

Institute for World Society Studies

## **The Foundations of Legitimacy – Findings from the Institutionalisation of the UN Global Compact**

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## Introduction

Within the last 10 years there has been a worldwide spread of the concept “Corporate Social Responsibility” (CSR). Under this label companies are setting up programmes which aim to contribute to social or environmental issues such as education, disaster relief or climate change. The programmes can be incorporated within codes of conduct of individual companies but they can also be issued by local, national or by global initiatives. One global initiative is the Global Compact, which has been established in 2000 by the United Nations. Its main aim is the diffusion of ten principles regarding human rights, social standards, environment, and anti-corruption and thus to generate action which supports the wider UN goals ([www.unglobalcompact.org](http://www.unglobalcompact.org)).

The worldwide spread of CSR implicates that not only state actors are being concerned with social and environmental policy issues anymore but also that business actors are getting involved with policy topics such as CO<sub>2</sub> reduction, pension schemes or social services. This development has provoked a very active debate, which primarily centres around two questions: Are CSR programmes effective? Are CSR programmes legitimate?

The answers are far from clear yet, and the debate is still very contested. Brühl et al (2004) argue that CSR programmes are very problematic as they lack of legitimate empowerment by democratic institutions. According to their view, CSR is rather used by companies for enlarging their power. On the contrary, Olivieri and Simmons (2002) and also Stubbs (2003) argue that CSR policies can be understood as being complementary to state policies as they constitute a substitution to the classical welfare duties of the state. This view is complemented by researchers such as Habisch (2005; 2004) who focuses on the motivations of companies and argues that the self-interest of companies leads to setting up CSR programmes which in turn results in an improvement of both the company as well as society.

Although these are rather strong positions it is still open how to assess both the effectiveness and the legitimacy of CSR, as the arguments leave out following three topics. First, no position focuses on other motivations than pure self-interest – strategies of pure “rule following” (Brunsson and Jacobsson 2000b) or “legitimation strategies” (Meyer and Rowan 1977) are neglected. Second, nothing is mentioned about “unintended” or “side effects” (Merton 1936) of CSR programmes. Third, it is often not specified what is really meant by effects and legitimacy: What/Who are the causes/underlying mechanisms of the effects? On what/whom does a CSR program actually have effects? Similar applies for legitimacy, as it is rather difficult to assess, that a CSR programme is legitimate.

In my paper I want to contribute to the elimination of these gaps by developing a typology of the legitimacy of CSR programmes. As I in this typology differentiate between input and output legitimacy (Börzel and Risse 2005; Dingwerth 2004), I also will include an analysis of its effects and effectiveness as the effectiveness equals output legitimacy (Börzel and Risse 2005).

My argument is that the input and output legitimacy of CSR programmes not only show after the deliverance of some projects but at several levels such as during the emergence of CSR, during its diffusion or after its implementation. For example, the global spread of the CSR idea itself has already affected the global social policy discourse. Changes in (global) discursive positions on CSR determine which new projects on what topics have to be set up (and what topics are neglected) and who is responsible for it. Additionally, there exist very influen-

tial and effective CSR programmes set up by a company. However it is far from clear how legitimate they are in respect to their inclusiveness as CSR programmes are not only shaped by the project leaders but also by other actors in the wider field such as consultants or accountants.

In order to make my argument more precise I will proceed as follows. First, I will give some definitions of Corporate Social Responsibility (CSR) and continue with a brief sketch of the UN Global Compact, which in my view is one of the most prominent CSR initiatives and which I will use for the illustration of my arguments. Third, I will outline a neo-institutional perspective for studying the institutionalisation process of CSR (DiMaggio and Powell 1983; Meyer and Rowan 1977; Meyer, Boli and Thomas 1987; Meyer et al. 1997). I define CSR as a global norm which has become institutionalised at several levels of society.

In the fourth part of the paper I will outline a concept of studying the legitimacy of the CSR norm. Here I will first analyse the effects and efficacy of CSR at the several institutionalisation level, which constitute the output legitimacy of CSR. The level analysis goes back to the assessment of advocacy networks by Keck and Sikkink (1998). I then briefly sketch some indicators which should be taken into account for assessing the inclusiveness of CSR at its several institutionalisation levels which constitute its output legitimacy. I follow with a short assessment of the legitimacy of the CSR norm within the Global Compact and conclude with an assessment of this scheme and give an outlook on further research.

### **Definitions of Corporate Social Responsibility**

The responsibility of companies is not an entirely new phenomenon nor exist a single definition of the idea that companies should aim not only for economic goals but also contribute to society via social or environmental programmes. The most prominent concepts are “Corporate Citizenship”, “Corporate (Social) Responsibility”, “Social Standards”, “Sustainable Development”, and “Codes of Conduct”. Their prominence varies over time and by motivations lying behind the CSR strategies (Whitehouse 2003; Windsor 2001; Wood and Logsdon 2001).

**Corporate Citizenship:** Although the idea of citizenship has been ascribed to companies in the United States already in the 19<sup>th</sup> century (Windsor 2001), the term “corporate citizenship” has not come into broad use before the 1990s. Since then it has been primarily used by business leaders and business schools who conceptualise companies as citizens with rights and duties towards their environment. Environment is narrowly understood; mostly it is the smaller community what is meant by it. Moreover, the duties or responsibilities are understood as being an integrative part of the company instead of being contrary to its economic goals (Habisch 2005; Habisch and Wegner 2004).

**Corporate Social Responsibility:** The rather narrowed liberal or conservative view of Corporate Citizenship towards companies was for several years contested by the idea of “Corporate Social Responsibility” (CSR). It arose in the 1970s with the idea of regulating multi national enterprises (MNEs). Similar to the “Corporate Citizenship” concept, CSR implies that companies have to fulfil a responsibility towards society. However, it understands society in a

very broad sense which reaches far over the community idea used by the corporate citizenship concept. Additionally, the responsibility implies that every company should have this moral commitment despite its voluntary character.

These two broader concepts of CC and CSR are complemented by three other ideas such as “Social Standards”, “Sustainable Development” and “Codes of Conducts”.

**Social Standards:** The idea of Social Standards primarily implies that companies should esteem the fundamental labour and social rights, which have been agreed on globally, e.g. within declarations and convention of the International Labour Organisation (ILO). Compared to the ideas of Corporate Citizenship and CSR, social standards have a more passive connotation as companies are supposed to esteem standards but not deliver policies which have been developed by them. Proponents of social standards are very universalistic in their claim but without having much success. Although social standards have been discussed for being included within international treaties most have them have never been actually written down (Scherrer and Greven 2001). Moreover, it is also a narrow concept, e.g. it does not include environmental issues.

**Sustainable Development:** These topics are rather covered by the term “sustainable development” or “sustainability”, which primarily refers to the ecological environment, but which today is sometimes also used for other fields as well. It often comes up in discussions about climate change and the claim about renewable energy.

**Codes of Conduct:** A more technical term is the concept of Codes of Conduct. Although all mentioned concepts are often used as being complementary the concept of Codes is different which primarily is due to its content. They usually focus more on the implementation (*how*) instead of on the idea (*what*). The term is mostly used from a liberal or conservative point of view, whereas social standards and sustainability are primarily taken into account from a social democratic or social-liberal standpoint.

Within the last ten years, the distance between the two “umbrella” concepts CC and CSR seems to have narrowed a lot, although the whole movement behind is still not coherent. It can rather be described by a bundle of different (connected) developments such as a regulative framework, a mobilisation of corporatist actors intending to support development and a management trend (Sahlin-Andersson 2004).

In the following I will use the term CSR in order to cover these developments. Although it already has some implications as I outlined above, I argue that it describes the trends, which are meant by it best. First, CSR is a more open concept for studying the strategies of a company than is Corporate Citizenship as the CSR-concept does not presume that a company understands itself as a citizen although without excluding this precondition. More importantly though, the CSR concept implies that companies are understood as having responsibilities towards society, which is expressed by the term “social” within the CSR. Having said this, it becomes clear that I understand the term “social” in a very general sense which includes social, ecological, community, etc. responsibilities. It does not refer to the term “socialist” or political regulation as Milton Friedman has argued in his prominent article about the “busi-

ness of business”. There he stated: *“This is the basic reason why the doctrine of "social responsibility" involves the acceptance of the socialist view that political mechanisms, not market mechanisms, are the appropriate way to determine the allocation of scarce resources to alternative uses.”* (Friedman 1970)

In the next chapter I will give a short overview of the CSR development within the UN Global Compact before I then outline a theoretical perspective of the institutionalisation process of CSR, which build on the CSR definition developed above.

### **CSR and the UN Global Compact**

The UN Global Compact originated in a speech by the UN general secretary Kofi Annan at the World Economic Forum 1999 in Davos and was finally established in 2000 by opening an office within the UN headquarter. Since 2006 it is headed by an independent foundation which allows the Global Compact being financed by donations instead of state contribution.<sup>1</sup> Its aim is to diffuse ten principles regarding human rights, social standards, environment, and anti-corruption and thus to generate action which supports the wider UN goals (www.unglobalcompact.org)

**Table 1:** The then principles of the UN Global Compact

<p><b>Human Rights</b></p> <ul style="list-style-type: none"> <li>• Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</li> <li>• Principle 2: make sure that they are not complicit in human rights abuses.</li> </ul> <p><b>Labour Standards</b></p> <ul style="list-style-type: none"> <li>• Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</li> <li>• Principle 4: the elimination of all forms of forced and compulsory labour;</li> <li>• Principle 5: the effective abolition of child labour; and</li> <li>• Principle 6: the elimination of discrimination in respect of employment and occupation.</li> </ul> <p><b>Environment</b></p> <ul style="list-style-type: none"> <li>• Principle 7: Businesses should support a precautionary approach to environmental challenges;</li> <li>• Principle 8: undertake initiatives to promote greater environmental responsibility; and</li> <li>• Principle 9: encourage the development and diffusion of environmentally friendly technologies</li> </ul> <p><b>Anti-Corruption</b></p> <ul style="list-style-type: none"> <li>• Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.</li> </ul>
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Source: <http://www.globalcompact.org/AboutTheGC/TheTenPrinciples/index.html>

The 10 principles are based on four central UN declarations and conventions: the 1948 Universal Declaration of Human Rights (UDHR), the ILO Declaration on Fundamental Principles and Rights at Work which was adopted 1998, the Rio-Declaration of 1992 and the 2005 United Nations Convention against Corruption (UNCAC). Although referring to this framework the Global Compact understands itself as a *“purely voluntary initiative. It does not po-*

<sup>1</sup> In 2006, the Global Compact foundation was established in order to change their finance structure, as until 2006 the CG was exclusively financed by country contributions. With the Global Compact foundation it is also possible to raise donations from MNEs (such as Bayer, LEGO, UBS, Deutsche Bank, Novartis) (www.globalcompactfoundation.org).

*lice or enforce the behaviour or actions of companies. Rather, it is designed to stimulate change and to promote good corporate citizenship and encourage innovative solutions and partnerships”* ([www.globalcompact.org/AboutTheGC/faq.html](http://www.globalcompact.org/AboutTheGC/faq.html))

Therefore the Global Compact office has set up several engagement mechanisms, including “policy dialogues”, “learning platforms” or “local and regional networks”, where the participating members are supposed to share their experience and learn by good practice examples from other participants ([www.globalcompact.org/AboutTheGC/faq.html](http://www.globalcompact.org/AboutTheGC/faq.html)). Moreover the Global Compact office is part of a network itself. Besides the UN general secretariat six more UN agencies are participating (OHCHR, ILO, UNEP, UNODC, UNDP, UNIDO) which together form the Inter-Agency Team.

Despite its voluntary character some obligations for being a participant of the GC have been imposed since its beginning. Companies are not allowed to become a member when they are involved in forced or child labour (Hamm 2002). Moreover, companies are expected to participate in the Global Compact’s “Communication on Progress”. This implies that they are supposed to provide reports or website content in which they demonstrate their contribution to the Global Compact’s principles. Companies which do not fulfil this obligation are in the meantime marked as “Non-Communicating Companies” on the CC- Homepage and since 2006 they are even excluded by the initiative when they do not fulfil the communication policy repeatedly<sup>2</sup>.

To this day the Global Compact has attracted a lot of attention. According to its homepage at its official start it had only 36 members, all of which were Multi-National-Enterprises (MNEs). Today it lists more than 3500 members, including companies, small and medium enterprises, micro enterprises as well as so called other stakeholders such as global and local business associations, global and local labour bodies, CSR organisations, foundations, global and local NGOs, academic institutions, public sector organisations, and cities ([www.unglobalcompact.org](http://www.unglobalcompact.org)).

The UN Global Compact is only one example of CSR initiatives which have been established during the last ten years. But within my view it is one of the most prominent ones because it is an indicator for the global institutionalisation of CSR as a norm. The Global Compact provides the CSR concept a global arena and with this a worldwide acceptance. Many companies but also professions such as accountants and consultants are turning their interest toward that concept. How this global spread works and how it has come about in the first sense I will show by using a sociological neo-institutional perspective. I combine elements from neo-institutional organisation studies (Brunsson 1989; Brunsson and Jacobsson 2000a; DiMaggio and Powell 1983; Meyer and Rowan 1977) and world polity research ((Meyer, Boli and Thomas 1987; Meyer et al. 1997; Meyer, Drori and Hwang 2006) and additionally uses concepts from IR theory (Finnemore and Sikkink 1998; Risse, Ropp and Sikkink 1999). This institutionalisation approach will then build the basis for the further assessment of the legitimacy of CSR.

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<sup>2</sup> According to the UN Global Compact Homepage in September 2007 there were about 427 firms labelled as non-communicating and about 810 companies labelled as inactive. According to Georg Kell, in 2006 for the first time about 335 companies were officially “deactivated” from the Global Compact, because of failing to report on their engagements. See Kell, Georg in: Macondo, Mediengruppe (Ed.). 2006. *Global Compact Deutschland 2006*. Münster. Pp.33

## The institutionalisation of Corporate Social Responsibility – a norm life cycle model

### *Concepts of institutionalisation*

As already illustrated above, a lot of organizing around CSR has taken place within the last years. Organisations such as the UN Global Compact, the Global Reporting Initiative or Account Ability have been set up for issuing guidelines around CSR, and more and more companies are committing themselves to CSR. This development could be taken as an indicator that CSR has become accepted as an appropriate (management) model by many actors such as companies, states and international organisations. The model is now being diffused worldwide. Prior analysis of diffusion processes has traditionally been conducted by sociological neo-institutionalists both from organisational theory and world society theory.

Organisational sociologists such as John DiMaggio and Walter Powell (1983) have been primarily concerned with the diffusion of organisational forms and models which often resulted in assimilation of organisations. World polity researchers are also concerned with the diffusion of models but their focus is rather directed on the worldwide diffusion of modern models and ideas such as modern science, the nation state, or organisations in general (Meyer et al. 1997; Meyer, Drori and Hwang 2006).

In the words of John DiMaggio (1988) this understanding of an institutionalisation process could be labelled as “institutionalization as outcome”. Neo-institutional theory within this tradition is much less concerned with interest and politics which shape organisational structures and their diffusion but with the already existing structures which constructed, re-constructed and diffuse those ideas (DiMaggio 1988).

Although this tradition is very important for my analysis of the legitimacy and effects of CSR programmes, I argue that it is not sufficient, as it does not explain the entire development of CSR.

First, it neglects the phase in which a model is institutionalised in the first sense and the effects this may have. In the words of John DiMaggio (1988) this stage could be called “institutionalisation as process”. The institutionalisation of an idea is rather “*a product of the political efforts of actors to accomplish their end*” (13) instead of a product of structure. “...[T]he success of an institutionalization project and the form that the resulting institution takes depend on the relative power of the actors who support, oppose, or otherwise strive to influence it.”(13)

Second, there exists a rich amount of research on the diffusion of models but only few studies of the effects of a model after its adoption and internalisation within a company, which is also a level of institutionalisation. The most prominent answer is that the adoption is followed by a decoupling process, which implies that organisations or states often adopt programmes without changing their daily procedures (Meyer and Rowan 1977).

Finally, there exist no integrated sociological neo-institutional research which brings together the several phases of the institutionalisation of a model, as they are often interconnected and thus influence each other.

One solution to this problem can be given by the norm-life cycle model which was developed by the IR-theorists Finnemore and Sikkink (Finnemore and Sikkink 1998). They were interested in understanding dynamics and change of international political norms as well as the

political change caused by these norms. In their model they distinguish three phases within the life of a norm: *norm emergence*, *norm cascade* and *norm internalisation*. After a norm had emerged, it is globally diffused by and to state and finally internalised and implemented within state policy (Finnemore and Sikkink 1998).

When reading the model in this way, it might appear as a very linear process, implicating that one phase follows the other and there are no interrelations between the phases. This does not always meet reality. For example the norm development or the emergence of similar but new norms might go on all the time as well as the diffusion. Moreover, an adoption must not necessarily lead to an internalisation. Additionally, the norm diffusion may also contribute to the norm development as does the internalisation. New norm adopters might interpret the norm in their respects and thus have an influence on how it will be used in the future.

Despite these problems implicated within the model, it will be very useful for a profound analysis of the global institutionalisation of models such as CSR when used as an heuristic framework. First, the norm life cycle model adds to the integration of several parts of neo-institutional theoretical thinking, namely the world polity approach and organisational studies. They are often concerned with similar questions but often separated so that organisational theory only deals with organisations and the world polity approach only deals with world society theory but not vice versa. But to understand the world polity is not only necessary to analyse processes between political organisations such as states or IOs but also between organisations in general (for first discussion within this context see Meyer, Drori and Hwang 2006). Even more important, the norm life cycle model may be very useful because it allows to analyse the several levels of institutionalisation which are often interrelated with each other. This is especially important for an assessment of CSR including its effects and its legitimacy. CSR institutionalisation takes place at several levels which in turn has consequences its effects and its legitimacy.

### ***CSR as a global norm***

When a model has become institutionalised or taken for granted it can be called an institution or a norm. Following the definition of Finnemore and Sikkink (1998) a norm is a “standard of appropriate behaviour for actors with a given identity....[N]orms by definition embody a quality of 'oughtness' and shared moral assessment, norms prompt justification for action and leave an extensive trail of communication among actors that we can study.”(891 pp.)

This definition also fits for CSR, although CSR is not a classic political norm which is directed at states. But most CSR programmes contain shared moral assessments; they prompt justification for action and constitute a standard of appropriate behaviour, which is formulated within several principles incorporated within the programs. For example, the core of the UN Global Compact is formed by 10 principles about human rights, social, environmental and anti-corruption standards which are directed at companies which should implement them into their business strategy.

This norm concept is a more abstract conception of CSR than the classical definition given above but therefore it allows for including its different specificities such as being a being a

regulative framework or a mobilisation of corporatist actors intending to support development or a management trend and sometimes all of them together (Sahlin-Andersson 2006).

### ***The institutionalisation process – the norm life cycle of CSR***

Understanding CSR as a norm opens up the question of how it has become a norm and how it is spreading around. Or in other words: why is it so successful and how has it become institutionalised? Referring to the norm life cycle model outlined above I distinguish between three levels of institutionalisation: norm emergence, norm cascade or norm diffusion and norm adoption or internalisation (Finnemore and Sikkink 1998).

**Norm emergence:** Within this first institutionalisation phase an idea becomes a norm itself, which means that it becomes accepted as a normative model which should be followed in some way or the other. An indicator for the “success” of an idea is when programmes relating to the idea are written down within international rules, such as rules within multilateral organisations, international law or bilateral foreign policies (Finnemore and Sikkink 1998). In the case of CSR the first success already goes back to the 1970s when several expectations of company behaviour were written down within international documents, such as the *OECD Guidelines on Multinational Enterprises (OECD 2000)* or the *Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (ILO 1999)*.

The release of international rules obviously was not enough for CSR to become accepted as a norm already in the 1970s. However, since the 1990s a lot of organisations were founded being concerned with CSR, which is now spreading around on a global scale. Thus, also organisations have to be taken into account as another indicator of the institutionalisation of a norm. Organisations, such as the UN Global Compact have been set up for the promotion of the norm.

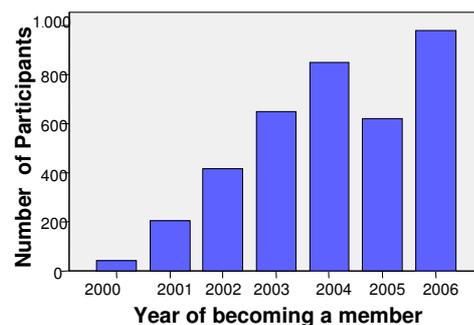
But this does not yet answer the question of why the CSR norm has been successful exactly during the last ten years. What were the main conditions? I argue that one has to distinguish between actors, which were already taken into account by Finnemore and Sikkink (1998), and organisations.

The actors who are promoting a norm are best described as “norm-entrepreneurs” (Finnemore and Sikkink 1998). According to Finnemore and Sikkink (1998), norm entrepreneurs are people or small groups, mostly politicians or civil society actors, who lobby for their ideas, bring them on a global scale and who finally persuade others to adopt them. I argue that in order to understand the development of CSR we should not only focus on political and civil society actors but also include business actors to this concept as they might be very successful in their persuasion strategies. In case of the Global Compact prominent business actors and organisations were the International Chamber of Commerce (ICC) and the World Economic Forum (WEF) who were heavily involved in the developing process of the pact.

Beside “norm-entrepreneurs” which are individual and organisational actors, organisations and organisational elements have to be considered as well. They also shape the success of a norm, for it is them which in the first place often construct the field and the actors involved. Norm entrepreneurs often work in organisational platforms such as IOs or INGOs, which they use for channelling the norms (Finnemore and Sikkink 1998). Moreover, norm entrepreneurs

do not only depend on organisations and their elements but they use several forms of organizing themselves in order to push forward their norms (Brunsson 1999; Brunsson and Jacobsson 2000b). These could be setting up a new organisation itself such as the Global Compact or they could refer to organisational principles such as expertise which gives them also a kind of authority which legitimise their efforts to establish it. Additionally, these organisations may also have a more subtle influence as they influence the norm entrepreneurs with the expertise they produce or the professional training they offer (Deacon 1997; Haas 1992).

**Norm cascade:** The second level of institutionalisation is primarily concerned with the diffusion of an idea after it has become accepted as a norm within the international discursive level (Finnemore and Sikkink 1998). It is now much easier adopted by global actors and diffused worldwide. An indicator of success is the visible adoption of a norm by a certain amount of actors of a population. This development is observable within the case of CSR. Organisations spread CSR concepts around and other organisations (mainly corporations) adopt the concepts. Since its establishment the Global Compact has grown rapidly. Meanwhile it has around 3800 participants from 106 countries. In 2006 alone it gained about 980 new members.<sup>3</sup>



**Figure 1:** Number of new participants of the UN Global Compact by year

*Source:* Own analysis of GC member database

The rapid diffusion, which takes place within the norm cascade is less shaped by interest and politics but by already existing structures which construct, re-construct and diffuse the norm (Jepperson 1991; Meyer, Boli and Thomas 1987). However, I argue that actors and therefore agency still plays a role in the process as it is also them who structure the diffusion process within the organisational field (Sahlin-Andersson: 2004). Moreover, they not do just diffuse the idea but contribute to the re-construction of its understanding according to their interpretation.

The participating actors of the CSR field of are norm entrepreneurs such as IOs, NGOs or business associations, but the most important ones are the norm followers and adopters of the norm. In the case of CSR in the Global Compact these have been mainly companies who took over the norm but also NGOS, business and labour associations or accountants and consultants who started giving advice on how to use CSR.

This constellation reveals that the diffusion and development of the CSR norm may take place intentionally but also in a more indirect or subtle way. Companies often adopt it for legiti-

<sup>3</sup> The following results are based on my own analysis of a database of Global Compact participants which was taken from the Homepage of the Global Compact, September, 5th 2006. ([www.unglobalcompact.org](http://www.unglobalcompact.org))

macy reasons, or they are just following rules as other companies have adopted them before (Finnemore and Sikkink, Meyer/Rowan, DiMaggio Powell, Brunsson). Moreover, a norm is not only diffused but also re-constructed which does not only influence the adoption process but may also have effects on the development of the norm itself.

**Norm internalisation:** Adoption of a norm by a state can result in setting up real programmes, but this must not necessarily be the case. Often forms of de-coupling or loose coupling occur between global norms set up in strategy papers and their real implementation (Hafner-Burton and Tsutsui 2005). The same is true for companies, which often pretend to be concerned with some models but do never really take actions. Within the Global Compact there have from the beginning been companies which have never communicated about their actions. Maybe they have set up some programme but as though they do not communicate it we have to suppose that there are just members who talk without taking action.

In its analysis of norm diffusion, IR theory does not mention this problem much, it rather speaks of internalisation when companies appear to set up CSR programmes. Researchers argue that with the help of bureaucracy of law the programmes are becoming habitualised which results in their successful outcome (Finnemore and Sikkink 1998; Risse, Ropp and Sikkink 1999).

Sociological neo-institutionalists, however contradict this view vehemently. According to Meyer and Rowan (1977) and also Brunsson (1989) who have conducted extensive research on organisations, we often find programmes which do not have effects on an action level of a company or when there are effects, there are rather unintended or not deductible to the programme.

I think this is a very important point, although I do not agree that there is no coupling at all but one rather has to differ between different forms of coupling. In the case of the Global Compact I can show that there are companies who take over CSR programmes and seriously implement them within their companies which results into action. However, there are also companies who talk of CSR but do business as usual. This however, might not necessarily contradict with the CSR ideas but might also not enforce it. And finally there are companies who adapt CSR ideas but totally ignore them on their operative level, which may even lead to violation of human rights or ecological concepts. For example, the NGO CorpWatch released a report in 2002, accusing several multinational corporations (MNEs) and Global Compact members, such as Aventis, Nike, RioTinto, Norsk Hydro or Unilever of having violated several principles (CorpWatch 2002).

Taken the three phases together it becomes obvious how norm and thus also CSR can become institutionalised within several levels. In the first phase it has been written down within international conventions, organisations have been set up in order to push it and it has been adopted by important actors such as industry leaders. In the second stage it has been taken over by many more actors. In case of CSR primarily companies are mentioning the idea on homepages or within CSR reports. Within the third phase a norm can become institutionalised within a company, which has – at least sometimes – also been the case for CSR. But this finding does not necessarily mean that all companies set up programmes. There might be rather

several forms of internalisation reaching from very active programmes to a total neglect and even violation of the CSR ideas.

**Table 2:** Phases of the norm institutionalisation process – the norm life cycle model

	<i>Phase 1</i> <i>Norm emergence</i>	<i>Phase 2</i> <i>Norm cascade</i>	<i>Phase 3</i> <i>Internalisation</i>
<i>Indicators for Institutionalisation</i>	<ul style="list-style-type: none"> <li>➤ Being written down in international conventions</li> <li>➤ Establishment of organisations</li> <li>➤ Being adopted by important leader (gate keepers such as industry leaders)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Being taken over by many actors (quantitative indicator)</li> <li>➤ Being mentioned on company homepages, CSR reports (qualitative indicator)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Setting up of “real” projects within companies</li> <li>➤ Pure talk without setting up projects</li> </ul>
<i>Actors</i>	Norm Entrepreneurs <ul style="list-style-type: none"> <li>➤ Political norm entrepreneurs (IOs, States, “political NGOs “)</li> <li>➤ Business norm-entrepreneurs (companies, NGOS such as business association, labour associations)</li> </ul>	Companies International Organisations States NGOs Professions (Consultants, Accountants)	Law Profession Bureaucracy
<i>Organisational Characteristics</i>	Organisational (Plat)forms: <ul style="list-style-type: none"> <li>➤ Organisations: IOs, NGOs, networks, business associations, the state.</li> <li>➤ Organisational Principles: Expertise,</li> </ul>	Organisational Field	Within Companies
<i>Dominant mechanism</i>	Persuasion Authority	Legitimacy, reputation, expertise	Habit, Rule following Self-interest
<i>Geographical Scope</i>	National, global	Global → Local	Local

Source: Finnemore/Sikkink (1998), modified and supplemented with organisational ideas

### **Input and output legitimacy within the norm life cycle model**

Although the institutionalisation of the CSR norm seems to work in a similar way than does the institutionalisation of norms which are directed at states or IOs, we have to make a clear distinction between the two types of norms. CSR is a concept directed and used by companies, which are by no means democratic actors. They are not elected, and they operate at a different logic, as their main aim is still to make money and not the representation of the public. However, CSR programmes and projects are nevertheless concerned with conventional political aims such as human rights, social or environmental standards. When it comes to their critical assessment thus one not only has to thoroughly examine their effects but also how

legitimate they are. How can we assess this question and how can the above categories may contribute to this aim?

One of the already existing concepts of legitimacy for non-democratic governance arrangements is the distinction between input and output legitimacy. Input legitimacy is understood as a means of reducing the democratic deficit, of improving accountability, and of increasing transparency at levels of governance beyond the nation-state (Börzel and Risse 2005). This is supposed to be achieved when all relevant actors are included and represented within the decision making process and also represented, which means they have to have a voice to decide (Wolf 2003).

Whereas input legitimacy is concerned with the formation of a process, output legitimacy is concerned with the results of global governance processes and their contribution to the public welfare (Dingwerth 2004). Output legitimacy thus equals the problem solving effectiveness of the arrangements in that sense that it is expected to serve the common good and conform the criteria of distributed justice (Börzel and Risse 2005; Scharpf 1999). According to Risse and Börzel (2005), there is often a trade-off between input legitimacy and efficiency. The more inclusive a governance arrangement is, the less accountable and transparent it often is.

Although these conceptions are very fruitful to start from, I argue that the concept in its ordinary use does not meet the complexity of non-governmental arrangements such as companies providing CSR policies. Input legitimacy is mostly assessed only within the phase of norm emergence and output legitimacy is only assessed by an analysis of the effects which follow the internalisation of a norm<sup>4</sup>. I argue that we can observe effects of a norm in the other institutionalisation phases such as within the norm-emergence or the norm-diffusion and therefore also assess its effectiveness at this level. Similar can be said for the output legitimacy, which is not only relevant in the case of the emergence of a norm but also during its diffusion or its institutionalisation at a company level. In the following I will focus on the effects of the CSR norm at the different levels, which constitutes the basis for assessing the output legitimacy. Afterwards I will briefly show what has to be taken into account at the three levels when analysing output legitimacy. I will conclude with a short assessment of the input and output legitimacy on behalf of the UN Global Compact.

### ***Effects and effectiveness of CSR-institutionalisation***

In their research about transnational advocacy networks, Margaret Keck and Kathryn Sikkink (1998) have argued that for evaluating the impact of advocacy networks one has to take into account several levels: “Issue creation and agenda setting”, “influence on discursive positions of states and international organisations”, “influence on institutional procedures”, influence on policy change in ‘target actors’”. Although Keck and Sikkink focus on networks and not on norms, I argue that this differentiation is also very instructive for understanding the effects of global norms such as CSR. In the next lines I will elaborate four effects of the CSR norm and how they correspondent with the above outlined levels of institutionalisation.

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<sup>4</sup> For one of the few examples who examines effects on several levels see Dingwerth (2004).

- **Issue creation and agenda setting**

Before a norm is established as a norm, an issue has to be created and an agenda has to be set. According to Keck and Sikkink (1998) this is provided by networks and in my view can also be fulfilled by norm-entrepreneurs. *"[They] generate attention to new issues and help set agendas when they provoke media attention, debates, hearings, and meetings on issues that previously had not been a matter of public debate."* (25)

When examining the generation and diffusion of the CSR-norm and CSR initiatives such as the Global Compact it becomes clear that it is not only networks but also norm entrepreneurs being embedded in organisational forms that foster issue creation. Within the case of the Global Compact those norm-entrepreneurs were representatives of International Organisations like Kofi Annan from the UN, or representatives of international business associations as the ICC or the World Economic Forum (WEF) which were also understood as representatives of the civil society. Although NGOs were observing the process there seemed to be a clear bias towards setting up a partnership with global business (Paul 2004). This issue creation of CSR did not emerge out of nothing but within already existing structures as it is mostly the case with the emergence of new norms (Finnemore and Sikkink 1998). Within the UN-system this development goes back to the early 1990s, when the United Nations under Boutros Boutros-Ghali started a more liberal attitude towards transnational corporation (Paul 2004). The most prominent example of this change was the 1992 shutdown of the Centre on Transnational Corporations (CTC), which was working on a code of conduct of transnational enterprises. CSR was back on the agenda but with a different content. Companies agreed to take over responsibility, however not publicly regulated but rather voluntary (Paul 2004).

- **Influence on discursive positions of states and international organisations**

Issue creation and agenda setting are closely connected with the second level of influence, networks and norm-entrepreneurs – or norms themselves – may produce. *"[They] influence discursive positions when they help persuade states and international organizations to support international declarations or to change stated domestic policy positions."* (Keck and Sikkink 1998: 25)

The above shown changed UN attitude towards the behaviour of transnational corporations was already a result of agenda setting and issue creation since the early 1990s and thus was the concept of CSR. With the establishment of the UN Global Compact further changes occurred. The UN Global Compact supports selected international declaration and conventions, which were the outcome of the negotiation process of the several norm-entrepreneurs being involved in the phase before the Global Compacts foundation: The 1948 Universal Declaration of Human Rights (UDHR) the ILO Declaration on Fundamental Principles and Rights at Work of 1998, the Rio-Declaration of 1992 and finally the 2005 United Nations Convention against Corruption (UNCAC).

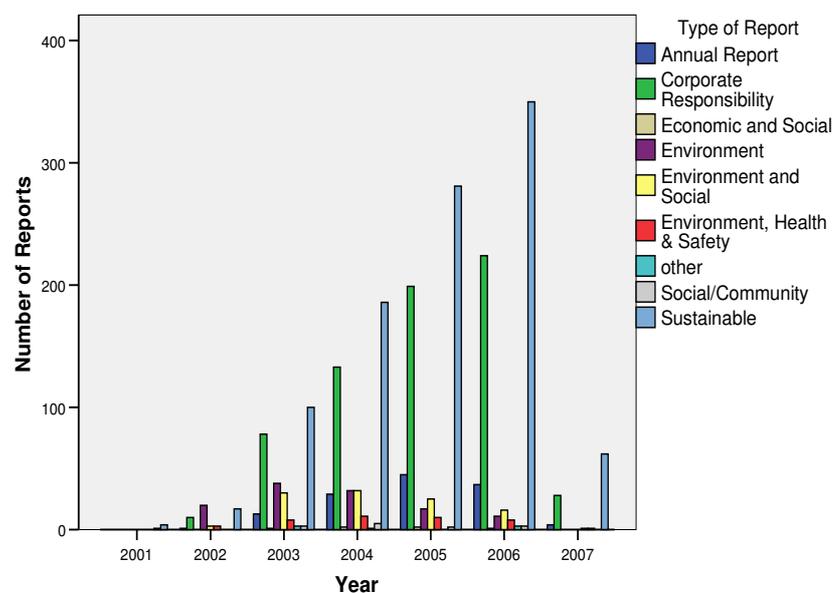
With the selection of these declarations the CSR norm itself (together with the organisation Global Compact) has globally influenced the future discursive definition of CSR and its subfields. The Global Compacts' understanding of CSR includes both social as well as environmental issues. In the case of social policy, it has incorporated the commonly accepted social aims which were agreed in the ILO documents including the "freedom of as-

sociation”, the “recognition of the right to collective bargaining”, “the elimination of all forms of forced and compulsory labour”, the “abolition of child labour”, and the “elimination of discrimination in respect of employment and occupation”

(<http://unglobalcompact.org/AboutTheGC/TheTenPrinciples/labourStandards.html>).

However, labour rights such as “security of employment”, “wages, benefits and conditions of work”, “safety and health” or “training” to name just a view, which are demanded by the ILO in its Tripartite Declaration on Multinational Enterprises (1999), are not included within the Global Compacts principles. In respect to social policy issues, this seems to indicate a rather liberal understanding of social responsibility compared to the traditional social democratic understanding of welfare provision.

Usually these discursive positions are overtaken by national and international political actors which for example ratify a new declaration or set up new political programmes. As the Global Compact is primarily directed at companies we also have to focus on discursive positions of companies. Whereas many companies did not have an openly published opinion about CSR with becoming a member they have developed a view.<sup>5</sup> And also those companies who were very active in one of the CSR policy fields (social-, environmental or anti-corruption standards) are now reformulations of there engagements within the words of the Global Compact. Although I have not yet analysed Global Compact data on this topic, an analysis of the Global Reporting Initiative (GRI) reports indicates a shift from the more special “Environment Reports” to the more integrated “CSR-reports” or “Sustainability Reports”, which also often include environmental issues but not exclusively. This result may be instructive for the Global Compact as well, as many companies not only hand in their report at the GRI but also at the Global Compact wherefore I suppose to find similar developments at the Global Compact.



**Figure 2:** Type of GRI reports handed in to the Global Reporting Initiative; sorted by topic and year  
*Source:* Own account

<sup>5</sup> This view is at least stated once, namely when a company becomes a member of the Global Compact.

- **Influence on institutional procedures**

The establishment of the CSR norm by the UN Global Compact and other initiatives has moreover fostered some new procedures which goes in the direction Keck and Sikkink (1998) have described under the label “participation”: *"[T]he targets of network campaigns frequently respond to demands for policy change with changes in procedures (which may affect policies in the future). The multilateral bank campaign...is largely responsible for a number of changes in internal bank directives mandating greater NGO and local participation in discussing of projects."*(25)

Within today's understanding of CSR organisations such as the Global Compact, participation is best reached when a partnership is established. For example, the Global Compact itself has established a network between several UN organisations. Beside the UN general secretariat six more UN agencies are participating (OHCHR, ILO, UNEP, UNODC, UNDP, UNIDO) which together form the Inter-Agency Team.

But also the participating companies and other stakeholders such as NGOs, business and labour associations are expected to set up partnerships. They are expected to participate in “policy dialogue”, “learning networks” and even “partnerships” in order to “stimulate change and to promote good corporate citizenship.” The Global Compact office itself established several engagement mechanisms, including “policy dialogues”, “learning platforms” or “local and regional networks”, where the actors involved are supposed to share their experience and learn by good practice examples from other participants.<sup>6</sup>

- **Influence on policy change in 'target actors' / influence on state behaviour**

Both changes in discursive positions and institutional procedures may result in policy change of a company (and maybe also in state policies referring to CSR) as *"[a] network's activity may produce changes in policies, not only of the target states, but also of other states and/or international institutions...But we must take care to distinguish between policy change and change in behaviour; official policies regarding timber extraction in Sarawak, Malaysia, for example, may say little about how timber companies behave on the ground in the absence of enforcement."*(Keck and Sikkink 1998: 25)

This “decoupling” between policy change and change in behaviour has been discussed extensively within the neo-institutional literature (Brunsson 1989; Meyer and Rowan 1977) and it is also true for the participating companies of the Global Compact. Since its setting up the it has attracted more then 3500 members, most of them companies from all over the world. Some of them have since their declaration of participation never handed in a report on their CSR behaviour as they should have done according to the compacts policy. Thus this would be a total de-coupling between initial “talk” and followed “action” (Brunsson 1989). Similar can be said for companies which committed themselves to the Global Compact but actually violated against the principles such as CorpWatch example given above (CorpWatch 2002).

However, although neo-institutional theory often states a total decoupling (Meyer and Rowan 1977) or distinction between talk and action (Brunsson 1989), empirical facts show that there are also companies which are only loosely or even tightly coupled.

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<sup>6</sup> All description are taken from the UN Global Homepage [www.globalcompact.org/AboutTheGC/faq.html](http://www.globalcompact.org/AboutTheGC/faq.html). Last visited on September 5th, 2007

Under loosely coupled I understand companies who since becoming a member have handed in reports on a regular base or which at least actively participate within the Global Compacts forums. Under tightly coupled I understand companies who actually have set up projects about which they report in their reports, indicating that real change has taken place. E.g. in its 2004 Social Responsibility Report the GAP Inc. reports about the number of production facilities inspected in 2003 and 2004. According to the report they continued to require that all garment manufacturers and subcontractors pass their approval process before they placed any orders (Gap 2004). Compared to others, this reports tells actual figures and also mentions violation of human rights such as child labour, freedom of association or forced labour, which are supposed to be overcome by an integration of labour standards into their business practices.

The above described effects of the CSR norm differ in their occurrence. *Issue creation and agenda setting* are primarily related to the norm emergence and norm cascade, which is also the case for the influence on *discursive positions*. *Influence on institutional procedures* and *influence on policy change in target actors* rather take place during the norm internalisation, as it at this stage may come to actual policy change or change in procedures both within companies but also within the diffusion organisation such as the Global Compact. Let me in the next lines briefly sketch how to assess if the effects at the several phases are fulfilling the criteria of our output legitimacy.

**Norm emergence:** Within this phase it has to be assessed, how effective the creation of a new issue and the change of discursive positions may be evaluated, especially in the sense that it contributes to public welfare. Here it is primarily of interest to know, what subjects have been put on the agenda, also in relation to other topics of other debates. If an issue such as the protection of the environment may be very effective in general it also has to be assessed if this happens at the expense of other topics such as health problems, etc. which are also relevant to be dealt with and should not be disposed on the expense of other values.

**Norm diffusion:** At this phase, the most prominent effect is the change of discursive positions, as it was already during the norm emergence. Therefore, similar applies as for the effectiveness of the norm emergence. For assessing the effectiveness it is of primary interest to know, what subjects have been put on the agenda and how they relate to other topics as I have already sketched for the first institutionalisation level.

**Norm internalisation:** Adoption of a norm must not necessarily lead to policy change or even change in organisational behaviour. However, if this does not happen, this is also an effect but probably one which is evaluated as being ineffective, which means that we have to deal with low output legitimacy. In order to assess the effectiveness at this institutionalisation stage it is necessary to know if new institutional procedures or a project contributes to public welfare. However, one should be cautious at this level of assessment, as sometimes projects may contribute to delivering public goods but on the expense of externalized negative side effects.

**Table 3:** Phases of the norm institutionalisation process – the norm life cycle model

	<i>Phase 1 Norm emergence( and norm development)t</i>	<i>Phase 2 Norm cascade (and diffu- sion)</i>	<i>Phase 3 Internalisation and transla- tion</i>
<i>Effects of institu- tionalisation</i>	<ul style="list-style-type: none"> <li>➤ Issue Creation and agenda setting                             <ul style="list-style-type: none"> <li>➤ Influence on discursive position of states, IOs and companies</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>➤ Influence on discursive position of states, IOs and companies</li> </ul>	<ul style="list-style-type: none"> <li>➤ Influence on institutional procedures</li> <li>➤ Influence on policy change in target actors</li> </ul>



Source: own account

### ***Inclusiveness within the norm life cycle model***

An analysis of input legitimacy usually focuses on an institutional design, a organisation or a regime and assesses how inclusive it is by making decisions. My main focus, however, is a norm itself (the CSR norm), although I am illustrating my findings on behalf of an organisation (the Global Compact). Therefore, it is not enough just to focus on the inclusiveness of a regime or an organisation in the beginning but to look at the several actors and organisations involved at the several phases of a norm life cycle and examine how much the targets or users of a norm are included as well.

According to the above developed norm life cycle model following aspects should be assessed within the three phases of the institutionalisation.

**Norm emergence:** Within this phase one has to ask for which actors are included in the agenda setting and the issue creation of a model, especially when no organisation is founded to directly lobby for an idea. It shall also be of interest, which organisations are involved and how they are involved within the diffusion of ideas in general.

As shown above, before a norm is established there is often a lot of lobbying for creating an issue and agenda setting. In the case of CSR, these strategies go back to the 1970s and then were brought back in the 1990s again, involving norm entrepreneurs such as international organisations such as the UN, including the ILO (1977/1999) or the OECD (1977/2000). They moreover include NGOs such as Amnesty International, or business orientated NGOs such as the International Chamber of Commerce (ICC) or the World Economic Forum (WEF). At this stage a high inclusiveness of actors is not unusual, as the main aim is to create a new agenda or norm without specifying clear targets of the norm. Therefore it is more like a standard which can best be understood as best practice for many (Kerwer 2005: 625).

When an organisation is explicitly founded to provide an arena for a norm such as the Global Compact it is of interest how this organisation is structured and organised. For example, its internal hierarchy can tell a lot about decision making processes. More importantly, it is of highest interest who can become member of such an organisation. If it has high selection criteria we can rise the question if it is really democratic. If it has low or now selection criteria it may be very inclusive but one can then ask the question if it is really focuses, in other words if it has goals and targets and if they are included and represented as well.

**Norm cascade:** During this phase it is important to focus on the actors, organisations, networks or regimes which are officially in use for promoting a norm and setting up programmes as ask for their inclusiveness. In the case of the Un Global Compact it is of interest which parties are included in this organisation. Who can become a member? Who is a member and who is not? It is also of interest to ask for affiliations, etc.

As I outlined above, the diffusion does not only take place intentionally but also in a more subtle way, as there are many other actors involved in the diffusion of an idea, which see themselves only indirectly attached to it: *"Others...to not take action responsibility for organizational behaviour and outcomes. They discuss, interpret, advise, suggest, codify, and sometimes pronounce and legislate. They develop, promulgate, and certify some ideas as proper reforms, and ignore or stigmatize other ideas."* (Meyer 1996: 244)

In the case of the CSR norm, a prominent group of “Others” are consultants and accountants who advice both the UN Global Compact and companies in terms of CSR. Although “Others” are often not officially included within a norm-organisation or a regime, they should be taken into account in the analysis of the (non-)inclusiveness.

**Norm internalisation:** The question of inclusiveness at this third phase is not longer concerned with the global level but with the local company level. As shown before, an indicator for the institutionalisation of the CSR norm at this stage was the setting up of CSR programmes within companies which might or might not result in real projects.

In order to assess the inclusiveness, on has to analyse who and what is actually included in a company’s project. Are all relevant parties included which may contribute to the aim of the CSR project or is it only set up by the company itself? Who has influence, but is not directly included?

But one has not only to ask for the institutional design of the company project but also for its content. Is a company referring to the principles given out by the Global Compact or is it rather conducting it own CSR projects?

**Table 4:** Input and Output Legitimacy of a norm during the three phases of the norm life cycle

	<i>Phase 1 Norm emergence and norm development</i>	<i>Phase 2 Norm cascade and diffusion</i>	<i>Phase 3 Internalisation and translation</i>
<i>Criteria for input legitimacy</i>	High inclusiveness of the relevant actors/parties which pushes forward a norm	<ul style="list-style-type: none"> <li>➤ Inclusiveness of relevant actors/parties</li> <li>➤ Influence of non-member (the higher the influence the lower the input legitimacy)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Inclusiveness of institutional design of company project</li> <li>➤ Relevance of CSR-content in relation to the bigger context it is embedded in (e.g. GC)</li> </ul>
<i>Criteria for output legitimacy</i>	Evaluation of effects: <ul style="list-style-type: none"> <li>➤ agenda setting</li> <li>➤ influence on discursive positions</li> </ul> (the better the intended effects the higher the output legitimacy)	Evaluation of effects <ul style="list-style-type: none"> <li>➤ influence on discursive positions</li> </ul>	<ul style="list-style-type: none"> <li>➤ Effects of a project (what is aimed, are the aims fulfilled, who is reached)</li> <li>➤ Non- effects if no projects takes place (De-Coupling. Loose coupling)</li> </ul>

Source: own account

### ***Input and Output Legitimacy of the CSR norm at the Global Compact***

Until now I have developed theoretical categories which might be useful for assessing the legitimacy of non-state norms. Let me finally illustrate these categories by an assessment of the legitimacy of the CSR norm and the UN Global Compact.

#### *Phase 1: Legitimacy during the norm-emergence of CSR– Global Level*

*Input legitimacy* requires that all relevant actors of the process are included. In the case of the Global Compact this is critical to assess, as it was no planned initiative but more a self-runner (Schorlemer 2003). Although its initial start took place at a quite “closed club” – the World Economic Forum in 1999, many relevant actors were included within the phase of lobbying for CSR and setting up the Global Compact. As the pact understands itself as a partnership initiative, it has participants not only from the economic sector, but also from global and local NGOs, cities, etc. There are almost no individual actors as most of the participants are organisations although individuals can become members. But every company who is interested in “doing good” for the world can become a member. Thus, since its very beginning the Global Compact implicated a big inclusiveness with its partnership idea..

However, it from the beginning did have very broad aims which means that no clear targets were specified which have to be fulfilled. There also seems to be no organ which also gives voice to either the targets of companies’ harm or the targets which should be improved. The Global Compact itself and its participants seem to be difficult to manage, as almost everybody could become a member without doing much change. This has risen the critics to speak of arbitrariness of the initiative. In other words one could argue that the efficiency of the institutional arrangement and thus one part of the *output legitimacy* seems to be quite low. However, within my analysis of the effects of the CSR norm I have shown that the GC has had enormous effects on the issue creation and agenda setting. Moreover, seldom such an initiative has had provoked so many discussions and thus triggered change in discursive positions of states, IOs and companies. If one argues that the effects justify the methods used, then this could definitely be an indicator for high *output legitimacy*.

#### *Phase 2: Legitimacy during the norm cascade*

As this second phase of the norm life cycle shows an high increase of participants (especially companies) one could argue that this might even increase the inclusiveness of the Global Compact and thus also the *input legitimacy*. However, also within this phase the situation is more ambivalent then it seems to be at a first glance and which leads me to conclude that there are reasons to speak of a rather low *input legitimacy*. As I told before, one should also take into account the “Others” (Meyer 1996), who are influencing a norm without being responsible by inclusion in some arrangement. This is also the case at the Global Compact. Besides the official participants there has emerged a wider field of organisations which are in some way or the other concerned with CSR. For example, consultants are offering services regarding the production of a CSR report to Global Compact members. Even more importantly, accountants audit a company’s CSR report. Again, for this topic I only have analysed data from the Global Reporting Initiative, but this indicates that out of the 2095 reports of the GRI, 965 have been externally audited. Thus, interestingly, there are organisations which in-

fluence the diffusion of CSR but which are mostly not included in the development of the CSR norm and therefore cannot easily be made accountable for their influence.

The efficiency of this phase on the contrary seems to be quite high and this in some respects also the *output legitimacy* at least when we understand it in the sense of the above outlined effects. CSR in this phase is being taken over by many organisations and mentioned on their homepages or on CSR reports and thus appears to have a huge impact on the discursive level of companies but also states, IOs and NGOs.

### *Phase 3: Legitimacy during the norm-internalisation*

About 2511 communication on practice documents have been handed to the Global Compact since today ([http://unglobalcompact.org/COP/cop\\_search.html?submit\\_x=page](http://unglobalcompact.org/COP/cop_search.html?submit_x=page)).

In these documents firms are supposed to report about their engagements concerning CSR. As shown above, releasing a report must not necessarily implicate that real changes have taken place within a company. They could be printed also for pure PR use without having any effects on CO<sub>2</sub> reduction or on the working hours.

In order to assess the *input legitimacy*, one has to analyse who and what is actually included in a company's project as well as if the content is referring to the Global Compact principles (inclusion of content). If a company offers a pension scheme to its member it has to be asked if this was wanted by all workers and especially if every member of the company can make the same use out of it. E.g. the German E.ON which is a GC participant states that about 70% of its staff are involved in its pension scheme.

([http://www.eon.com/en/downloads/CSR\\_Programm\\_Internet\\_engl\\_200606.pdf](http://www.eon.com/en/downloads/CSR_Programm_Internet_engl_200606.pdf))

The inclusion or reference of the Global Compact principles has also been rather critical in the past (von Schorlemer 2003). Many companies are conducting projects, however often they do not explicitly refer to the GC. Additionally, although many projects are conducted by companies, they have been set up earlier implicating that there is also no direct or causal relation to the Global Compact (Schorlemer 2003), at least in the beginning. This all leads to rather ambivalent assessment of the *input legitimacy*.

There is also no single result of the assessment of the *output legitimacy* of projects conducted by Global Compact members. As Shanahan and Khagram (2006) have already observed, although it is hard to imagine an explicit, public rejection of CSR, companies quite clearly vary on the extent to which CR is core to their espoused mission or actual implementation. They also selectively support and/or neglect particular dimensions of CSR.

Within their reports some of them do not speak of real projects at all but merely give an impression of the importance of supporting the Global Compact and others such as the GAP explicitly outline their missions and related successes and failures.

## Conclusion

This paper claims that an assessment of the legitimacy of a norm or an institutional arrangement will remain incomplete without an in-depth treatment of its several institutionalisation levels. Legitimacy, which I conceptualise as input and output legitimacy becomes not only relevant before setting up an institutional arrangement or norm (input legitimacy) or after the results have been delivered (output legitimacy which equal the effects) but at several levels of a norm process.

To provide a starting point for the analysis of legitimacy I outlined an analytical framework which provides an understanding of how a global norm becomes institutionalised at three levels – the norm emergence, norm cascade, and norm internalisation. The concept of institutionalisation has been broadly used in sociological neo-institutional theory (Brunsson 1989; DiMaggio and Powell 1983; Meyer, Boli and Thomas 1987). However, sociological studies often stay at one level of the institutionalisation (the diffusion or institutionalisation within an organisation) but do not explain how institutionalisation happens in the first sense and do not bring the levels together, which in turn are important for the assessment of legitimacy. Therefore I referred to the norm life cycle model from political science theory, which was originally used for analysing political norms (Finnemore and Sikkink 1998). I have shown that it can also be used for models and norms which are directed at companies, whilst including the several phases of its institutionalisation. I illustrated this institutionalisation on behalf of CSR, which I conceptualised as a global norm.

The major objective of the paper is to demonstrate the fruitfulness of linking this three-level approach to a profound analysis of legitimacy. Therefore, in the next part of the paper I have introduced the concept of input and output legitimacy. As the output legitimacy of a norm or an institutional arrangements equal the effectiveness I started with the effects of the CSR-norm. Referring to Keck and Sikkink(1998) I showed, that not only networks but also norms themselves have several effects which show at the three institutionalisation levels. In order to assess a norms efficacy and thus its output legitimacy one has to analyse if the effects of the several levels contribute to public welfare. In the next section I used the same idea for the analysis of the input legitimacy which instead of efficacy is determined by the inclusiveness. As my focus was primarily directed on the norm and not on an organisation or arrangement, I showed that one has to focus on several forms of inclusiveness at the three levels. Whereas during the norm emergence it is relevant to know who is lobbying for the norm, during the institutionalisation at a company level it is important to know who is involved at actual projects and if the targets are included.

Finally I recapitulated my ideas with an assessment of the legitimacy of the UN Global Compact concluding that we find rather mixed results. During the norm emergence the input legitimacy seemed to be quite high unlike the output legitimacy. One the one hand the output legitimacy was low, as the institutional effectiveness of the Global Compact is problematic, but on the other hand the output legitimacy of the norm emergence was quite high, as the agenda setting of CSR was quite effective. The norm cascade was then characterised by high output legitimacy and a rather mixed input legitimacy as there are many influencing forces lying behind the reach of the Global Compact. Even more “mixed” legitimacy is the result of the norm internalisation as so many projects have been set up during the last years, which could not have been assessed systematically. However, as the literature indicates there are

some few “model” projects, whereas there are also many projects having very little impact and/or democratic inclusion intentions.

The role that norms play both in the regulation of companies and in the provision of public goods as I have illustrated on behalf of CSR, confirms the impression that norms are an important part of global governance arrangements. Therefore in future it will be even more important to answer the questions about their effects and legitimacy and we should waste now time sorting out what makes a norm more legitimate.

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