

The institutional embeddedness of social responsibility: a multilevel analysis of smaller firms' civic engagement in Western Europe

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This study sets out to explore the institutional embeddedness of civic engagement in the form of monetary donations and volunteering by firms in Western Europe. Drawing on a recent analysis of Corporate Social Responsibility (CSR), two contradictory hypotheses—institutional mirror versus substitute—are discussed focusing on three institutional spheres: corporatism, welfare arrangements and statism. The paper argues for moving beyond a linear perspective and takes the interaction of institutional spheres into account. Using a comparative quantitative multilevel approach, institutional, sectoral and organizational determinants of enterprises' civic engagement are empirically analysed drawing on a survey of small- and medium-sized firms in 17 Western European countries. While firm size remains an important determinant of civic engagement, it is shown that the impact of welfare arrangements is conditional on the presence of corporatist arrangements and vice versa. This suggests that civic engagement both mirrors and substitutes for existing institutions, depending on underlying institutional complementarities.

Keywords: corporate social responsibility, political economy, institutions, institutional complementarity, welfare state, firm strategy

JEL classification: L2 firm objectives, organization and behavior, P16 political economy, C12 hypothesis testing

1. Introduction

Ever since the industrial revolution, the social responsibility of business organizations has been a contested matter (Carroll, 2008). In recent years, economic globalization, welfare state retrenchment and the weakening of labour unionism helped propel the private governance of social and environmental issues, commonly referred to as 'Corporate Social Responsibility' (CSR), to an

unprecedented prominence in public and academic discourse (De Bakker *et al.*, 2005; Vogel, 2006). While no definitional consensus exists, social responsibility can be broadly defined as a ‘firm’s consideration of, and responses to, issues beyond the narrow economic technical, and legal requirements of the firm to accomplish social [and environmental] benefits along with the traditional economic gains which the firm seeks’ (Aguilera *et al.*, 2007, pp. 836–837). Carroll (1991) distinguishes four categories of social responsibility, which refer to economic, legal, ethical and philanthropic dimensions. In particular, the ethical and philanthropic dimensions have been at the core of CSR research interests. The ethical dimension often refers to externally standardized and organized ways of responsibility, like sustainability reports, the application of certain standards (e.g. ISO 14001) or participation in public initiatives (e.g. Global Compact), while the philanthropic dimension denotes a firm’s discretionary civic engagement, such as charity donations or community volunteering.

Given their basic economic role, a fundamental tension arises if firms start addressing social and environmental grievances (Margolis and Walsh, 2003). To reconcile these tensions and explain the empirical reality of social engagement by firms, one set of studies addresses the positive financial impact of their social performance (e.g. Orlitzky *et al.*, 2003). A second set of studies refer to normative arguments providing a communitarian or stakeholder approach to the firm (e.g. Phillips, 1997). Only recently a third approach has emerged that takes up an institutional perspective on firms’ social responsibility, arguing for coercive, normative and cognitive pressures towards CSR that result from businesses’ institutional embeddedness (Campbell, 2007; Matten and Moon, 2008; Gjørberg, 2009). Economic activities of all kind are embedded in a set of given national institutions, constituting different national business systems, varieties of capitalism (VoC) and worlds of welfare (Esping-Andersen, 1990; Whitley, 1999; Hall and Soskice, 2001). Two contradictory hypotheses—institutional mirror versus substitute—have been proposed that link national institutional arrangements to cross-national differences in the emergence and level of CSR. On the one hand, Matten and Moon (2008) claim that in liberal market economies and residual welfare states, ‘explicit’ forms of CSR substitute for missing institutional arrangements. On the other hand, Campbell (2007) develops an institutional mirror perspective arguing that coordinated market economies and extensive welfare states provide the regulative and ideational basis for business commitment to social responsibility. Empirical studies testing the two hypotheses have generated inconsistent results (Midttun *et al.*, 2006; Gjørberg, 2009; Kinderman, 2009; Jackson and Apostolakou, 2010).

Starting from these theoretical and empirical puzzles, this study analyses the effect of national institutions on one dimension of social responsibility, the civic engagement of smaller firms, in Western Europe. Using data from the

European Network for Social Research (ENSR) enterprise survey of 2001, which provides information on 6572 small- and medium-sized firms (SMEs) in 17 Western European countries, the analysis seeks to show firstly that firms' 'explicit' civic engagement was already present in Western Europe before the CSR debate had internationally taken off. Secondly, the analysis examines how differences in this engagement between firms and across Europe can be explained by historically derived institutions of the political economy and polity, focusing on the role of corporatism, welfare arrangements and statism as well as sectoral and organizational characteristics. Finally, drawing on the notion of institutional complementarity, the article explores whether corporatism and welfare institutions interact in generating civic engagement.

Focusing on the philanthropic activities of firms as manifested by business donations and community-oriented volunteering, we set aside the other three dimensions of social responsibility for the purposes of this study. Therefore, the expression 'civic or social engagement' is used throughout the paper to clearly distinguish this aspect from more encompassing understandings of CSR. While such philanthropic activities have also been denoted as 'good corporate citizenship' (CC) (Carroll, 1991), this 'limited view of CC' does not provide any conceptual advantage to the more traditional terminology used here (Matten and Crane, 2005, p. 168). Furthermore, the analysis is restricted to SMEs (with less than 250 employees), as these comprise the large majority (99%) of businesses in Europe (European Commission, 2002) and can be expected to be more susceptible to institutional influence than larger, particularly multinational, firms.

Smaller firms in Europe already showed high levels of civic engagement before the discursive rise of CSR, albeit with significant cross-European variations. The cross-national differences can best be explained by the presence of corporatist institutions, welfare arrangements and the absence of statist political institutions. Yet, corporatist and welfare institutions are complementary in influencing civic engagement by firms. Thus, the presence or absence of both institutional arrangements in a country has a positive effect, while the presence of only one institution and the absence of the other seems to crowd out civic engagement. On a sectoral level, consumer proximity increases a firm's likelihood of community involvement, and on an organizational level, firm-size and the age of an establishment are particularly good predictors of its social responsibility. The next section reviews existing research on institutional effects and provides the theoretical arguments at the institutional, sectoral and organizational level. Thereafter, the data, variables and method are introduced, complemented by a brief discussion of control variables. After presenting descriptive and multivariate results, the discussion concludes this analysis.

2. Theoretical background and literature review

2.1 *The institutional embeddedness of firms' social responsibility*

All economic action should be understood as embedded in institutions, culture and social structures (Zukin and DiMaggio, 1990). This embeddedness denotes the fact that social action does not take place in a vacuum, but unfolds within a social and normative context. Institutions form a central part of this context. In an integrative effort, Scott (2008) conceptualizes institutions as composed of regulative, normative and cultural-cognitive dimensions. Each of these aspects provides its own logic and mechanism affecting economic action, in our case, by firms. The regulative dimension, as manifested in, for instance, taxation laws, conveys an 'instrumental logic', affecting action by coercion. The normative dimension, exemplified by a standard (for instance, not to relocate production sites), provides normative expectation for action, thus following a 'logic of appropriateness'. Finally, the cultural-cognitive pillar (for instance, a cultural frame or cognitive script) refers to a mimetic mechanism, an appropriated belief (e.g. the employer needs to take care of his employees), thus adopting a 'logic of orthodoxy'. Political economy institutions evolved around cross-nationally variant paths, thus providing different incentives, constraints, norms and worldviews which govern and orient economic action. The VoC literature, for instance, has emphasized how different institutional arrangements of liberal and coordinated market economies persistently affect company behaviour with regard to innovation and skill formation (cf. Hall and Soskice, 2001). Worlds of welfare capitalism shape individual life chances and regulate 'decommodification' (Esping-Andersen, 1990). National business systems outline the 'nature of the firm' (Whitley, 1999). Drawing mainly on these institutional arrangements, several authors have recently developed an institutional approach to CSR (Midttun *et al.*, 2006; Campbell, 2007; Matten and Moon, 2008; Gjørberg, 2009; Kinderman, 2009; Jackson and Apostolakou, 2010).

The debate concerning the impact of institutional arrangements on the emergence and level of CSR revolves mainly around two contradictory hypotheses: the 'substitute' hypothesis perceives social responsibility of firms mainly as a functional substitute to existing institutions and their deficiencies, while the 'mirror' hypothesis holds that social responsibility reflects the institutional framework. In line with the substitute hypothesis, Matten and Moon (2008) claim that, depending on the national business systems (Whitley, 1999), CSR assumes either an explicit or implicit character. The myriad formal regulations in coordinated market economies constitute an implicit, yet involuntary form of CSR. Liberal market economies, on the contrary, provide larger incentives and opportunities for explicit forms of CSR rooted in the residual polit-economic

institutions and a strong participatory culture. Reflecting the mirror hypothesis, [Campbell \(2007\)](#) applies the antagonistic perspective on the role of institutions by defining CSR as a minimum behavioural standard of avoiding negative externalities for a firm's stakeholders. In his argument, government as well as organized self-regulation, but also normative frames resulting from institutionalized dialogue, increase the likelihood of CSR. While regulative institutions of economic governance positively constrain business behaviour, existing normative frames, stemming from corporatist institutions, thus enable firms to meet certain public or private standards of responsibility.

Empirical research on this matter, however, presents an inconsistent picture. Several studies provide evidence that Corporate Social Responsibility is a substitute for existing political economy institutions. In a comparative historical approach to the development of CSR-related business associations in Great Britain and Germany, [Kinderman \(2009\)](#) reports a delayed CSR movement in the German coordinated market economy. By using data on the founding dates of CSR business associations and the development of their member rates in 25 countries of the Organization for Economic Cooperation and Development (OECD), he shows that liberal market economies started CSR campaigns earlier (pp. 28–30) and have had higher membership rates (p. 26). [Jackson and Apostolakou \(2010\)](#) confirm the institutional substitute hypothesis in a quantitative study on CSR scores for stock market-listed Western European firms using a coordination index. Hence, firms in liberal market economies show higher rates of CSR when compared to those in coordinated market economies. However, other studies confirm the institutional mirror hypothesis: comparing regional country clusters, [Midttun *et al.* \(2006\)](#) find a positive or 'symmetric' relationship between 'old' forms of social embeddedness, like the degree of welfare state development, modes of coordination or the level of corporatism, and 'new' forms of social embeddedness, e.g. average national membership in Corporate Responsibility (CR) communities or CR reports. [Gjølberg \(2009\)](#), using a fuzzy-set QCA approach, shows the positive impact of extensive welfare states and corporatist arrangements on national CSR scores. In sum, institutions seem to have a direct impact on the emergence and level of organized and standardized forms of social responsibility; however, the direction of the effects remains unclear.

The institutional arguments outlined thus far might equally apply to firms' civic engagement as a more traditional form of social responsibility. So far, only limited studies have looked at the civic involvement by firms from an institutional perspective (e.g. [Brammer and Pavelin, 2005](#)). Focusing on this one form of social responsibility provides a good opportunity to test institutional theories, since it predates more recent organized and standardized forms and avoids contested meanings of CSR. Based on the theoretical and empirical findings, in what

follows, we will discuss the mirror and substitute hypothesis separately for corporatist arrangements and welfare institutions. However, the analysis will go beyond this dichotomy by considering the interaction between both and by formulating hypotheses for the impact of political and sectoral institutions.

2.1.1 Corporatist institutions The VoC approach classifies liberal and coordinated market economies according to their capacity to solve coordination problems via markets or strategic interaction (Hall and Soskice, 2001). Both ideal types are characterized by institutional complementarities of different institutional spheres that yield comparative institutional advantages. While it is difficult to establish a direct link between the coordination mode and civic engagement by firms, more specific institutions like corporatist arrangements, characteristic of coordinated market economies, provide coercive, normative and mimetic mechanisms for firms' community involvement (Gjølberg, 2009). Coordinated market economies, like Sweden, Austria and Germany, tend to have strong corporatist arrangements, constituted by well-organized employer associations and trade unions as well as codetermination policies that constrain managerial autonomy (Roe, 2003). Trade unions have a strong interest in maximizing their members' benefits, since according to the 'logic of membership', this helps them maintain influence in social partnership dialogue (Schmitter and Streeck, 1999). The contribution to some external social good by firms is not necessarily in the core interest of unions. Moreover, according to De Geer *et al.* (2009), unions perceive philanthropic practices as a way for firms to abdicate their responsibility as social partners and tax providers by trying to regain a position of 'paternalistic patronage'. Therefore, unions can be expected to be rather hostile to the idea and practices of firms' social responsibility. In contrast, a lack of strong worker representation in liberal market economies, like Great Britain or Ireland, provides firms with more leeway for autonomous decisions, eventually leading to higher social engagement (Kinderman, 2009). While labour is for the most part not as well organized in SMEs as in large enterprises, in the Scandinavian countries the 'Ghent' system provides selective incentives, rendering union membership for employees in SMEs more attractive (Ebbinghaus *et al.*, 2011). In this line of reasoning, corporatist arrangements are likely to decrease civic engagement by firms, as they are constrained by strong unions interested in maximizing wages and avoiding paternalism.

In contrast, Campbell (2007) argues for the positive impact of corporatist institutions on social responsibility. Historically institutionalized corporatist arrangements of tripartite consultation in the long-run foster a consensus-based dialogue. The consensus orientation potentially transcends organized stakeholders and becomes the ideational model of business-society interaction (Campbell, 2007). In this reasoning, corporatist arrangements provide a cultural

frame of consensus and care, which work as a normative force motivating firms to respond to civil society's needs beyond negotiated standards. Business associations do play an important role in this respect, as they enact normative pressure on their members and work as carriers for the diffusion of ideas (Campbell, 2007, p. 958). Furthermore, these associations can assume an active role in providing resources and strategies, like toolkits for CSR (Gjølberg, 2009, p. 610). Galaskiewicz (1991), for instance, shows how business associations in Minneapolis created a normative environment, which encouraged members to become more socially accountable. Similarly, Navarro (1988) finds that firms that are part of business associations or 'tithing clubs' have a higher likelihood of philanthropic engagement. In sum, the corporatist mirror versus substitute hypotheses for civic engagement can be formulated in the following way:

H1a (mirror hypothesis): Firms in countries with strong corporatist institutions have higher civic engagement than in countries lacking these institutions.

H1b (substitution hypothesis): Firms in countries with strong corporatist institutions have lower civic engagement than in countries lacking these institutions

2.1.2 Welfare institutions According to the seminal approach developed by Esping-Andersen (1990), welfare states can be categorized into three distinct worlds: a social democratic, a liberal and a conservative, which differ by the social rights granted, the level of social stratification and the public-private mix in welfare provision. Different types of welfare state institutions directly affect citizens' life chances; however, they also affect firm policies by impacting industrial relations (e.g. social security as a form of minimum wage) and corporate governance (e.g. private savings versus pay-as-you-go schemes) (Jackson and Vitols, 2001). From an institutional substitute perspective, it can be argued that extensive welfare states, like the social-democratic regimes in Scandinavia which provide generous support, render social engagement of firms less important, as the state has the capacity to solve collective good problems by itself. Moreover, in Sweden, for instance, there is a shared understanding that the state is the only legitimate provider of welfare (De Geer *et al.*, 2009). Thus, for private enterprises, there might be neither a cultural frame nor a public demand for community contribution. In residual welfare states, which provide only limited support for citizens, firms might assume a quasi-public role to fill the governance void, for instance in providing resources to schools (Matten and Moon, 2008, p. 414).

Contrary to these arguments, the institutional mirror perspective assumes a positive effect of welfare states on explicit forms of social responsibility. Focusing on global CSR scores and rankings of multinational firms, Gjølberg (2009) finds a

positive effect of extensive welfare regimes, as firms seem to transpose standards from their country of origin to their global supply chains. While this argument does not hold for the civic engagement of smaller firms it can be argued that a general culture of decommodification and care, as embodied by extensive welfare states, might have positive normative spillover effects, leading to sustained levels of civic activism and support. The mirror versus substitute dichotomy for welfare state impact can be stated in the following hypotheses:

H2a (mirror hypothesis): Firms in countries with an extensive welfare state will exhibit higher levels of civic engagement than firms with residual welfare states.

H2b (substitute hypothesis): Firms in countries with an extensive welfare state will exhibit lower levels of civic engagement than firms in countries with residual welfare states.

2.1.3 The interaction of corporatist and welfare arrangements So far, the effect of institutions has been seen as autonomous and linear, leading to either more or less civic engagement. However, a variety of combinations of institutional arrangements exist. Thus, different institutions might interact in ways that produce emergent outcomes by means of institutional complementarities (Hall and Soskice, 2001). According to the idea of institutional complementarity, the positive effect of one institution is conditioned by the presence of another institution (e.g. Höpner, 2005). Applying this idea to civic engagement by firms, it can be asked whether the hypothesized positive or negative effect of production regimes depends on the type of welfare regime in a country. Thus, for instance, the presence of strong corporatist institutions and an extensive welfare state might either generate stronger normative expectations for civic engagement or, on the contrary, might crowd out social engagement to an even higher degree than if one of the two arrangements were not present. The interaction argument might be summarized in the following hypotheses:

H3a (mirror hypothesis): Firms in countries with corporatist institutions and extensive welfare states will have a higher likelihood of civic engagement than firms in countries lacking both or one of these institutions.

H3b: (substitute hypothesis): Firms in countries without corporatist institutions and extensive welfare states will have a higher likelihood of civic engagement than firms in countries with one or both of these institutions.

2.1.4 Institutional models of the polity Firms' civic engagement constitutes a direct relationship between the economy and civil society; therefore, philanthropic business activities might also depend on a broader set of rules, norms and state institutions that govern the polity. [Matten and Moon \(2008, p. 407\)](#), for instance, claim that the power of the state has a direct impact on firms' autonomy and, therefore, on the level of implicit and explicit CSR. [Jepperson \(2002\)](#) provides a historically grounded model of the relationship of state and society that is well suited to address the impact of political institutions on civic engagement. This model distinguishes between two dimensions, statism and corporateness, which relate to the 'location and organization of political sovereignty' ([Schofer and Fourcade-Gourinchas, 2001](#)). While corporateness refers to the representation of sovereignty either in individuals (e.g. Anglo-Saxon countries) or organized interest groups (e.g. Scandinavian countries), statism refers to the locus of sovereignty, historically assumed either by an active civil society, as in Great Britain, or a strong central state, as in France. The concept of corporateness strongly overlaps with corporatism; therefore, we focus on the European differences in the power and agency of state and civil society. While in statist countries the state is the sole legitimate authority, in 'societal' countries the state is subordinate to 'societal authority' ([Jepperson, 2002, p. 67](#)). Since collective agency is organized in a strong central state organization, statist institutions can be expected to crowd out firms' voluntary engagement. On the contrary, countries characterised by 'societal authority' have an institutionally imprinted climate of public responsibility and engagement, suggesting a higher level of philanthropic business activities. In an empirical analysis [Schofer and Fourcade-Gourinchas \(2001\)](#) find that statism has a negative effect on citizens' social engagement in associations.

H4: Firms in statist countries can be expected to show lower levels of civic engagement than firms in 'societal' countries.

2.1.5 Sectors as institutional fields A final institutionalist argument can be made at the sectoral level ([Jackson and Apostolakou, 2010](#)). Sectors can be seen as institutional fields in which firms are embedded. These fields constitute points of reference for individual businesses in which management practices diffuse through different forms of isomorphism ([DiMaggio and Powell, 1983](#)). [Jackson and Apostolakou \(2010\)](#) argue that the level of risk associated with a specific sector, like the chemical industry, creates pressure on firms within this sector to adopt certain standards of responsibility. This pressure comes from external stakeholders such as environmental NGOs and governments, but also from corporate peers, as they 'fear state intervention is insufficient to protect the industry from itself' ([Campbell, 2007, p. 955](#)). Moreover, [Brammer and Millington \(2003,](#)

p. 224) argue that an industry's proximity to consumers, and thus public visibility, might lead to higher demands on a firm's community involvement. Consumer proximity will be higher in sectors which directly deal with private customers, as in retailing. Firms in such sectors might seek a strategic advantage in civic engagement evoking pressure on competitors. In a study on corporate charitable contributions in the UK, [Brammer and Millington \(2003\)](#) find that, in particular, firms in 'environmentally and socially sensitive industries', like pharmaceutical companies, engage in charitable donations. Likewise, [Jackson and Apostolakou \(2010\)](#) report a positive influence of high environmental impact industries on CSR scores. Hence, the following hypothesis can be formulated:

H5: Firms in sectors associated with high environmental impact or customer proximity are more likely to engage in the community than firms in other sectors.

2.2 *Organizational determinants of CSR*

Limited by the survey data used, only very general organizational characteristics can be considered in explaining civic engagement by firms. One of the central organizational dimensions that has frequently been related to issues of social responsibility is the size of the firm ([Lepoutre and Heene, 2006](#)). Yet, size by itself does not have a direct impact on civic engagement by firms but has to be seen as a proxy for underlying organizational characteristics that provide a causal link to levels of civic engagement ([Udayasankar, 2008](#); [Blombäck and Wigren, 2009](#)).

At least three size-related organizational drivers of community involvement can be distinguished: the visibility of firms, financial resources and managerial capacities. First, larger firms are usually more visible to the public and therefore more likely to be approached by public stakeholders ([Adams and Hardwick, 1998](#)). Higher visibility also contributes to an increased reputational risk, as irresponsible business conduct is more likely to be detected and sanctioned ([Udayasankar, 2008](#)). Second, financial resources are a natural limit to philanthropic engagement ([Navarro, 1988](#)). Firms with a good financial performance are more likely to allocate resources for external social objectives than businesses with poor financial performance. Larger firms, due to economies of scale, can be expected to have a higher average surplus that can be used for discretionary activities. Empirically, [Adams and Hardwick \(1998\)](#) find a positive effect of firms' profitability on corporate donations in the UK. Finally, firm size is also correlated with the development of specialized managerial functions and expertise ([Lepoutre and Heene, 2006](#)). Even though owner-managers have a larger degree of discretion with regard to their decisions about community involvement,

specialized managers have a more strategic capacity for organizing and using civic engagement. Moreover, trained managers might have learned about CSR ideas and strategies in business schools, while owner–managers of smaller businesses often lack a formal management education. Thus, strategically organized businesses have a higher capacity to systematically address issues of social responsibility. In sum, increasing size, by contributing to higher visibility, larger financial resources and strategic management, facilitates civic engagement by firms. [Udayasankar \(2008\)](#), however, claims a curvilinear relationship between size and social engagement, since smaller firms can expect a higher payoff when engaging in the community.

Other arguments relate the civic engagement of firms to their level of internationalization and embeddedness in the local community. A higher degree of internationalization is expected to increase the likelihood of adopting responsible business practices ([Gjølberg, 2009](#)). According to this view, increasing internationalization undermines the local legitimacy of a firm through potential threats of outsourcing and diminishing labour standards ([Scherer and Palazzo, 2008](#)). Thus, by engaging in socially responsible business practices, firms try to regain legitimacy. Although this reasoning might be more convincing with regard to large multinational corporations, many SMEs are internationalized to an ever larger degree. A second explanation centres on the local embeddedness of firms ([Blombäck and Wigren, 2009](#)). Firms that have extensive ties to the local community are more likely to engage in social activities to cultivate these relationships. Newly founded firms, for instance, are less likely to have developed strong local roots compared to more established older firms. Other theoretical arguments, which cannot be tested here, highlight the importance of managers' motivations, membership in business networks, legal status or ownership structure as determinants of firms' civic engagement ([Navarro, 1988](#); [Adams and Hardwick, 1998](#)).

3. Data, variables and method

3.1 Data

The organizational data used for the analysis is the ENSR enterprise survey of 2001, which was carried out in the framework of the Observatory of European SMEs on behalf of the [European Commission \(2002\)](#). The data were collected by computer-assisted telephone interviewing (CATI) in the summer of 2001 in the following 19 Western European countries: Great Britain, Ireland, France, Italy, Greece, Spain, Portugal, Germany, Switzerland, Luxembourg, Belgium, Austria, the Netherlands, Sweden, Norway, Finland, Denmark, Iceland and Liechtenstein. Due to missing data on institutional measures, Iceland and

Liechtenstein were excluded from the analysis. The initial sample consists of 7662 SMEs, stratified by size-class; after data cleaning, 6572 enterprises in 17 countries remain for analysis.¹

3.2 *The measurement of civic engagement*

The ENSR 2001 survey has a section on social responsibility that mainly focuses on the type of community involvement by firms. From this, two dependent variables for civic engagement have been constructed which differ only with regard to the frequency of reported activities. The first variable, named (overall) *civic engagement*, measures whether firms contribute to some external social activities at all, independent of the frequency of such activities. This variable is based on the following question: ‘Aside from the normal business activities, enterprises may contribute to external social objectives, or participate in external social activities. Did your enterprise do this in one of the following ways in 2000? (Do not include activities for or support to your own employees)’. Respondents could select from the following answers (multiple answers were allowed): support of sport activities, cultural activities, health and welfare activities, education and training activities, environmental activities, participation in political processes on behalf of the firm, recruitment of workers from deprived groups and contributions in any other way. From this list we excluded political participation and recruitment of deprived groups because both differ substantively from the other aspects. ‘Political participation on behalf of the firm’ can be compared to lobbying activities that seek to advance solely self-interested business objectives by influencing political administration. This differs from the support of, for instance, athletic or educational activities, which undoubtedly have some societal payoff. The question on the ‘recruitment of deprived groups’ has been excluded because this would have limited the sample size drastically, since smaller firms do not recruit new workers frequently.

The answers on the support of social activities were combined with a second question about the nature of the contribution to civil society: ‘In which way has your enterprise supported social activities during 2000? Sponsorships, donations (*ad hoc* or once only in cash or kind), employee or employer involvement in community activities (on behalf of the enterprise), cause related marketing or other’. We excluded the ‘cause-related marketing’ answer as well as the option ‘other’ from the analysis; sponsorships, however, have been kept, for this is an important dimension of civic engagement of SMEs (Maaß, 2004). Firms that

¹The data are not publicly available because they contain sensitive information and can, therefore, only be analysed at EIM Business & Policy Research in Zoetermeer, the Netherlands. The support of EIM in analysing the data is gratefully acknowledged.

contributed to the above-mentioned objectives through donations, sponsorships or volunteering were coded as supporting some external social good through civic engagement. The second dependent variable *regular civic engagement* takes the frequency of these engagements into account. Respondents were asked if ‘the involvement in these social activities [is] occasional or regular’. When respondents reported having regularly supported philanthropic activities as defined by the first dependent variable, we coded this as an institutionalized form of civic involvement.

3.3 Organizational and sectoral level independent variables

In the ENSR survey unfortunately no question on profit or return on investment was asked; therefore, we used the size of the firms as a proxy for visibility, financial resources and management capabilities. Size was measured by turnover and the number of employees. Respondents in the survey were first asked in an open question to provide the exact number of employees; if they refused to answer, they were given categories of firm size. To minimize missing values (513 respondents did not report the exact number of employees), the *number of employees* was categorized by three dummy variables: for 0–9 employees, 10–49 employees and 50–249 employees. *Turnover* was used as a second measure for size, which, to a limited extent, can also be interpreted as an indicator of financial resources. Analogue to the question of number of employees, the survey used a similar procedure for the turnover of companies. To minimize the missing values on this item, we used the categorical turnover as a group of six dummy variables plus one variable for the missing values (the turnover categories are reported in the regression tables).

The level of *internationalization*, for a lack of other measures, was operationalized by the export activities of firms, coded 1 if firms export and 0 if they only produce for national markets. Finally, the local embeddedness of firms was measured by the age of the enterprise in three groups (1–5 years, 6–10 years and older than 10 years) because it can be assumed that younger firms are less integrated in the community than more established firms. As we do not expect a linear relationship, but rather a categorical impact of age, we did not use a continuous age variable, although results were consistent.

To test the institutional arguments concerning sectoral level, we coded two variables based on the common European NACE (rev. 1.1) classification of industries, as provided in the survey. As the survey did not provide more specific classifications, the first variable refers to the manufacturing sector as a whole, which can be assumed to have the greatest *environmental risk* attached compared to the other sectors (dummy variable: 1 = environmental risk; 0 = no environmental risk). The second variable refers to the retail trade and private services industries,

which arguably have the highest *consumer proximity* compared to the other sectors (dummy variable: 1 = high consumer proximity; 0 = limited consumer proximity). The reference category is provided by the transport, communication, construction and business service sectors.

3.4 *Country-level institutional and control variables*

On the country level, we used three main variables to measure the institutional context of SMEs. The corporatism measure is based on [Siaroff's \(1999\)](#) economic integration index, which is a valid measure of a consensual economic culture indicating cooperative consultations between the social partners. Moreover, Siaroff's index is available for all countries covered and has been used in other studies ([Gjølberg, 2009](#)). Due to the lack of data on more specific welfare indicators (e.g. decommodification) in some countries, social expenditure as per cent of GDP was used to operationalize the extensiveness of welfare states ([OECD, 2004](#)). The measurement of statism, operationalized by a dummy variable (1 = statist countries; 0 = societal countries), was based on the descriptions in [Jepperson \(2002\)](#) and [Schofer and Fourcade-Gourinchas \(2001\)](#).

To control for other explanations found in the literature on CSR and corporate giving, two additional variables have been used: the level of corporate income taxation and the level of economic globalization. Corporate income taxation has been argued to impact level of donations, since donations are usually tax deductible; 'higher tax rates lower the opportunity cost of philanthropy' ([Brammer and Pavelin, 2005](#), p. 22). Thus, countries with higher income tax rates can be expected to provide stronger incentives for tax deductible donations. Business income tax rates were taken from a report of the [World Bank \(2006\)](#). Finally, we controlled for the globalization hypothesis ([Scherer and Palazzo, 2008](#)), which perceives CSR as a response to increased economic globalization ([Gjølberg, 2009](#)). Globalization was operationalized by the KOF globalization index on economic flows ([Dreher, 2007](#)).

3.5 *Method*

To test the proposed hypotheses, logistic multilevel regression models were estimated using STATA 10. These models make it possible to simultaneously assess the effect of organizational characteristics and contextual factors on civic engagement ([Snijders and Bosker, 1999](#)). The advantages of such models are that they correct for biases in parameter estimates and standard errors resulting from hierarchical data (organizations nested within countries) and allow for separation of the variances between organizational and contextual level ([Guo and Zhao, 2000](#), pp. 444–445).

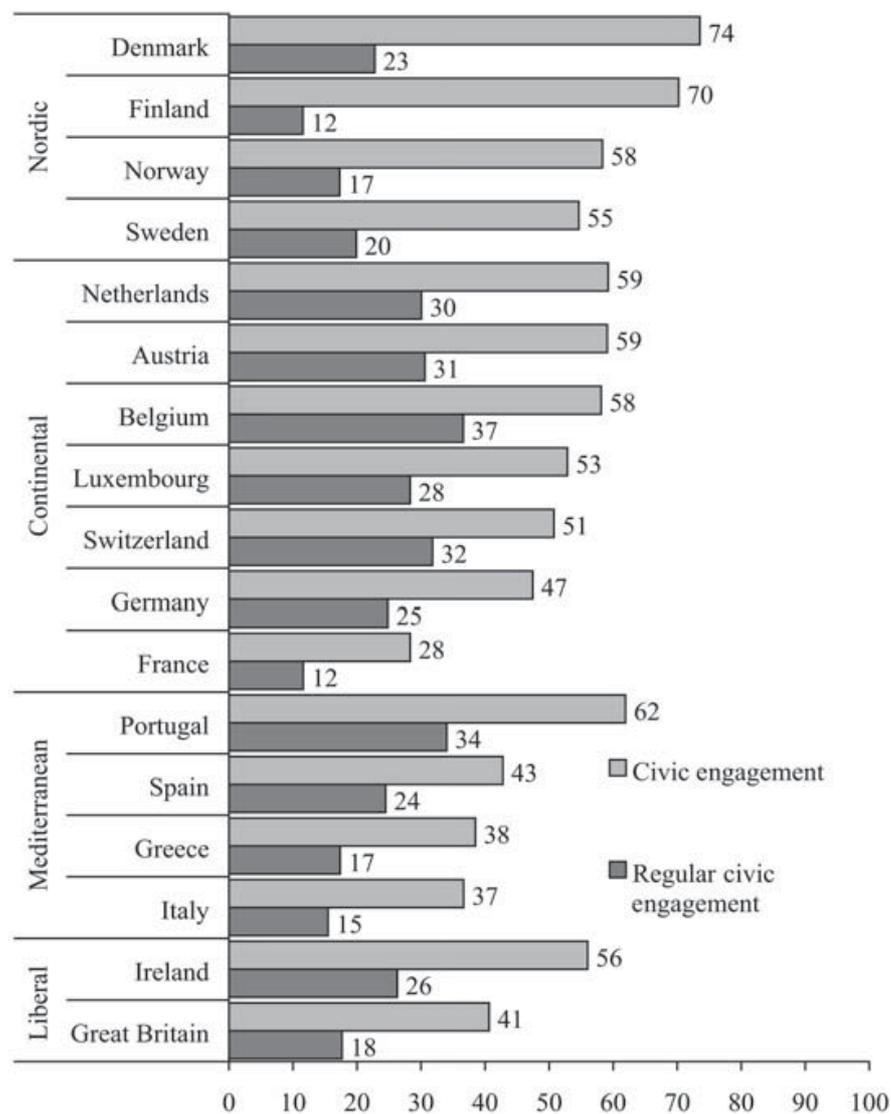
The analysis proceeded in the following steps: first, models without any independent variables (empty models) were estimated to assess how much of the total unexplained variance in the dependent variables was attributable to the contextual level. Next, organizational level and contextual variables were introduced into logistic random intercept models. These models made it possible to assess which variables at both levels have an effect on the outcome and how much of the variation in the dependent variables between countries could be explained by organizational characteristics (composition effects) and country specific factors. A context effect means that country characteristics, like the level of corporatism, have an influence on the mean outcomes of the dependent variables. The organizational and contextual variables used were all correlated below Pearson's $r = 0.6$, suggesting that multicollinearity is not an issue in the analysis.

4. Results

4.1 Descriptive results

Figure 1 presents country differences in overall and regular civic engagement across Western Europe, sorted according to models of welfare capitalism (Ferrera, 1998). Contrary to the hypothesis that Europe is a laggard in explicit social responsibility activities (Matten and Moon, 2008), most countries show high levels of civic engagement by firms. This picture changes somewhat when looking at regular social engagement, which is much lower. However, large country differences exist across Western Europe in both overall and regular philanthropic activities, calling for a more nuanced analysis of differences and similarities across country groups. First, differences in the level of overall engagement are explored before turning to regular social involvement.

The Nordic country cluster, especially Denmark and Finland, shows the highest levels of engagement (on average 64% in the Nordic cluster). Without the outlier of France (28%), firms in continental Europe are relatively homogeneous in the degree of philanthropic activities. Country differences range from 47% in Germany to 59% in the Netherlands. France, having very low civic engagement of firms, constitutes a special case, which might be partly explained by the contested nature of industrial relations and the strong central state (Beaujolin and Capron, 2005). The Mediterranean countries, with the exception of Portugal (62%), show a clearly lower average social engagement by firms than all other country groups (on average 45%, without Portugal only 39%). Portugal's exceptional position can be explained by its high poverty compared to other countries in the EU 15 and its strong paternalistic business tradition (Neves and Bento, 2005). Finally, the liberal countries Great Britain and Ireland are quite diverse. While the Irish firms reported CSR engagement comparable to the continental



Source: ENSR (2001), own calculations.

Figure 1 Share of overall and regular civic engagement by SMEs in Western Europe (in %).

European countries (56%), Great Britain (41%) is on par with Mediterranean Europe. This last finding in particular neither lends support to the welfare state nor to the corporatist substitute hypothesis. Rather, the Scandinavian cases provide support for the corporatist and welfare mirror hypotheses.

Turning to the country patterns of regular civic engagement, this picture changes drastically. The Scandinavian SMEs now become CSR ‘laggards’, as their rates of civic engagement drop sharply. In Finland only 12% of the firms regularly devote resources to social goods; whereas, in Denmark 23% do so. Surprisingly, the Nordic countries now rank last with an average of 18% regular civic engagement. The continental cluster also drops by almost half, yet without the outlier France (12%), regular engagement ranges from a quarter of all firms in Germany to more than a third in Belgium. On average more than one out of

four SMEs in continental Europe regularly devote resources to some external social good. The average scores of the liberal and southern European country clusters were similar (Liberal: 22%; Mediterranean: 23%), yet both regional groups are internally quite heterogeneous (standard deviations of 6.1% and 8.4%, respectively). Contrary to the findings for total civic engagement, the descriptive results for regular social involvement by firms lend tentative support to the institutional substitute hypothesis. A bivariate correlation analysis shows a positive effect of social expenditure on total civic engagement, which turns negative for regular civic engagement; however, both correlations are not statistically significant. The level of corporatism has a positive effect on both total and frequent social involvement; the latter is, however, also not statistically significant. The contradictory descriptive and bivariate findings call for a more advanced statistical analysis.

4.2 *Multivariate results*

In using a multilevel regression approach, we accounted for the embeddedness of firms in distinct country contexts. First, to assess how much of the total variance was bound to the contextual (country) level, ‘empty models’, without any independent variables, were estimated. The empty models (not shown) reveal that there is a significant unexplained (residual) variance for both civic engagement ($r_0^2 = 0.39$; $P < 0.01$) and regular civic engagement ($r_0^2 = 0.13$; $P < 0.01$) at the contextual level. The residual variances of the empty models were used as benchmarks to assess how much of the unexplained variance on contextual level is reduced, when introducing variables to the models. By estimating the residual intra-class correlation, it can be seen that 11% (civic engagement) and 5% (regular civic engagement) of the total variance is linked to the contextual level. Although this is only a very rough estimation of the variance shares (the individual level variance is fixed to $\pi^2/3$ in logistic regressions), it can be justified to estimate multilevel models (Snijders and Bosker, 1999).²

In Table 1 the regression coefficients for the organizational and sectoral level variables are reported for civic engagement (model 1) and regular civic engagement (model 2). For both dependent variables, the size of firms as measured by turnover and number of employees had a significant positive effect on the likelihood to engage in philanthropic activities. Firms that had between 10 and 49 employees and firms that had between 50 and 249 employees were more likely to contribute to some external social good, also in a regular way, than micro enterprises with fewer than 10 employees. The strength of the effect increased

²Unfortunately, for this reason in logistic multilevel regression models, it is not possible to estimate the explained variance at a micro level.

Table 1 Unstandardized coefficients of logistic multilevel regressions for overall and regular civic engagement by firms

Variable	Model 1		Model 2		Model 3		Model 4	
	Civic engagement	(0.18)	Regular civic engagement	(0.23)	Civic engagement	(0.17)	Regular civic engagement	(0.16)
Constant	-0.37**	(0.18)	-3.31****	(0.23)	-0.37**	(0.17)	-2.07****	(0.16)
Number of employees (Ref.: 0-9)								
10-49 employees	0.48****	(0.07)	0.29****	(0.08)	0.48****	(0.07)	0.29****	(0.08)
50-250 employees	0.98****	(0.08)	0.76****	(0.09)	0.98****	(0.08)	0.76****	(0.09)
Turnover in € (Ref.: > 100 Tsd.)								
100-500 Tsd. €	0.37***	(0.12)	0.71****	(0.12)	0.37***	(0.12)	0.70****	(0.14)
500 Tsd-1 Mio €	0.21*	(0.13)	0.45****	(0.15)	0.21*	(0.13)	0.46****	(0.15)
1 Mio-5 Mio €	0.18	(0.12)	0.42****	(0.14)	0.18	(0.11)	0.42****	(0.14)
5 Mio-10 Mio €	0.03	(0.14)	0.37**	(0.15)	0.03	(0.14)	0.37**	(0.15)
> 10 Mio €	0.31**	(0.13)	0.47****	(0.14)	0.31**	(0.13)	0.46****	(0.14)
Not reported (missing)	-0.12	(0.11)	0.36****	(0.13)	-0.12	(0.11)	0.37****	(0.13)
Age of enterprise in years (Ref.: 1-5)								
6-10 years	0.26**	(0.10)	0.32****	(0.12)	0.25**	(0.07)	0.32****	(0.12)
> 10 years	0.30****	(0.09)	0.41****	(0.11)	0.29****	(0.09)	0.40****	(0.11)
Degree of internationalization	-0.02	(0.06)	0.04	(0.04)	-0.02	(0.06)	0.37	(0.06)
Sectors (Ref.: other industries)								
Environmental risk (manufacturing)	0.06	(0.07)	0.03	(0.03)	0.06	(0.07)	0.28	(0.07)
Consumer proximity (retail, service)	0.14**	(0.07)	0.14**	(0.14)	0.14**	(0.07)	0.14**	(0.07)
Corporatism								
0.26**								
Residual intercept variance	0.30	(0.11)	0.10	(0.04)	0.23	(0.08)	0.08	(0.03)

Notes: Unstandardized regression coefficients, standard errors in parentheses; significance levels: * $P < 0.10$; ** $P < 0.05$; *** $P < 0.01$; **** $P < 0.001$. Source: ENSR (2001), own calculations.

with firm size. Higher turnover did not necessarily lead to higher civic engagement. Thus, firms with a turnover of more than 10 million euros or those between 100 000 and 1 million euros were significantly more likely to donate or volunteer than firms with a turnover of less than 100 000 euros. However, there was no significant difference between the lowest turnover group, used as a reference category, and firms with a turnover of 1–10 million euros. This might be some indication of a curvilinear relationship between financial resources and civic involvement; thus, smaller firms might see a higher payoff in their engagement than medium-sized firms. For regular civic engagement, all firms with a turnover above 100 000 euros had a statistically significant higher likelihood to regularly contribute to some external social good. In sum, higher managerial capacities and greater visibility, as indicated by the number of employees, have a strong positive effect on charitable contributions by firms. The impact of financial resources is not strong and assumes a curvilinear relationship for civic engagement. In frequent social involvement, however, financial resources have a stronger impact.

Local embeddedness of firms had been expected to increase the support of external social activities. Associating higher age with increased embeddedness, we found that both firms in existence for more than 6 and 10 years, respectively, were more likely to engage in the community, both in terms of total and regular engagement. The level of internationalization, as operationalized by companies' export activities, did not have a statistically significant impact on community support. Finally, we controlled for pressures resulting from the institutional field of the sector in which a company is embedded. The environmental risk associated with the manufacturing industry did not provide a rationale for increased community engagement in this sector. However, we found that companies' proximity to consumers, as in the retail trade and personal service industry, had a significant positive effect on both overall and frequent social engagement. In these sectors, higher public pressure but also a strategic advantage in philanthropic engagement was found, lending some support to hypothesis H5. Accounting for composition effects, the organizational and sectoral variables reduce the unexplained intercept variance by 23% (civic engagement, $r_0^2 = 0.30$) and 25% (regular civic engagement, $r_0^2 = 0.10$).

We turn now to the macro-institutional effects. Since the organizational and sectoral coefficients remain consistent in the remaining models, our interpretation focuses mainly on the institutional variables. In models 3 and 4, the impact of corporatist institutions as operationalized by Siaroff's corporatism index is reported. We found that the institutionalized collective negotiations between the social partners seem to be conducive to a normative environment that significantly increases both overall and regular civic engagement. Thus, the extent to which interests are represented and negotiated between organized

groups has a positive impact on community involvement by firms in Western Europe, confirming the corporatist mirror hypothesis H1a. In models 5 and 6 of Table 2, we control for the effect of the extensiveness of welfare states as measured by national social expenditures. While the negative effect of social expenditures points towards an institutional substitute argument, the coefficient proved not to be significant for either dependent variable. Thus, neither the mirror (H2a) nor the substitute (H2b) hypothesis can be confirmed.

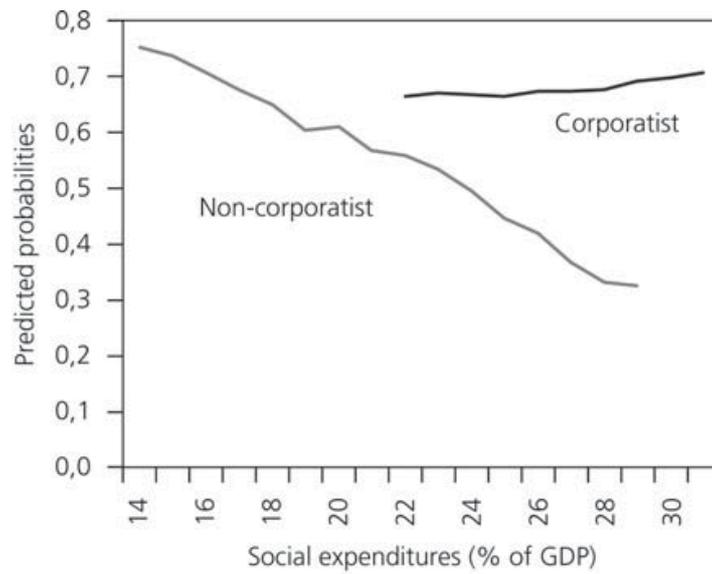
Next, the role of political institutions was explored by controlling for the level of statism in a country (models 7 and 8). We found that a statist organization of the polity crowds out overall civic engagement, confirming hypothesis H4, while it does not have a significant impact on regular civic involvement. This is surprising but can be explained by high regular civic engagement in the statist continental European countries. To control for the interplay of the institutional variables in models 9 and 10, we jointly introduced corporatism, statism and social expenditures in the models. Interestingly, when we controlled for corporatism and statism, social expenditures assumed a statistically significant negative influence. Hence, extensive welfare states seem to crowd out civic engagement, while corporatist institutions seem to provide a facilitating normative climate. This lends some support to the corporatist mirror hypothesis, while at the same time confirming the welfare substitute hypothesis. As a consequence, a fundamental tension arises, since the type of institutions seems to make a difference for whether civic engagement is a mirror or a substitute. It seems to be both. These models, including all institutional variables, decrease the unexplained intercept variance by 69% for civic engagement ($r_0^2 = 0.12$) and 62% for regular civic engagement ($r_0^2 = 0.05$).

Yet, obviously there is some form of interaction where the presence of one institution conditions the effect of the other. To explore this relationship, an interaction effect between corporatism and welfare extensiveness (models 11 and 12) has been estimated. We found that there are statistically significant positive effects of the interaction variables. As the interpretation of such an effect is not trivial, the predicted probabilities of firms' civic engagement by social expenditures are shown by conditioning for the presence or absence of corporatist institutions in a conditional effect plot (Figures 2 and 3). For the purposes of depiction, the corporatism index has been dichotomized (presence versus absence of corporatist institutions). The x -axis provides the level of social expenditures and the y -axis the predicted probability of an average firm (all organizational and sectoral values have been kept at the mean value), depending on the level of social expenditures and the presence of corporatist institutions. We see that in corporatist regimes, increasing social expenditures slightly increased the likelihood of both overall and regular civic engagement, confirming hypothesis H3a. In

Table 2 Unstandardized coefficients of logistic multilevel regressions for overall and regular civic engagement by firms

Variable	Model 5		Model 6		Model 7		Model 8		Model 9		Model 10		
	Civic engagement	Regular civic engagement	Civic engagement	Regular civic engagement	Civic engagement	Regular civic engagement	Civic engagement	Regular civic engagement	Civic engagement	Regular civic engagement	Civic engagement	Regular civic engagement	
Constant	-0.37** (0.18)	-2.08*** (0.17)	-0.03 (0.20)	-1.98*** (0.19)	-0.14 (0.18)	-2.06*** (0.19)	-0.01 (0.03)	-0.02 (0.02)	-0.06** (0.03)	-0.05*** (0.02)	-0.06** (0.19)	-0.04 (0.13)	-0.04 (0.07)
Social expenditures													
Statism													
Corporatism													
Residual intercept variance	0.30 (0.11)	0.09 (0.04)	0.20 (0.07)	0.09 (0.04)	0.12 (0.05)	0.05 (0.02)							
Variable	Model 11		Model 12		Model 13		Model 14		Model 15		Model 16		
	Civic engagement	Regular civic engagement	Civic engagement	Regular civic engagement	Civic engagement	Regular civic engagement	Civic engagement	Regular civic engagement	Civic engagement	Regular civic engagement	Civic engagement	Regular civic engagement	
Constant	-0.12 (0.18)	-2.07*** (0.17)	-0.17 (0.18)	-2.07*** (0.17)	-0.51*** (0.17)	-2.14*** (0.16)	0.37*** (0.14)	0.17* (0.10)	0.34*** (0.11)	0.40*** (0.08)	0.23*** (0.11)	0.23*** (0.07)	
Corporatism													
Social expenditures													
Statism													
Corporatism × Social expenditures	0.06** (0.03)	0.03* (0.02)	-0.39** (0.19)	-0.19 (0.16)	-0.47** (0.20)	0.01 (0.01)							
Globalization													
Income tax													
Residual intercept variance	0.13 (0.05)	0.04 (0.02)	0.12 (0.05)	0.05 (0.02)	0.11 (0.04)	0.05 (0.02)							

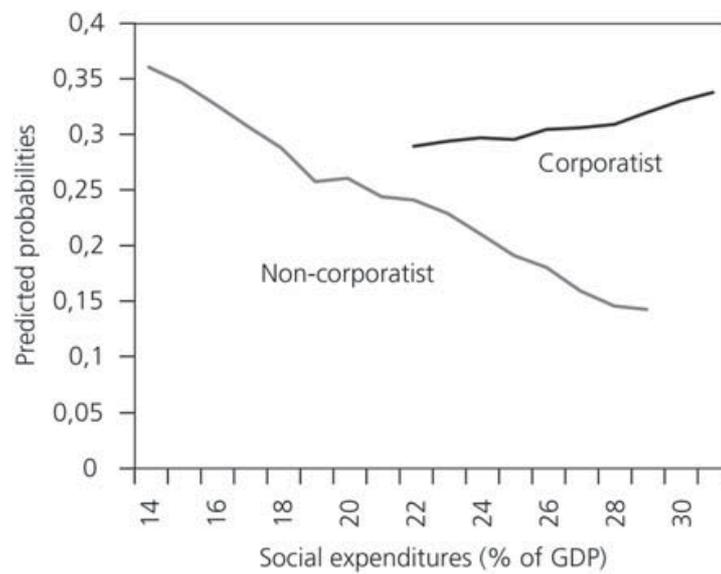
Notes: Models 5 to 16 also control for number of employees, turnover, age, internationalization and sectors, but coefficients are not reported. Unstandardized regression coefficients, standard errors in parentheses; significance levels: * $P < 0.10$; ** $P < 0.05$; *** $P < 0.01$; **** $P < 0.001$. Source: ENSR (2001), own calculations.



Note: For plotting the interaction of corporatism and social expenditures, the corporatism measure was dichotomized.

Source: ENSR (2001), own calculations.

Figure 2 Predicted probabilities of firms' civic engagement by social expenditures and corporatism.



Note: For plotting the interaction of corporatism and social expenditures, the corporatism measure was dichotomized.

Source: ENSR (2001), own calculations.

Figure 3 Predicted probabilities of firms' regular civic engagement by social expenditures and corporatism.

non-corporatist regimes, on the contrary, increasing social expenditures decreased the likelihood of civic engagement, confirming hypothesis H3b. Mixed countries, where only one of the institutions was present, had a lower

likelihood of civic engagement on average, supporting the idea of an institutional complementarity. In sum, we find that civic engagement is neither mirror nor substitute, but mirror (H3a) *and* substitute (H3b), depending on the institutional configuration. Therefore, corporatist institutions and welfare institutions seem to be complementary in generating civic engagement by firms.

Finally, to test the robustness of the empirical findings, we controlled for two other explanations of civic engagement: economic globalization and corporate income taxation. We did not find a statistically significant impact of economic globalization on either overall or regular civic engagement (models 13 and 14). It has been argued that corporate income tax increases tax-deductible forms of civic engagement by decreasing the marginal cost of philanthropic giving. Again, we did not find any statistically significant effect of corporate income tax. It can be concluded that the institutional effects remain robust when controlling for alternative explanations. Neither economic globalization nor the level of corporate income taxation contributed to explaining differences in the civic engagement by firms. In sum, the institutional models can best explain country differences by accounting for a large share of the residual intercept variance.

5. Discussion

Business social responsibility can be understood as the contribution of firms to some external social good on a voluntary basis. Only recently, scholars have started to use institutional analysis to understand and explain differences and similarities in firms' social responsibility (Campbell, 2007; Matten and Moon, 2008). Existing institutional research has largely centred on a mirror versus substitute dichotomy of institutional arrangements and CSR (Midttun *et al.*, 2006; Jackson and Apostolakou, 2010). While empirical studies unequivocally show the institutional embeddedness of firms' social responsibility, the direction of this effect remains unclear. This study contributes to the theoretical and empirical puzzle by focusing on the institutional embeddedness of civic engagement by smaller firms in Western Europe. Analysing the large differences in contributions to external social objectives by firms across Europe, we have found that civic engagement can be both an institutional mirror and substitute, conditioned by the complementarity of institutional arrangements in the political economy. Therefore, instead of focusing on assumptions of linear institutional effects, institutional research on social responsibility needs to take into account interactions of different institutional spheres.

Using a quantitative comparative approach to civic engagement across Western Europe, we were able to explore different combinations of institutions of the political economy. In general, we found that both welfare and production regimes, but also statist political institutions, significantly impact philanthropic

contributions by firms. Firms in countries that have historically been characterized by a strong authority of the state, like France, are less likely to engage in civic activism than those in countries with a historically active and powerful civil society, like Ireland, lending support to hypothesis H4. The institutional mirror and substitute hypotheses for corporatism and welfare extensiveness (H1a–H2b) have to be treated with some care. On the one hand, the results provided support for the corporatist mirror hypothesis (H1a); on the other hand, the negative effect of welfare extensiveness only became significant after controlling for corporatism, supporting the welfare substitute hypothesis (H2b). However, taking into account possible interactions between welfare and production regimes (H3a and H3b), we found that that the mirror (H1a, H2a, H3a) and substitute (H1b, H2b, H3b) hypotheses are conditioned by the interplay of both institutional arrangements. Thus, on the one side corporatist arrangements complemented by an extensive welfare state provide a facilitating normative environment for civic engagement, mirroring the ideational model of consensus and care by business and society. On the other side, residual welfare states that are complemented by weak corporatist institutions also facilitate civic engagement by substituting for the deficient supply of public goods through the government. From this perspective, welfare and production regimes assume a complementary relationship in governing and orienting firms towards social responsibility. Mixed country groups, which are characterized by the presence of one institution but lack the other, complementary institution, therefore exhibit lower levels of support for external social objectives by firms.

The finding that there is more than one route to social responsibility is not a new one. Gjølborg (2009), for instance, in her study on the origins of CSR, has shown that, besides the institutionalist route, global pressures provide a different path for CSR. In this study the institutional mirror route to civic engagement was strongly driven by the continental European countries that combine corporatist arrangements with conservative welfare states. On the overall civic engagement dimension, the Nordic countries support this route and even take the lead. This might be a consequence of the historically strong role of ‘popular movements’ in Scandinavia (Therborn, 1989). Yet the strong standing of the labour unions also seems to explain the low regular civic engagement in this region (De Geer *et al.*, 2009). On the contrary, the ‘pillarized’ organization of continental societies—often along religious dimensions, with a moral duty of ‘caritas’—might explain the high regular philanthropic contributions in Belgium, the Netherlands, Austria and Switzerland (Therborn, 1989, p. 213). The institutional substitute route is driven by the liberal countries Ireland and Great Britain. Having universal but residual welfare states, business has taken up responsibility for providing support to the community (Kinderman, 2009). As Matten and Moon note, this can be explained by the high ‘relative capacity of business

people for philanthropy' in liberal regimes (2008, p. 408). This route is also followed by Portugal and to some degree Spain, however, in a different manner. Here, traditional Catholic ideas of paternalism are complemented by a highly agrarian society and a particularly underdeveloped welfare state (Ferrera, 1998, pp. 85–87). France, Greece and Italy can be seen as mixed systems that combine low levels of corporatism with relatively high social expenditures resulting in low levels of civic engagement.

Future research on the institutional embeddedness of social responsibility needs to address some of the limitations of this study. Rather than looking at national levels of civic engagement, regional differences should be explored, as for instance between Northern and Southern Italy. Due to missing regional information in the survey and the limited sample size, this could not be addressed here. Future research should also seek to use more advanced, possibly multidimensional, measures of social responsibility, integrating ethical and philanthropic dimensions. Furthermore, more information on individual level (e.g. managers), organizational level (e.g. general strategies) and meso level (associational membership) would contribute to an improved multilevel understanding of processes and constraints for civic engagement (Aguilera *et al.*, 2007). In sum, however, we are able to show that conditioned by the interplay of institutional arrangements, two different paths to civic engagement exist in Western Europe. Following these paths, smaller firms proved to be socially responsible, well before the discursive rise of CSR in this region.

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