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# Multi-stakeholder CSR Initiatives

## The Case of Engagement in Global Compact Local Networks

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Participants in the United Nations Global Compact (UN Global Compact or GC) have the option to join Global Compact Local Networks (GCLNs), which are formed voluntarily by participants to promote the GC and its principles at the local level and to deepen their learning experience in the area of corporate social responsibility (CSR) by facilitating collaboration and collective action, grounded in local cultures and communities. The role these networks play in affecting member behaviour in terms of enhancing their CSR efforts and implementing the ten GC principles has not received much empirical attention in literature. Using survey data from Spain—one of the first countries to organize a GCLN—we find that local network members report more positive outcomes in terms of implementing the GC principles, improving their understanding of CSR, and improving their CSR and business networking in comparison to non-members. Our study suggests that local networks provide a critical mechanism for the GC that allows participants to engage in deeper implementation of the ten GC principles and enhance their social and environmental practices through best practice exchange and learning. We discuss the implications of these findings for scholars and practising managers.

- United Nations Global Compact (UN Global Compact)
- Global Compact Local Network (GCLN)
- Corporate social responsibility (CSR)
- CSR initiatives
- Multi-stakeholder initiatives (MSI)
- Implementation

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**C**ORPORATE SOCIAL RESPONSIBILITY (CSR) IS a concept that is getting increasing attention in theory and practice and several CSR initiatives have been introduced and adopted by firms worldwide. The UN Global Compact (GC) is a highly visible corporate social responsibility initiative that has been able to attract the attention of many firms. It has been referred to as “an important milestone in the history of global corporate social responsibility” (Post, 2013: 53). Once a firm adopts the initiative, it is expected to implement the ten UN principles in the areas of human rights, labour, environment, and anti-corruption (see Table 1) within the firm by integrating them into their strategies and operations (UN Global Compact, 2010b). Thus the GC is a principle-based initiative, with the sets of principles aiming at “helping to shape corporate behaviours by providing a baseline or floor of foundational values and principles that responsible companies can attempt to live by” (Gilbert *et al.*, 2011, p. 26). The GC is also a network of firms and other stakeholders such as NGOs, trade unions, governments, and academic institutions. It has been labelled as a multi-stakeholder initiative (MSI) (Utting, 2002; Rasche, 2012) that encourages interaction with other stakeholders and promotes learning about CSR, best practices related to CSR, and implementation of GC principles through learning and dialogue forums and by disseminating local good practices (UN Global Compact, 2010b).

**Table 1** Ten principles of the UN Global Compact

Source: UN Global Compact Annual Review (2007)

Human rights	
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2	make sure that they are not complicit in human rights abuses.
Labour	
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4	the elimination of all forms of forced and compulsory labour;
Principle 5	the effective abolition of child labour; and
Principle 6	the elimination of discrimination in respect of employment and occupation.
Environment	
Principle 7	Businesses are asked to support a precautionary approach to environmental challenges;
Principle 8	undertake initiatives to promote greater environmental responsibility; and
Principle 9	encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.

A very important aspect of the GC is its Local Networks structure, which is a model formed voluntarily by participants to promote the GC and its principles at the local level (UN Global Compact, 2011). In fact, the GC is called a “network of networks” (Gilbert, 2010); that is, it is a network comprising all the Global Compact Local Networks (GCLNs) that have been formed around the world to advance the ten principles and to help firms learn best practices on GC principle implementation and CSR in general. Currently, there are more than 100 local networks worldwide (UN Global Compact, 2012b) and each plays a key role in rooting the GC within different national contexts, cultures and communities. Despite their growth and geographic impacts, little is known about whether local network membership affects firm behaviour. However, given the reported growth and speed of their establishment worldwide, and the gradual steady growth in developing countries, it is important to investigate the reasons why GC participants invest in its network structure. In fact, the question is raised as to the outcomes of basic participation in multi-stakeholder initiatives, and whether network models enhance the implementation and full adoption of the initiatives themselves. Thus, the purpose of this study is to examine the reported outcomes of GCLN membership, while gauging any differences in reported benefits for those participants who have chosen to become local network members and those that remain as enlisted participants. With its local network structure becoming a key element in its success, in terms of establishing a strong presence in developing countries and in moving forward with respect to enforcing the GC’s integrity measures (Whelan, 2010), our study contributes to the literature that has attempted to uncover the effectiveness of voluntary CSR initiatives including multi-stakeholder initiatives and their overall contribution towards sustainable development.

Research that further advances our understanding of global corporate responsibility efforts, especially those that focus on the collaborative dimension among multiple stakeholders is critical for two reasons. First is the issue of effectiveness (Rieth *et al.*, 2007). Given its controversial nature, there is little evidence that CSR efforts are indeed fulfilling their promise (Hamann, 2007). For the GC in particular, the issue of assessing its effectiveness and the ongoing question regarding its legitimacy, operationality, and efficiency in terms of contributing to international and sustainable development goals have come into question (Utting, 2000; Arevalo and Fallon, 2008). Operating as a non-certification-based initiative, the GC has not traditionally enforced the behaviour of the thousands of business and non-business participants it houses (Gilbert, 2010). Only recently, it has started to sanction those participants that fail to communicate their progress on implementing the ten principles yearly by listing them as “non-communicating” (no communication for more than a year), “inactive” (no communication for two years) or delisting them (no communication for 3 years). In particular, and to the focus of this paper, questions have also been raised about the effectiveness of local networks and their effects on corporate behaviour (Baccaro and Mele, 2011). We take this research challenge and investigate whether the local network structure affects member behaviour in terms of enhancing their CSR efforts and implementing the ten GC principles. The

second issue is one of commitment and the efficient allocation of resources required by its participants to support broader UN goals. In many cases, the creation of the GC Local Network was the direct result of a committed individual or organization seeking to promote the UN agenda among their peers, with some local networks established to tackle specific issues, cases, and local needs (Whelan, 2010). As members of local networks undertake a variety of activities to support their participants, a committed transition is required to sustain these efforts, as well as to seek the required innovation for efficiently allocating the necessary resources to further advance the initiative. Such a commitment is more likely to arise if evidence can be found about the effectiveness of this structure. The above pose serious implications for current participants as well as potential corporate managers who are struggling in their decision-making regarding strategic emphases, resource allocation and the creation of an enabling framework for choosing this initiative over other efforts.

In this paper, we focus on the outcomes of becoming local network members in terms of the implementation of GC principles, access to new networks, and improvement of understanding of CSR. We address these issues within the specific national context of Spain where there is the highest volume of business participants since the GC's inception and early establishment of a GCLN. The remainder of the paper is divided into six sections. In the first section we consider the meaning of CSR in the context of voluntary CSR initiatives and the driving forces for the adoption of various CSR initiatives in Spain. The second section discusses multi-stakeholder initiatives and introduces the UN Global Compact and its local network structure. The third section proceeds to hypothesize on the anticipated outcomes for both GCLN members and non-members. In the fourth section we describe our study's methodology including the context, data, measures, and results. The fifth section presents a discussion of our findings and empirical contributions of our study. The last section concludes with an evaluation of our study's limitations, and implications for future research.

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## CSR initiatives: focus on Spain

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Corporate social responsibility may be defined in terms of proactive efforts by business decision-makers to contribute to sustainable development (WBCSD, 2002). It has also been conceptualized around four types of responsibilities for the corporation: the economic responsibility to be profitable; the legal responsibility to abide by the laws of the respective society; the ethical responsibility to do what is right, just and fair; and the philanthropic responsibility to contribute to various kinds of social, educational, recreational or cultural purposes (Carroll, 1999). In this paper, we use McWilliams and Siegel's (2001) definition of CSR: actions of the firm that appear to advance some social good, beyond the immediate interests of the firm and its shareholders and beyond that which is required by law.

A number of factors have stimulated an awareness of, and a willingness to implement CSR in Spain (Melé, 2004). The first is seen as a business ethics

movement which began in the mid-1980s which thrived into the 1990s and was mainly adopted by academia and a good number of larger companies. These practices included introduction of ethical business policies (Melé, 2004) and corporate ethical practices which continued to spread in the Spanish business sector (Fontrodona, 2003). The second driving force for CSR came from Europe and the rest of the world. Given the focus on globalization and its critics, and growing concern for a sustainable world, a number of entities began promoting CSR to European member states. These included publications and debates by the Commission of the European Communities to stimulate discussions on the nature and content of CSR among business, employer federations, trade unions, NGOs, and academics. In 2003, the European Union Council published a resolution on the social responsibility of business, urging member states to undertake initiatives in this field resulting with some European governments, including France and the United Kingdom promulgating laws on matters such as sustainable development, CSR, ethical investments, social audits, and social balance sheets (Melé, 2004). A third source of influence has been the growth of recent international initiatives promoting CSR. These have been backed, among others, by the World Business Council for Sustainable Development, CSR Europe, the International Chamber of Commerce, the European Academy of Business in Society, the International Labour Organization (ILO), the United Nations Global Compact (GC), and the OECD guidelines. Also becoming prominent among the business sector is the Global Reporting Initiative (GRI) for social and environmental reporting, and various social accountability systems such as the SA8000 and AA1000, proposed, respectively, by Social Accountability International (SAI) and the Institute of Social Ethical Accountability (AA).

A number of businesses in Spain, especially large corporations, are active players in implementing CSR through associations and forums. One prominent example is the Forum on Business and Sustainable Development launched by IESE Business School in 1999, which involves CEOs of large Spanish companies and meets once a year to discuss topics related to corporate sustainability and sustainable development. In 2002, another CSR group was launched by four big Spanish firms (Telefónica, BBVA, Repsol-YPF and Grupo Agbar) with the purpose of providing a meeting place to analyse and publicize trends, tools, and models of corporate reputation in management (Melé, 2004). A group of very reputable and important Spanish firms established the Excellence in Sustainability Club in 2002 with the aim of promoting sustainable growth in economic, social and environmental fields. This network is intended to serve as a forum for stakeholder dialogue and to foster benchmarking in sustainable development. Another important network for promoting CSR is “Mesa Cuadrada” (Square Table) which is the Spanish Chapter of the GC. Mesa Cuadrada involves public institutions, academic affiliations, companies, charity groups, large NGOs, and foundations. All participants around this table are given equal rights and obligations, and together contribute a membership fee that covers the annual budget.

Our focus in this paper is on one of the most prominent CSR initiatives and largest among principle-based initiatives, the GC, which has been endorsed by

thousands of organizations around the world. Spain boasts the largest number of business participants in the GC (UN Global Compact, 2013b). We discuss the GC as a multi-stakeholder initiative and further examine its local network model while investigating its reported outcomes for firms.

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## Multi-stakeholder initiatives and the UN Global Compact

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Many voluntary global CSR initiatives have been discussed in the literature and scholars have distinguished four types (Rasche *et al.*, 2013): principle-based initiatives such as the UN Global Compact (Cetindamar and Husoy, 2007; Runhaar and Lafferty, 2009; Lim and Tsutsui, 2012; Arevalo *et al.*, 2013) and OECD guidelines (Baccaro and Mele, 2011); certification initiatives such as the ISO 14001 (King *et al.*, 2005; Boiral, 2007; Aravind and Christmann, 2011); reporting initiatives that provide guidelines for disclosure of social and environmental information such as the Global Reporting Initiative (GRI); and process-based initiatives that define procedures for organizations to improve their management systems around CSR, such as the standards issued by AccountAbility. There could be overlap between the categories; ISO 14001, for example, is a certification and a process-based initiative.

Even though many of today's social and environmental problems are global in nature, there is a lack of enforceable regulations across borders (Ruggie, 2004). This has led to the emergence of multi-stakeholder initiatives (MSIs) that operate on a global scale and are based on the voluntary contributions of participants (Utting, 2002; Rasche, 2012). MSIs are defined as "a collaborative form of governance for CSR issues voluntarily involving an array of stakeholders, which, as a whole, cross the state/non-state and profit/non-profit boundaries" (Rasche, 2012, p. 682, 683). Such initiatives seek to address a variety of social and environmental problems by bringing together corporations, academia, government, industry associations, non-governmental organizations, inter-governmental organizations, and labour organizations (Rasche, 2012). Contrary to legal sanctions used by a regulatory approach, MSIs are based on the voluntary participation of actors and are characterized as a soft law approach (Vogel, 2010). Examples of MSIs include the GC, the Global Reporting Initiative (GRI), Forest Stewardship Council (FSC), World Business Council for Sustainable Development (WBCSD), and the Extractive Industries Transparency Initiative (EITI). Some of the advantages of MSIs include supporting learning processes and knowledge, best practice sharing, obtaining information on specific issues, and the potential to productively address some of the challenges posed by globalization (Chahoud *et al.*, 2007) such as human rights issues and environmental issues.

The GC is a global MSI launched in July 2000, at the behest of the then-Secretary-General Kofi Annan, and "seeks to weave universal principles into corporate behaviour" (Ruggie, 2001, p. 377). This CSR initiative consists of firms of all sizes in both developed and emerging markets (Hall, 2008) and offers a platform for their cooperation with local/global NGOs, academic

institutions, UN agencies, governments, CSR organizations, and other stakeholder groups (UN Global Compact, 2014b). As a voluntary initiative, the GC does not have regulatory mechanisms to enforce compliance with the ten principles but, instead, relies on public accountability, transparency, and enlightened self-interest of companies. The GC today enlists 12,330 members worldwide, comprising 8,080 business participants and 4,234 non-business participants. Among these, 6,140 were listed as active business participants (UN Global Compact, 2014b).

A requirement of the GC is that the participants submit a Communication on Progress (COP) report to the GC office annually. The COP is a public disclosure to the stakeholders of the activities of a participant towards the implementation of the GC principles (UN Global Compact, 2014c). It is intended to hold participants accountable, drive continuous performance, safeguard the integrity of the UN and GC, and to help build a repository of corporate practices to promote dialogue and learning (UN Global Compact, 2014c). The COP is critical in expressing a signatory's commitment to the principles and failure to submit one will result in a change in its status to non-communicating and can eventually lead to expulsion (UN Global Compact, 2014c). In terms of disclosure and the COP policy, companies are challenged to report in a comprehensive manner, focusing on a description of practical actions undertaken to implement the GC principles in each of the four issue areas (human rights, labour, environment, and anti-corruption) and measurement of outcomes, for example, the degree to which targets/performance indicators were met (UN Global Compact, 2014a). These disclosures are meant to be the most important expression of a participant's commitment and support towards broad UN development goals; 1,940 business participants have been listed as non-communicating, and to date 4,420 participants have been expelled from the GC as companies have failed to communicate progress with principles implementation (UN Global Compact, 2014b). Despite these shortcomings, through the development of its local network structure, the GC has reported progress in introducing a wider platform of communication and engagement to its participants in order to support them during various levels of implementation. A comprehensive review of the GC's ten year achievements, trends, and reported challenges is available (Rasche and Kell, 2010).

### **The Global Compact Local Network model**

As the GC began expanding globally, many participants recognized the value in engaging locally in an effort to better understand the practical meaning of the initiative and its principle implementation (Whelan, 2010). As a multi-stakeholder initiative, the GC's local networks "function as the basic operating unit of the GC" (Mele and Schepers, 2013, p. 568), and are a critical aspect of the GC today. It is defined as a "cluster of participants who come together to advance the Global Compact and its principles within a particular geographic context" (UN Global Compact, 2012b) and "play a crucial role and are an integral part of the overall governance of the Compact" (Gilbert, 2010, p. 341). In fact, the multi-stakeholder dialogues facilitated by the local networks have helped



in legitimizing the CSR agenda in various countries and regions (Rieth *et al.*, 2007; Kell, 2013; Rasche *et al.*, 2013).

Each local network has to sign a Memorandum of Understanding with the GC office which authorizes it to use the term “Global Compact” as part of its name and to use the Global Compact Network logo in connection with its activities (Gilbert, 2010). By conducting various events and activities, local networks are intended to help deepen the learning of its participants and to advance the GC principles (Ruggie, 2001; Gilbert, 2010). The main role of GCLNs is to support both local firms and subsidiaries in their efforts to implement the GC, while also creating opportunities for multi-stakeholder engagement and collective action. GCLNs undertake a variety of activities to support their participants including: identifying local priorities, organizing learning and dialogue events, producing learning materials in local languages, providing help preparing COPs, and motivating participating companies to develop partnership projects to contribute to the UN Millennium Development Goals (MDGs).

To be considered a local network, a network has to fulfil certain requirements (UN Global Compact, 2013c):

- ▶ Commit to the principles and practices of the Global Compact. This includes the ten principles themselves, the practice of learning-by-doing, dialogue, partnership and striving to bring together other stakeholders
- ▶ Hold a minimum number of events and activities annually
- ▶ Display a willingness to actively support efforts by participants to develop a Communication on Progress (COP)
- ▶ Proactively manage and protect the integrity of the Global Compact and develop a capacity to find solutions to dilemma situations involving participants in the network
- ▶ Produce an annual activities report
- ▶ Identify a person to liaise with the Global Compact office on day-to-day issues related to the running of a local network, and nominate a person authorized by the local network to act on behalf of the Network at the Annual Local Networks Forum (ALNF) and in the management of the Network logo

However, not all GC participants have chosen to become network members. A recent survey finds that 54%, or over half of participating companies, are engaging in local networks (UN Global Compact, 2012a). The majority of these companies have indicated that they chose to engage locally in order to network with other companies, and also to receive support on implementation and disclosure of GC principles (UN Global Compact, 2012a, p. 25). In some cases, GC participants are not even aware of the existence of local networks. For example, Chahoud *et al.* (2007) found that in the context of India, 25% of Indian GC participants and 70% of GC participants that were subsidiaries of foreign companies had not even heard of the existence of a local network.

While each GCLN is unique, they all share one common goal: to advance the ten principles of the UN. Local networks are at the heart of the GC by carrying out

activities that encourage participation and, thus, intensify the initiative's potency and presence. In fact, the United Nations characterizes it as the "most important vehicle for increasing and intensifying the impact of the initiative—by providing on-the-ground support and capacity building tied to different cultural needs" (UN Global Compact, 2010b, p. 24). Companies continuously look to the GCLNs for support and inspiration in implementing the GC. Often, networks provide opportunities for participants to improve understanding and share experiences on the ten principles and partnerships, as well as how to report progress in these areas. Collective action campaigns and government policy dialogues are also increasingly organized through the Local Networks.

Even though the GC office does not control the local networks, it does oversee them. Local network participants can engage directly with the global network through issue specific initiatives such as climate change and by joining global working groups such as the human rights working group and the anti-corruption working group that are intended to assist participants in implementing the principles (Baccaro and Mele, 2011; Rasche, 2012).

Overall, as the capacity and accountability of GCLNs have developed over the years, they have increasingly assumed responsibilities with respect to the overall integrity of the GC. Most important is the facilitation and guidance for participants in developing their COP reports, the screening of new participants from their respective countries and the promotion of dialogue facilitation in cases where concerns are raised about a company's engagement (Whelan, 2010).

### **Global Compact Local Network: Spain**

Launched in 2002, the Spanish local network office was one of the first countries to organize a GCLN. The Spanish Local Network was established and is sustained by local interest and enthusiasm and the activities are based on local priorities and needs. In addition to conducting activities and events such as learning and dialogue forum sessions of good practice, COP workshops, and working groups on key issues, the Spanish Network also provides activity reports to the UN such as the progress of the local network in terms of the variation in number of participating business and non-business participants, the specific projects facilitated or convened by the Network, and the activities undertaken in support of the COPs made by companies (UN Global Compact Network Spain, 2005). Recently, the network was recognized by the GC office as one of the top ten best performing networks, in recognition of their performance in communication, collaboration and information sharing (Spanish GC Network, 2014). This report includes the achievements gained by the local network in terms of growth in members and the dramatic growth in the number of activities organized and increase in commitment since its inception.

Growth in participants for Spain has witnessed a fivefold increase. Since 2005, when the local network in Spain was established with less than 500 participants, to 2013, enrolment has reached 2,452 signatories (including 1,744 small to medium sized enterprises (SMEs), 314 companies, and 394

non-business entities). Likewise, membership in the local network has also witnessed an increase. With nearly 130 network members signed in 2005, the Spanish local network reports 350 (176 SMEs, 111 companies, 63 non-business) active members after eight years (Spanish GC Network, 2014, p. 9). In regards to communication on progress, or Informes de Progreso, reporting has also witnessed an increase from 178 reports in 2005 (either directly on-line via GC website in Spain and recommended format, or free style format), to 715 in 2012 for all signatories (Spanish GC Network, 2014, p. 24-25). These reporting statistics point to the general sense and past experiences of the GC in that a good number of participants are unable/unwilling to communicate progress in implementing the UN principles, after signing up to the initiative. Currently, Spain reports a total of 1,707 participants (1,225 business, 482 non-business) and 465 of these are non-communicating, or failing to provide a COP in the last two years—leaving 760 (nearly half) actively reporting on progress (UN Global Compact, 2014b).

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## Hypotheses development

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### Outcomes of participating in a local network

Assessments of effectiveness of the Global Compact have not advanced much in the literature and neither has our understanding of the GC's contribution to national settings. Extant research has found heterogeneous results, with studies finding some firms with high levels of implementation and advanced social responsibility practices (UN Global Compact, 2010a; Woo, 2010) and others with low levels of implementation (Hamann *et al.*, 2009; UN Global Compact, 2010a). This may not be surprising, given that the compact comprises firms of all sizes representing various industries located in diverse regions. To date, there have been few assessments of the effectiveness of GCLNs.

Even though it is very difficult to measure the effectiveness of CSR efforts, a starting point for a CSR initiative such as the GC would be to determine to what extent it has had an effect within its participating firms (Cetindamar and Husoy, 2007). Three dimensions of effectiveness have been identified in the literature (Underdal and Young, 2004; Rieth *et al.*, 2007): **output**, **outcome**, and **impact**. The output of an initiative describes “commitments that actors have commonly agreed on”, including “regulations, programs, and organizational arrangements that actors establish” to operationalize the provisions of the initiatives. Outcome, on the other hand, is described as “the changing behaviour of participating actors in accordance with its outputs” (Rieth *et al.*, 2007, p. 101). Impact is the contribution towards solving “problems that first led to the creation” of the initiative (Rieth *et al.*, 2007, p. 101).

In this paper, we focus on one dimension of effectiveness; that is, **outcome**. We analyse the outcomes of local network participation in terms of how it

changes firm behaviour. Given that local networks have been designed to foster learning, participation, and to disseminate CSR, it is imperative to understand whether learning and enhanced CSR understanding actually occurs for adopters of GC principles. Accordingly, we conceptualize outcomes of local network membership to encompass three factors: 1) implementation of GC principles; 2) access to CSR networks; and 3) improved understanding of CSR and corporate citizenship. Implementation of GC principles indicates the extent to which a firm has implemented each of the ten principles. Access to CSR networks indicates the extent to which participation in the GC has provided the firm with access to external networks. The third factor indicates improvement in firms' understanding of what is involved in CSR and corporate citizenship.

Below, in addition to the literature on multi-stakeholder initiatives (MSIs), we also draw on institutional theory to develop our hypotheses linking membership in the Spanish Network and outcomes of local network participation. We develop our arguments comparing outcomes for GCLN members versus non-members.

Rasche (2012) demonstrated that compared with the overall global network, local networks are characterized by tight, rather than loose couplings (Weick, 1976) within which there is a high frequency of interaction, direct relationships, and immediate effects. Within local networks, the frequency of interaction and the chances of direct relationships among participants are higher due to spatial proximity and because of the need to contextualize the principles and facilitate knowledge transfer in the local context (Rasche, 2012). Local networks also facilitate direct, rather than delayed effects because participants work on both the design and implementation of underlying activities (Rasche, 2012). For example, local network meetings deal with not only the design of activities meant to help implement the principles, but also the actual implementation of these activities. Working on both design and implementation enhances the identification of the participants with the local network, which results in tighter couplings among participants. Such tighter couplings facilitate knowledge sharing and collective action and the enhancement of trust among participants (Rasche, 2012). Mele and Schepers (2013), based on analysis of documents and interviews, as well as participating in some local network meetings, found evidence for local networks advancing learning around issues of relevance in the local contexts and having the capacity to work towards solutions. Local network non-members are not exposed to these interactions and knowledge sharing with regard to best practices and principle implementation which could result in lower levels of implementation and improvement in CSR understanding on their part. Their inability to create new contacts or network with stakeholders such as NGOs, trade associations, and academic institutions could also result in lesser access to business and CSR networks.

In addition to meetings and activities at the local level, local network members also have access to regional meetings where local network members from the region can participate. For instance, local networks in the Asia region convened a regional meeting in 2011 in Seoul, hosted by GCLN, Korea. In this meeting, local networks from different countries in Asia shared their activities as well

as challenges they face. The GC Office provided an update and local networks also learned about the roles and opportunities related to the Principles of Social Investing (UN Global Compact, 2013a). In addition to this, the GC office also convenes the Annual Local Networks Forum (ALNF) intended to bring local network and company representatives together to share experiences and learn from each other (UN Global Compact, 2013d).

Moreover, the cluster of local networks that form the GC is considered as low-density and characterized by weak ties rather than strong ties, facilitating learning among network members (Granovetter, 1973), since there is freer flow of information from external sources (Mele and Schepers, 2013). High-density networks, in contrast, are not capable of as much learning, since they are more self-contained, and do not allow for much flow of information from external sources, resulting in lesser likelihood of learning (Mele and Schepers, 2013). GC participants that are non-members do not participate in such networks and do not gain the benefit of such interactions and knowledge sharing.

Insight into local network participant behaviour can also be gained from institutional theory. This theory suggests that firms operate within a social framework and seek approval and are susceptible to social influence (Zucker, 1987; Oliver, 1997). Firms conform to social expectations because they gain legitimacy, resources, and the capability to survive (Zucker, 1987). Coercive, mimetic and normative pressures shape firm behaviour, according to this theory (DiMaggio and Powell, 1983). Coercive pressures are the formal and informal forces exerted by institutions on which organizations are dependent. These include regulatory forces, market pressures, and cultural or societal expectations. Mimetic pressures are the actions taken by organizations to model themselves on other enterprises while normative pressures are related to professionalism and psycho-emotional factors (Bansal and Roth, 2000) and are originated by networks such as industry associations and educational processes.

When a firm is a member of a GCLN, it is likely to face more pressures than a non-member to implement the ten principles. Seeing other members within the network participating in activities of the Local Network intended to promote learning CSR best practices as well as support with the implementation of GC principles would enable learning and motivate and assist a firm to implement the principles to a higher extent. In fact, the local networks are restricted in size, thereby making firm behaviour more transparent, thereby generating higher peer pressure (Whelan, 2010; Rasche *et al.*, 2013). Thus these mimetic pressures would result in better implementation. Similarly, normative pressures are also likely to be operational. Participation in the Local Network entails following certain acceptable norms of the network, prompting a participating firm to put in more effort at participating in external networks and implementing the GC principles. In environments where there is a high level of interaction as in a local network, the voluntary diffusion of norms, values, and shared information is facilitated (Oliver, 1991). Thus institutional pressures are likely to be more prevalent within the Local Network, thereby elevating motivation levels for best practice exchange and knowledge sharing with respect to CSR and GC principle implementation. The above arguments suggest that:

**Hypothesis 1:** GC participants that are members of the local network will implement the GC principles to a higher extent than non-network members

**Hypothesis 2:** GC participants that are members of the local network will gain access to external networks to a higher extent than non-network members

**Hypothesis 3:** GC participants that are members of the local network will improve their CSR understanding to a higher extent than non-network members

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## Method

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### Data

To evaluate our hypotheses, we relied on a data set of Spanish Global Compact participants collected from a six-part survey developed and administered by an academic institution in Barcelona (Spain) in collaboration with two academic institutions in New York/New Jersey (USA).

Our survey was first pre-tested in the United States on a sample of GC adopters in the US, conducted during summer, 2009. It was then translated into Spanish and validated for accuracy and equivalency of survey questions. In 2010, 698 email invitations—using a web-based survey tool which included a link to access our questionnaire—were sent to individuals designated as the CSR contact from our sample of 716 business participants (Spanish GC business participants as of 15 December 2009). We were not able to retrieve contact information for 18 companies, due to either relocation or ceasing of operations. In total, we invited 328 small and medium-sized enterprises (SMEs, < 250 employees), 216 companies (> 250 employees), and 154 micro-enterprises (< 10 employees) to participate in the study. We followed the first email invitation by two more email reminders to prompt additional responses. We allowed one month for submission of final responses.

A total of 322 CSR managers accessed the electronic link; however, 213 submitted completed responses, yielding a response rate of 30.5%. The majority of those not completing the survey were recent participants to the GC, with joining dates between December 2009 and January 2010.

As is the case with all survey-based research, common method bias is likely to be an issue in our study and we made efforts to minimize this. First, we tried to reduce social desirability bias by guaranteeing anonymity to the respondents. Second, we tried to improve our questionnaire items by avoiding vague concepts and keeping questions simple and precise. Third, we conducted Harman's single factor test (Podsakoff *et al.*, 2003) to test for the extent of common method variance. We found that seven factors with eigenvalues greater than 1.0 emerged from this analysis that accounted for a large percentage of the total variance. Also, any single factor did not account for a majority of the variance in the data. Therefore common method bias is unlikely to be a serious problem in this study.

## Measures

The means, standard deviations, and correlations for our variables are shown in Table 2.

**Table 2** Means, standard deviations, and Pearson correlations ( $n = 213$ )

	Mean	SD	1	2	3	4	5
1 Network member	0.30	0.46	1				
2 Extent of implementation of Environmental GC Principles	6.61	0.62	0.08	1			
3 Extent of implementation of Social GC Principles	6.70	0.49	0.14*	0.52**	1		
4 Access to external networks	3.55	1.48	0.26**	0.12	0.10	1	
5 Improvement in understanding of CSR and corporate citizenship	0.80	0.39	0.17*	0.22**	0.19**	0.43**	1

\*\*  $p < 0.01$

\*  $p < 0.05$

We obtained a list of Spanish local network members from the local network office in Spain. We coded local network members as 1 and local network non-members as 0. Sixty-four GC participants in our sample (30%) were identified as local network members.

To measure the extent of implementation of the GC principles, we conducted a factor analysis of 10 items. We used the stem question, “as a GC participant, to what extent does your organization...”, followed by each of the ten principles, i.e. “...support and respect the protection of internationally proclaimed human rights?” for UN principle 1, continuing with the rest of the principles (see Table 1). Survey respondents rated the items on a scale ranging from “minimal” (1) to “to a great extent” (7). Factor analysis with varimax rotation yielded two factors (see Table 3). One factor contained the items: 1) “support a precautionary approach to environmental challenges” (UN principle 7); 2) “undertake initiatives to promote greater environmental responsibility” (UN principle 8); and 3) “encourage the development and diffusion of environmentally friendly technologies” (UN principle 9). This factor was named “Extent of Implementation of Environmental GC Principles”; Cronbach’s  $\alpha = 0.94$ .

The other factor included the remaining seven principles of the GC. This second factor was named “Extent of Implementation of Social GC Principles”; Cronbach’s  $\alpha = 0.89$ .

**Table 3** Factor analysis: extent of GC principle implementation

Constructs	Factors	
Extent of social principles implementation		
Principle 4	<b>0.91</b>	0.19
Principle 1	<b>0.89</b>	0.19
Principle 5	<b>0.88</b>	0.19
Principle 6	<b>0.79</b>	0.26
Principle 3	<b>0.79</b>	0.12
Principle 2	<b>0.59</b>	0.48
Principle 10	<b>0.49</b>	0.31
Extent of environmental principles implementation		
Principle 8	0.24	<b>0.92</b>
Principle 9	0.21	<b>0.92</b>
Principle 7	0.20	<b>0.91</b>

Our measure for access to external networks was the average of two survey items: “To what extent has the GC provided your organization with access to more CSR networks?” and “To what extent has the GC provided your organization with access to more business networks?” Survey respondents rated the items on a scale ranging from “not at all” (1) to “to a very large extent” (7); Cronbach’s alpha = 0.78.

Our measure for improvement in understanding of CSR and corporate citizenship was the following dichotomic (yes or no) survey item: “Has your understanding of CSR and corporate citizenship improved as a direct result of your participation in the Global Compact?”

### Data analysis and results

We used independent samples t-tests to evaluate our hypotheses. We conducted Levene’s tests for equality of variance and report results that assume equality of variance when the assumption was met. In t-tests where the equality of variance assumption was not met, we report results that do not assume equality of variance, as reported in the statistical software, SPSS. Table 4 shows the results of the t-tests. We also confirmed our results using a non-parametric test, namely, the Mann-Whitney U test at the 0.01 level, to ensure that non-normal distributions did not affect the results (Gordon, 2011).

To test H1 that members of the Spanish Network will implement the GC principles to a higher extent than non-members, an independent samples t-test was conducted to compare the implementation of GC principles for members versus non-members of the Spanish Network (Table 4). For the



implementation of environmental principles, we did not find a significant difference ( $t(155.47) = 1.25, p = 0.21$ ) in scores for members versus non-members. For the implementation of social principles, there was a significant difference in scores for members and non-members ( $t(188.22) = 2.42, p = 0.01$ ). Members have a larger average score (Mean = 6.80, SD = 0.32) than non-members (mean = 6.65, SD = 0.55). Therefore H1 was marginally supported, since we found evidence only for members implementing social principles to a higher extent than non-members but not for environmental principles.

To test H2 indicating that members of the Spanish Network will gain access to external networks to a higher extent than non-members, we compared the access to external networks of members of the Spanish Network versus non-members by conducting an independent samples t-test (Table 4). We found a significant difference in scores for members and non-members; ( $t(136.41) = 4.17, p = 0.00$ ). Members have a larger average score (mean = 4.14, SD = 1.28) than non-members (mean = 3.29, SD = 1.48). Therefore, H2 is supported by our data.

To test H3 according to which members of the Spanish Network will improve their CSR and corporate citizenship understanding more than non-members, we conducted an independent samples t-test to compare the improvement in understanding of CSR and corporate citizenship of the Spanish Network versus non-members (see Table 4). There was a significant difference in scores for members and non-members ( $t(170.58) = 2.91, p = 0.004$ ). Particularly, members had larger average scores (mean = 0.91, SD = 0.29) than non-members (mean = 0.76, SD = 1.44). Thus H3 is supported by our data.

**Table 4** T-tests for comparisons of outcomes of participating in the GC for members of the Spanish network versus non-members

Variables	Spanish network members		Spanish network non-members		t-value	Df
	Mean	SD	Mean	SD		
Implementation of environmental GC principles	6.69	0.49	6.58	0.67	1.25	155.47
Implementation of social GC principles	6.80	0.32	6.65	0.55	2.42**	188.22
Access to external networks	4.14	1.28	3.29	1.48	4.17***	136.41
Improvement in understanding of CSR and corporate citizenship	0.91	0.29	0.76	1.44	2.91**	170.58

\*\*  $p < 0.01$

\*\*\*  $p < 0.001$

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## Discussion

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Our study makes a departure from existing ones on multi-stakeholder initiatives by investigating an important aspect of the UN Global Compact: its local network model in the context of Spanish organizations that have chosen to adopt the GC principles. We examined the effectiveness of the local network structure in terms of outcomes (Rieth *et al.*, 2007): implementation of the GC principles; access to external networks; and improvement in understanding of CSR and corporate citizenship. Our findings are based on a sample of 213 UN Global Compact participants in Spain. The results of our study show that Spanish local network members implement the GC principles, gain access to external networks, and improve their CSR understanding to a higher extent than non-network members.

The study offers two key contributions to the literature. First, given the fact that local networks have rarely, if ever, been empirically assessed for their effectiveness, this study makes a significant contribution to the literature by focusing on this issue. Our results demonstrate that the Spanish Network has an important effect on its member participants. We found that members of the network implement social GC principles more effectively, have gained better access to external CSR and business networks, and have improved their CSR and corporate citizenship more than non-members. This is in line with the observation that there are significant pressures for firms in Europe to pay close attention to CSR issues as these are embedded in dynamic institutional contexts that oblige them to assume wider responsibilities than otherwise experienced by firms in other national systems (Matten and Moon, 2008). However, we did not find evidence reflecting differences in implementation of the environmental GC principles among participants and members. It appears that in the Spanish context, all types of organizations, both members and non-members implement the environmental principles to a similar extent.

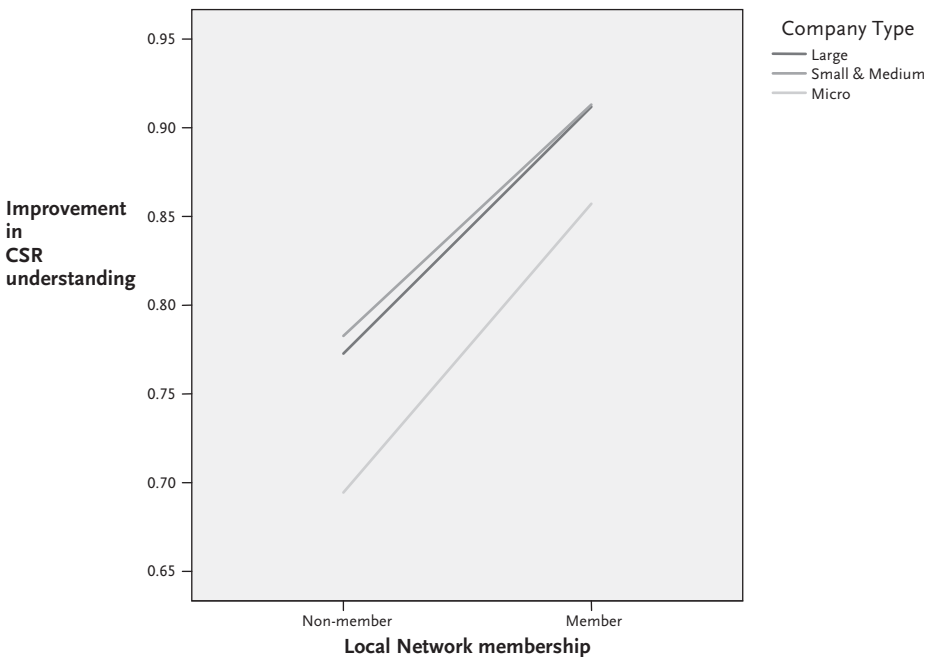
Second, even though this study presents a relatively positive picture of local networks, critics point to some inadequacies of the initiative. For instance, there are arguments that local networks, while being a part of a multi-stakeholder initiative, are business-driven and do not produce dialogue beyond this community (Gilbert, 2010; Baccaro and Mele, 2011). Members cannot therefore get a variety of input from the other actors such as NGOs, academia, and labour unions. Also some local networks are not very active and hence provide little to no benefit for their members. There are also criticisms of the overall GC initiative such as that it “lacks teeth” and that it is a “blue-washing” mechanism that allows participants to “promote a socially responsible image through their association with the UN” (Utting, 2006, p. 8). The annual COPs have been criticized for not being good enough to encourage participants to substantively implement the principles by integrating them into their strategies and daily operations or to enhance their learning in the realm of CSR (Arevalo and Fallon, 2008). Despite these criticisms, our study suggests that local networks provide a critical platform for this multi-stakeholder initiative that allows participants to engage in deeper implementation of the ten GC principles and enhance

their social and environmental practices through best practice exchange and learning.

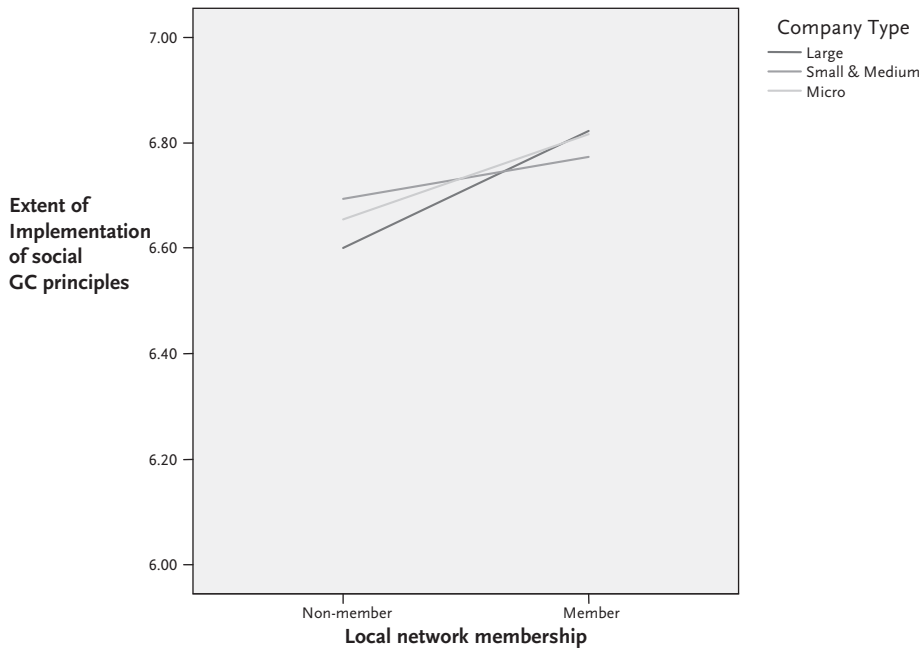
For local networks, knowledge about the cultural, social, and religious aspects of the local environment and also about the particular issues facing firms in that environment is a key resource enabling members to solve problems in a decentralized manner that fits with the local environment (Rieth *et al.*, 2007; Gilbert, 2010). We agree with Gilbert (2010) that to get the most out of network membership, members should be willing to reveal critical information in the realm of CSR and the local network should coordinate regular interactions among members and organize learning sessions on the latest CSR trends. The trust that is generated among the members as a result of these regular interactions would result in more knowledge and best practice sharing, resulting in getting the most out of becoming local network members.

Further analysis of our data revealed some interesting details. Figures 1, 2, and 3 show the variation in dependent variables for network members and non-members along with differences for firms of different sizes: micro (< 10 employees), small and medium (SME, between 11 and 250 employees), and large (> 250 employees) (UN Global Compact, 2013c). In our sample, there were 43 micro firms, 92 small and medium firms, and 78 large firms. As shown in Figure 1, micro firms had the lowest level of improvement in CSR understanding, whereas SMEs had the highest level of improvement. For all three types of firms, network members had higher levels of improvement in

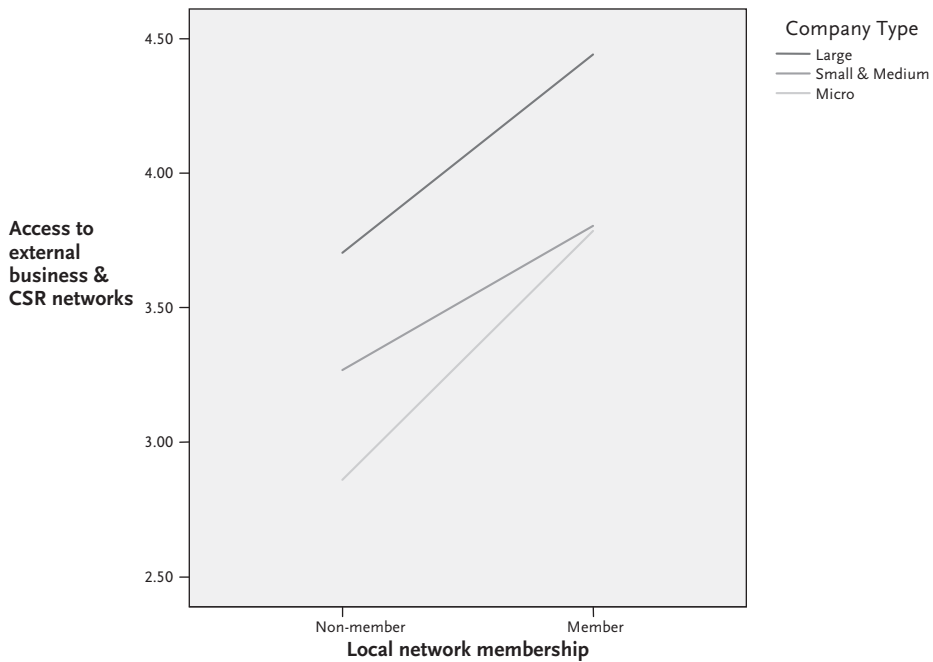
**Figure 1** Effect of local network membership on firms' improvement in CSR understanding



**Figure 2** Effect of local network membership on firms' extent of implementation of social GC principles



**Figure 3** Effect of local network membership on firms' access to external business and CSR networks



CSR understanding than non-members. Figure 2 indicates that for all three types of firms, network members implemented the social GC principles to the highest extent, with large firms leading the pack for network members and SMEs with the highest extent of implementation for non-members. An interesting observation here is that whereas SME non-members implemented the social principles to the highest extent, SME members implemented the social principles to the lowest extent. Also, from Figure 3, it can be seen that again, for all three types of firms, network members had more access to external CSR and business networks, with large firms having the greatest access for members and non-members and micro firms with the least access to networks for members and non-members.

In general, smaller firms are seen to have lesser success than larger firms in getting the most of out of the Spanish local network. Larger firms tend to be more visible, and so are likely to be more socially responsive (Jenkins, 2006) which may motivate them to be more involved in local network activities enabling them to benefit more from network membership. Also, they have more slack resources to commit to socially responsible initiatives (Kraft and Hage, 1990), including the GC and local network activities. Conversely, smaller firms are less visible and are likely to be less socially responsive and possess fewer slack resources than larger firms. This translates to lesser involvement in network activities and lesser impact in terms of CSR activities. Successfully integrating smaller local firms has been a challenge for local networks in that they are finding it harder to live up to their engagement and commitment (Whelan, 2010). Given that small to medium sized enterprises make up almost half of the GC's participant base, with their engagement being entirely at the local level, local networks will have to meet the challenges of responding to their demands and ensure that the capacity is built within the local network model to enable these constituents to live up to the aims of the GC.

From a practical point of view, our finding that members of the Spanish local network benefit more than non-members indicate that UN Global Compact participants should take advantage of this mechanism by becoming local network members and actively engaging in all the events and activities arranged by the network to enhance their learning experience. Merely becoming UN Global Compact participants is simply not enough, if firms are seeking improvements in their CSR agendas in general. Participants need to take more advantage of their local network's offerings by making the additional commitment and becoming network members. This would help these firms to learn best practices in CSR including GC principle implementation, and strategize along with other highly visible participants. Network members can also benefit by engaging with other actors in the network such as industry associations, NGOs, UN agencies, and labour organizations. In a similar vein, the UN Global Compact main office should promote the advantage of local network membership to all its participants and strongly suggest that they should become members to advance the ten GC principles and to learn from the network.

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## Conclusion

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Determining the extent to which United National Global Compact participants take their involvement with the GC seriously and integrate the ten principles into their activities has been characterized as “one of the most significant and pressing research challenges” (Rasche *et al.*, 2013). In this research, we investigated this issue by focusing specifically on the local network structure of the GC by examining the outcomes of local network membership using survey data from GC participants in Spain. We found that there are differences between firms that choose to become local network members and those that do not. We found that membership in the Spanish network has an important effect on the success of the participants’ CSR strategies. The results of our study show that participation in the GC allows firms to implement UN principles, improve understanding of corporate citizenship, and improve on their CSR and business networking.

This research is not free from limitations. First, it relies on self-reported measures that are subjective and is subject to common method bias. As discussed in the methods section, we tried to minimize this bias and also tried to estimate if it is likely to be a problem in our research. We did not find evidence for this. Ideally, the results would need to be further investigated and compared to external data. However, objective data on smaller firms and their CSR is limited, which is why we had to rely on survey data. To help overcome this limitation, future studies could compare active (in terms of annually submitting COP reports) GCLN members in Spain with non-GCLN participants in Spain. This analysis could be further strengthened by conducting a content analysis of the annual COP reports. This could also help offer insights into how GC principles are implemented practically and to assess the degree to which targets were met. Despite this limitation, we believe that this is one of the first studies to empirically evaluate GC local networks in the Spanish context, and we offer important initial observations on network membership and outcomes for members versus non-members. Second, what we believe is a strength of this study may be viewed as a limitation; namely, examining our research questions in the Spanish context. However, we believe that the results of our study could be generalized to other nations as well, particularly in Europe where the GC is more popular.

Extending on our framework, researchers could expand on the understanding of GC local network membership, by conducting comparative studies among nations reporting similar volumes of business participation. Also, our finding that local networks play a critical role in enabling UN Global Compact participants to have better outcomes suggests that more scholarly attention needs to be directed at understanding the role of local networks in enhancing CSR and GC principle implementation. For instance, prior research (Gilbert, 2010) has suggested the use of network theory in order to better manage and oversee the activities of local networks. Future research should continue to build on research such as this. Yet another area for future research would be to compare multiple local networks across various locations to gain insight into the

multitude of ways in which local networks operate and to find out which ones provide the greatest outcomes for members. Also useful would be to consider the possible risks of these networks such as the reputation of the network and its members being harmed because some members do not actively participate and the possibility of better members opting out of the network (Mele and Schepers, 2013). Clearly, these risks would affect member outcomes and it would be beneficial for future research to consider risks such as these. Future studies could also examine empirically, the impact that networks have on de-listings. One of the factors that this type of research could unearth is whether there might be a correlation between the growth of network offices and the decline in de-listings per area where networks are present. If there is a positive correlation, this could mean that local networks indeed have had a positive impact on helping companies implement the ten UN principles, thereby preventing many de-listings.

This study demonstrates the value for GC participants in being engaged in local networks. Our results suggest that MSIs have great potential in enabling us to move toward a more socially and environmentally responsible global economy. The cooperation, collaboration, and engagement among multi-stakeholders that the GC supports (Post, 2013), particularly in reference to its local network model, has great potential in this regard. Future research will find this area rewarding in terms of gaining more insight into these initiatives and be of help to practising managers in making decisions involving CSR initiatives and the degree to which they should invest and engage in them.

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