingenuity?' *Journal of Business Ethics*, **87** (1), 279-288.

Berkhout, F., Hertin, J., Wagner, M. and Tyteca, D. (2008) 'Are EMS environmentally effective? The link between environmental management systems and environmental performance in European companies', *Journal of Environmental Planning and Management*, **51** (2), 259-283.

Bird, R., Hall, A.D., Momentè, F. and Reggiani, F. (2007) 'What corporate social responsibility activities are valued by the market?' *Journal of Business Ethics*, **76** (2), 189-206.

Boll, J. (2005) 'Corporate social responsibility and welfare state institutions', http://philpapers.org/rec/BOLIAH, accessed 23 January, 2013.

Bondy, K., Moon, J. and Matten, D. (2012) 'An institution of corporate social responsibility (CSR) in multi-national corporations (MNCs): Form and implications', *Journal of Business Ethics* 111(2), 281-299.

Carroll, A.B. (1991) 'The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders', *Business Horizons* , **34** (4), 39-48.

Crane, A. and Matten, D. (2004) *Business Ethics: A European Perspective. Managing Corporate Citizenship and Sustainability in the Age of Globalization* , Oxford University Press, Oxford.

Crane, A., Matten, D. and Spence, L.J. (2008) *Corporate Social Responsibility: Readings and Cases in Global Context* , Routledge, London.

Crane, A., McWilliams, A., Matten, D., Moon, J. and Siegel, D. (2009) *The Oxford Handbook of Corporate Social Responsibility* , Oxford Publications, Oxford.

Department for Business, Innovation and Skills (DBIS) (2013) 'Corporate responsibility: A government update', http://bis.ecgroup.net/Publications/BusinessLaw/CorporateGovernance/041112.aspx, accessed 3 February, 2013.

European Union (EU) (2007) *National Public Policies in the European Union. Directorate-General for Employment, Social Affairs and Equal Opportunities* , Enterprise Publications, Brussels.

European Union (EU) (2011) 'A renewed EU strategy 2011-14 for corporate social responsibility', http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/public-consultation/index_en.htm, accessed 3 February, 2013.

European Union (EU) (2012) 'Sustainable and responsible business European Expert Group on corporate social responsibility (CSR) and SMEs', http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/sme/european-expert-group/index_en.htm, accessed 12 January, 2013.

European Union (EU) (2014) 'Non financial reporting', http://ec.europa.eu/internal_market/accounting/non-financial_reporting/index_en.htm, accessed 25 June, 2014.

Ernst Young (EY) (2013) 'Corporate social responsibility in India potential to contribute towards inclusive social development Global CSR Summit 2013: An agenda for inclusive growth', http://www.ey.com/Publication/vwLUAssets/EY-Government-and-Public-Sector-Corporate-Social-Responsibility-in-India/$File/EY-Corporate-Social-Responsibility-in-India.pdf, accessed 5 May, 2014.

Fukukawa, K. and Moon, J. (2004) 'A Japanese model of corporate social responsibility? A study of website reporting', *Journal of Corporate Citizenship* , **16** , 45-59.

Gilbert, D.U. and Rasche, A. (2007) 'Discourse ethics and social accountability - The ethics of SA 8000', *Business Ethics Quarterly* , **17** (2), 187-216.

Golob, U., Podnar, K., Elving, W.J., Nielsen, A.E., Thomsen, C. and Schultz, F. (2013) 'CSR communication: Quo vadis?' *Corporate Communications: An International Journal* , **18** (2), 176-192.

Habisch, A. and Moon, J. (2006) 'Social capital and corporate social responsibility', *The Challenge of Organizing and Implementing Corporate Social Responsibility* , **5** , 63-77.

Hess, D. (2001) 'Regulating corporate social performance: A new look at corporate social accounting, auditing, and reporting', *Business Ethics Quarterly* , **11** (2), 307-330.

Indian Business (IB) (2014) 'Weekly Economic Bulletin' - (1 April-7 April) ITP, Division Ministry of External Affairs, Government of India, http://indiainbusiness.nic.in/newdesign/upload/Publications/Weekly/April/ITP-Weekly-Economic-Bulletin-1st_April_07_April_2014.pdf, accessed 10 May, 2014.

India Companies Act (2013) Insight series - Volume IV corporate social responsibility, https://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/taxnewsflash/Documents/india-sept20-2013no4companies.pdf, accessed 12 September, 2013.

Ioannou, I. and Serafeim, G. (2011) 'The consequences of mandatory corporate sustainability reporting'. Harvard Business School Research Working Paper 11-100.

Jamali, D., Safieddine, A.M. and Rabbath, M. (2008) 'Corporate governance and corporate social responsibility synergies and interrelationships', *Corporate Governance: An International Review* , **16** (5), 443-459.

Jesover, F. and Kirkpatrick, G. (2005) 'The revised OECD principles of corporate governance and their relevance to non-OECD countries', *Corporate Governance: An International Review* , **13** (2), 127-136.

Jiang, R.J. and Bansal, P. (2003) 'Seeing the need for ISO 14001', *Journal of Management Studies* , **40** (4), 1047-1067.

Kjærgaard, A. and Morsing, M. (2012) *A Case Study of How Social Media Guidelines are Used to Discipline Employee Behaviour* . 5-7 July, European Group of Organizational Studies (EGOS), Helsinki.

Klettner, A., Clarke, T. and Boersma, M. (2014) 'The governance of corporate sustainability: Empirical insights into the development, leadership and implementation of responsible business strategy', *Journal of Business Ethics* , **122** (1), 145-165.

Knill, C. and Lehmkuhl, D. (2002) 'The national impact of European Union regulatory policy: Three europeanization mechanisms', *European Journal of Political Research* , **41** (2), 255-280.

Leipziger, D. (2001) *SA 8000: The Definitive Guide to the New Social Standard* , FT Prentice-Hall, London.

Leipziger, D. (2003) *The Corporate Responsibility Code Book* , Greenleaf, Sheffield.

Mendoza, X. (1996) Las transformaciones del sector público en las sociedades avanzadas. Del estado del bienestar al estado relacional. Papers de Formació 23 Diputació de Barcelona.

Michelon, G. and Parbonetti, A. (2012) 'The effect of corporate governance on sustainability disclosure', *Journal of Management and Governance* , **16** (3), 477-509.

Midttun, A. (2005) 'Policy making and the role of government. Realigning business, government and civil society. Emerging embedded relational governance beyond the (neo)liberal and welfare state models', *Corporate Governance: International Journal of Business in Society* , **5** (3), 159-174.

Moon, J. and Richardson, J.J. (1985) *Unemployment in the UK: Politics and Policies* , Gower, Aldershot.

Moon, J. and Sochacki, R. (1996) 'The social responsibility of business in job and enterprise creation: Motives, means and implications', *Australian Quarterly* , **68** (1), 11-30.

Mueller, M., Dos Santos, V. and Seuring, S. (2009) 'The contribution of environmental and social standards towards ensuring legitimacy in supply chain governance', *Journal of Business Ethics* , **89** (4), 509-523.

Newell, P. (2000) 'Oceans apart? Comparing business responses to the environment in Europe and North America', *Environment* , **42** (9), 8-20.

Newell, P. (2002) 'Making Rights Real: Exploring Citizenship, Participation and Accountability', *From Responsibility to Citizenship: Corporate Accountability for Development* , IDS Bulletin 33 (2), Brighton.

Nielsen, A.E. and Thomsen, C. (2007) 'Reporting CSR - What and how to say it?' *Corporate Communications: An International Journal* , **12** (1), 25-40.

Organisation for Economic Cooperation and Development (OECD) (1999) 'Directorate for Financial and Enterprise Affairs. Basic Principles of Corporate Governance',
http://www.oecd.org/document/49/0,3343,en_2649_34813_31530865_1_1_1_1,00.html, accessed 2 January, 2013.

Porter, M.E. and Kramer, M.R. (2011) 'Creating shared value: How to reinvent capitalism - and unleash a wave of innovation and growth'. Harvard Business Review, (January/February), pp. 62-77.

Rasche, A. (2007) *The Paradoxical Foundation of Strategic Management* , Physica/Springer, Heidelberg.

Rasche, A. (2009) 'Toward a model to compare and analyze accountability standards - The case of the UN global compact', *Corporate Social Responsibility and Environmental Management* , **16** (4), 192-205.

Rasche, A. (2010) 'Collaborative governance 2.0', *Corporate Governance* , **10** (4), 500-511.

Rasche, A. and Esser, D.E. (2006) 'From stakeholder management to stakeholder accountability - Applying habermasian discourse ethics to accountability research', *Journal of Business Ethics* , **65** (3), 251-267.

Rasche, A., Baur, D., Van Huijstee, M., Ladek, S. and Naidu, J. (2008) 'Corporations as political actors - A report on the first Swiss master class in corporate social responsibility', *Journal of Business Ethics* , **80** (2), 151-173.

Reynolds, M. and Yuthas, K. (2008) 'Moral discourse and corporate social responsibility reporting', *Journal of Business Ethics* , **78** (1-2), 47-64.

Schoeneborn, D. and Trittin, H. (2013) 'Transcending transmission: Towards a constitutive perspective on CSR communication', *Corporate Communications: An International Journal* , **18** (2), 193-211.

Simpson, D., Power, D. and Klassen, R. (2012) 'When one size does not fit all: A problem of fit rather than failure for voluntary management standards', http://www.springerlink.com/content/gn4kg415544l2516/fulltext.pdf, accessed 3 May, 2013.

Stenzel, P.L. (2000) 'Can the ISO 14000 series environmental management standards provide a viable alternative to government regulation?' *American Business Law Journal* , **37** (2), 237-298.

Vogel, D. (2005) *The Market for Virtue: The Potential and Limits of Corporate Social Responsibility* , Brookings Institute, Washington DC.

Appendix

(Table Omitted: See Article Image)

Linking Service

___