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**On the Effectiveness of Private Transnational Governance Regimes – Evaluating
Corporate Sustainability Reporting According to the Global Reporting Initiative**

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Abstract

The increasing involvement of transnational companies (TNCs) in global governance has been both applauded for its potential to make governance more effective and criticized for lacking democratic legitimization. Hence we investigate the effectiveness of one transnational governance regime, corporate sustainability reporting according to the Global Reporting Initiative (GRI). We found that the GRI has been successful in terms of output effectiveness by promoting the dissemination of sustainability reporting, in particular among Asian and South American companies. However, the outcome effectiveness of the GRI is limited as reporting showed a rather uniform content across countries and sectors which does not reflect materiality considerations. As GRI reporting does not seem to have facilitated greater company-stakeholder interaction, its impact effectiveness is likely to be limited too.

Keywords: Corporate Social Responsibility, Global Governance, Global Reporting Initiative, Governance Effectiveness, Nonmarket Strategy, Sustainability Reporting

1. Introduction

The global political economy has until recently been characterized by a state-centric order, where cooperation between sovereign nation states led to the emergence of stable institutions to govern international economic activity (Cutler, 2001; Held, McGrew, Goldblatt, & Perraton, 1999). However, in the wake of globalization, state-level governance mechanisms have lost some of their regulatory powers to a polycentric system of overlapping centres, each having incomplete political authority (Kobrin, 1998; Strange, 1996). These emerging transnational governance systems are not only confronted with new challenges, such as climate change (Levy & Egan, 2000); moreover, their very nature is changing as alternative

actors emerge, such as non-governmental organizations (NGOs) or transnational corporations (TNCs) (Kobrin, 1998; Rosenau & Czempiel, 1992; Teegen, Doh, & Vachani, 2004). In particular, TNCs have emerged as actors with significant political clout and authority as they push for a substitution of institutional arrangements by forms of ‘soft’ regulation (Kobrin, 2009). In addition to TNCs from developed economies, non-Western TNCs clamour to influence the international institutional environment too (van Tulder, 2010).

These developments have the potential to generate more effective governance regimes (Haas, 2004; Scholte, 2002). At the same time, corporate involvement in shaping governance structures is increasingly becoming detached from the democratically legitimated structure of state law (Scherer, Baumann-Pauly, & Schneider, 2013). As the financial crisis has shown, many governments in developed countries struggle to fully control corporate activities (Crotty, 2009), not to mention states where the enforcement of legal rules is weak or where there are no proper legal frameworks in place (Fukuyama, 2004). Many observers thus point to a “democratic deficit that emerges when private corporations engage in public policy” (Scherer, et al., 2013, p. 473). A key issue for the literature on international relations – and neighbouring subjects, such as corporate political activity and corporate social responsibility – then concerns the effectiveness of these emerging institutional arrangements.

We investigate the effectiveness of private transnational regulatory regimes by building on contributions from the international relations literature, in particular the distinction between output, outcome and impact effectiveness as originally proposed by Easton (1965) and developed by Underdal and Young (2004). The subject of our study is one private transnational governance regime that is rapidly becoming standard practice among developed and developing country firms, namely sustainability reporting according to the guidelines of the Global Reporting Initiative (GRI). The aim of the GRI is to promote the dissemination and improve the quality of sustainability reporting (GRI, 2006). Focusing on the effectiveness

of this particular private transnational governance regime, the GRI should therefore contribute to an increased uptake of corporate sustainability reporting (output effectiveness), allowing internal and external company stakeholders to more meaningfully interact with the respective company on the basis of this information (outcome effectiveness). Ultimately, these interactions should result in measurable contributions towards problem solving in the areas the company reports on (impact effectiveness).

Our study is based on an analysis of 933 GRI reports by companies from 30 countries, representing seven industries. It captures differences in the engagement with this transnational governance regime not only between companies from different industries but also between firms from industrialized and emerging economies. As sustainability is context-specific, we would expect that companies report on those issues that are most material for their operations and their stakeholders. Hence, we expected industry and country-level differences between companies to lead to significant differences in approaches to sustainability reporting. However, whilst we did find some industry-level and country-level differences in reporting, these do not appear to be linked to materiality considerations. Instead, the dominant pattern emerging from our analysis is that coverage levels across GRI indicator categories are very uniform. As report content reflects neither the geographical context nor the stakeholder networks companies are embedded in, we have to conclude that the GRI – although influential – is fundamentally flawed.

This paper makes several contributions to the development of the literature. First, as a contribution to the international relations and international business literatures, we go beyond a dominant focus on North American, European and Japanese firms (Yang, Wang, & Su, 2006) and offer robust quantitative data for a relatively large sample (n=933) covering a genuinely global range of countries. Not least, we provide evidence of the significant level of engagement with private global governance by emerging economy firms, in particular by

those from South and East Asia as well as South America. Secondly, and more importantly, our findings have implications for discussions of the effectiveness of private transnational governance. Companies are clearly under pressure to report on their social and environmental impacts, but these pressures, by and large, have not translated into differences in terms of what they report on. Put differently, the GRI can be considered highly successful in terms of *output effectiveness*. However, the largely uniform content of sustainability reports across the sample casts serious doubt on the *outcome effectiveness* of the GRI. Impaired outcome effectiveness, in turn, makes *impact effectiveness* unlikely too.

The remainder of this paper is structured as follows. The next section provides an overview of the recent emergence of private transnational governance regimes. Subsequently, we introduce a model to evaluate the effectiveness of such regimes, building on the distinction between output, outcome and impact effectiveness (Easton, 1965; Underdal & Young, 2004). The following section reviews the prior literature on corporate sustainability reporting, with a focus on country- and sector-level differences in reporting as well as the role of the GRI. We then describe and justify the research method, followed by the presentation of findings from our empirical analysis. Before we conclude, we discuss the relevance of our findings for future research into private governance regimes as well as their managerial relevance with regard to the future of corporate sustainability reporting.

2. Theoretical Background and Development of Hypotheses

2.1. Private Transnational Governance and Corporate Nonmarket Strategy

Economic activity, both at national and at international levels, requires well-functioning institutions. Until recently, this was provided by the sovereign state, which enjoyed a monopoly of force within its territory (Cutler, 2001; Held, et al., 1999). Holding the undisputed right to design rules within its territory (Held & McGrew, 1993), the sovereign

state can provide the institutions to guide economic activities domestically. The sovereign state is also authorized to define its relations with other states through international agreements (Krasner, 1988); thus being able to bring about institutions to govern economic activity internationally. However, such state-level governance structures have been challenged by globalization. In the words of Strange (1996, p. 4): “Where states were once the masters of markets, now it is the markets which, on many crucial issues, are the masters over the governments of the states.” The traditional dominance of the state has increasingly given way to the emergence of multiple authorities, in particular in the transnational arena, as well as a blurring of responsibilities between public and private sectors (Held & McGrew, 1998; Kobrin, 2009; Scherer & Palazzo, 2011). The result is a world that is more fragmented politically. At the same time, economic interdependence is greater than ever before, as “the dramatic increases in the cost, risk and complexity of technology in many industries render even the largest national markets too small to serve as meaningful economic units” (Kobrin, 1998, p. 361).

It is a key feature of the emerging polycentric system of governance (Kobrin, 2009) that it is significantly shaped by “the apparent assumption by TNCs and global business associations of roles traditionally associated with public authorities” (Ruggie, 2004, p. 502). Such private forms of regulation operate through non-state, market-based frameworks to address a wide range of externalities of corporate activity, from environmental degradation through labour practices in supply chains to violations of human rights (Vogel, 2010). In a similar fashion, authors like Scherer, Palazzo and Matten (2014) stress that by providing welfare and other benefits that go beyond their narrow economic role corporations not only directly contribute to the production of public goods but also have become political actors (see also Matten & Crane, 2005). These developments apply not only to TNCs from developed nations; rather

non-Western TNCs increasingly seek influence over the international institutional environment too (van Tulder, 2010).

Private sector involvement in global governance regimes highlights the importance of companies' nonmarket strategies. Here Baron (1997) stressed that, since the business environment is composed of both a market and a nonmarket environment, companies need to develop a strategy that combines market and nonmarket components to generate synergies and thus superior overall performance. A key part of nonmarket strategy is business political behaviour (Boddeyn & Brewer, 1994) or corporate political activity (Hillman, Keim, & Schuler, 2004; Lawton, McGuire, & Rajwani, 2013), which has been defined as corporate activities to "influence electoral and legislative/regulatory processes so that the outcomes of those processes better reflect the internal goals of the organization" (Baysinger, 1984, p. 249). However, following Baron and Diermeier (2007, p. 540) we propose that nonmarket strategy should go beyond its traditional focus on public institutions, in particular legislative, regulatory and judiciary agencies, to also consider the various forms of "*private* nonmarket competition where private interests such as activists or NGOs try to affect company and industry practices". Put slightly differently, we propose that nonmarket strategy means an integrated pursuit of both corporate political activity (CPA) and corporate social responsibility (CSR) (see also den Hond, Rehbein, de Bakker & Kooijmans-van Lankveld, 2014). CSR, in turn, can be defined as "the responsibility of enterprises for their impacts on society" (European Commission 2011: 6).

The emergence of transnational private governance mechanisms "has been both hailed as a highly promising solution to the shortcomings of state regulation and sharply criticized on the grounds that voluntary business regulations are inherently incapable of addressing market and

regulatory failures” (Vogel, 2010, p. 79). On the one hand, private governance can generate a more inclusive, targeted, timely, flexible, and ultimately more effective governance regime (Haas, 2004; Scholte, 2002). Indeed, corporate codes of conduct were found to – under certain conditions – improve corporate environmental and labour practices (Locke, Kochan, Romis, & Qin, 2007). On the other hand, private governance is potentially problematic as corporate involvement in shaping governance structures is increasingly becoming detached from the democratically legitimated structure of state law (Scherer, et al., 2013). Private governance has been particularly criticized for offering insufficient transparency and accountability (O'Rourke, 2003); some regimes are not enforced very well or cover only a small number of firms in a sector (Vogel, 2010). Given these debates, the research question of this paper is how effective private transnational governance systems are. The paper will investigate this question with regard to one particular governance regime, namely sustainability reporting according to the guidelines of the Global Reporting Initiative (GRI).

2.2. Effectiveness of Governance Regimes

In order to evaluate the effectiveness of GRI reporting as a private transnational governance mechanism, we apply the distinction made in international relations research between output, outcome and impact effectiveness as originally proposed by Easton (1965) and developed by Underdal and Young (2004). The *output effectiveness* of an organization can generally be described as its formal output, such as norms, regulation, or any specific commitments agreed on by the organization’s members. The outcome and impact dimensions of effectiveness both refer to consequences in areas that are addressed by the organization. *Outcome effectiveness* refers to behavioural changes of actors evoked by the organization, whereas *impact effectiveness* refers to measurable contributions that are made towards actual problem solving (Young, 2002). This typology implies that, in terms of output and outcome effectiveness, we

can distinguish between the organizational level and the individual actor level, where impact effectiveness exclusively focuses on actions carried out by members of the organization.

This conceptual distinction has repeatedly been applied in recent academic work on the role of the private sector in shaping the business-society interface at a transnational level (Biermann & Bauer, 2004; Rieth, Zimmer, Hamann, & Hanks, 2007). Applying the distinction between output, outcome and impact effectiveness to the UN Global Compact in sub-Saharan Africa, Rieth, Zimmer, Hamann and Hanks (2007) found a degree of change at the output level as companies are beginning to sign up to UN Global Compact principles; whereas change in company behaviour (outcome) and increased corporate contributions to solving social and environmental challenges (impact) were more difficult to ascertain.

In the context of sustainability reporting, the publication of a sustainability report can be viewed as effective if the sustainability-related information provided in the report forms the basis for meaningful interaction between the company and its internal and external stakeholders. The company's internal and external stakeholders should be able to process the sustainability-related information most material to them and act accordingly, i.e. reward good performers and sanction bad performers, and in turn drive further improvement in sustainability performance. Given the context-specific nature of sustainability, we would expect different companies and stakeholder groups to focus on different sustainability-related priorities. For example, the extent to which challenges, such as climate change, poverty alleviation, human rights abuses or biodiversity, are perceived as material for a specific company or stakeholder group should vary with their sector and geographic locations.

2.3. Institutionalism

The impact of the context-specific nature of sustainability on sustainability reporting can be captured through one particular strand of organization theory, namely institutionalism.

Institutionalism seeks to explain how the organizational field in which an organization is embedded and the organization itself influence each other. Organizational action is thus no longer defined autonomously by the organization, although the organization does not merely react passively to dictates by the field either (DiMaggio & Powell, 1983). Institutions can be defined as “shared rules and typifications that identify categories of social actors and their appropriate activities or relationships” (Barley & Tolbert, 1997, p. 96, italics removed); they operate through regulative, normative and cultural-cognitive processes (Scott, 2008).

In order to gain access to resources that are imperative for their survival, organizations must maintain legitimacy in the eyes of field constituents and hence subject themselves to normative pressures. Under conditions of uncertainty organizations are also likely to mimic others they perceive to be successful. Coercive pressure occurs where one party, such as the state, has the power to establish rules for other organizations (DiMaggio & Powell, 1983; Scott, 2008). The organizational field thus leads to a reproduction of system-wide social facts at the organizational level (Zucker, 1987). However, organizations are not just passive recipients; rather they may have varying degrees of freedom to formulate strategic responses to institutional pressures (Oliver, 1991). They may engage in institutional entrepreneurship (Greenwood & Suddaby, 2006) or institutional work (Lawrence, Suddaby, & Leca, 2011) to consciously seek to change institutional arrangements.

Given the complexities of modern life, many organizations operate in multiple organizational fields. They then become “subject to multiple regulatory regimes, embedded within multiple normative orders, and/or constituted by more than one cultural logic” (Kraatz & Block, 2008, p. 243). In the literature bodies on international business, CSR as well as sustainability

reporting, two conceptualizations of organizational fields seem to dominate, namely at the industry and the national level (Delmas & Toffel, 2008; Jennings & Zandbergen, 1995).

2.3.1. Industry Level Institutional Pressures

The CSR literature has identified industry level pressures as arising from regulators, public concern over an industry's social and environmental impact, as well as through market opportunities arising from investment into CSR (Banerjee, 2001; Delmas & Toffel, 2008; Sharma & Henriques, 2005). A key form of coercive pressure is regulation, the form and rigidity of which is likely to be related to differences in the level of social and environmental impacts different sectors generate, such as differences in the amount and toxicity of their waste (Banerjee, 2001; Delmas & Toffel, 2008). In terms of normative pressure, industries differ in the degree of legitimation that is accorded to the industry by key societal actors, such as civil society organizations (Spar & La Mure, 2003) or the media (Bansal, 2005). Hence there are differences between sectors in terms of what types of governance regimes get adopted and how effective these are (Potoski & Prakash, 2013).

By contrast, intra-industry similarities may serve as a motivation for firms to imitate competitors within their sector (Jackson & Apostolakou, 2010). From such a perspective, industries differ in terms of opportunities to generate benefits from CSR initiatives, such as to reduce costs or to increase the (perceived) quality of their product (Carroll & Shabana, 2010; Epstein & Roy, 2003). Related to this are differences in opportunities for reducing an industry's social and environmental impact through product or process innovation (Hall & Vredenburg, 2003).

The sustainability reporting literature has shown that sector affiliation is a significant explanatory variable for the likelihood of a company producing social and environmental disclosures as well as the length of these disclosures (Bowen, 2000; Cormier & Magnan,

1999; Halme & Huse, 1997; Neu, Warsame, & Pedwell, 1998) (for recent overviews see Fifka, 2013; Fortanier, Kolk, & Pinkse, 2011). Based on these insights from the literature, we thus hypothesize that industry pressures will shape corporate engagement with CSR challenges; we would expect that different industries will reveal differences in the extent to which they address social and environmental challenges. More formally:

Hypothesis 1. There will be industry-level differences in the content of corporate sustainability reports.

2.3.2. National Level Institutional Pressures

Conceptualizations of institutional pressures at national level grapple with wider, more diffuse societal expectations. “Members of modern nations look not only for economic development, but also for balanced social development within local ecosystems” (Jennings & Zandbergen, 1995, p. 1026). These differences between nations in approaches to CSR can be explored through the literature on national business systems and varieties of capitalism (Hall & Soskice, 2001; Maurice & Sorge, 2000). For example, Whitley (1999) identified differences between historically grown institutional frameworks in capitalist economies in terms of influences arising from the political system, the financial system, the education and labour system and the cultural system (Ioannou & Serafeim, 2012).

Applying differences in national business systems to CSR, Matten and Moon (2008) argue that the traditions of individualism and democratic pluralism in the US have led to a greater prominence of market-based self-organization and hence an emphasis on explicitly articulated CSR policies, programmes, and practices. By contrast, continental European markets tended to be organized by producer group alliances to reflect consensual representation of labour and capital or strong government leadership; as a result, European CSR has been indirectly expressed through wider systems of responsibility that embrace a

broader set of actors than just business. Such differences in national institutions can, in turn, affect global governance regimes. For example, Prakash and Potoski (2014) showed that the effectiveness of ISO 14001 is shaped by the stringency of a country's domestic environmental regulation: ISO 14001 certifications reduced air emissions in countries with less stringent environmental regulations but had no such effect in countries with more stringent regulations.

More recently, the literature on national business systems and varieties of capitalism has been extended to cover developing countries and transition economies (e.g. Whitley, 1999; King, 2007). In parallel, the CSR literature has shown a growing interest in these regions of the globe too (Blowfield & Frynas, 2005; Dobers & Halme, 2009; Visser, 2008). Developing countries seem to face CSR challenges that are different from those in industrialized nations. Social and environmental crises are often more acute, while recent political changes, such as moves towards democratization, liberalization and privatization, have created new opportunities for the private sector. Hence there is a greater expectation that business will contribute to socio-economic development (Eweje, 2006; Peinado-Vara, 2006). At the same time, many developing countries display governance gaps so that compliance with even basic legislation cannot be taken for granted (Fox, 2004), while pressure from environmental NGOs and domestic consumers is largely absent (Logsdon, Thomas, & Van Buren, 2006).

Along these lines, country-level differences in non-financial reporting have been identified in terms of the likelihood of reporting (Halme & Huse, 1997; Kolk, 2010), report content (Baskin, 2006; Chapple & Moon, 2005; Kolk, 2005) or the likelihood of assurance (Kolk & Perego, 2010). To an extent, these differences stem from country-level differences in reporting legislation (Guthrie & Parker, 1990; Kolk, Walhain, & Van de Wateringen, 2001); yet, the salience of specific pressure groups (Neu, et al., 1998; Van der Laan Smith, Adhikari, & Tondkar, 2005) as well as underlying cultural and institutional contexts (Fortanier, et al.,

2011; Kolk, 2005) have also been shown to result in country-level differences in sustainability reporting. In line with such arguments in the literature, we would expect to be able to identify differences in sustainability reporting depending on the geographic context from which a company hails. Therefore, we hypothesize that:

Hypothesis 2. There will be country-level differences in the content of corporate sustainability reports.

2.4. The Global Reporting Initiative (GRI)

In recent years, the GRI has emerged as the key normative body in the field of sustainability reporting (Etzion & Ferraro, 2010; Levy, Brown, & De Jong, 2010). To date, several thousand companies have used the GRI guidelines as guidance for their sustainability reports. Moreover, reporting according to the GRI guidelines is widely considered as means of enhancing the credibility of a sustainability report (KPMG, 2011). The GRI guidelines stipulate (a) generic principles for the process of publishing a sustainability report, and (b) standard disclosures specifying the actual content of these reports. Principles for ensuring report quality include aspects such as balanced reporting, clarity and accuracy, and generally applicable rules for the definition of reporting boundaries. Another key principle is that of materiality, i.e. the consideration of all “significant economic, environmental, and social impacts, or that would substantively influence the assessments and decisions of stakeholders” (GRI, 2006, p. 8). In other words, companies need to tailor their reports to the characteristics of their operations as well as to the information needs of their stakeholders.

The GRI Guidelines prescribe a certain amount of standard disclosures as base content that should appear in any sustainability report (GRI, 2006). Thus the Guidelines contain a set of 79 performance indicators covering six sustainability-related dimensions, namely the economic dimension (9 indicators), the environment (30), labour practices and decent work

(14), human rights (9), society (8) and product responsibility (9). Of these, 49 indicators are defined as core indicators, i.e. a company ought to report on these irrespective of sector affiliation or geographic context. The other 30 indicators are defined as additional ones, i.e. they can be addressed depending on the nature of the company's operations and the information needs of its stakeholders. Furthermore, the GRI has specified sector-specific protocols (e.g. for apparel & footwear, automotive, public agencies, mining & metals) to acknowledge the specific characteristics of particular sectors.

In summary, the GRI Guidelines aim to promote sustainability reporting in a way that enables companies to report on a baseline set of core indicators while at the same time tailoring their reporting to the context-specific information needs of their various stakeholder groups. Stakeholders should be empowered through the provision of sustainability-related information, so that “information serves as an instrument of private civil regulation by mobilizing its recipients to demand certain performance levels and providing a channel for transparency and accountability” (Levy, et al., 2010, p. 95). Expectations behind the GRI thus are that companies are transparent and accountable with regard to those aspects of their sustainability performance that are most material for their stakeholders, and that stakeholders then process this information and adapt their decision-making accordingly. To be effective, GRI reporting should reflect context-specific sustainability-related priorities. The content of sustainability reports should not be uniform but instead be tailored to the information needs and materiality considerations of different stakeholder groups. We therefore hypothesize:

Hypothesis 3. The content of sustainability reports reflects context-specific prioritizations of CSR.

3. Research Methods

We test our hypotheses through a content analysis of 933 GRI sustainability reports by companies from seven different sectors and 30 different countries.

3.1. Sample Selection

Our data collection used the Corporate Register database to generate a suitable sample of corporate sustainability reports. Whilst there is a rapidly growing literature focusing on sustainability reporting among developing country companies (Baskin, 2005; Chapple & Moon, 2005; De Villiers & Van Staden, 2006; Thompson & Zakaria, 2004), thus overcoming an initial Northern bias in the non-financial reporting literature, to date very few studies undertook a direct comparison between developed and developing country reporters (for notable exceptions see e.g. Preuss & Barkemeyer, 2011; Welford, 2005). The aim of this study was therefore to create a balanced sample covering both developed and developing country firms.

Our sample selection process used the following rationale: 1) to ensure a sufficient minimum size of country subsamples, only countries with a minimum number of 10 reports were included; and 2), as one of the central dimensions in this study is sector, only sectors with a minimum number of 20 G3 sustainability reports from non-OECD countries were selected for analysis. For the sectoral classification of industries, we followed the classification used by the Corporate Register website. These criteria were met by seven industries: electricity; gas, water & multiutilities; industrial metals; mining; oil & gas; banking & finance; construction. By contrast, whilst reporting has become relatively widespread in sectors such as industrial transportation, chemicals or travel & leisure, the vast majority of reporting firms of those sectors are based in Europe or North America. As a result, these sectors were not included in the sample. Data collection took place between July 2009 and January 2010. To ensure

consistency, the final sample consists of documents reporting on the years 2006-2009, all of which comply with the same version of the GRI Guidelines (i.e. G3).

Our initial sample consisted of 1118 reports, which underwent screening. As the analysis focused on company priorities across the total of 79 GRI G3 indicators, those reports that did not contain a GRI content index listing the indicators used in the report were excluded from the sample. In total, the final sample consists of 933 GRI G3 reports from 30 countries (Table 1). Banking & finance represents the largest sector within the sample (n=209), followed by electricity (188), gas, water & multiutilities (139), construction (138), mining (98), oil & gas (98) and industrial metals (63). In terms of countries of origin, Spain constitutes the largest subsample (n=142), followed by Brazil (79), Italy (75) and the USA (56). In terms of region of origin, Europe represents the largest subsample (n=472), followed by South America (173), North America (103), Asia (76), Australia/New Zealand (66), and Africa (46).

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3.2. Variables

The extent to which a set of indicators is addressed within each category as well as across the set of 79 GRI G3 indicators was used as dependent variable. Hence, OLS regressions were performed for the dimensions of *economic* indicators (9 indicators), *environmental* indicators (30), *labour practices and decent work* indicators (14), *human rights* indicators (9), *society* indicators (8), and *product responsibility* indicators (9). In addition to industry affiliation, country of origin and region of origin, a number of further independent variables were used in the analysis. Sales and the number of employees were included as indicators of company size, and the ratio of international employees to total employees was used as a measure of a company's degree of internationalization. Two measures were used to capture changes in

sustainability reporting over time: (a) the total number of sustainability reports, and (b) the number of GRI G3 reports published by the company prior to the report at hand. Finally, GDP per capita for the country of origin in the year of report publication and UN Global Compact membership were included in the analysis. GDP per capita serves as an indicator for the level of economic development in the company's country of origin, while UN Global Compact membership indicates that a company participates in other sustainability-related private transnational governance regimes beyond the GRI.

3.3. Data Analysis

The GRI content index of each of the 933 reports was transcribed into an SPSS database for subsequent analysis. Each indicator the company claimed to have fully or partially addressed in the report was assigned the value 1; all indicators not addressed in the report were marked as 0. Only the generic set of 79 core and additional GRI G3 indicators were considered; supplementary indicators used by the companies – as for example those defined in the sector-specific GRI protocols in the case of mining and industrial metals – were not considered as these apply to individual sectors only and hence would have skewed the data.

As an initial step, a descriptive statistical analysis established mean coverage levels across the total sample and for each indicator category. Subsequently, a series of OLS regression analyses were performed to identify how the different independent variables have shaped the content of the sustainability reports, with particular emphasis on sector affiliation and country/region of origin. Whilst logistic regression can generally be considered to produce more accurate results in terms of goodness of fit compared to linear regression models when modelling percentage data (Zhao, Chen, & Schaffner, 2001), a linear regression model can still produce adequate results if the data points largely fall in the range between 0.2 and 0.8 – and hence effectively follow the linear section of an otherwise sigmoid curve (cf. Cox &

Wermuth, 1992; Howell, 2002). The advantages of choosing a linear regression model for the purposes of this paper lie in its relative simplicity and the ability to express the extent to which each group of independent variables explains the variance in the dependent variable in one simple measure (R^2). To test the linear model, the actual number of indicators addressed was also used as the dependent variable, which produced similar results.

4. Results

4.1. Overall Patterns

A summary of the results of the descriptive content analysis of the GRI G3 reports is provided in Table 2. The average company in the sample reports on 57.1% of the 79 GRI G3 indicators (45.1 indicators of 79). Of these, 64.5% of the economic indicators are addressed on average (5.8 of 9), as well as 55.6% of the environmental indicators (16.7 of 30), 70.6% of the labour indicators (9.9 of 14), 47.3% of the human rights indicators (4.3. of 9), 57.0% of the society indicators (4.6 of 8), and 43.2% of the product responsibility indicators (3.1 of 9). Roughly 37.0% of the average company's disclosure focuses on environmental performance. Social performance indicators (as an aggregate figure of the categories labour, human rights, society and product responsibility) account for 50.1%, whereas economic performance indicators account for 12.9% of the total indicators reported.

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In terms of sector affiliation, relatively modest sector-level differences can be identified: mining (62.9%) and electricity (61.1%) show the highest levels of coverage, followed by gas, water & multiutilities (59.5%), industrial metals (59.5%) and oil & gas (59.3%). Only banking & finance (52.5%) and in particular construction (49.3%) diverge from this

homogeneous pattern. Construction consistently shows the lowest or second-to-lowest coverage levels, with the exception of the environmental category. Mining shows the highest or second-to-highest coverage levels throughout, with the exception of product responsibility. Differences between the seven sectors are particularly pronounced in the cases of labour rights (Δ coverage = 25.6%) and human rights (Δ coverage = 25.4%). In contrast, only relatively subtle differences can be identified in the five remaining categories (Δ coverage ranging from 9.2% to 17.8%) as well as in terms of overall coverage of indicators (Δ coverage = 13.5%).

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Figure 1 illustrates the uniform patterns emerging across the different GRI indicator categories. All sectors with the exception of construction typically move within a narrow band. Construction shows lower than average coverage levels across all indicator categories, but nevertheless follows the same pattern in that economic and labour rights indicators are most popular whilst human rights and product responsibility indicators are rarely covered. There are only two notable cases in which this general pattern is broken, with mining addressing very few of the product responsibility indicators, and banks providing very little information on environmental indicators.

In addition, clear regional-level differences can be identified. Across the overall set of 79 indicators, Asian companies clearly show the highest levels of coverage with an average value of 66.7%, i.e. 52.7 of 79 indicators are addressed. On the other hand, the lowest levels of coverage are found among North American companies (47.6%). Regional differences are most pronounced in the categories labour rights (Δ coverage = 27.4%), product responsibility (Δ coverage = 24.7%) and human rights (Δ coverage = 23.6%). Nevertheless, as shown in

Figure 2, a comparison of regional-level coverage across the different indicator categories again reveals uniform patterns.

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Whilst overall coverage levels are clearly different between different regions – with North American companies addressing less than half of all GRI indicators and Asian companies on average addressing more than two thirds of all GRI indicators – the prioritization of indicator categories appears to be very similar across all regions. North American companies show the lowest coverage levels throughout, while Asian companies exhibit the highest coverage levels in five out of six indicator categories. All other regions move within a relatively narrow range between these two extremes. Only very few deviations from these overall uniform patterns can be identified. For example, North American companies as well as those from Australia and New Zealand show a relatively high coverage of environmental indicators compared to a low coverage of the other five indicator categories.

4.2. OLS Regression Analyses

4.2.1. Model Fit

Table 3 shows the model fit summaries of the OLS regression analyses. A statistically significant improvement in the model fit as a variable is added shows that the variable has significant explanatory power and its inclusion in the model can be used to investigate the nature of the input-output relationship. Country of origin was coded for all country subsamples except Brazil (n=79) which was used as reference group due to the fact that Brazilian companies showed the lowest variation from the overall average coverage levels of the six indicator categories. The three variable categories sector affiliation, country of origin

and all remaining variables (i.e. number of G3 reports, total number of sustainability reports, GDP/capita, UN Global Compact membership, number of employees, and internationalization scores) were entered separately into the regression analyses to identify whether and to what extent they can explain variation in the dependent variable. Variations of variable entry were performed, entering the three clusters of variables at different positions. Table 3 shows the model fit summaries of those regression analyses in which sector variables were entered first, followed by country, and all remaining variables. However, all other variations in the order of variable entry produced the same results as presented in Table 3.

TAKE IN TABLE 3 ABOUT HERE

In terms of explanatory power, R^2 values range from 0.226 (product responsibility) to 0.338 (economic indicators). In other words, in the case of economic indicators 33.8% of the variation of the dependent variable can be explained by the set of independent variables. Entering the variable clusters sector affiliation, country of origin and all remaining variables significantly improves model fit in all cases except labour rights: here, sector affiliation does not significantly impact model fit. R^2 values for country of origin and all the other variable categories are significant at the $p < .001$ level throughout.

4.2.2. OLS Regression Results

With the models fitted as in Table 3, the relationship between sectors, countries and ‘other’ variables can be investigated. Table 4 summarizes the results of the OLS regression analyses for the individual indicator dimensions as well as across the total set of 79 indicators. In terms of total coverage of indicators (Table 4 top left), banking ($\beta = -0.182$; $p < .001$) and construction ($\beta = -0.177$; $p < .001$) emerge as the two sectors that show a significantly lower

standardized Beta value than electricity, the sector reference group. In addition, a range of countries show coverage levels significantly above or below their reference group Brazil. The highest standardized Beta value for any of the countries or regions is found in the Spanish (0.416; $p < .001$) and South Korean (0.217; $p < .001$) subsamples. Significantly lower standardized Betas compared to the reference group can be found among Philippine companies ($\beta = -0.078$; $p < .05$).

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Of the additional variables, the number of G3 reports ($\beta = 0.141$; $p < .001$), the total number of reports ($\beta = 0.100$; $p < .001$) and UN Global Compact membership ($\beta = 0.194$; $p < .001$) show significantly positive standardized Beta values. In other words, companies have a better indicator coverage the greater the number of previous (GRI) reports they have published, and UN Global Compact members tend to produce more comprehensive reports. In contrast, GDP/capita and the number of employees do not appear to have a significant impact on indicator coverage in any of the six categories. Examining the individual indicator dimensions (remainder of Table 4), the pattern identified above is largely repeated. Across all six indicator dimensions, the number of GRI G3 reports and UNGC membership are significantly positively related to the extent to which indicators are addressed. The total number of previous sustainability reports published is significantly positive in four out of six cases. There is only one case (human rights indicators) where the degree of internationalization has a significantly positive impact.

At the sector level, construction shows a significantly lower standardized Beta than the reference group in all six cases. Only two other sectors show significantly higher or lower standardized Betas in any of the models, namely mining and banking. A higher number of

significant divergences can be identified at the country level. Chile, Germany, Portugal, South Korea and Spain emerge as country subsamples with a significantly higher standardized Beta in three or more out of the six indicator categories. On the other hand, Argentina, Hungary, Russia and in particular the Philippines emerge as subsamples showing significantly lower standardized Betas in at least one indicator category. Whilst R^2 values vary slightly depending on the order in which the three clusters of variables are entered into the regression, a general pattern is that only a relatively small share of the variation of the dependent variable can be explained by sector affiliation. Table 5 below provides a summary of significant standardized Beta values across the set of regressions.

TAKE IN TABLE 5 ABOUT HERE

As can be seen, a relatively homogeneous pattern emerges across the different indicator categories. The patterns identified in the overall sample (left column Table 5) are largely replicated in the six indicator dimensions. GRI report number and UNGC membership consistently have a significantly positive effect on indicator coverage; the total number of sustainability reports has a positive impact in four out of six indicator categories. By contrast, company size (as measured by the number of employees) and GDP/capita do not appear to affect coverage. There is only one single case where results can be identified for any of the independent variables that do not fit the above pattern, namely mining showing two positive (environmental and human rights indicators) and one negative (product responsibility) deviation from the reference group.

At the country level, no such deviating case can be identified. Instead, the uniform regional-level patterns identified in Figure 2 above are generally replicated by the regression results.

Nevertheless, the regressions reveal significant country-level deviations within these regions. Throughout, Philippine companies show clearly lower coverage levels than their Asian peers; likewise, German, Spanish and Portuguese companies produce clearly more comprehensive reports than, for example, their Eastern European counterparts. One general observation is that companies from emerging economies, such as South Korea, Mexico and Chile, are among those showing highest coverage levels throughout, whereas some of those countries typically considered to be pioneers in sustainability reporting provide comparatively little information in their reports. It should be noted that whilst no significant effects can be identified for the UK and US subsamples, these showed significantly negative effects in all other model specifications; these negative effects only disappeared once GDP per capita and UNGC membership were introduced into the model reported above.

5. Discussion

Sustainability reporting according to the GRI guidelines represents an emerging private transnational governance regime. Wanting to generate a more finely grained picture of the involvement of companies – from both developed and developing economies – in ‘soft’ regulation and thus the effectiveness of this particular private transnational governance regime, this study aimed to go beyond the dominant focus in international business on North American, European and Japanese firms (Yang, et al., 2006) to present a more genuinely global picture of corporate engagement with such governance regimes. Since the prior literature had identified industry and country of origin as key institutional pressures that shape a company’s approach to social and environmental challenges (Delmas & Toffel, 2008), our study aimed to tease out what the relative importance of these two key institutional influences is. Examining this question through an international comparison of corporate

sustainability reporting according to GRI, we found clear industry-level and country-level differences, thereby supporting hypotheses 1 and 2.

However, these country-level differences revealed two unexpected patterns. Firstly, a range of emerging economy companies – in particular Asian and South American companies – tend to publish more comprehensive sustainability reports than most of their developed country peers. Secondly, despite country-level differences in the comprehensiveness of reporting, no evidence of clear country-level prioritizations of indicator categories emerged. In other words, whilst reporting is more extensive in some countries than in others, there were no significant differences in terms of the extent to which different indicator categories were addressed. This is particularly surprising as, on average, companies address only 45 out of the 79 GRI indicators. Hence, we would have expected the materiality criterion to be crucial in this selection process, leading to different sector- and country-level profiles. In summary, our findings do not support hypotheses 3.

A functioning reporting regime should empower stakeholders through the provision of sustainability-related information. It should help companies to be transparent and accountable with regard to those aspects of their sustainability performance that are most material for their stakeholders, and stakeholders should then be able to integrate this information into their decision-making. Given the context-specific nature of sustainability, the above content analysis of sustainability reports should have revealed context-specific prioritizations of sustainability indicators. However, the overarching pattern we found was one of uniform report content across different sectors and countries. This lack of materiality considerations reflected in the report content leads us to the conclusion that GRI reporting is (still) fundamentally flawed.

Following Easton's (1965) distinction between output, outcome and impact effectiveness, it can be argued that the GRI has been successful in terms of output effectiveness by promoting the increased dissemination and standardization of sustainability reporting. Yet, we have to conclude that its outcome effectiveness is limited as it does not appear to allow internal and external stakeholders to meaningfully interact with the respective companies on the basis of the information provided in these reports. If it did, report content would not show the uniform patterns identified in the above analysis, but instead reflect context-specific materiality considerations. As a consequence, the impact effectiveness of GRI reporting is also limited as it is unlikely that GRI reporting will result in measurable contributions towards problem solving in the areas companies reports on.

5.1. Relevance for Future Research

Our study has implications for future research both into international differences in CSR and into the effectiveness of governance regimes. To start with the former, one particular finding that invites discussion here is the high level of engagement with CSR in developing countries, in particular in South and East Asia. At a first glance, this would seem to be counter-intuitive. Many developing countries suffer from governance gaps due to weak, under-resourced or corrupt governments (Visser, 2008). They often have less of an active civil society (Mercer, 2002), while pressure from domestic consumers on companies to improve their social and environmental performance is largely absent too (Logsdon, et al., 2006). In addition, in many developing countries compliance with even basic legislation cannot be taken for granted (Escobar & Vredenburg, 2011; Fox, 2004).

There are three main explanations for this unexpected result. First, Asian firms may indeed be CSR leaders. There is evidence that the role of business is seen in many developing countries and transition economies as encompassing a wider spectrum of roles as well as a broader

range of stakeholders than in industrialized nations (Lacy, Cooper, Hayward, & Neuberger, 2010). Some developing country firms, such as the Tata group in India, can lay claim to a long engagement with social and environmental issues (Sivakumar, 2008). Furthermore, as it is widely known that environmental and labour standards are weaker in many developing countries, considerable pressure has built up upon developing country firms to address their social and environmental impacts (Chandler, 2003; Christmann & Taylor, 2006; Gugler & Shi, 2009). More extensive reporting by developing country firms may thus reflect a greater exposure of these firms to a number of CSR challenges that are specific to the contexts they operate in.

Second, the more extensive reporting by Asian firms may be decoupled from their underlying CSR performance. As civil society pressure is stronger in industrialized nations, companies from North America or Europe may run a greater risk of being punished for unrealistic reporting (Lyon & Maxwell, 2011). Restraint in sustainability reporting by firms from industrialized nations may also be driven by a fear of litigation. It has been observed, for example, that the litigious environment of the US was one of the reasons why US corporations were much slower to sign up to the UN Global Compact than European firms were (Williams, 2004). Third, developing country firms typically started to report at a later stage than their developed country counterparts (Kolk, 2010). The reporting regimes already established in these pioneer firms could have created path dependencies in terms of the range of indicators that they report on, whereas firms that started to report more recently might aim to comply with the most recent version of the GRI guidelines.

In terms of implications for future research into the effectiveness of governance regimes, the uniform coverage levels across the six GRI categories in the country subsamples lend themselves to the conclusion that sustainability reports may not be too closely related to the actual impact of the reporting companies. To a certain extent, the absence of sector- or

country-specific CSR profiles may be the result of an “upward harmonization” caused by the GRI Guidelines as well as other global standards and guidelines in the context of sustainability reporting and CSR more generally (Fortanier, et al., 2011). However, it should be noted that, on average, companies in the sample still only reported on 57% of all GRI indicators, i.e. any existing upward harmonization is not particularly strong. Other explanations of the uniform reporting patterns could be that companies choose to report on indicators for which data is easily available, or indicators that are in line with the way in which they wish to portray themselves. Whatever the case, it is likely that report content is selected on the basis of criteria other than the materiality of the information in the context of a given company. The results therefore point to sustainability reporting as a form of symbolic, rather than of substantive engagement with CSR (Christmann & Taylor, 2006; Westphal & Zajac, 1994). Such symbolic adoption may eventually risk devaluing sustainability reporting to the status of a management fad.

5.2. Managerial Relevance

The uniform reporting patterns within different countries and sectors – and the absence of specific impact profiles – led us to the conclusion that sustainability reporting may reflect symbolic rather than substantive engagement with CSR, which in turn leads to implications for sustainability reporting and for CSR practice more widely. Our findings indicate that the pressures from the different organizational fields have driven companies to publish sustainability reports but, by and large, have not translated into differences in terms of what they report on.

Such observations have affinity with the evaluation of the contemporary audit culture in CSR by Kemp, Owen and van de Graaff (2012). They suggest that audits are hampered by an “over-reliance on external parties to generate performance data against pre-selected

indicators” (Kemp, et al., 2012: 5), which leads to a limited ability of these audits to “stimulate internal engagement around social and organizational norms and principles” (Kemp, et al., 2012: 1). Such a decoupling of formal organizational structures and actual actions of organizations (Meyer & Rowan, 1977) has also been a recurring theme in research into other CSR tools, such as corporate codes of conduct (e.g. Christmann & Taylor, 2006; Stevens, Steensma, Harrison, & Cochran, 2005). In the context of sustainability reporting, companies seem to use these reports as a symbolic means to signal consistency with external expectations without necessarily invoking substantive change within their organizations (see e.g. Ashforth & Gibbs, 1990; Richardson, 1985).

The central role of headquarters in sustainability reporting may in fact result in a skewed representation of a company’s social and environmental performance. This argument goes back to the distinction between different levels of strategy making within a firm (Beard & Dess, 1981; Hambrick, 1980; Hitt & Ireland, 1985). Whilst Banerjee (2001) argues that environmental management tools commonly are confined to strategies at the corporate and functional levels without sufficient linkages to the overarching enterprise strategy level, sustainability reporting may, in turn, be confined to the enterprise level without sufficient linkages to subordinate strategy levels. In particular large TNCs, which need to coordinate, integrate and exchange CSR-related resources among many geographically dispersed subsidiaries (Strike, Gao, & Bansal, 2006), may struggle to reflect the full range of social and environmental challenges across the full range of their locations.

5.3. Limitations of the Study

Like all research, this paper has a number of limitations that we wish to acknowledge. Perhaps most importantly, all companies included in the analysis can be seen as constituting “best practice” in terms of sustainability reporting as they have in some way or another

adopted the GRI G3 reporting guidelines (cf. Kolk, 2010). There are further limitations arising from us analyzing only the GRI content index rather than the full report, as the majority of reports offer no external verification whether the indicators listed in the content index have actually been sufficiently addressed. Nevertheless, plausibility checks were performed on all reports included in the sample to ensure that the GRI report content index was an accurate summary of the report content. Reports that did not meet this condition were excluded from the sample. As with previous studies into sustainability reporting, this study is biased toward large companies, as larger companies are more likely to produce sustainability reports in the first place. The mean value for the number of employees of the companies included in this study is 30,856; the median value is 5,623. A final limitation is that – as with previous studies into corporate sustainability reporting – the focus of this study is on reporting rather than actual CSR performance (Gray, Kouhy, & Lavers, 1995; Moneva, Archel, & Correa, 2006).

6. Conclusions

The starting point for this paper was the rise to prominence of novel forms of transnational governance that complement the state and blur the lines between the responsibilities of public and private sector actors (Held & McGrew, 1998; Kobrin, 2009; Scherer & Palazzo, 2011). TNCs increasingly respond to and participate in these emerging governance systems through their international nonmarket strategies (Baron, 1997; Bonardi, Holburn, & Vanden Bergh, 2006). These developments have the potential to generate more effective governance regimes (Haas, 2004; Scholte, 2002); yet, they are also potentially problematic due to the democratic deficit that results from the involvement of private sector organizations in public policy (Kobrin, 2009; Scherer, et al., 2013). In order to generate a more finely grained picture of this involvement of companies – from both developed and developing countries – in private

governance, we investigated one particular governance structure, namely corporate sustainability reporting according to the GRI guidelines.

Our study presented evidence of the growing aspirations of developing country firms to become involved in the shaping of transnational governance systems. However, exactly what to make of their involvement is more difficult to gauge. Our study leaves open three possibilities. Firstly, they could be seen as outperforming companies from developed countries at their 'own game' of CSR. Secondly, there is the suspicion that developing country firms merely pay lip service to social and environmental commitments (a similar critique has, of course, been levelled at developed country firms; see e.g. Banerjee, 2008). Thirdly, path dependence in CSR tools may propel them along a trajectory that is different to that of firms with a longer standing history of engagement (cf. Fortanier, et al., 2011). Any of these three possibilities may lead to greater volatility for the emerging governance system.

To evaluate the effectiveness of the GRI as a governance system we applied the distinction between output, outcome and impact effectiveness (Easton, 1965; Underdal & Young, 2004). We found that the GRI has been successful in terms of output effectiveness by promoting the increased dissemination and standardization of sustainability reporting. However, we also have to conclude that the outcome effectiveness of the GRI is limited. Despite some country and sectoral differences, the overarching pattern we found was one of uniform report content across sectors and countries. Report content is thus unlikely to have been driven by materiality considerations. In other words, GRI reporting has not enabled internal and external stakeholders to meaningfully interact with the respective companies on the basis of the information provided in these reports. As a consequence, the impact effectiveness of GRI

reporting is also limited as it is unlikely that GRI reporting will result in measurable contributions towards problem solving in the areas the company reports on.

With regard to the ‘vigorous debate’ about whether private sector involvement in global governance regimes produces more sustainable outcomes (Prakash & Potoski, 2014), our study thus concludes that the involvement of the international business community in sustainability reporting as a particular form of private governance has not (yet?) led to the well-designed institutions that are a prerequisite for effectively tackling the sustainability challenges humanity faces. Having said this, the mismatch between output effectiveness on the one hand and outcome and impact effectiveness on the other hand can only occur in the absence of stakeholders actively requesting companies to be transparent and accountable on those performance aspects that they perceive to be most relevant. To put it bluntly, it seems that stakeholders expect companies to publish sustainability reports but do not necessarily expect to read these. Both reporting companies and their stakeholders will need to step up their efforts in order to allow sustainability reporting to reach its full potential.

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Figure 1: Coverage of GRI indicators: Sector-Level Comparison

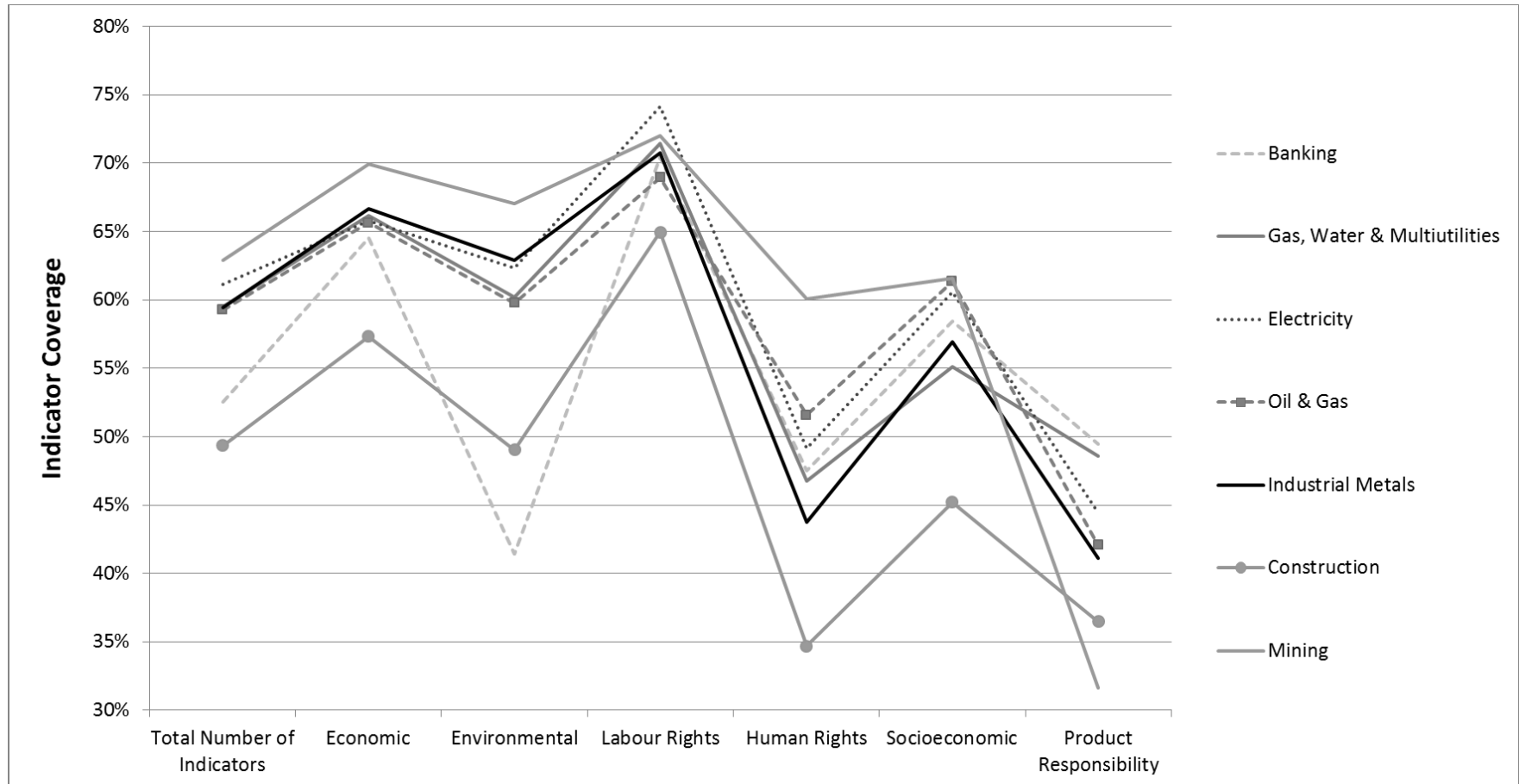


Figure 2: Coverage of GRI indicators: Regional-Level Comparison

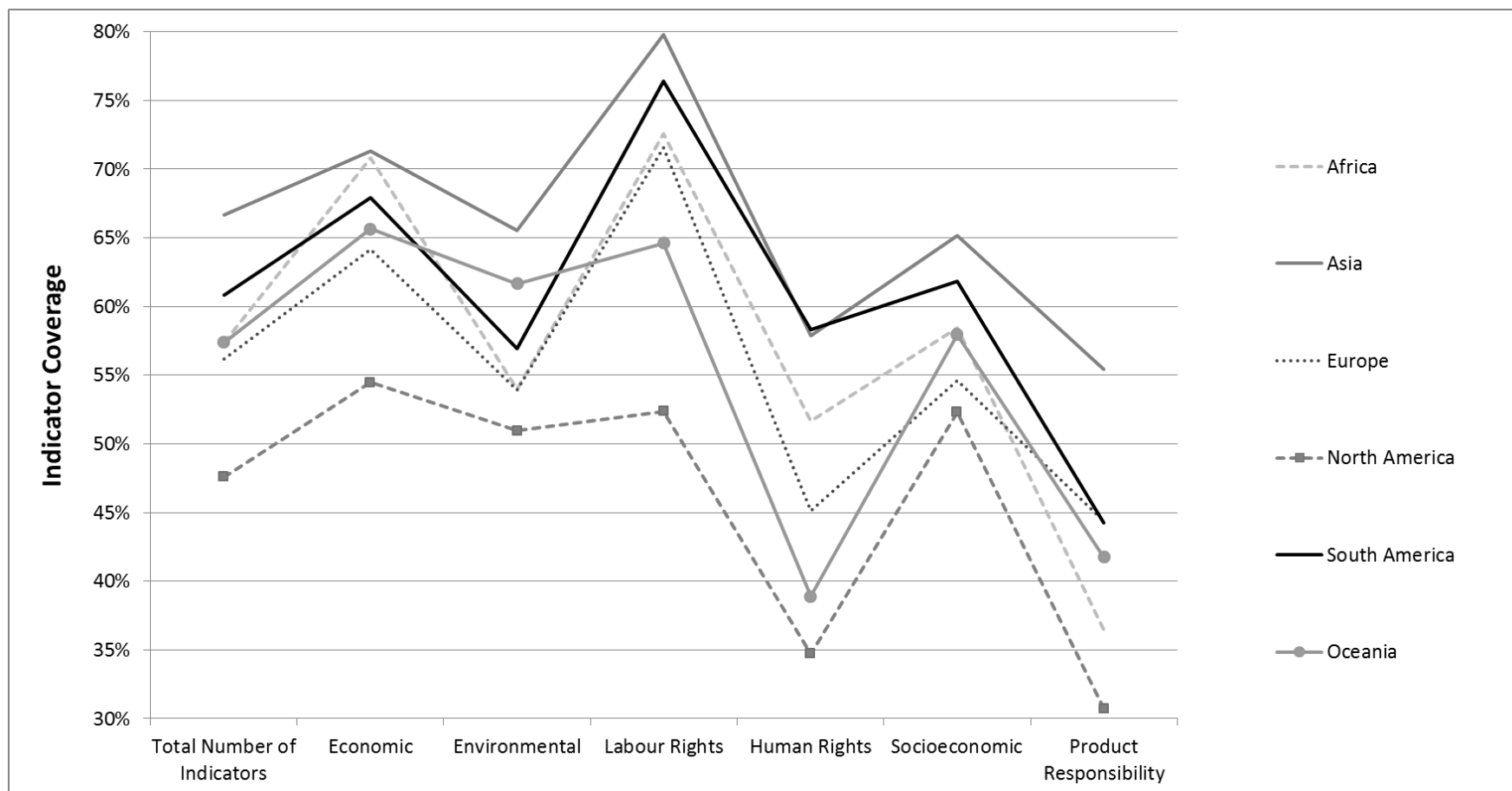


Table 1: Sample Used for Analysis

	Industrial Metals	Mining	Oil & Gas	Electricity	Gas, Water & Multiutilities	Banking	Construction	Total
Spain	2	0	6	18	18	58	40	142
Brazil	10	8	4	37	5	7	8	79
Italy	0	0	6	11	22	14	22	75
USA	0	4	15	19	9	4	5	56
Australia	0	18	3	12	11	9	2	55
Canada	2	10	11	6	4	14	0	47
Chile	1	15	2	6	8	9	1	42
South Africa	6	19	3	0	1	8	4	41
Portugal	0	0	2	3	15	9	11	40
UK	1	7	4	0	4	6	11	33
South Korea	3	0	5	12	5	6	0	31
Netherlands	4	0	4	0	5	10	5	28
France	0	0	4	5	6	8	4	27
Russia	7	3	10	3	2	0	0	25
Germany	4	0	0	0	6	9	4	23
Austria	0	0	2	5	3	6	2	18
Colombia	0	1	2	9	3	1	2	18
Switzerland	0	3	0	2	3	6	4	18
China	4	0	6	6	0	1	0	17
India	5	3	2	0	0	1	2	13
New Zealand	0	0	0	10	3	0	0	13
Peru	0	1	0	7	0	4	1	13
Sweden	3	0	0	5	0	0	5	13
Hungary	0	0	0	4	2	7	0	13
Mexico	0	3	3	0	1	1	3	11
Norway	4	0	2	2	0	1	1	10
Argentina	0	1	0	3	1	5	0	10
Japan	1	0	1	2	0	4	0	8
Finland	6	0	0	1	0	0	0	7
Philippines	0	2	1	0	2	1	1	7
Total	63	98	98	188	139	209	138	933

Table 2: Results of Descriptive Analysis

	(n)	Total Number of Indicators			Economic			Environmental			Labour Rights			Human Rights			Socioeconomic			Product Responsibility		
		Nb (79)	Mean	S.D.	Nb (9)	Mean	S.D.	Nb (30)	Mean	S.D.	Nb (14)	Mean	S.D.	Nb (9)	Mean	S.D.	Nb (8)	Mean	S.D.	Nb (9)	Mean	S.D.
Total Sample	(933)	45.1	0.571	18.75	5.8	0.648	2.57	16.7	0.556	7.52	9.9	0.706	3.55	4.3	0.473	3.11	4.6	0.570	2.58	3.9	0.432	3.11
Industrial Metals	(63)	46.97	0.595	17.10	6.00	0.67	2.17	18.87	0.63	7.19	9.90	0.71	3.23	3.94	0.44	2.75	4.56	0.57	2.61	3.70	0.41	2.85
Mining	(98)	49.68	0.629	16.05	6.30	0.70	2.24	20.12	0.67	6.52	10.08	0.72	2.97	5.41	0.60	2.82	4.93	0.62	2.46	2.85	0.32	3.16
Oil & Gas	(98)	46.83	0.593	19.87	5.91	0.66	2.50	17.93	0.60	7.49	9.65	0.69	3.56	4.64	0.52	3.29	4.91	0.61	2.45	3.79	0.42	3.31
Electricity	(188)	48.28	0.611	18.56	5.92	0.66	2.53	18.71	0.62	6.85	10.38	0.74	3.39	4.43	0.49	3.26	4.85	0.61	2.70	4.00	0.44	3.24
Gas, Water & Multi-utilities	(139)	47.01	0.595	19.93	5.96	0.66	2.59	18.06	0.60	7.18	10.00	0.71	3.57	4.21	0.47	3.30	4.41	0.55	2.71	4.37	0.49	3.13
Banking	(209)	41.50	0.525	17.64	5.81	0.65	2.57	12.43	0.41	6.39	9.86	0.70	3.72	4.28	0.48	2.95	4.67	0.58	2.31	4.45	0.49	2.91
Construction	(138)	38.99	0.493	19.03	5.16	0.57	2.94	14.71	0.49	7.96	9.09	0.65	3.90	3.12	0.35	2.81	3.62	0.45	2.66	3.28	0.36	2.88
Africa	(43)	45.33	0.574	19.51	6.37	0.71	2.19	16.19	0.54	8.70	10.16	0.73	3.57	4.65	0.52	3.29	4.67	0.58	2.55	3.28	0.36	3.47
Asia	(76)	52.66	0.667	17.47	6.42	0.71	2.43	19.66	0.66	7.12	11.17	0.80	3.18	5.21	0.58	2.81	5.21	0.65	2.33	4.99	0.55	3.07
Europe	(472)	44.38	0.562	18.14	5.78	0.64	2.65	16.17	0.54	7.17	10.01	0.72	3.43	4.06	0.45	2.96	4.37	0.55	2.63	3.99	0.44	2.99
North America	(103)	37.59	0.476	20.56	4.90	0.54	2.61	15.28	0.51	7.65	7.33	0.52	3.83	3.13	0.35	3.36	4.18	0.52	2.54	2.77	0.31	3.24
South America	(173)	48.08	0.609	18.72	6.12	0.68	2.46	17.08	0.57	8.39	10.70	0.76	3.08	5.25	0.58	2.98	4.95	0.62	2.54	3.98	0.44	3.03
Oceania	(66)	45.35	0.574	16.95	5.91	0.66	2.26	18.50	0.62	5.88	9.05	0.65	3.55	3.50	0.39	3.35	4.64	0.58	2.56	3.76	0.42	3.25

Table 3: Model Summaries of OLS Regressions

Model Summaries										
Total	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
Sector	0.198	.039	.033	18.44262	.039	6.294	6	926	.000	1.365
Country	0.489	.240	.210	16.67052	.200	8.149	29	897	.000	
Other	0.566	.320	.289	15.81771	.080	17.555	6	891	.000	
Economic										
Sector	0.121	.015	.008	2.55923	.015	2.280	6	926	.034	1.515
Country	0.539	.291	.263	2.20612	.276	12.040	29	897	.000	
Other	0.581	.338	.307	2.13916	.047	10.506	6	891	.000	
Environmental										
Sector	0.363	.132	.126	7.03356	.132	23.458	6	926	.000	1.354
Country	0.496	.246	.216	6.66146	.114	4.667	29	897	.000	
Other	0.556	.310	.278	6.39450	.064	13.743	6	891	.000	
Labour rights										
Sector	0.111	.012	.006	3.54151	.012	1.912	6	926	.076	1.457
Country	0.515	.266	.237	3.10244	.253	10.677	29	897	.000	
Other	0.547	.299	.267	3.04187	.033	7.013	6	891	.000	
Human rights										
Sector	0.193	.037	.031	3.06087	.037	5.943	6	926	.000	1.434
Country	0.42	.177	.145	2.87571	.140	5.244	29	897	.000	
Other	0.513	.264	.230	2.72878	.087	17.533	6	891	.000	
Society										
Sector	0.165	.027	.021	2.55668	.027	4.319	6	926	.000	1.562
Country	0.43	.185	.153	2.37732	.158	6.000	29	897	.000	
Other	0.515	.265	.232	2.26511	.080	16.180	6	891	.000	
Product responsibility										
Sector	0.17	.029	.023	3.07409	.029	4.607	6	926	.000	1.366
Country	0.418	.174	.142	2.87994	.145	5.450	29	897	.000	
Other	0.475	.226	.190	2.79791	.052	9.895	6	891	.000	

Table 4: Results of OLS Regression Analyses

TOTAL	Unstandardized Coefficients		Standardized Coefficients
	Beta	Std. Error	Beta
(Constant)	40.805	3.482	
Banking	-8.190	1.757	-.182 ***
Construction	-9.353	1.993	-.177 ***
Chile	10.313	3.308	.114 **
Germany	18.435	7.672	.153 *
India	12.316	5.153	.077 *
Mexico	12.848	5.296	.074 *
Philippines	-16.914	6.554	-.078 *
Portugal	14.854	4.742	.161 **
South Korea	22.674	5.503	.217 ***
Spain	21.699	5.748	.416 ***
G3 Report Nb	3.696	.781	.141 ***
Total Report Nb	.484	.166	.100 **
UNGC Membership	7.503	1.206	.194 ***

Note: $R^2 = .320$ (ps < .001). * $p < 0.05$, ** $p < .01$ and *** $p < .001$.

ENVIRONMENTAL	Unstandardized Coefficients		Standardized Coefficients
	Beta	Std. Error	Beta
(Constant)	14.540	1.408	
Mining	2.919	.921	.119 **
Banking	-6.654	.710	-.369 ***
Construction	-3.684	.806	-.174 ***
Chile	2.867	1.337	.079 *
Germany	7.116	3.102	.147 *
India	5.212	2.083	.081 *
Mexico	5.522	2.141	.079 *
New Zealand	6.537	2.599	.102 **
Philippines	-5.495	2.650	-.063 *
Portugal	6.051	1.917	.163 **
South Korea	7.735	2.225	.184 **
Spain	7.171	2.324	.342 **
G3 Report Nb	1.220	.316	.116 ***
Total Report Nb	.212	.067	.109 **
UNGC Membership	2.865	.488	.185 ***

Note: $R^2 = .310$ (ps < .001). * $p < 0.05$, ** $p < .01$ and *** $p < .001$.

HUMAN RIGHTS	Unstandardized Coefficients		Standardized Coefficients
	Beta	Std. Error	Beta
(Constant)	4.256	.601	
Mining	1.095	.393	.108 **
Construction	-1.225	.344	-.140 ***
Argentina	-2.061	.945	-.068 *
Philippines	-2.294	1.131	-.064 *
South Korea	2.445	.949	.141 *
G3 Report Nb	.430	.135	.099 **
Total Report Nb	.079	.029	.098 **
Internationalization	1.029	.390	.097 **
UNGC Membership	1.336	.208	.209 ***

Note: $R^2 = .264$ (ps < .001). * $p < 0.05$, ** $p < .01$ and *** $p < .001$.

The reference group for *Sector* is Electricity and for *Country* Brazil.

ECONOMIC	Unstandardized Coefficients		Standardized Coefficients
	Beta	Std. Error	Beta
(Constant)	5.346	.471	
Construction	-.933	.270	-.129 **
Chile	1.408	.447	.114 **
Germany	2.492	1.038	.150 *
Hungary	-1.683	.721	-.077 *
Philippines	-2.537	.886	-.085 **
Portugal	2.163	.641	.171 **
South Korea	2.858	.744	.199 ***
Spain	3.362	.777	.470 ***
G3 Report Nb	.399	.106	.111 ***
UNGC Membership	.706	.163	.133 ***

Note: $R^2 = .338$ (ps < .001). * $p < 0.05$, ** $p < .01$ and *** $p < .001$.

LABOUR RIGHTS	Unstandardized Coefficients		Standardized Coefficients
	Beta	Std. Error	Beta
(Constant)	9.936	.670	
Banking	-.964	.338	-.113 **
Construction	-1.576	.383	-.158 ***
Chile	1.971	.636	.115 **
Philippines	-2.493	1.260	-.061 **
Portugal	2.634	.912	.150 **
South Korea	4.075	1.058	.206 ***
Spain	3.709	1.105	.375 **
G3 Report Nb	.505	.150	.102 **
UNGC Membership	.980	.232	.134 ***

Note: $R^2 = .299$ (ps < .001). * $p < 0.05$, ** $p < .01$ and *** $p < .001$.

SOCIETY	Unstandardized Coefficients		Standardized Coefficients
	Beta	Std. Error	Beta
(Constant)	3.570	.499	
Construction	-1.192	.285	-.164 ***
Chile	1.959	.474	.157 ***
Germany	2.619	1.099	.157 *
Hungary	-1.510	.764	-.069 *
Norway	3.639	1.729	.145 *
Philippines	-2.168	.939	-.072 **
Russia	-1.303	.573	-.081 *
South Korea	2.328	.788	.162 **
Spain	2.377	.823	.331 **
G3 Report Nb	.541	.112	.150 ***
Total Report Nb	.062	.024	.093 **
UNGC Membership	.870	.173	.164 ***

Note: $R^2 = .265$ (ps < .001). * $p < 0.05$, ** $p < .01$ and *** $p < .001$.

PRODUCT RESPONSIBILITY	Unstandardized Coefficients		Standardized Coefficients
	Beta	Std. Error	Beta
(Constant)	3.157	.616	
Mining	-.962	.403	-.095 *
Construction	-.743	.353	-.085 *
Chile	1.452	.585	.097 *
Mexico	2.074	.937	.072 *
New Zealand	2.391	1.137	.090 *
Portugal	2.171	.839	.141 *
South Korea	3.233	.973	.186 **
Spain	3.350	1.017	.387 **
G3 Report Nb	.602	.138	.139 ***
Total Report Nb	.061	.029	.076 *
UNGC Membership	.746	.213	.117 ***

Note: $R^2 = .226$ (ps < .001). * $p < 0.05$, ** $p < .01$ and *** $p < .001$.

Table 5: Patterns Emerging from OLS Regression Analyses

	TOTAL	ECONOMIC	ENVIRONMENTAL	LABOUR	HUMAN RIGHTS	SOCIETY	PRODUCT RESPONSIBILITY
Industrial Metals							
Mining			Positive		Positive		Negative
Oil & Gas							
Utilities							
Banking	Negative		Negative	Negative			
Construction	Negative	Negative	Negative	Negative	Negative	Negative	Negative
<hr/>							
G3 Report Number	Positive	Positive	Positive	Positive	Positive	Positive	Positive
Total Report Number	Positive		Positive		Positive	Positive	Positive
Internationalization					Positive		
Employees							
UNGC Membership	Positive	Positive	Positive	Positive	Positive	Positive	Positive
GDP/capita							
<hr/>							
Argentina					Negative		
Australia							
Austria							
Canada							
Chile	Positive	Positive	Positive	Positive		Positive	Positive
China							
Colombia							
Finland							
France							
Germany	Positive	Positive	Positive			Positive	
Hungary		Negative				Negative	
India	Positive		Positive				
Italy							
Japan							
Mexico	Positive		Positive				Positive
Netherlands							
New Zealand			Positive				Positive
Norway						Positive	
Philippines	Negative	Negative	Negative	Negative	Negative	Negative	
Portugal	Positive	Positive	Positive	Positive			Positive
Russia						Negative	
South Africa							
South Korea	Positive	Positive	Positive	Positive	Positive	Positive	Positive
Spain	Positive	Positive	Positive	Positive		Positive	Positive
Sweden							
Switzerland							
UK							
USA							

Note: The reference group for Sector is *Electricity* and for Country *Brazil*. Only differences are listed that are significant at the $p < .05$ level.