Preface

CORPORATE SOCIAL RESPONSIBILITY IN THE 21ST CENTURY

Corporate social responsibility (CSR) is one of the greatest global challenges of the 21st century. Our ancestors have bequeathed to us ways of conceiving, running and regulating corporations the core elements of which are tested more in 21st century conditions than ever before. They need revisiting and even recasting for the sake of our generation, our descendants, and the planet’s future. CSR is the lynchpin of that 21st century enterprise.

CSR can be studied, regulated and practised from many different angles. This book focuses upon governmental, legal and business frameworks for CSR, to accommodate corporate responsiveness to systems of governance, regulation and responsibility in the 21st century business environment. In doing so, it considers CSR from the standpoint of multiple CSR actors across public, private and community sectors, in a select range of jurisdictions across the globe. As a cross-disciplinary work anchored firmly in legal, policy and regulatory perspectives, this book contributes to building bridges, enhancing dialogue and suggesting action on CSR across major disciplinary, jurisdictional and sectoral boundaries.

The early 21st century has already witnessed an explosion of CSR standard-setting initiatives on international, regional and national fronts, embracing the G8 and G20, OECD, UN, EU, UK, and a range of other countries engaged in reforming (or at least reviewing) the CSR-sensitivity of their corporate regulatory regimes and business practices. Even one of the bastions of the traditional Anglo-American model of corporate responsibility and governance (i.e. the UK) has reorientated its system of corporate law for the 21st century around the policy of ‘enlightened shareholder value’. This reform formally makes the law of directors’ duties and corporate reporting ostensibly more stakeholder-inclusive, but still firmly roots it within a largely shareholder-centred model.

A similar expansion is under way in the CSR literature on multiple disciplinary fronts worldwide. CSR scholarship in the 21st century engages new debates and themes, while also making the transition from 20th century and sometimes even residual 18th and 19th century thinking and practices surrounding corporations. The true multi-disciplinary character of CSR, the reality that great societal and global problems are addressed by CSR, and new insights into CSR’s deep complexity are all increasingly reflected in scholarly works devoted to the wide range of academic and work-related standpoints from which CSR must be assessed in its analysis and practice worldwide. Prestigious publishing houses are producing major works that try to do justice to CSR’s multi-dimensional and cross-disciplinary complexity, with some devoting even an entire series of books to CSR in its own right, as an object of law and regulation, or as part of a broader thematic study of corporate responsibility, governance and sustainability.

In 2002, fortieth anniversary editions appeared of the late Milton Friedman’s classic
polemic against the social responsibility of business, *Capitalism and Freedom*. Professor Joel Bakan’s famous critique of corporations and its accompanying documentary of the same name, *The Corporation*, has raised 21st century public consciousness of corporate social irresponsibility to new levels. Along with other critiques of corporate capitalism in the post-Enron era, which subject the whole system of regulating corporate responsibility and governance to fresh scrutiny, this body of work represents a new front in challenging corporate orthodoxy across a number of major national economies. By 2008, even *The Economist* finally conceded the battle to CSR in the marketplace of ideas. At the same time, CSR is under fresh attack in the USA for clouding the dividing lines between political and business responsibilities, and producing an impoverished democracy in thrall to the false hope of socially responsible business, with former Clinton Administration member, Professor Robert Reich, leading the charge towards CSR scepticism with his account of ‘supercapitalism’. We need new rules of engagement for studying, regulating and practising CSR in the 21st century.

**THIS BOOK’S MAIN AUDIENCES**

This book is written with multiple audiences in mind, spread across different disciplines, countries and occupations. In particular, it focuses upon CSR lessons and prospects internationally and in the EU, UK, North America and Anglo-Commonwealth countries. Its academic audience comprises scholars and students from different disciplines and countries who study the theory and practice of corporate responsibility, governance and regulation in a variety of academic fields. In particular, this includes academics and students from law, business and management, as well as from other parts of the humanities and social sciences, who research and study corporations in political, legal and social theory (Chapters 1–3 and 10), social and global governance (Chapters 1–5, 9 and 10), corporate law and regulation (Chapters 3–7 and 10), corporate governance (Chapters 1–3, 5–8 and 10), and corporations in society (most chapters). It also includes scholars and students from different disciplines and geographical regions who research and study corporations horizontally from international and comparative perspectives (most chapters), or else vertically in drilling down into particular topics concerning corporations, such as corporations and human rights (Chapter 9), governmental roles and approaches towards CSR (Chapters 4–7 and 9–10), corporate risk management and reporting (most chapters), and business frameworks and models for implementing CSR (Chapters 8 and 9).

This book’s governmental and regulatory audiences include those national, intergovernmental and international institutions and actors whose areas of work relate to CSR in lawmaking, law reform, policymaking and official regulation (Chapters 4–7 and 9–10), and increasingly in multi-stakeholder networks and standard-setting initiatives centred around CSR concerns (Chapters 1–2 and 8–9). In particular, it maps and explores governmental frameworks and models for legal and regulatory CSR reform (Chapters 4–7 and 10), as well as public sector engagement with CSR (Chapters 4 and 9–10). It also analyses and critiques the CSR-related aspects of the UK’s 21st century experiment with ‘enlightened shareholder value’ in its new corporate law (Chapter 7), especially in terms of the strengths and weaknesses of this new corporate legislative model, its likely issues for future professional advice and ‘test case’ litigation, and its comparative lessons for
CSR-related legal and policy reform in other European, Anglo-American and Anglo-
Commonwealth countries.

The business and professional audiences for this book include anyone interested in CSR
who leads or manages corporations, works or invests in corporations, advises or partners
corporations, or otherwise deals with corporations in the marketplace and the wider
community. These audiences include company insiders such as company directors and
managers, company secretaries, corporate counsel, corporate employees and corporate
shareholders. Importantly, they also include company outsiders such as corporate con-
sumers, corporate advisers (from legal, accounting and other professional services firms),
banks and financial institutions, corporate and investment advisory bodies, investment
managers and advisers, corporate and institutional representative bodies (e.g. shareholder
representative bodies), share traders and analysts, independent corporate watchdogs and
ratings bodies, and national and global members of corporate supply and distribution
chains. All of these business and professional audiences share work-related interests in
various CSR topics covered in this book, including new developments in thought lead-
ership about CSR (Chapters 1–3 and 8–10), international and comparative trends in
corporate regulation and practice affecting CSR (most chapters), business frameworks
and steps for implementing CSR (Chapters 7–9), the regulation and reform of corporate
governance in response to CSR (most chapters), and CSR-related laws and regulation
in major commercial jurisdictions where vast numbers of transnational corporations
(TNCs), transnational corporate groups, and members of their supply and distribution
chains conduct business (Chapters 1–2, 5–7, and 9–10).

The other global, community and civil society audiences for this book engage with CSR
as NGOs working with responsible companies and against irresponsible ones, members
of communities affected directly by corporations as home or host sites of business opera-
tions, and citizens of particular countries and the world concerned about the use and
abuse of corporate power. Given the multiple layers and orders of corporate regulation in
the 21st century which involve non-governmental actors as well as governmental officials,
this book’s audiences therefore embrace a broader range of corporate regulators across
the public, private and community sectors than simply the officially designated corporate
and financial regulators in particular corporate regulatory systems. All of these audiences
share interests in understanding, developing and assessing arguments about the pros and
cons of CSR (Chapters 1–3), showing how and why corporations relate to wider issues
of democratic theory and governance (Chapters 1–4 and 9–10), exploring rationales
and mechanisms for opening up corporate governance regulation and organizational
arrangements to stakeholder influences (Chapters 2–3, 5–8 and 10), and looking ahead to
improvements in business–society relations in important areas such as business concern
for human rights (Chapter 9).

THIS BOOK’S MAIN AIMS

No book on CSR can ever be all things to all people. Nor is everything worthwhile dis-
cussing about CSR reducible to a do-it-yourself CSR manual or checklist. Some books
do a worthy job of highlighting and illustrating steps by which corporations can become
more socially and environmentally responsible. However, they often take the case in
favour of CSR for granted, and hence do little to convince those who oppose it or alternatively have to deal with its desirability, workability, and other implications as corporate law-makers, policy-makers and regulators, for example. At the other extreme, many books wrestle valiantly with CSR’s theoretical debates and conceptual conundrums. However, they often do so from a perspective grounded solely or mainly in one discipline or alternatively one country or region, and often without sufficient integration of CSR theory, regulation and practice.

Accordingly, this book’s first aim is to illuminate and illustrate the insights to be gained from examining CSR from more than one disciplinary standpoint (e.g. law, business and management), level of analysis (e.g. regulatory theory, standards and practice), occupational role (e.g. lawmakers, corporate regulators and company directors), and jurisdictional perspective (e.g. European and Anglo-American standpoints), as an exercise in the scholarship of integration, synthesis and application. As a second aim, this book offers a scholarly defence of an aspirational account of CSR. In doing so, it positions CSR within mainstream corporate responsibility and governance, but also takes a forward-looking approach to CSR’s emerging manifestations in the 21st century and what affects their development and application into the future. Chiefly, it calls attention to the necessary transformation from unduly compliance-orientated, duty-focused and otherwise legalistic accounts of CSR’s relation to corporate responsibility and governance, to a richer account of corporations as both subjects and objects of governance, regulation and responsibility at organizational, societal and global levels. This transformation focuses upon corporate responsiveness to what are described here as ‘trans-modal governance’, ‘multi-order regulation’ and ‘inter-related responsibility’ (Chapter 2).

A third aim of this book is to show how and why CSR necessarily engages a variety of actors across the public, private and community sectors, both nationally and internationally. This means grappling with the ideas and concepts of CSR with which academics, corporate executives, public officials and concerned citizens also grapple, in pursuit of CSR’s connections to wider aspects of democratic and corporate governance, regulation and responsibility in the era of the TNC and the ‘disaggregated state’. CSR is something which requires effective descriptive and normative study (and hence is a concern for political, business and community thought leaders), governmental involvement (and hence is a concern for public policy-makers), legal and regulatory frameworks (and hence is a concern for national legislators, law reformers, courts and corporate regulators, as well as multilateral institutions and actors), and market and industry input (and hence is a concern for individual and institutional shareholders, corporate and investor representative bodies, investment analysts and decision-makers, industry and stakeholder bodies, public advocacy groups and NGOs, and lobbyists). CSR is also a vital matter of concern for effective corporate decision-making and action (and hence is a concern for company directors, managers and other corporate actors), professional advice and guidance (and hence is a concern for corporate counsel, other in-house corporate advisers and external professional advisers), and standard-setting and monitoring (and hence is a concern for industry and independent standard-setters, media organizations, ratings agencies and other corporate monitors).

A fourth aim is to make a contribution to moving towards a common framework for debating, regulating and practising CSR nationally and internationally. This goes beyond simply cataloguing common CSR meanings, forms and standards. It also includes but
extends beyond mapping various features of the CSR landscape. It includes a legitimi-
ing account of CSR from a variety of standpoints, as well as the articulation of framewor-
s capturing CSR’s key manifestations, especially in its vital links to the social order, the business of government and corporate practice. It also provides arguments and options for modelling CSR in lawmaking, regulatory practice and business activity from one jurisdiction to another.

A fifth and final aim is to illuminate ways in which corporate law, corporate governance and resultant business practice can move ahead in their engagement with CSR in the 21st century. Internationally, we are yet to develop a comprehensive international law of CSR, although a nascent but patchy body of comparative CSR law and regulation is emerging across various countries and regions. All jurisdictions remain trapped to one degree or another in old ways of thinking, which locate CSR along linear spectra that are framed around distinctions such as those between shareholder and non-shareholder interests, corporate and other areas of law, public and private interests, mandatory and voluntary obligations, and national and global concerns. Accordingly, CSR still has a long way yet to go in 21st century corporate law, regulation and practice.

INTERNATIONAL, REGIONAL, AND NATIONAL JURISDICTIONS COVERED IN THIS BOOK

In terms of jurisdictional coverage, this book concentrates mainly upon international perspectives and a select range of comparative positions too, especially European, North American and Anglo-Commonwealth (particularly UK and Australian) corporate regulatory systems. Why focus upon these ones? The success of CSR in the 21st century probably stands or falls on the development of effective international architecture for corporate responsibility, governance and sustainability (Chapters 5 and 10). While the EU has aspirations of making Europe a global CSR leader (Chapters 1, 5, 6 and 10), strong national differences still remain to be overcome, especially in approaches to corporate regulation, governance and practice.

As a corporate regulatory system within the EU, the UK lies increasingly exposed to the influence of EU law generally (as in the modern responsiveness of UK law to European human rights jurisprudence) and EU corporate law and regulation in particular (as in various EU directives and other standard-setting initiatives affecting EU business enterprises). The arguably dominant shareholder primacy model is strongly associated with Anglo-American corporate law and governance, which also links the UK and North America, whatever cracks might otherwise be appearing in that monolithic characterization. In addition, the historical influence of UK corporate law upon the wider British Commonwealth means that this approach to corporate law and governance greatly informs the approach to corporate regulation in other Commonwealth countries, including Australia and New Zealand. At the very least, especially in light of the UK’s important model of 21st century CSR-related corporate law reform in its landmark new Companies Act (Chapter 7), UK corporate law and governance is a common anchoring point in this group of jurisdictions.

Australia has special historical, regulatory and economic claims to join this select list of countries and regions for CSR study, beyond being the jurisdiction of most familiarity
to the author as his home jurisdiction. Australia has undertaken major national CSR regulatory inquiries already in the 21st century (Chapter 4). Its system of corporate law and regulation offers important comparisons and contrasts with CSR-related developments in UK corporate law and regulation in the 21st century. As a member of the G20 and one of the largest economies in the Asia-Pacific region, Australia also has one of the world’s largest markets for managed investment funds, which enhances its value as a CSR laboratory for responsible and sustainable investment. Along with the EU, North America and other Anglo-Commonwealth countries, Australia forms part of a broader network of countries which are engaged in developing a distinctive comparative body of CSR-related law and regulation (Chapter 5).

A BRIEF WORD ON TERMINOLOGY AND OTHER FEATURES FOR READERS

This book often refers collectively to corporate responsibility, governance and regulation to emphasize the importance of these three different aspects for socio-ethically responsible corporate behaviour. References to only one or two of these aspects in other parts of the book simply highlight whichever of them seem most prominent in the context under discussion. Clearly, however, a strong underlying connection is usually present between all three aspects of corporate responsibility, corporate governance and corporate regulation. Occasionally, contrasts are drawn between conventional corporate responsibility and governance and emerging developments in corporate responsibility and sustainability.

This book also tries as much as possible to bring together in one analysis for readers the great debates (Chapter 3), model laws (Chapter 5–7) and influential standards of CSR in the terms in which their authors or drafters put them, in a balance of exposition, synthesis and analysis for the purposes of understanding, modelling and critique, given the different needs of the different CSR audiences for this book. Policy-makers, legislative drafters and law reformers looking to investigate and perhaps adopt policies and laws in their own jurisdiction in a way which is informed by what happens elsewhere hopefully can benefit from this approach of positioning important landmarks in CSR thinking and practice alongside critiques and applications of them. Company directors and other corporate actors also need an understanding of the primary laws and other forms of regulation which govern them, especially in light of the rapid evolution of CSR ideas, regulation and practices even in the short period since the start of the 21st century. However, as this is a book about CSR for those who study or practise it from different disciplinary standpoints and work perspectives, and not simply a book about comparative corporate law, references to specific laws and cases from different jurisdictions are mainly for illustrative and contextual purposes.

Suitable CSR case studies of sufficient longevity and transposability across national, sectoral and organizational boundaries remain elusive, especially in light of the quickly evolving CSR environment. None of this means that such case studies are impossible or irrelevant. They make CSR come alive and serve useful modelling purposes. Yet, case studies operate at many different levels, beyond simply examples of individual corporations in particular industries or regions which do CSR well. Given the range of CSR actors and their occupational viewpoints, CSR case studies can also embrace policy,
regulatory and business frameworks too. Examples and case studies at these different levels are woven throughout this book. Given the expanding multiplicity of frameworks, models and other standard-setting tools now on offer for CSR actors, primary emphasis is given here to some overarching frameworks for CSR as a whole from governmental, regulatory and organizational perspectives, with ancillary reference to frameworks and examples covering discrete strands of CSR, such as CSR-sensitive corporate decision-making, risk management and reporting.

ACKNOWLEDGEMENTS

This book is part of a grander research programme exploring contemporary public and corporate governance from a range of disciplinary, jurisdictional and analytical perspectives. It is informed by the work on other publicly funded research projects supported by the Australian Research Council, on projects relating to democratic and judicial governance within international systems of state and non-state governance and regulation (ARC Discovery Project, ‘The High Court of Australia’s International Impact and Engagement – Enhancing Judicial Accountability and Australia’s Place in International Law’ (DP0666665), 2006–2010) as well as comparative public and corporate governance (ARC Linkage Project, ‘Corporate Governance in the Public Sector: An Evaluation of its Tensions, Gaps, and Potential’ (LP0348470), 2003–2007). I am fortunate to have been supported in this work by the ARC and, through the ARC, the Australian Government and Australian taxpayers.

Various people at Edward Elgar Publishing associated with the commissioning and editing of this book have been incredibly supportive of the project and tolerant in accepting how long it has taken to incorporate everything in it, especially late-breaking developments in a field as dynamic and fluid as CSR. In particular, I gratefully acknowledge the encouragement, enthusiasm and guidance of Catherine Elgar, Laura Elgar, Edward Elgar, Alexandra O’Connell, Nep Elverd, Kate Pearce, Emma Gribbon and Laura Seward.

The early stages of work on this book commenced during my research sabbatical at the Wharton Business School in Philadelphia, attached to the Zicklin Centre for Business Ethics as a Visiting Scholar in the Legal Studies and Business Ethics Department. I benefited greatly from discussions there with my academic colleagues, Centre members, and accompanying PhD students, especially Professor Bill Laufer, Professor Eric Orts, Associate Professor Nien-He Hsieh, and the late Professor Tom Dunfee. In addition, I have benefited from my work and discussions on corporate responsibility and governance with my colleagues in Allens Arthur Robinson’s practice groups devoted to these areas of legal practice. This includes the opportunity to work in the team providing advice on business human rights due diligence for Harvard University’s Professor John Ruggie, in pursuit of his mandate as the UN Secretary-General’s Special Representative on Business and Human Rights (UNSRSG).

Finally, my heartfelt thanks also go to the research assistants who assisted me variously at different stages of this project and during their own busy student careers with research, citations, editing, referencing and indexing (i.e. Stuart Dullard, Kate McLoughlin, Tom O’Brien, Rowan Platt, Ryan Harvey, Toby Collis, Michael Adams, Nadia Giovannucci,
Natalia Antolak-Saper and Michael Beaconsfield), and to the administrative assistants who helped with the manuscript (i.e. Liz Sanelli, Wendy Calvert, Annette Hondros, Bridget Sadler, Tamana Daqiq and Sadiq Ansari) and accompanying figures (i.e. Liz Sanelli and Annette Hondros). Of course, all responsibility for what appears here remains mine.

NOTES

2. E.g. Edward Elgar Publishing’s recent thematic collection of CSR books (including Tully, 2005; Banerjee, 2007; Boeger et al, 2008; and this book), Oxford University Press’ recent CSR books (including May et al, 2007; and Crane et al, 2008), and Ashgate’s Corporate Social Responsibility Series (including Crowther and Rayman-Bacchus, 2004; Cooper, 2004; Daianu and Vranceanu, 2005; Cradden, 2005; and den Hond et al, 2007).
8. On these Australian statistics see the Australian Government’s September 2007 financial markets update from the Department of Innovation, Industry, Science and Research.