



Negotiating Corporate Social Responsibility: The Role of Trade Associations

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Introduction

In this paper we propose four concepts as the foundation of a theoretical framework to interpret trade associations' engagement with corporate social responsibility. Industry and trade associations in general have received very little attention from researchers in either business and management studies or political sciences and trade associations' involvement in CSR has likewise attracted little attention so far. We argue that the involvement of trade associations in CSR falls under the political aspects of CSR, which, in themselves have received less scholarly attention than the strategic or ethical aspects. This paper is an early step toward addressing these two gaps in the literature.

The paper is exploratory in nature. It is based on preliminary empirical findings and existing theory and has been developed through an iterative process, with frequent movement between literature and data. In addition to the limited literature available on trade associations per se, we use theoretical concepts derived from political theory, legitimacy theory and the theory of collaboration. We also use preliminary data from an exploratory empirical study into the CSR engagement of a variety of business and trade associations, with early results from interviews in the UK film industry, the UK water industry, the Confederation of British Industry (CBI) and with a contact in the National Farmers Union (NFU).

Although it is probably true to say that industry and trade associations have often lagged behind their members in terms of engaging with CSR issues this is now beginning to change and associations are increasingly employing staff with a CSR brief and are making CSR related statements. Studying the nature and extent of such engagement seems important from several perspectives. From a strategic point of view, trade associations may be able to support and enhance the CSR activities of their members and thus increase the competitiveness of the industry. From a normative perspective, it will be worthwhile to study whether trade association engagement has the potential of improving the corporate responsibility awareness and social performance of an industry. From a critical perspective, it will be interesting to study trade associations' understanding of CSR, their motives to become involved in CSR (or not, as the case may be), and whether such involvement improves social performance or serves more as a smoke screen for industry to hide behind.

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Political Aspects of CSR

At one level this paper deals with what might be termed the political aspects of corporate social responsibility. Much of the existing CSR literature concerns itself either with normative (or ethical) aspects or with the strategic aspects of CSR (CSR as a business tool to improve competitiveness). While strategy and ethics are clearly highly important we argue that there is also a political aspect to CSR. We claim that CSR is one way through which business engages in the political process. Four arguments can be advanced to support this claim: (1) CSR relates to issues which are traditionally addressed by politics; (2) state and supra-national bodies show increasing interest in CSR; (3) NGOs are often engaged in the areas covered by CSR activities; and (4) CSR is subject to negotiation with external constituencies and used to increase legitimacy with these constituencies

Trade Associations and CSR

This political aspect of CSR helps to explain why trade associations would concern themselves with CSR and why researchers should be interested in their CSR engagement. If the political aspects of CSR are recognised, turning attention to industry associations is a natural step as these organisations have an important political role and much of the political activity of business is conducted through them. Further, industry associations increasingly realise that CSR is an important concern for their members - "CSR [is] high on [the] agenda for business" (CBI 2006, http://www.cbi.org.uk/ndbs/cbi_bss.nsf), and this in itself would seem sufficient reason for associations to concern themselves with CSR. In one of the few existing papers on CSR and trade associations, Gupta and Brubaker (1990) conclude that society would be best served by a co-operative relationship between trade associations and government and that more formal ties between the two should be established.

Following Schmitter and Streeck's (1999) distinction between the internal (the "logic of membership") and the external (the "logic of influence") of trade associations, we argue that there are two key aspects of potential trade association engagement in CSR. One is an external aspect. Trade associations can help to increase industry legitimacy with external stakeholders by helping to bring about and presenting an industry wide stance on salient social issues. They can also use their political role to defend companies' use of CSR as a strategic tool against those who might wish to impose regulation on CSR activities or social reporting (interview with CBI CSR advisor). The other potential role is an internal one. Trade associations can facilitate the forming of joint industry positions on CSR issues that are of common interest to the entire industry (interviews with CBI and Water UK). They may also have a potential role in guiding or even controlling industry behaviour, for instance in the enforcement of voluntary standards.

Emerging Concepts

From the first interviews and the literature review the following four concepts emerged.

1. Representation



2. Control / guidance
3. Legitimacy
4. Collaboration

In the following sections we will first briefly discuss the extent and nature of CSR engagement in the industry associations we have studied so far and then discuss each of the four concepts in turn.

Range and Nature of CSR Engagement

Gupta and Brubaker (1990) list a range of activities that trade associations can perform with respect to CSR. These include (1) leading an industry towards more corporate social responsibility; (2) ensuring that their constituents remain informed; (3) prevent damage to an industry by working with government and outside organisations in the public interest; (4) enforcing minimum compliance with their CSR goals through ongoing programmes; and (5) serving as fulcrums in developing societal consensus about the relationship of the industry or its products to the public good. However, there seems to be no existent empirical work on the actual extent of CSR involvement of trade associations.

In our preliminary research we found, not surprisingly, that trade associations seem to get involved in social responsibility issues to a highly varying degree. For instance, Water UK devotes far more space on its web-site to CSR related statements than industry and professional associations in the film industry do. The CBI acknowledges the importance of CSR to its members and devotes some web space to this issue. We might argue from preliminary findings that generally high salience of CSR issues to association members, homogeneity of the industry, and high levels of stakeholder interest and regulation may all contribute to a higher level of CSR engagement of an industry association (Schaefer and Kerrigan 2005).

Yet, trade associations were seen to be frequently trailing behind their member organisations in the extent of their CSR engagement. There was a sentiment that sometimes members wanted their trade association to be 'tough' in defending their interests in a way that they themselves felt unable to do due to stakeholder pressures. However, such a tough stance could then make the industry seem less socially responsible than it really was and trade association could do their members a disservice this way. In this sense, a proactive stance on social issues could benefit members more (interview with Water UK).

Of the roles listed by Gupta and Brubaker (1990), leading an industry towards greater CSR engagement and ensuring compliance were the ones taken on with more reluctance. Some respondents stated clearly that they did not see their role as guiding or controlling members' CSR activities whereas others were suggesting they might point out if they thought a member was not living up to their corporate responsibilities. While the CBI did not see it as its role to 'promote CSR' they acknowledge that business federations in other countries did this. Ensuring that members were informed, preventing damage to the industry by working with government and outside organisations in the public interest and serving as fulcrums for the discussion of appropriate CSR stances and the relationship of the industry's



products to the public goods, on the other hand, seemed to be mentioned more frequently by respondents as activities that their trade association engaged in.

The CBI stressed its role in ensuring good background conditions for CSR and in defending business's right to use CSR as a strategic tool. Such a defence was seen as particularly necessary in terms of corporate social reporting, where some non-business stakeholders wanted to see mandatory reporting standards but the majority of businesses wanted to see social reporting to be left at the discretion of business (interview with CBI).

In the following four sub-sections we now discuss some theoretical concepts which have arisen from either the preliminary data or from the literature and which we propose as potentially important elements of a conceptualisation of trade associations CSR engagement.

Representation

One may argue that the *raison-d'être* of an industry association is to represent its members in the wider political arena. It can do so in CSR related matters as much as in other matters. New approaches to understanding representation in political science are moving away from a focus on legal institutions and electoral processes as the standard by which representation is to be judged and argue that there are various non-democratic forms of political representation which may nonetheless have perceived legitimacy. Saward (forthcoming) looks at the nature of the representative claim. He argues that one should not look at representation in terms of a fact established by some kind of accepted procedure but in terms of various representative claims made by those who purport (with varying degrees of acceptance) to represent a given constituency. Such claims are always open to contestation and can be more or less explicit or implicit. Neither are 'constituents' and their interests an unproblematic fact. In an important sense, representatives 'create' the represented within the cultural limits of a given context. In a separate but partly congruent approach, Rehfeld (2006) argues that representatives become such by virtue of being accepted by an audience according to particular decision rules, which may be but need not be based on democratic elections, and which need not include being considered legitimate by the constituents.

A key question to ask then is how and to what extent a trade association is perceived to represent the views of its members in the eyes of its members and of external audiences. This is a question which arose a number of times in our first interviews. The extent to which trade and professional associations were perceived to represent their entire industry was questioned by parts of the film industry, one of whose problems is that there is no single trade associations but rather a variety of private and state sponsored associations with over-lapping and not clearly demarcated interests and responsibilities. It is also being questioned in the farming industry, where the National Farmers Union is often felt only to represent the interests of a part of its members (despite the board being elected by members) and where, for instance, organic farmers often seem to feel insufficiently represented. Respondents at the CBI and at Water UK stressed the need to be inclusive and not too leading in their attempts to facilitate the formation of an industry wide view on matters, so that the industry as



a whole would be represented. Respondents suggested that they would not presume to lead industry opinion on anything but would merely play a facilitating role. The question of the trade association adequately representing the views of its members was thus discussed fairly explicitly in our preliminary data gathering.

A less explicit but not necessarily less important question might be to what extent the views of business (sectors) can be said to represent vital interests of society and should thus be heard in public debate. This often seems to be taken for granted by both the industry associations and external stakeholders, such as government.

The ways in and extent to which industry associations are recognised as representatives of their industry by industry members and other audiences, how they construct their constituency and its interests, whether and how their claim to be representatives is contested, and what kind of decisions and actions they can take by virtue of being recognised as representatives (or not as the case may be) would seem to be interesting questions for future research.

Control

The second emerging concept relates to internal control. According to Gupta and Brubaker (1990) trade associations need latitude in developing and enforcing standards of product quality and conduct. Two arguments can be advanced as to why trade associations do and should have some control over the behaviour of their members. The first argument derives from the need for external legitimacy. In order to ensure they have the necessary perceived legitimacy to represent their industry in the eyes of external stakeholders, Schmitter & Streeck (1999) argue that business associations also needs some degree of internal control over their members. Individual members may dislike an association's tendency to increase its internal power but they may tolerate it as they usually welcome the strong position in external affairs that may be a consequence of increased internal homogenisation and control (Schneider and Tenbuecken 2002).

The second argument derives from an understanding of institutionalisation processes. Trade associations can be seen to, on the one hand, arise out of and, on the other hand, increase the structuration (Giddens 1979) and homogenisation of their industry by fostering processes of normative & mimetic isomorphism (DiMaggio & Powell 1983). As business associations become established and a stratum of professional leaders emerges, their original purpose of specific group interest representation may evolve and they can become mechanisms of collective self-discipline, i.e. regulating agencies for their constituent members. These consequences of institutionalisation in associations arise because the association does not remain a mere aggregate of its members but develops an increasing degree of independence (Schmitter and Streeck 1999).

In our preliminary interviews internal control emerged as a somewhat contentious issue. At one level, respondents stressed that they would not tell their members what CSR was or what they should do (CBI).



“The CBI will not say, ‘we promote CSR’. We will not say, ‘you have to do this kind of CSR as opposed to that kind of CSR’. Nor will we say, ‘that’s not quite CSR’. We will say, ‘these are the kinds of things that CSR means to different people, these are the reasons that companies put forward for doing CSR’, and then we will say ‘we will defend companies’ right to make the choice for themselves’. Which also means that if companies have looked at the issue and have decided not to do CSR, and we know what CSR is, don’t we, activity beyond compliance, and if companies decide not to do that then we will defend that right as a proper business strategy, but given the fact that what we want is competitive business, we’re quite prepared to actually get companies to consider the issues in the first place” (CSR policy advisor, CBI)

Other business and trade associations were seen to be more inclined to guide members’ CSR awareness and activities.

“[...] the Spanish business federation, they actually much more actively promote CSR. And that’s a reaction to do with the way the business environment and the political thinking has changed in Spain. So obviously businesses are adapting to what it means in Spain, and that’s what they did, but we wouldn’t do that” (CSR policy advisor, CBI).

Some respondents suggested that they would try to guide members who were lagging behind in their CR engagement.

“We are not a policing organisation but I think we would tell a member if we felt that organisation was falling short on its corporate responsibilities as understood by the water industry in general” (Communication Director, Water UK).

Stronger forms of internal control would relate to the enforcement of self-regulation programmes, such as the Chemical Industry ‘Responsible Care’ programme. To what extent trade associations, which are, after all, governed by their members, can really enforce compliance is open to debate. One of the criticisms levelled at self-regulation is precisely that enforcement is often lacking or too lenient.

Legitimacy

Gupta and Brubaker (1990) argue that one of the key reasons for trade association involvement in CSR is that the public image of an industry will be increasingly linked to the social responsiveness of its trade association. We argue that one of the key rationales for business to engage in corporate social responsibility actions is the need to gain and maintain legitimacy in the eyes of important stakeholders and society at large. This can often be achieved more effectively through collective action. According to Ruef and Scott (1998) legitimation processes operate on the different levels of entire organisational populations, individual organisations, and sub-units and specialised aspects of organisations. Legitimation attempts that involve isomorphism in order to increase organisational legitimacy through greater institutionalisation of the entire sector (DiMaggio and Powell 1983, Meyer and Rowan 1977, Meyer and



Scott, 1983, Suchman 1995) make the involvement of trade associations an obvious avenue.

Reed (1999) argues that acting in accordance with principles of legitimacy, morality and ethics may be impossible for individual corporations if illegitimate, immoral or unethical practices are widespread in a society. Collective responsibility and co-operation may then be required, where companies should co-operate to enforce standards of behaviour. Similarly, Tiemann (1999) argues that firms often find themselves in moral dilemmas which they cannot solve. Ethical industry standards, negotiated discursively between members of the industry and its stakeholders, are proposed as a possible solution.

The notion that industry associations' CSR engagement served to maintain or repair the perceived legitimacy, value or reputation of their industries also emerged from our interviews.

“It’s about building value for the business, and [...] you build value by doing things like looking after your employees, and they are likely therefore to stay and get more deeply skilled and all that generates value for the business. You build value by engaging with community. So if you feel you need to do something you might get help from the community, there is a goodwill and understanding about what you’re trying to do”.
(CSR advisor, CBI)

In order to maintain or repair the perceived legitimacy of their members, trade associations might engage in any of the four types of legitimation attempts identified for individual organisations: (1) internal adaptation of output, goals and methods (Dowling and Pfeffer 1975; Lindblom 1994); (2) communicating the appropriateness of corporate behaviour to stakeholders (Lindblom 1994); (3) altering definitions of social legitimacy (Dowling and Pfeffer 1975; Lindblom 1994); and (4) becoming identified with symbols, values or institutions that have a strong base of social legitimacy (Dowling and Pfeffer 1975; Lindblom 1994).

The first strategy would require trade associations to encourage members to change their actual behaviour and therefore necessitates a degree of internal control or influence. The other three strategies are more about external relations and may well be the kind of activities that industry associations feel most comfortable with. As film is recognised as a tool for representing society and diverse groups within society and can be useful, in combination with other art forms, in encouraging regeneration and other positive social outcomes (Pachter and Landry, 2002; Matarasson, 1997), industry associations have a difficult role in mediating between the commercial considerations of film companies and the inherent social role which film plays. In failing to represent certain sectors of the community or not allowing such sectors access to distribution and exhibition for their films, the industry has faced criticism both from government and from particular sections of the population. In response to this, industry associations in film are fragmented into narrowly defined interest groups rather than having coherent representation, which embraces the various interests of the many stakeholders. This creates a legitimacy problem in terms of representation in the film industry.



Collaboration

The fourth concept in our emerging framework is that of collaboration. This applies to the collaboration between members in trade associations and to the collaboration of trade associations in a variety of policy networks. Huxham and Vangen (2004) suggest that in order to realise the advantages of inter-organisational collaboration and overcome the dangers of collaborative inertia a number of rather complex and difficult feats have to be accomplished. Collaborations must be able to work to some form of achievable common aims but assumed or hidden aims are often quite different from each other and change over time. They must solve the problems inherent in sharing power and power differences. Partners have to build trust in each other where conflicting purposes and power differentials more often lead to a lack of trust. They must deal with the problems of scale and complexity, particularly in large partnership networks with overlapping memberships. They must find a way to keep the collaboration going despite the naturally changing dynamics of partnerships and they must develop some kind of effective leadership in a situation where different collaborators bring different aims and very different levels of commitment to the collaboration.

Some of these issues surrounding collaborations can be found in the work of trade associations in general, and will affect their CSR engagement. Some respondents stressed the need (and occasional difficulty) of agreeing on views and aims.

“Sometimes it’s quite difficult. [...] What we do when it just cannot be reconciled is to say, ‘some of our members think this and some of our members think the other thing’. [...] So, we’re actually quite good at finding that common ground, and I think we’re quite good at saying, ‘the point of this issue is that there are one or two divergencies’, and what we will do, we will say, ‘industry thinks this and that but the SMEs have this kind of slight divergence or difference of opinion, and the leaders on CSR have this viewpoint on whatever, but the rest have this view’. So we will make this kind of distinctions. And with CSR it’s particularly interesting, although it’s not really a problem and the two are valid observations, for the simple reason that we’ve always stressed the diversity of CSR, so it doesn’t become a problem. If you stress diversity, if there are different viewpoints, you can say that’s part of the diversity”. (CSR advisor, CBI)

At Water UK, respondents mentioned both discussion forums, which could be used to gain formal agreement on positions, and more informal industry wide, mostly IT based ‘networks’, which were used more in order to discuss issues before a formal paper would be devised and to gain quick feedback on salient issues. There was a feeling that, due to the relatively small size of the industry and a prevailing public service attitude a public service morality and corresponding sense of responsibility, there was a more collegiate attitude in the industry which made the work of the trade association different and in some respects easier.

A different picture emerges from more diverse industries with more but often smaller members, such as farming or the film industry. Here, collaboration between industry members is often considered to be much more fraught with difficulties, due to a



divergence in interests and the feeling of not being adequately represented by the associations by at least part of the industry.

An issue brought up as problematic by some respondents was the effectiveness of collaboration of trade associations in policy networks. Here there was a feeling that associations were not being heard as much as they would like to in policy debates or discussions with stakeholders. The issue tended to be phrased in terms of 'how can we work better with policy makers and NGOs for sensible public policy?'

Collaboration both within a trade association and trade associations' collaboration within policy networks would seem to be a fruitful area for further research.

Conclusion

In this paper we have proposed four concepts which can form the basis of a theoretical framework for the interpretation of trade and industry associations' engagement with CSR issues. We have argued that associations' CSR engagement can usefully be categorised into internal and external activities and that the concepts of 'representation', 'control', 'legitimacy' and 'collaboration' can all provide useful insights into the topic and give rise to further research questions.

The paper is currently based on the first results of an exploratory empirical study and our reading of different literatures that we think have a bearing on this topic. Further empirical research is needed to determine whether the concepts we have identified are robust and how they need to be refined to give greater explanatory power to the framework.

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