Do multi-stakeholder initiatives make for better CSR?

Kanji Tanimoto

Kanji Tanimoto is Professor of School of Commerce at Waseda University, Tokyo, Japan.

Abstract

Purpose – *This paper aims to examine the significance and challenges of corporate social responsibility (CSR) initiatives organized by multi-stakeholders and to clarify the function of CSR initiatives: What is the significance of multi-stakeholder initiatives (MSIs)? What conditions are required for CSR initiatives to work satisfactorily? How do CSR standards function effectively in companies?*

Design/methodology/approach – *The significance and challenges of multi-stakeholder CSR initiatives are clarified theoretically, based on previous literature from relevant research fields.*

Findings – *MSIs are beyond the "dichotomy" of two traditional approaches to CSR, namely, voluntary vs mandatory. However MSIs do not automatically ensure good performance. We should discuss not only the legitimacy of MSIs but external monitoring and evaluation systems for responsible companies in the market, as well as organizational efforts to incorporate CSR standards into managerial processes.*

Social implications – *This paper shows that an MSI is an important platform for establishing and promoting a CSR standard, and further that market maturity and stakeholder engagement are required to make CSR work.*

Originality/value – *The study explains that ceremonial compliance with CSR standards may be inevitable even where the legitimacy of an MSI is secured, and that we should recognize that monitoring and sanction systems in the market and an organizational approach to the incorporation of CSR in management practices are required.*

Keywords *Legitimacy, Global Governance, Stakeholder engagement, CSR initiative, Market maturity, Multi-stakeholder*

Paper type *Conceptual paper*

1. Introduction

Corporate social responsibility (CSR) has been globally discussed and popularized over the past couple of decades. CSR is basically defined as a responsible business to incorporate social and environmental concerns into the management process, with fulfilling accountability to stakeholders. In actual practice, many companies tend to apply CSR to the business by their own understanding and styles with imitating leading companies' cases (Tanimoto, 2016; Davidson *et al.*, 2018). Hence, common ground rules – CSR standards and codes of conducts – have been required and developed along with CSR movements to overcome the problems of selective or arbitrary adaptation of CSR. The regulatory approach is a traditional method. However, legal rules have intrinsically both validity and limitations. They are subject to set a minimal requirement, and a single government's rules cannot cover the transnational issues of the wider field of CSR.

Recently a collaborative approach with relevant stakeholders has been developed and drew international attention to tackle them. CSR initiatives organized by multi-stakeholder partnerships have been expanding. Governments, international institutions, non-governmental organizations (NGOs) and also business entities have worked collaboratively to establish new platforms to define and set international CSR standards and norms, such as SAI (Social Accountability International), GRI (Global Reporting Initiative), FSC (Forest

Received 6 August 2018
Revised 4 February 2019
11 February 2019
Accepted 19 February 2019

Stewardship Council) and ISO26000 (Guidance on Social Responsibility). These multi-stakeholder initiatives (MSIs) are aimed to overcome constraints of government regulations and business initiatives and expected to facilitate CSR management and efforts to tackle sustainability issues. However, do these CSR initiatives work automatically to bring companies into responsible practice? Research studies on MSIs have also been growing in the past decade (Waddock, 2008; Roloff, 2007, 2008; Mena and Palazzo, 2012; Fransen, 2012; Sloan and Oliver, 2013; Gitsham and Page, 2014). Much of such research discusses why and how MSIs are created and managed and how their trust and legitimacy can be built. In actuality, mere ceremonial compliance with and free-riding on CSR standards could still be inevitable even where the legitimacy of an MSI is secured. We need to examine not just the legitimate basis and effectiveness of MSIs but also how to make these CSR standards work practically, both inside and outside companies.

This conceptual paper clarifies the relationship between multi-stakeholder CSR initiatives and companies' CSR management by examining three questions: What is the significance of multi-stakeholder CSR initiatives? What are the conditions required for CSR initiatives to work satisfactorily? How do CSR standards function effectively in companies?

2. Significance of MSIs

2.1 Insufficiencies of CSR

There is a traditional question about CSR: Does each company's spontaneous CSR activity automatically lead to the achievement of a common goal, namely, sustainable development? This is one of the intractable problems in questioning whether a set of individual CSR activities could enhance sustainable development in society and contribute to increased accountability and trust in the market. Can individual discrete behavior increase social welfare? We face a social dilemma between individual rational behavior and collective rational behavior, and a conflict between individual welfare and social welfare.

Furthermore, not all CSR activities of companies are effective and functional. It is not uncommon for companies to fashion CSR to their own interests. Perfunctory responses, window dressing and tokenism may be inevitable in CSR activities. CSR management has developed rapidly and been institutionalized through mimetic isomorphism over the past two decades (Tanimoto, 2013; Davidson *et al*., 2018). Most of the major listed companies in Japan, for instance, have already established CSR departments (75.1 per cent) and CSR directors (67.8 per cent) and have published CSR reports (84.5 per cent) according to the 2015 CSR Database by Toyokeizai Inc. These numbers started from almost nothing at the beginning of 2000s. But does this rapid trend of institutionalization of CSR management serve to make changes in markets and corporate organizations? For example, many companies have already published CSR reports. As such, the situation is better than before the emergence of these reports. However, does a growing number of reports automatically contribute to enhanced transparency and trust in the market? Many companies publish CSR reports individually and in their own way to disclose what they want to show. This leads to a lack of compatibility, as well as reliability and accuracy, of the data between companies (a matter of data integrity). Instead, a common reporting rule should be required, legally, of all companies. However, this type of standard presents a dual problem; it provides for the standardization of reporting practices but at the same time establishes a minimal requirement (do no further). As a result, some companies engage to this minimum level only. Moreover, not all companies incorporate CSR into their management processes in practice. The recent case of an accounting scandal at Toshiba can be taken as a typical example of this. Toshiba has consistently ranked at the top of CSR ratings in Japan since 2007. However, the company had been disguising an excess of debt, caused by the failure of their atomic energy business in the USA, for the past decade. Prior to this scandal, Toshiba had already established a highly reputed governance system and CSR system in Japan. These systems, however, were not sufficient to prevent accounting fraud as CSR was not incorporated into the management process of each department in any meaningful way and rather was kept separate from routine managerial procedure. The conventional corporate culture in Toshiba (bureaucratic sectionalism, closed culture, short-termism) had not, in fact, changed at all. This is not an exceptional phenomenon; it is found widely in other countries (Dawkins and Lewis, 2003; Pedersen and Neergaard, 2008). Toshiba has finally scaled down by selling out the money-tree sectors of the group to survive since they had faced a crisis of delisting at 2015.

Some companies have been embedding CSR strategically into management processes and have tried to change their missions and management structures in line with the idea of CSR. Others, however, just follow or imitate leading companies' cases, and do what they want to do or what they can afford to do. CSR codes of conduct are inherently defined in vague terms and represent weak principles (Merk, 2008). Given that companies manage CSR selectively and partially, not all of them are able to recognize and incorporate international CSR standards into their organization and, indeed, some lack any measures at all to implement and monitor actual practices. The situation has become more complicated since the popularization of the notion of CSR.

There is a parallel need to look at CSR from the other side, namely, from the stakeholder viewpoint. How do stakeholders respond to CSR in the market? We know that some consumers select responsible companies when purchasing products and services, and that some investors screen for responsible companies when placing investments. Should no stakeholders consider CSR when evaluating corporate behavior in the market, then no companies would react to it positively. On the other hand, should almost all stakeholders demand a strong position on CSR and show clear appreciation for responsible corporate behavior, no company would be able to ignore the market movement and instead would be obliged to try and incorporate CSR strategically into management practice and to build responsible competitiveness (Tanimoto, 2013).

2.2 Public policy

In general, some sort of external pressure on individual behavior, by changing environmental factors (structural solution), is required to resolve situations of dilemma (Ostrom, 1990; Poteete *et al.*, 2010). Consequently, regulations and rules to prevent this sort of dilemma need to be practically introduced. The mandatory approach, namely, government-led hard law, is a typical and traditional way to regulate behavior. However, there are still many areas where the government is not able or is not willing to play their regulatory role in the wider field of CSR. There are those issues which are too big (global/beyond the boundary) for any single government to manage effectively, and conversely those too small (local/minor) to be dealt with by the government (Bell, 1987; Tanimoto, 2004). By whom and how, then, should such issues be tackled? Global environmental and social issues are increasingly crossing borders, spreading beyond a single state, meaning that no single state can undertake and resolve them. We face a widespread "governance gap" between the single government authority and the governing capability such an authority has for these issues (Hirschland, 2006; Quack, 2010). A new approach is required to bridge this gap.

Recently, efforts to bridge this gap have been focused on the private collaborative approach with relevant stakeholders (Gilbert *et al.*, 2011). A global public policy partnership has been growing between government and stakeholders, such as NGOs and companies, to govern global economic, environment and social issues. This collaborative approach with stakeholders, for the resolution of those global issues which cannot be rectified by the efforts of a single organization alone, has been developing rapidly, and in doing so has prompted changes in governance style. In particular, expectations have been growing over the past few decades with regard to the business sector's contribution, as well as that of NGOs. Companies engaged with this approach also commit to the process of problem-solving and create a new collaborative platform with stakeholders. As such, expectations are placed on CSR initiatives to become vehicles to define and implement new global standards.

The MSI is defined as follows: organizations from diverse sectors (private, public and not-for-profit) commit to working together in mutually beneficial ways to accomplish goals that they could otherwise not achieve alone (Sloan and Oliver, 2013). The members of an MSI have equal opportunity of input in regard to governing the initiative (O'Rourke, 2006; Fransen, 2011). These MSIs have been affected by the movement of global governance with growing diverse and cross-border issues that go beyond a single government's governability.

Good governance of MSIs is indispensable for sustainable development. Global governance is operated by a variety of relevant stakeholders. Such governance has been discussed under various terms, such as MSIs (Utting, 2002; Koenig-Archibugi, 2004; Mena and Palazzo, 2012), global public policy networks (Reinicke and Deng, 2000; Benner *et al.*, 2004) and transnational private regulations (Bartley, 2007). Recently, good governance and healthy management have come to be understood as the premises of implementing sustainable development policy (OECD, 2002). However there are intrinsic challenges in MSIs. Most notably, MSIs propose a conflicting concept of legitimacy to traditional representative democracy in a nation state. How can the legitimacy of MSIs be ensured and international standards function properly? We will discuss this point later. Another one is that even the common rules set by multi-stakeholders do not work automatically to make for better CSR. How can MSIs be worked effectually to bring companies into responsible practice?

2.3 Multi-stakeholder initiatives

CSR initiatives have been developed over the past couple of decades to tackle complex, cross-border CSR issues which cannot be resolved by any single organization. The institutional form of social and environmental standardization and certification is increasingly of a private, non-state nature (Haufler, 2001; Merk, 2008). Private regulations, which consist mainly of management standard-setting, reporting, auditing, monitoring and certification, have been prevailing since the 1990s (Utting, 2002).

In most cases, private CSR initiatives can be classified into two types: single organizational and inter-organizational. A single organizational initiative is a traditional one which is led by a government, NGO or industrial association. Inter-organizational initiatives can be further divided into two types, namely, single-sector or cross-sector collaborations. A typical case of the former would be a business initiative (all organizations in the same industry), while an MSI (organizations reach beyond a single sector) is typical of the latter type. Members in both of these types of collaborative initiatives work on a voluntarily basis to co-create and commit to the initiative to set standards and norms. These initiatives are self-defined, self-managed and self-regulated norms, and compliance is voluntary. As such, they represent a typical example of a "self-organized collective choice strategy" (Ostrom, 1990).

2.3.1 Business initiatives. A business initiative is a business-driven program, the members of which are all private companies. These members are for-profit organizations only (Fransen, 2011) and create a platform which sets and governs a social and environmental standard. A business initiative involves peer companies in the same industry, all of which are tackling similar sorts of problems, participating voluntarily to create a platform, and therefore, there is relatively less conflict than that seen in MSIs in the management of the platform created. A typical case of the business initiative is the EICC (Electronic Industry Citizenship Coalition), which started as a CSR procurement platform for the ICT (Information and Communication Technology) industry in the USA.

After receiving criticism, in 2003, from CAFOD (a UK-based human rights NGO) for the poor working conditions of workers at its suppliers, Hewlett-Packard (HP) responded to demands for improvement by building a unique management system of CSR procurement in early 2004. HP created and implemented this new "Social and Environmental Responsibility Supplier Code of Conduct" with regard to four key points: compliance, environmental management, health and safety of employees, human resources management. The code exerted a notable impact on other peer companies in the ICT industry, including Dell, IBM, Cisco System, Microsoft and Intel. These companies then worked in cooperation to create a common platform in a short timeframe, and released the "Electronic Industry Code of Conduct" at the end of 2004. EICC subsequently incorporated in 2007 (the name was changed to Responsible Business Alliance in 2017). It has more than over 140 member companies, with a combined annual revenue of over $5tn in 2018.

The advantages of this particular platform are to share the code of conduct with peer companies and to reduce cost and risk in supply chain management. Member companies can define and control the code in cooperation with their suppliers:

- Manufacturers were not able to ignore criticism by and demands from NGOs in relation to their CSR procurement management in the global market. These manufacturers want as few government-set regulations as possible. However, it is too burdensome for individual companies to build original standards and systems and to guarantee the workability and credibility of such by themselves. There are considerable costs involved in companies endeavoring to build CSR procurement systems and monitoring systems with suppliers around the world. Put simply, manufacturers want to avoid incurring costs as far as possible.
- On the supplier side, CSR procurement codes developed by individual companies present both advantages and disadvantages. If a manufacturer makes their CSR procurement policy part of a new agreement, this may prompt the supplier to improve their working conditions and environment. However, given that most suppliers usually have multiple business partners, it would be burdensome to have to comply with multiple different CSR standards from multiple individual manufacturers. If each supplier was expected to meet the requirements of multiple different CSR procurement standards and systems, such a compliance would require considerable time and cost. In addition, most such suppliers do not have either staff with relevant expertise or compliance budgets at sufficient levels. Put simply, suppliers want to avoid complicated procedures and incurring costs as far as possible.

The founding members of the EICC recognized a new opportunity to drive positive change and to increase efficiency across the industry by creating a unified platform and ensuring suppliers are held to a common standard.

However, business initiatives do present some problems and challenges. In this case, the EICC cannot force its members to disclose all social and environmental issues of relevance and it does not hold its members accountable. It could be argued that individual corporate audit and company-initiative procedures are insufficient and do not ensure authenticity in terms of compliance. The EICC's code of conduct merely relies on occasional audits conducted by the members themselves. Kyle (2015) indicates that this type of system does not work for intrinsic work conditions, corruption and work-related diseases in supply chains in developing countries. Manufacturers are reluctant to take steps themselves to find out, for instance, about work-related chemical-induced illnesses experienced by workers along their supply chain. Furthermore, the main metric of this type of audit has been to measure the percentage of suppliers' factories that get monitored on an annual basis. This measure is a blunt instrument that relies heavily on one type of action better suited to diagnosing the illness than providing a cure (BSR, 2007). The result is a disjointed system of self-imposed regulations that fail to hold companies accountable when abuses arise, according to labor advocates and technology executives (Satariano and Burrows, 2012).

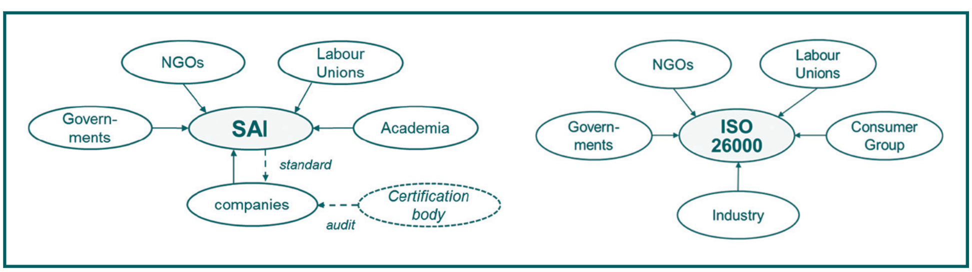
The EICC is not exactly a real regulator. Its member companies do not want to give any even quasi-independent authority access to their supply chains (Madrigal, 2012). NGOs are critical of the lack of any monitoring by third parties. Furthermore, the EICC has low societal input in governance (Fransen, 2012), and even lower external support. Fransen (2012) indicates that business initiatives can weaken normative pressure for MSIs. Business initiatives should engage with stakeholders in starting and implementing their platforms.

2.3.2 Multi-stakeholder CSR initiative. A MSI is structured by a variety of members sourced from beyond a single sector. Relevant stakeholders work collaboratively to establish a platform to define and develop global CSR standards and norms. These stakeholders voluntarily co-create, commit to and comply with these standards. MSIs have the following features and challenges (Hemmati, 2002; Vallejo and Hauselmann, 2004; Benner *et al.*, 2004; Koenig-Archibugi, 2004; Risse, 2006; Scharpft, 2009; Mena and Palazzo, 2012; Tanimoto, 2013):

- MSIs are a process for relevant stakeholders to create and implement a policy toward a common goal.
- Private companies also participate in MSIs as main players.
- Government is also one of the main stakeholders and becomes aware of what the other stakeholders are thinking and how they are reimagining their roles in this process.
- Governments should also promote this process.
- Each stakeholder discusses and shares suggestions for the solution of sustainable development issues and learns how to tackle new social and environmental challenges.
- MSIs inform governments and stakeholders of new ideas regarding their decision-making processes, and each stakeholder determines its roles and responsibilities through this discussion.
- MSIs represents a new governance style which is different to traditional democracy, as we will discuss later.

The institutional design of MSIs can be considered more legitimate than the business-driven one that excludes social stakeholders (Fransen, 2012). It consists of more external support, inclusiveness and expertise-based effectiveness and procedural firmness. Typical cases include SAI, GRI, FSC, ISO26000 and UNGC (Global Compact). For example, SAI has built a platform in collaboration with, and worked hand-in-hand alongside, a wide range of stakeholders including companies, governments, NGOs and labor unions since 1997 (Figure 1). They set a voluntary standard, SA8000, which effectively advances human rights at workplaces around the world. It is a social certification standard for a socially responsible workplace, and is accredited by independent third party auditor (www/sa-intl.org).

Figure 1 Relationship with stakeholders; SAI and ISO26000



Another example, International Standard Organization established ISO26000 in 2010 as a new international standard providing guidance and recommendations about how any organization can improve its social responsibility and thus contribute to sustainable development. This is the first social standard from ISO which covers all types of organizations regardless of their activity, size or location. It is not certified by a third-party auditor; compliance is voluntary. This has been the largest project ever in ISO, with 450 experts and 210 observers from 100 counties and 40 related organizations coming together to draft it since 2005 (www.iso.org/iso-26000-social-responsibility.html). It was organized by five major stakeholders: government, NGOs, industry, consumer groups and labor organizations participated in the drafting and formulating phase, based on a consensus principle and ensuring transparency (Figure 1). Working Groups has been organized and followed a "twinning" process: representatives from developing and developed countries shared leadership responsibilities and also built a Mirror Committee in each country. The movement in ISO26000 shows a new democratic system through which a social standard is drawn up by and shared with multi-stakeholders in an age of changing styles in global governance (Tanimoto, 2013).

We can say that MSIs go beyond the "dichotomy" of the two traditional approaches to CSR: the individual voluntary approach and the mandatory approach (Tanimoto, 2013). Companies do not simply comply with a standard or a rule set by a third party, but rather voluntarily adapt a standard set by an MSI of which they are also a member and to which they are committed. The companies, therefore, have been involved in the process of co-defining and co-determining a standard as a member and as such follow it voluntarily. This is not controlled by mandatory regulation, but instead works through a self-organized collective choice strategy.

It can be argued that a standard set by an MSI functions like a soft law. Soft law has attracted considerable attention recently. MSI is a social mechanism that attempts to fill the governance gap between the capacity of the single government authority and the governability of sustainability issues by issuing soft law regulation (Mena and Palazzo, 2012). Such soft law derives its normative force through the recognition of social expectation (Ruggie, 2007).

However, multi-stakeholder CSR initiatives do not automatically ensure successful performance in each field (Eden and Huxham, 2001; Seitanidi and Crane, 2009; Sloan and Oliver, 2013). Ceremonial compliance and free-riding by followers may be inevitable, and it would certainly bring about the failure of the system. Perfunctory responses and window-dressing are not sufficient to create an innovative and responsible management system. So what are the prerequisites for making MSIs function practically?

3. Conditions of MSI

3.1 Legitimacy

One of the key problems is how an MSI can build up trust (Tomlinson, 2005; Waddock, 2008). The legitimacy of the initiative is a prerequisite for the MSI to work trustfully in society. The legitimate basis of the MSI is not the same as that of traditional government. Its members are not elected as representatives of a community. So how can a MSI have legitimacy? The key here is whether it is approved socially or not. Such social approval is a basic precondition for making an MSI workable. There are two dimensions of legitimacy: input and output (Mena and Palazzo, 2012; Scharpft, 1997). Input legitimacy means "to what extent an MSI is perceived as a credible system." This depends on how its members work to build the new organization as a trustworthy platform. To be considered as such, a MSI needs inclusion, procedural fairness, consensual orientation and transparency. Output legitimacy means "to what extent an MSI effectively solves the social or environmental problems that it targets." MSIs define and set standards intended to work as guides for corporate behavior. The output legitimacy depends on the capacity of the standard in question to solve problems which require collective solutions. In this sense, Mena and Palazzo (2012) indicate that a MSI needs rule coverage, efficacy and enforcement to work well.

The challenges relating how to manage the platform to ensure input legitimacy are how to choose members and how to have open communication with those members. Members need time and must make considered effort to build trust and to manage the platform, as there will be a variety of cultures, values, languages and relationships across the membership. Another challenge is how to enhance the function of the output legitimacy. Hahn and Weidtmann (2016) insist that time is required for the output legitimacy to be certified and to become useful in society. As such, the most important thing for output legitimacy is the actual problem-solving ability of the standard. However this is not just a matter of the standard's capability itself, but it also depends on how companies accept and respond to it practically, and simultaneously how stakeholders evaluate responsible businesses in the market. Even though the legitimacy of the platform may be secured and enhanced, perfunctory or ceremonial conformity and compliance to the standard may be inevitable, if only to maintain viability and reputation in competitive environments as compelled by external pressure. There are limitations to voluntary compliance with standards.

3.2 Market maturity

Who monitors and assesses companies whether they participate actively in CSR initiatives, and whether they do responsible business based on the CSR standards. Voluntary compliance should be monitored by the external stakeholders and independent institutions. Is this system already established in the market? Market maturity is a key to assess the responsible business.

How does the market evaluate business? In essence, there are both positive and negative sanctions against companies' behavior in the marketplace. There are many dimensions to the market: financial, securities, consumer, labor and procurement. Market evaluation has been changing, through the embedding of social and environmental factors as well as economic ones (Tanimoto, 2004). Increasingly, investors are screening companies by both financial and non-financial (ESG: environment, society, governance) criteria in the securities market. Investment based on ESG ratings has developed rapidly over the past two decades. For example, as of 2015, 53 per cent of all professionally managed assets make use of responsible investment strategies in Europe and 33 per cent in US (Global Sustainable Investment Alliance [GSIA], 2016). The net result is that today, a large number of listed companies are evaluated and sanctioned by socially responsible investment. The market is evolving into a responsible one.

Furthermore, green consumers select companies based on a criterion for responsible business. Green products and services provided by socially responsible companies have recently been increasing and supported by many consumers who have adopted more environmentally and socially sustainable lifestyles (Harrison *et al.*, 2005; Jansson, 2010). Reactive companies are incorporating this trend into their strategic marketing planning (Ottman, 2010). Not all consumers in the world are fully conscious of green/social products and of a sustainable style of living. However the fact remains that the idea of green consumerism has been increasing at high speed since the past two decades (National Geographic and GlobeScan, 2014; Ratcliffe and Coulter, 2015). Consumer demand can be a powerful force in the market. Essentially, this advance of green consumerism is not reliant on legal arrangements and political ordinances but rather new consumer behaviors in the market. Consumer buying behavior greatly affects companies' activities in the market by issuing positive and/or negative sanctions. An independent rating agency is needed to provide economic, social and environmental information to investors and consumers. No one can make a selection of responsible companies without any information (Figure 2).

It is important that the market is able to evaluate whether companies are actually complying with CSR standards and becoming responsibly competitive. Market maturity is a fundamental condition for the feasibility of multi-stakeholder CSR initiatives. Should the market evaluate responsible businesses positively, companies would not be able to ignore CSR standards and would be compelled to comply strategically with them. However, were this not to be the case, companies would not comply with these standards proactively (Tanimoto, 2004). In the early stages of emerging CSR, at around 2000, most companies hesitated to react positively to CSR in practice as they could image neither any disadvantages to failure to respond to it nor any advantages to success in doing so (Tanimoto, 2016). Like Toshiba's case, most Japanese companies, for example, just introduced new CSR systems. It was almost perfunctory compliance with some CSR standards. At the same time, major stakeholders did not call actively for accountability from companies. Market has not well developed to evaluate CSR practices in Japan.

3.3 Corporate involvement

How do CSR standards work satisfactorily in companies? There are two basic challenges to make these standards work. The first one is a positive corporate commitment to the MSI. So, how does a company actually commit to the platform? Companies are expected to make a positive commitment to the platform as an original member or a follower. Figure 3 shows the relationship between the individual company and the MSI. The company's attitude toward the initiative is likely to have an effect on the performance of CSR management. A passive response or merely ceremonial commitment will not result in functioning CSR and will lead instead to the dysfunction of the initiative. Corporate scandals, such as that at Toshiba as previously discussed, have demonstrated the problems of the perfunctory response to CSR initiatives and the standards where CSR is not incorporated into organizational processes in any meaningful way. The CSR system could not prevent the scandal originating in the

Figure 2 Market mechanism

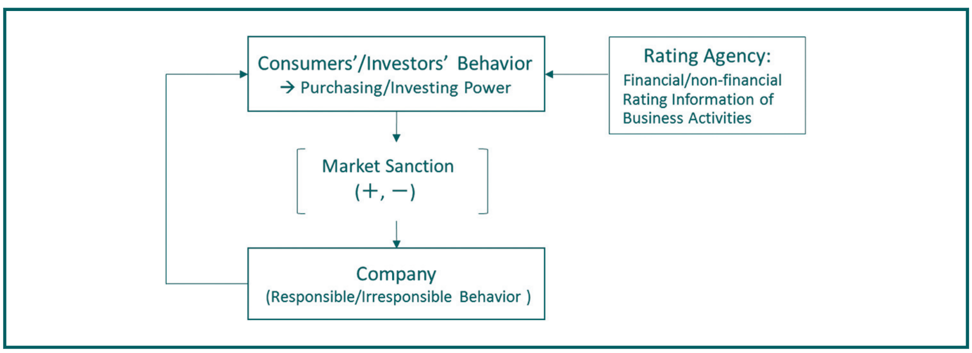


Figure 3 Relationship between the individual company and MSI

conventional organizational culture. Instead, companies must comply voluntarily with standards while rebuilding organizational structure and culture.

Another challenge is the corporate commitment to sustainability issues in making collaborative efforts with stakeholders. CSR initiatives require companies to tackle CSR/sustainability issues in an innovative way and to create responsible competitiveness in the market. So, how does a company construct a responsible management system? In the process of creating sustainability innovation, a company needs to throw in with relevant stakeholders beyond its internal R&D activity.

A company's engagement with stakeholders is an important process to gain knowledge and ideas in the market society (Gould, 2012; Tanimoto, 2012). Stakeholder engagement has a stronger orientation toward social innovation which leads to the integration of external economic and social resources into management processes (von Hippel, 2005; Spitzeck and Hansen, 2010). Companies should build stakeholder engagement into the process of creating open innovation. Gould (2012) explores how dialogue and relationship-building have become key elements of the knowledge exploration process, expanding beyond the singular focus on information extraction. Sustainable innovation is created in collaboration with stakeholders in community.

Ratcliffe and Coulter (2015), for instance, argue that consumer engagement has been the primary focus of green marketing in recent years and that companies are adopting best practice strategies for engaging consumers on sustainability. They insist that companies should build, refine and grow sustainability platforms with consumers. Indeed, companies are observing that stakeholders play a significant role in influencing green marketing (Rivera-Camino, 2006).

4. Conclusion

Multi-stakeholder CSR initiatives have been organized and developed globally over the past couple of decades. In such initiatives, interested parties commit to working together to accomplish goals that they could otherwise not achieve. Businesses and relevant stakeholders voluntarily co-create a platform to establish and develop a new standard or norm in relation to a specific social or environmental problem. This paper argues that MSIs are beyond the dichotomy of the two traditional approaches to CSR; the individual voluntary approach and the mandatory approach. Companies are not simply expected to adopt a standard set by a third party, nor are they forced to follow a law; instead, they comply voluntarily with a standard set by an MSI of which they are also a member and to which they are committed.

However, a MSI does not automatically ensure good performance. It may not be possible to avoid those shirkers and free-riders who participate without committing in a meaningful way to the initiatives and standards. This could cause conflict between members, as well as between members and non-members. A prerequisite for making any MSI work trustfully, therefore, is to guarantee its legitimacy. We clarified that there are two dimensions of legitimacy: input and output. The management of an MSI's platform is a critical challenge in enhancing the input legitimacy. The problem-solving ability of the standard is a key point in guaranteeing the output legitimacy.

Even where the legitimacy of a platform is secured, perfunctory or ceremonial compliance with standards may still be inevitable. We discussed how both a third-party monitoring system and a market-based sanction system in relation to corporate behavior are required. Responsible behavior of major stakeholders like investors and consumers informed by independent rating agencies is important for market maturity. The market should evaluate the extent to which companies comply with CSR standards in practice and how they approach sustainability issues with innovative solutions. If the market were to evaluate responsible business positively, companies would be driven to adopt standards strategically and develop sustainable innovation. The maturity of the market will be an essential challenge in the promotion of CSR activity in the years ahead.

Finally, we argued how CSR standards can work satisfactorily in companies. There are two important points here. One is the company's positive commitment to the MSI platform as a member. We need further investigation into how the company's attitude toward the initiative may be reflected in the performance of its CSR management. The other point is the company's positive engagement with stakeholders to tackle CSR issues in innovative ways. This paper indicates how it seems best for companies to engage openly with stakeholders to generate new ideas for social innovation.

References

Bartley, T. (2007), "Institutional emergence in an era of globalization: the rise of transnational private regulation of labor and environmental conditions", *American Journal of Sociology*, Vol. 113 No. 2, pp. 297-351.

Bell, D. (1987), "The world and the United States in 2013", *Journal of the American Academy of Arts and Sciences*, Vol. 116 No. 3, pp. 1-31.

Benner, T., Reinicke, W.H. and Witte, J.M. (2004), "Multisectoral networks in global governance: towards a pluralistic system of accountability", *Government and Opposition*, Vol. 39 No. 2, pp. 191-210.

Business for Social Responsibility (2007), *Beyond Monitoring: A New Vision for Sustainable Supply Chains*, BSR, San Francisco.

Davidson, D.K., Tanimoto, K., Jun, L.G., Taneja, S., Taneja, P.K. and Yin, J. (2018), "Corporate social responsibility across Asia: a review of four countries", in Weber, J. and Wasieleski, D. (Eds), *Corporate Social Responsibility*, Emerald, Bingley, pp. 73-132.

Dawkins, J. and Lewis, S. (2003), "CSR in stakeholder expectations: and their implication for company strategy", *Journal of Business Ethics*, Vol. 44 No. 2, pp. 185-193.

Eden, C. and Huxham, C. (2001), "The negotiation of purpose in multi-organizational collaborative groups", *Journal of Management Studies*, Vol. 38 No. 3, pp. 373-391.

Fransen, L. (2011), "Why do private governance organizations not converge? A political-Institutional analysis of transnational labor standards regulation", *Governance*, Vol. 24 No. 2, pp. 359-387.

Fransen, L. (2012), "Multi-stakeholder governance and voluntary programme interactions: legitimation politics in the institutional design of corporate social responsibility", *Socio-Economic Review*, Vol. 10 No. 1, pp. 163-192.

Gilbert, D.U., Rasche, A. and Waddock, S. (2011), "Accountability in a global economy: the emergence of international accountability standards", *Business Ethics Quarterly*, Vol. 21 No. 1, pp. 23-44.

Gitsham, M. and Page, N. (2014), "Designing effective multi-stakeholder collaborative platforms: learning from the experience of the UN global compact LEAD initiative", *S.A.M. Advanced Management Journal*, Vol. 79 No. 4, pp. 18-28.

Global Sustainable Investment Alliance (2016), "Global sustainable investment review 2016", GSIA.

Gould, R.W. (2012), "Open innovation and stakeholder engagement", *Journal of Technology Management & Innovation*, Vol. 7 No. 3, pp. 1-11.

Hahn, R. and Weidtmann, C. (2016), "Transnational governance, deliberative democracy, and the legitimacy of ISO 26000: analyzing the case of a global multistakeholder process", *Business & Society*, Vol. 55 No. 1, pp. 90-129.

Harrison, R., Newholm, T. and Shaw, D. (2005), *The Ethical Consumer*, Sage Publication, London.

Haufler, V. (2001), *A Public Role for the Private Sector: Industry Self-Regulation in a Global Economy*, Carnegie Endowment for International Peace, Washington, DC.

Hemmati, M. (2002), *Multi-Stakeholder Processes for Governance and Sustainability*, Earthscan, London.

Hirschland, M.J. (2006), *Corporate Social Responsibility and the Shaping of Global Public Policy*, Palgrave, New York, NY.

Jansson, J. (2010), "Green consumer behavior: determinants of curtailment and eco-innovation adoption", *Journal of Consumer Marketing*, Vol. 27 No. 4, pp. 358-370.

Koenig-Archibugi, M. (2004), "Transnational corporations and public accountability", *Government and Opposition*, Vol. 39 No. 2, pp. 234-259.

Kyle, B. (2015), "NGOs from around the globe deliver 'challenge' to electronics industry on toxic chemicals", Electronics TakeBack Coalition, March 16.

Madrigal, A.C. (2012), "Why other electronics companies aren't following apple's lead on factory audits", The Atlantic, 27 February.

Mena, S. and Palazzo, G. (2012), "Input and output legitimacy of multi-stakeholder initiatives", *Business Ethics Quarterly*, Vol. 22 No. 3, pp. 527-556.

Merk, J. (2008), "The private regulation of labour standards: the case of the apparel and footwear industries", in Graz, J. and Nölke, A. (Eds), *Transnational Private Governance and Its Limits*, Routledge, Abingdon, pp. 115-125.

National Geographic and Globescan (2014), *Introducing Greendex 2014: Enabling Behavior Change*, Greendex.

O'Rourke, D. (2006), "Multi-stakeholder regulation: privatizing or socializing global labor standards?", *World Development*, Vol. 34 No. 5, pp. 899-918.

OECD (2002), *The DAC Guidelines Strategies for Sustainable Development: Guidance for Development Co-Operation*, OECD, Paris.

Ostrom, E. (1990), *Governing the Commons*, Cambridge University Press, Cambridge.

Ottman, J.A. (2010), *The New Rules of Green Marketing: Strategies, Tools, and Inspiration for Sustainable Branding*, Routledge, Abingdon.

Pedersen, E.R. and Neergaard, P. (2008), "From periphery to center: how CSR is integrated in mainstream performance management frameworks", *Measuring Business Excellence*, Vol. 12 No. 1, pp. 4-12.

Poteete, A.R., Janssen, M.A. and Ostrom, E. (2010), *Working Together: Collective Action, the Commons, and Multiple Methods in Practice*, Princeton University Press, Princeton.

Quack, S. (2010), "Law, expertise and legitimacy in transnational economic governance: an introduction", *Socio-Economic Review*, Vol. 8 No. 1, pp. 3-16.

Ratcliffe, W. and Coulter, C. (2015), "Green marketing", Admap Magazine, May.

Reinicke, W.H. and Deng, F. (2000), *Critical Choices*, International Development Research Centre, Ottawa.

Risse, T. (2006), "Transnational governance and legitimacy", in Benz, A. and Papadopoulos, Y. (Eds), *Governance and Democracy: Comparing National, European and International Experiences*, Routledge, Oxon, pp. 179-199.

Rivera-Camino, J. (2006), "Re-evaluating green marketing strategy: a stakeholder perspective", *European Journal of Marketing*, Vol. 41 Nos 11/12, pp. 1328-1358.

Roloff, L. (2007), "Learning from multi-stakeholder networks: issue-focused stakeholder management", *Journal of Business Ethics*, Vol. 82 No. 1, pp. 233-250.

Roloff, L. (2008), "A life cycle model of multi-stakeholder networks", *Business Ethics: A European Review*, Vol. 17 No. 3, pp. 311-325.

Ruggie, J.G. (2007), "Business and human rights: the evolving international agenda", *American Journal of International Law*, Vol. 101 No. 4, pp. 819-840.

Satariano, A. and Burrows, P. (2012), "No company follows Apple's expanded China factory audits", Bloomberg Report, 27 February.

Scharpft, F.W. (1997), "Economic integration, democracy and the welfare state", *Journal of European Public Policy*, Vol. 4 No. 1, pp. 18-36.

Scharpf, F.W. (2009), "Legitimacy in the multilevel European polity", *European Political Science Review*, Vol. 1 No. 2, pp. 173-204.

Seitanidi, M.M. and Crane, A. (2009), "Implementing CSR through partnerships: understanding the selection, design and institutionalisation of non-profit business partnerships", *Journal of Business Ethics*, Vol. 85 No. S2, pp. 413-429.

Sloan, p. and Oliver, D. (2013), "Building trust in multi-stakeholder partnerships: critical emotional incidents and practices of engagement", *Organization Studies*, Vol. 34 No. 12, pp. 1835-1867.

Spitzeck, H. and Hansen, E.G. (2010), "Stakeholder governance: how stakeholders influence corporate decision making", *Corporate Governance: The International Journal of Business in Society*, Vol. 10 No. 4, pp. 378-391.

Tanimoto, K. (2004), "Changes in the market society and corporate social responsibility", *Asian Business & Management*, Vol. 3 No. 2, pp. 151-172.

Tanimoto, K. (2012), "The emergent process of social innovation: multi-stakeholders perspective", *International Journal of Innovation and Regional Development*, Vol. 4 Nos 3/4, pp. 267-280.

Tanimoto, K. (2013), *Responsible Competitiveness (in Japanese)*, NTT publishing, Tokyo.

Tanimoto, K. (2016), "The implementation of CSR management and stakeholder relations in Japan", in Vertigans, S. and Idowu, S.O. (Eds), *Stages of Corporate Social Responsibility: From Ideas to Impacts*, Springer, pp. 223-241.

Tomlinson, F. (2005), "Idealistic and pragmatic versions of the discourse of partnership", *Organization Studies*, Vol. 26 No. 8, pp. 1169-1188.

Utting, P. (2002), "Regulating business via multistakeholder initiatives: a preliminary assessment", in Jenkins, R., Utting, P. and Alva Pino, R. (Eds), *Voluntary Approaches to Corporate Responsibility: Readings and a Resource Guide*, UN Non-Governmental Liaison Service, pp. 61-130.

Vallejo, N. and Hauselmann, P. (2004), *Governance and Multistakeholder Processes*, IISD; International Institute for Sustainable Development.

Von Hippel, E. (2005), *Democratizing Innovation*, MIT Press, Cambridge.

Waddock, S. (2008), "Building a new institutional infrastructure for corporate responsibility", *Academy of Management Perspectives*, Vol. 22 No. 3, pp. 87-108.

Corresponding author

Kanji Tanimoto can be contacted at: k.tanimoto@tanimoto-office.jp