Neither National Boundaries nor Transnational Social Spaces: Accounting for Variations in Valuation of ESG Risks in Varieties of Capitalism

NEITHER NATIONAL BOUNDARIES NOR TRANSNATIONAL SOCIAL SPACES: ACCOUNTING FOR VARIATIONS OF CSR PRACTICES IN VARIETIES OF CAPITALISM

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ABSTRACT

The paper empirically re-examines the role of national institutions and trans-national social spaces in accounting for variations in CSR practices. Based on a longitudinal study of corporate social reporting in UK and Germany, the paper concludes that corporate stakeholder salience patterns are outcomes of interaction effects between national institutional boundaries and trans-national social spaces. It pushes the institutionalist frontier of research to corporate stakeholder salience – which is a precursor and intrinsic to both corporate accountability and corporate social responsibility. In addition, it opens a new vista of looking at corporate social reports – i.e. not only as artefacts of accountability, but also carriers and reflectors of national and trans-national characteristics and influences. The paper finally highlights implications of the findings for CSR and comparative capitalism research, respectively.

KEY WORDS: Comparative CSR, Varieties of Capitalism, Transnational Social Spaces

INTRODUCTION

What accounts for variations of corporate social responsibility practices (CSR) across institutional varieties of capitalism? There is a growing interest on how CSR practices are functions of their institutional contexts, which is mainly informed by the understanding that institutions shape "… how stakeholders' interests are defined… aggregated, and represented with respect to the firm" (Aguilera and Jackson, 2003:450). This approach to deconstructing and understanding CSR practices has, in the main, drawn significantly from literature on comparative institutionalism (e.g. Matten and Moon, 2008; Campbell, 2007; Aguilera et al., 2006). Matten and Moon (2008), for instance, use their 'explicit' and 'implicit' model to explain the difference between Continental European and North American versions of CSR practices. They suggest that whilst the 'explicit' style characteristic of North American firms' CSR is vociferous about its contribution to the society – for example in provision of healthcare, education, employee welfare and other social amenities, the 'implicit' style characteristic of Continental Europe finds it less attractive to report such social provisions as contributions to the society, since these provisions are already taken care of by the national institutions in which they operate in. The UK government's national health care service (the NHS) has been providing free healthcare service to its citizenry since the 1940s and the German system has ensured that employees' welfare gets top priority in organisations through its co-determination approach to corporate governance – albeit, the principle of co-determination has continued to undergo series of modifications and adaptations (Borsch, 2004).

Most of these institutionalist accounts tend to adopt a macro (national level) characteristic, which appears to suggest some kind of organisational field homogeneity within national institutional contexts. Whilst the introduction of comparative institutionalism perspective to the CSR literature is innovative and worthwhile, at least in wrestling CSR from the domineering grips of managerialist theorisations (Owen et al., 2000; Gray; 2002; O'Dwyer, 2002, 2003), it appears to under-emphasis possible heterogeneities that could exist within national institutional boundaries. These heterogeneities have been picked up by a related stream of literature that emphasises sectoral differences as main sources of variations of CSR practices (Griffin and Weber, 2006). The significance of sectors in accounting for corporate actions is also gradually permeating and unsettling the core tenets and foundations of national business systems and comparative capitalism, which are in orientation macro-centric. Scholars promoting the sector-based perspective argue that national business systems are not necessarily homogenous but are most of the time concatenations of heterogeneities, or at best 'models within models' (Deeg and Jackson, 2007:154).

An anchor for the sector-based argument is that some sectors are constitutively and uniquely trans-national social spaces[1]. As such, their practices cannot be fully accounted for by national institutional boundaries. In some instances, these transnational social spaces could be either more influential on corporate practices than

[1]Borrowing from Morgan (2001): "I take 'transnational space' to refer to an arena of social action distinct from that of the 'national' context. It is an arena of social interaction where the main modes of connection between groups cross national boundaries…. Transnational social space implies a more open-ended set of cross-border connections between multiple nodes in which the forms of interaction become more than simply the sum of interactions between different 'national' units; it constitutes an arena in which new social actors may emerge, which may be labelled 'transnational communities' (p.115).

national institutional contexts and vice versa. The oil and gas sector in Nigeria, for instance, is heavily driven more by global than local practices (Ite, 2004, 2005; Frynas et al., 2006; Frynas, 1999), since the major actors in the sector are MNCs who tend to retain their home country influences, albeit with slight modifications (Whitley, 1999a,b). The two streams of literature on the influences of national institutional boundaries and trans-national social spaces, respectively, on corporate actions, therefore, appear to be in constant contestation in accounting for variations of CSR practices, albeit with inconclusive outcomes.

This paper empirically re-examines the role of national institutions and unique sectoral characteristics in accounting for variations in CSR practices. It leverages a core CSR practice – i.e. corporate stakeholding – as an empirical base. It draws from social account data produced by 3 major sectors (aviation, financial services and utilities) in 2 major exemplars of varieties of capitalism – UK and Germany, for comparative purposes. The main thesis of the paper is to establish to what extent either national boundaries or transnational social spaces (sectors), respectively, account for variations in corporate stakeholder salience patterns. The paper first starts with a presentation of stakeholder salience and varieties of capitalism analytical model.

THEORY

Corporate stakeholding and stakeholder salience

The stakeholder perspective to organising and managing firms is one of the major management paradigm shifts in the late last century. The theory, in its present form traceable to Freeman (1984:246), broadly and loosely defines stakeholders as "…those groups and individuals who can affect, or are affected by the achievement of an organization's purpose" – for example shareholders, employees, suppliers, government, competitors, local communities and the environment. One of the popular propositions of the stakeholder theory is the view that firms exist at the nexus of series of interdependent relationships with groups that can affect or are affected by them (Crane and Livesey, 2003). Given the infinite network of relationships firms are usually entangled in, this proposition, however, poses some fundamental challenges such as defining the boundaries of stakeholder-ship and effectively managing these relationships that often come with conflicting interests and goals. As such, Freeman (1999:234) suggests that: "…if organizations want to be effective, they will pay attention to all and only those relationships that can affect or be affected by the achievement of the organization's purposes". In other words, it is important for firms to pay attention to their important (salient) stakeholders.

Extending this instrumental view, Mitchell et al. (1997) theorised that stakeholder salience is a combination of the following factors: power, legitimacy and urgency. A stakeholder group has power when it can impose its will on the firm, especially when it controls resources needed by the firm (Pfeffer, 1981); while legitimacy implies that stakeholder demands comply with prevailing norms and beliefs. Legitimacy is achieved if patterns of organisational practice are in congruence with the wider social system (Scott 1987; Powell and DiMaggio, 1991). However, power and legitimacy can appear together, giving authority to those who have both (Weber, 1947), but they can also appear independently. Finally, urgency is a concept sustained on two elements: (1) the importance stakeholders accord their own demands; and (2) their sensitivity to how long it takes managers to deal with their demands (Gago and Antolin, 2004). These salient variables according to Mitchell et al. will determine how a firm responds to its stakeholders. Optimal strategic stakeholder management is, therefore, dependent on the ability of firms to identify and be responsive to salient stakeholders within their business environment.

Over the years, stakeholder management discourses and practices have, mainly, been anchored on managerial discretion. In other words, stakeholders that receive priority from management will be those whom managers perceive as highly salient (Agle et al., 1999). Theorists have recently, however, started offering complementary views to this managerialist view and interpreting firms' interactions with their stakeholders from a much broader perspective that incorporates institutional, cultural and societal contexts, into the debate. One of the approaches adopted by scholars in this field is the comparative capitalism tradition – a term used to refer "…to a diverse set of approaches and analytical frameworks with common concerns in understanding the institutional foundations of diverse national 'varieties' of business organization" (Deeg and Jackson, 2007:149-150). The varieties of capitalism (VofC) model (Hall and Soskice, 2001), as one of the variants of comparative capitalism tradition, offers a comparative framework to understand the political economy of firm behaviour and performance.

Comparative capitalism perspective

The central theme of the varieties of capitalism model is the macro-economic dichotomization of institutional contexts in which firms operate, based on such indices as legal and governance systems, sources of finance and skills, and other socio-legal indices like degree of labour unionisation and incursions of regulatory authorities. It is not uncommon in comparative capitalism literature to stylise coordinated market economies (CMEs) as stakeholder oriented and liberal market economies (LMEs) as shareholder oriented (Dore, 2000). The CME is society oriented and firms within it often tend to focus on meeting broad range of stakeholders' needs (e.g. employees, suppliers, shareholders, etc), whereas the LME is market oriented and often focuses more on meeting shareholders needs than those of any other stakeholder groups (Dore, 2000; Amable, 2003; Hall and Soskice, 2001; Fiss and Zajac, 2004; Jackson, 2005; Hancke et al., 2007). Japan and Germany are prime examples of CME whereas UK and the USA are exemplars of LME. In this regard, it is argued that different national and institutional contexts provide some sort of comparative advantages to firms within them. For example, the power, legitimacy and urgency of a unionised work group to impact on the activities of a firm would, for instance, depend on the legal institutions and societal expectations in which such unions are embedded in. Furthering their distinction of CMEs from LMEs, Hancke et al. (2007:5) state that: "The 'coordinated market economy' (CME) is characterized by non-market relations, collaboration, credible commitments, and the 'deliberative calculation' of firms. The essence of its 'liberal market economy' (LME) antithesis is one of arm's length, competitive relations, formal contracting, and supply-and-demand prince signalling".

New waves of interpreting corporate governance and social responsibility, which have been on the increase, have also drawn insights from comparative business systems perspectives. Aguilera and Jackson (2003), for instance, presented a comparative corporate governance model which suggests that the LME differs markedly from the CME in terms of stakeholder salience. They emphasised the need to incorporate institutional dimensions to corporate governance discourse (Jackson, 2005; Aguilera and Jackson, 2003). Following this suggestion and in order to provide some insights and clarifications into divergent findings in this field of enquiry, this study focuses on accounting for the variations of corporate stakeholder salience patterns in two extensively stylised exemplars of the VofC model – i.e. UK (LME) and Germany (CME); and 3 trans-national sectors in these countries. These variations are explored based on the on the propositions developed below.

Developing Propositions

The VofC model holds that German and UK institutional contexts are fundamentally different in their economic coordination strategies and mechanisms. It has been argued in the extant literature on comparative capitalism that CMEs and LMEs, which German and UK economies represent respectively, are fundamentally different in such areas as ownership patterns, financial institutions, corporate governance, industrial relations and employee representation (Vitols, 2001). Following this broad-brush typology of the UK and German institutional contexts, respectively, therefore, this research proposes that:

> *P1: Corporate stakeholding patterns will differ between German and UK national institutional contexts.*

Vitols (2001:341-42) also argues that major investors in the UK include institutional investors – investment funds, pension funds, and insurance companies – who "…take a 'portfolio' approach to risk management by taking small stakes in a large number of companies" and "…are generally solely interested in a high return on their shares (and thus primarily on the profitability of the company invested in)". This investment paradigm and practice in the UK is quite unlike that of German investors who are rather "…characterized by one or more large shareholders with a strategic (rather than purely share value maximization) motivation for ownership". These shareholders are mainly banks, that the German economy has aptly been described as the 'bank-based-economy' (Amable, 2003; Fiss and Zajac, 2004). Arguably, one of the primary reasons for these banks to have stakes (or buy shares) in the firms they support is to protect their loans and not necessarily to earn income from them (Vitols, 2001). In addition to the different investment profiles of shareholders in the two economies, shareholding in the UK is known to be rather dispersed while share ownership in Germany is concentrated. It is based on this combination of shareholders' profiles and the degree of dispersion and or concentration that it has been argued that German investors and shareholders are more prone to providing 'patient capital' (Schröder and Schrader 1998; Jürgens, Naumann and Rupp 2000) than would obtain in most liberal market economies, which the UK economy aptly represents, driven by short term profits. Where and when such expected profits do not arise and or are not forthcoming, shareholders in liberal market economies are known to quickly exit. This ability and propensity for quick exit, then pushes managers to mainly aim towards profitable returns in order to keep shareholders attracted to the firms they manage. Given the divergent attention and emphasis placed on shareholders in the two economies, this study proposes that:

> *P2: German and UK firms will differ on the emphasis they respectively place on shareholder salience*

A second major institutional difference identified in the literature between German and UK firms is the relevance given to employees in corporate governance. In the German context, employees exercise strong 'voice' through corporatist bargaining and co-determination, which ascribes to them "…the right to negotiate key issues with management, including the hiring of new employees, introduction of new technology, use of overtime and short-working time, and in the case of mass redundancies, the negotiation of social plans (*Sozialplane*) covering redeployment, severance payments, and early retirement" (Vitols, 2001:343). This right derives from the German Works Constitution Act of 1972 (*Betriebsverfassungsgesetz*) to elect works councils. In addition to the works councils, employee representatives are also included on German supervisory boards under the 1976 Co-Determination Act (*Mitbestimmungsgesetz*), which applies to almost all companies with 2,000 or more employees (Vitols, 2001:343). Contrary to the rights and privileges bestowed on employees in the German context, employees do not enjoy similar rights in most liberal market economies (the UK inclusive). In the UK, labour is primarily seen as an input in the production process that should be maximised efficiently and profitably. The UK institutional context, therefore, makes it easy for firms to hire and fire employees, which in turn induces employees to go for broad skills as safety nets, whereas the German system encourages specialization of skills amongst employees (Whitley, 1999a; Hall and Soskice, 2001; Vitols, 2001). As a result, this research study proposes that:

P3: German and UK firms will differ on the emphasis they respectively place on employee groups

The roles, rights and powers of management in German and UK firms are also seen as another major source of difference between the two economies. In the liberal market economy, the functions of management are primarily a fiduciary one that requires them to maximise shareholders wealth (Berle and Means, 1932; Friedman, 1962). As such, they represent the most powerful entity between the firms and their owners and exercise strong 'voice' in organisational decisions. This is typical of the 'shareholder' model of corporate governance. The stakeholder model of corporate governance, which is typical of the German system, on the other hand gives voice to multiple stakeholders – especially employee groups, as already noted above – in how firms are run (Kelly et al., 1997). The dichotomy between the roles of management in corporate governance in Germany and the UK respectively, is further re-enforced by prevailing social understanding and expectations of firms in both institutional contexts. In Germany, for instance, firms are seen as having social obligations in addition to wealth creation, while in the UK firms are primarily instruments to maximise shareholders wealth and as such, social obligations are rather secondary. This has recently been emphasised in the 'implicit and explicit' corporate social responsibility model advanced by Matten and Moon (2008). In this regard, this study, also, proposes that:

P4: German and UK firms will differ on the emphasis they respectively place on management

However, the growing emphasis on consumerism and consumer welfare and orientation is not restricted to any capitalist system. It has in itself assumed a global dimension, which highlights a postmodern expression of consumer sovereignty and a `de-traditionalized' consumer society (Sturdy, 1998:27). The 'customer is king' philosophy has become one of those marketing fads and fashions that have continued to trail the growth and expansion of the service economy (Egan and Shipley, 1995; Sturdy and Fleming, 2003; Jones and Fleming, 2003). Although there is an implicit assumption of an inherent positive (normative) orientation towards consumers in coordinated market economies, the liberal market economies in their sole quest for profit have also turned to the consumers, albeit, in an instrumental fashion. Attention to customer needs has been identified as a key survival strategy in contemporary globalised economy (Deshpande et al, 1993), and the diffusion of this ideology has been sustained through organisational practices of Transnational Corporations (Abrahamson, 1991; Siu and Darby, 1995), management consultants and the international media (Bloomfield and Danieli, 1995; Jackson, 2001). Given the globalised nature of customer service discourse and pervasive international influences on different institutional contexts, structures and governance mechanisms, this research study proposes that:

P5: German and UK firms will adopt similar direction of emphasis on customers if exposed to similar international influences

Tied to these propositions is also the need to understand how patterns of corporate stakeholding salience (if any) are made manifest on the sector levels; and the interrelation between characteristics of sector and national institutional contexts. It is expected that the unpacking of these configurations and interrelations will throw some light to understanding how stakeholder salience is implicated in the dynamics of both industry and institutional contexts.

METHODOLOGY

Selection of Firms

The firms chosen for the study are selected systematically to minimise bias in the research data. Some of these biases include company size, country/ region, listing status and industry, which previous studies had sought to control for as well (for example, see: Meek et al., 1995; Gamble et al., 1996; Griffin and Weber, 2006). To minimise these biases, a list of top UK and German firms is drawn from the 2006 edition of *Fortune Global 500* companies list. The use of *Fortune Global 500* list and similar lists as selection indices and empirical sites is well established in the literature (e.g. Jose and Lee, 2007; Kolk, 2003). The list produced thirty eight (38) UK firms and thirty five (35) German companies.

Data Sources and Collation

The primary research data source for this research study is corporate social reports, because they have become signals for 'good' corporate citizenship (Matten and Crane, 2005) and stakeholder orientation (Crane et al., 2004) as well as stakeholder accountability (Gray, 2002; Gray et al., 1995a,b; Unerman, 2000) and reputation artefacts (Hooghiemstra, 2000). A key point of this study, therefore, is that firms use corporate social reports to signal their stakeholder salience. Following this understanding, corporate social reports, therefore, provide **pragmatic and novel** empirical sites to study corporate stakeholder salience patterns and practices – especially as "….identities and interests of stakeholders vary cross-nationally' (Matten and Moon, 2004:14).

The seventy three (73) firms were contacted for hardcopies of their social, environmental and sustainability reports from 2000 to 2006. After a matching process of availability of social reports across sectors in UK and Germany, the following sectors were randomly chosen in alphabetical order: Aviation, Financial Services and Utilities. This is to control for extraneous variations, as much as possible, so that identified variations between sectors could be pinned down to differences in national institutional contexts.

In order to further substantiate the validity of data drawn from corporate social reports, an online survey was administered to all the 73 firms in the sample frame, which basically asked them to rank the identified stakeholders used in the study in their order of importance (i.e. salience) to the firms – through a forced ranking order. The idea behind this forced ranking order is to identify possible patterns of stakeholder salience in the different institutional and sectoral contexts and see how they compare to those generated from corporate social reports. Similarity in patterns will confirm the validity of both sources of data, while dissimilarity may either suggest low validity and or suggest incongruence between corporate 'talk' (survey) and 'text' (corporate social reports) (Dore, 2000).

The online survey was emailed to senior executives of all the 73 firms (38 UK and 35 German firms) in our sample, who are involved in corporate social responsibility, governance and or accountability functions, to further enhance and augment the robustness of the conclusions reached from the corporate social report data of the 3 main sectors of the study – Aviation, Finance and Utilities. The survey recorded an average total response rate of 61%.

Data Coding and Analyses

The corporate social reports were content analyzed using a validated coding scheme. In all, the corporate social reports – which amounted to a total of **3,822** pages of report – generated a cumulative total of **2,986** images, **1,833** graphics, and **125** pages of Chairman (management) Statement (CS) and **872** paragraphs of these Chairmen (management) Statements. The social reports were then rigorously coded page to page, image to image; graphics to graphics and paragraphs to paragraphs, based on a coding criteria.

Data generated from content analysis of documents and online survey, respectively, were analysed using multivariate analysis of variance (MANOVA). According to Ellis and Haase (1987), multivariate models are suitable for analysis of data from researches that give rise to more than one dependent variable, as in this study with the following dependent variables – Customers, Employees, Management, and Shareholders stakeholder groups.

Findings

The multivariate statistical analysis of variance was run on the data using the SPSS statistical software. Results of the analysis, in a nutshell, show that corporate stakeholder salience patterns as reflected through corporate social reports are significantly ($p<0.0001$) influenced by sectoral and institutional contexts, both in isolation and in conjunction with each other, whilst the online survey data confirm that both sector and institutional contexts have influence (at a significant level of $p<0.05$) on corporate stakeholder salience.

The outcomes of MANOVA from both sources of empirical data suggest that the UK and German institutional contexts generate distinctive patterns of corporate stakeholder salience profiles, as well as the different sectors used in this study. This makes it more interesting to argue for an interaction effect between sectoral and institutional influences on corporate stakeholder salience patterns; but more would be needed from the data to further unpack the implications of these interactive effects on the predictions of the varieties of capitalism for the UK and German institutional contexts, which constitute the main propositions of this research study. In order to do this, the research leverages outcomes of the multivariate analysis of data from corporate social reports, which is the main data source of this study, to search for between-subjects effects as shown in the table below.

INSERT TABLE 1 ABOUT HERE

From the result tables above, both country and sector level data offered what could be considered contradictory results in isolation, when matched against the postulations of the varieties of capitalism model. In other words, neither of the results in isolation confirms the postulations of the varieties of capitalism model. The country level data suggest that German and UK firms differ only on Consumers stakeholder salience, which is rather directly opposite to the propositions of this study. The sector level data on the other hand suggest that the sectors differ only on Employees and Management stakeholder salience. However, it is difficult to read off varieties of capitalism postulations from sector level data in isolation of country influences. A further probing into the joint sector/country influences on patterns of stakeholder salience, shows that the German and UK institutional contexts interact with sector level influences to shape patterns of corporate stakeholder salience profiles. In a nutshell, the table below highlights the implications of the influences of sector, country and sector-country interactions on corporate stakeholder salience patterns, expressed through UK and German corporate social reports, in support of the propositions derived from the varieties of capitalism model employed in this research study.

INSERT TABLE 2 ABOUT HERE

As a result, it could be concluded therefore, that corporate stakeholder salience patterns are reflections of meso (organisational fields) and macro (national contexts) institutional characteristics.

DISCUSSION

The broad literature on the role of business in the society has recently witnessed a burgeoning of works accounting for variations in one or more of the following: corporate social responsibility, stakeholder management, corporate accountability and governance either from a sectoral perspective (e.g. Gray et al., 1995a; Kolk, 2003;

Griffin and Weber, 2006) and or national contexts perspectives (e.g. Maignan, 2001; Chapple and Moon, 2005; Jackson, 2005; Amaeshi et al., 2006; Matten and Moon, 2008). These studies often tend to either bracket sectors or national contexts in their accounts, depending on which of the two they are focusing on. What this research study suggests in more specific terms is that such dichotomisation of sectors and national contexts in the study of business and society interactions could lead to lopsided conclusions that ignore and consequently undermine the simultaneous interactive influences of the two levels of governance (or socio-economic coordination) on corporate practices. In addition to this possible oversimplification of interactive institutional influences on corporate practices, there is also the tendency to deconstruct national contexts as summations of sectors within national contexts. This in itself, could as well be misleading in that sectors are not necessarily and exhaustively contained by national contexts, but could span across national borders and as such exhibit characteristics and attributes different from those of national contexts.

This conclusion fits well with the main finding of this study, which suggests that corporate stakeholder salience patterns – as expressions of firm behaviours – are implicated in the dynamic interactions between national and sectoral peculiarities. However, the ability of a sector to expand beyond its national boundaries through internationalisation offers an insightful and interesting dimension to unpacking the simultaneous joint sectoral and institutional influences on corporate practices, as is suggested by the findings of this research study, which has some research implications for the study of business and society interactions.

Good examples of such trans-national sectors will include the aerospace and automotive (Amaeshi et al., 2007), the oil and gas sectors (Frynas et al., 2006) and the financial services (Faulconbridge et. al., 2007) to mention but a few. The influences of these sectors are usually global and could be more powerful in certain instances than national institutional contexts (a good example here will be the role of multinational dominated sectors in some developing countries – the oil and gas in Nigeria, for instance – Uwem, 2005; 2004; Frynas, 1999). Also, in their comparative study of the interaction between the institutional contexts of UK and German corporate law firms, on one hand, and the international markets for legal services, on the other, Morgan and Quack (2005) found that contrary to the view that law firms are highly determined by the national distinctiveness of professional and legal systems of the institutional contexts in which they are embedded, that "… the internationalization of UK and German law firms bears traces of institutional legacies as well as signs of path-modification, and that *international markets for legal services may be more differentiated and less dominated by Anglo-Saxon law firms and conceptions of law than has been so far recognized*" (emphasis, mine, p.1765) . These trans-national sectors provide trans-national social spaces (Morgan, 2001, 2006; Morgan and Quack, 2005) in which trans-national organisations draw from to interact, shape and or reconfigure national institutional contexts, where possible.

Notwithstanding, these transnational sectors are not isolated entities. They rather constitute complex networks and also have the possibility of cross-sectoral influences and are as well susceptible to national modifications and translations (Abrahamson, 1991; Czarniawska and Joerges, 1996). These inter-sectoral, inter-country and trans-sector-country interactions are schematically shown below. Patches of grey on the schematic indicate areas of interactions between trans-national sectors and national contexts, which could account for heterogeneity within national models (Crouch, 2005; Crouch et al., forthcoming). Accordingly, Morgan (2006:24-25) argues that:

> …the national and the transnational clearly co-exist but what is interesting is how they interact and co-evolve. Whilst our social spaces are becoming more transnational, our capacities to resolve the problems emerging from this do not seem to be keeping pace. Many powerful actors still follow their national patterns and this leads them to interact with emergent transnational institutions in ways that exacerbate difference and conflict.

INSERT FIGURE 1 HERE

However, these changes occur in time. If applied to this research study, this temporal dimension implies that corporate stakeholder salience profiles are not static but are dynamically shaped by the characteristics of both the national institutional framework and the (trans-national) organisational field of the firm. By extension, therefore, corporate social reporting is responsive to these changing patterns of institutionally influenced corporate stakeholder salience, which reflects in the varied dominant themes of corporate social reporting over time. The environment, for instance, dropped-off the social reporting list in the 1980s and surfaced again in the 1990s (Gray, 2002, 2001). In the study of USA firms and environmental Lober et al (1997:67) found that "…Employees were the most frequently cited target group, indicated by 82% of the companies, followed by shareholders at 74%. Customers and government agencies were cited by over one-half of the report issuers as key audiences. Environmental groups and the local communities were targeted by over 40% of the reports. The general public was a target of 35% of the reports". While these cyclical changes in social reporting over the decades have been attributed to the subjection of social accounting and its associated activities (e.g. social audits) to the political whims of corporations (Gray, 2001), it has also been advanced that the increasing trend in social reporting by firms is linked to the social pressures on them since the 1970s to be more socially responsible in their practices (Gray, 2002). Jones (1999) cite the example of the US constitutional rights that were originally directed at white male property owners, but over time come to defuse to other stakeholder groups (e.g. women and ethnic minorities) because "…the basic articles of the Constitution and Bill of Rights created discursive space within which subordinated groups could act strategically to avail themselves of the same rights accorded to white men" (p.167).

Notwithstanding, these changes are more likely to be sticky rather than rapid or step changes given that large scale and far-reaching changes would require "…considerable institutional restructuring and realignment of major societal interests…[which] are unlikely to develop simply as a consequence of internationalization, or to occur within one or two decades" (Whitley, 1999a:134). In relation to institutional changes relating to corporate governance structures, Vitols (2001:339) argues that "…these developments can be clearly characterized as incremental – rather than fundamental – changes in existing ownership, employee representation, and top management institutions". In other words, it is advisable for comparative business and society studies to be aware of these dynamic interactions; recognise them in their accounts and find insightful ways to accommodating them in the interpretations of their research findings.

Finally, one of the key findings of this study, leveraging the varieties of capitalism analytical framework, is that corporate stakeholder salience patterns are reflections of series of complex interactions between national institutional frameworks and (trans-national) industry influences on firms. This finding is not limited to the understanding of corporate stakeholder salience but also has implications for current debates and efforts to fine-tune comparative business models – particularly the varieties of capitalism model. In this regard, the varieties of capitalism model as an analytical 'agenda' (Hancke et al., 2007) for understanding variations of political economies could be theorised as a reflection of the dynamism between interdependent layers of influences – one at specific (trans-national) sector levels, and the other arising from interactions between different (trans-national) sectors within a particular national context to generate national patterns of corporate stakeholder salience. Although the varieties of capitalism model is often presented as a firm centred approach (Hancke et al., 2007:5) – in which "[I]t is assumed that firms behave according to the rules provided for them by the specific institutional arrangements, which thus co-ordinate and 'govern' them" (Crouch et al., forthcoming) – it appears to abstract from these emergent interactive patterns of corporate stakeholder salience at the micro-level to typify national political economies, while at the same time paying less or minimal attention to possible heterogeneity within same national political economies and or influences from trans-national social spaces (Morgan, 2001, 2006).

The need to account for heterogeneity within the varieties of capitalism model has come at no better time than when the national culture school of thought is being hacked at its very foundations for taking within-nations heterogeneities for granted and assuming that national boundaries are fairly static/stable and almost impermeable (see Hofstede's and McSweeney's debates over implications of the national culture construct in social science research in *Human Relations*, 2002). One of the points made by McSweeney (2002a) in his arguments against typologies of countries based on 'national cultures' is the tendency of such approaches to undermine national heterogeneities and then subsume them under socio-geographic constructions of nation states, which may not necessarily constitute credible representation of differences between and within institutional contexts. The same line of criticism, therefore, could be levelled against the varieties of capitalism model if it continues to ignore endogenous sources of national system transformation and 'within-system' diversity (Coates, 2005; Boyer, 2005; Crouch, 2005; Panitch and Gindin, 2005); and instead apply a broad-brush approach to characterisation of national political economies, even though it claims to "...give micro-foundations to a more general theory of cross-national capitalist organization and adjustment" (Hancke et al., 2007:5). In this vein, Crouch et al. (forthcoming) observe and caution that: "Local specialisms that depart from the logic of a national system ... suggest that the nation state is not necessarily always the most important level for determining the institutional environment of business. It is important that research pay attention to these instances".

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Appendix

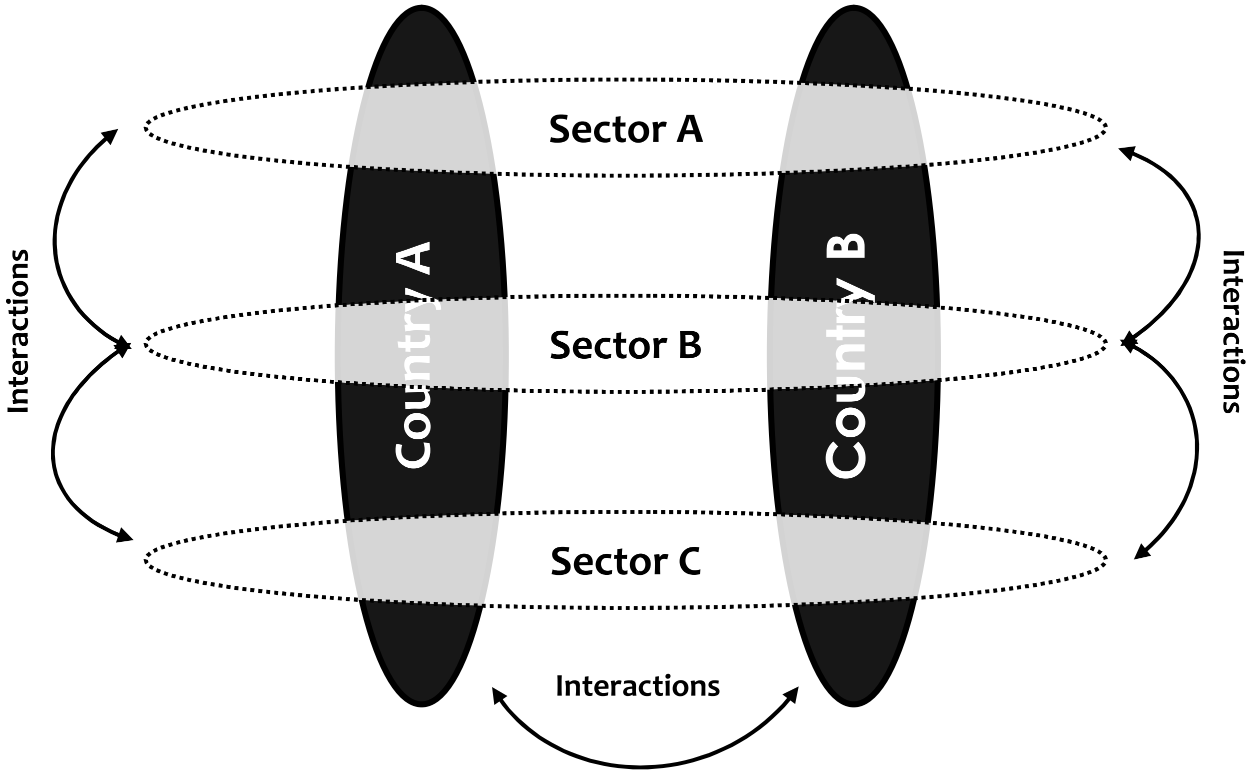
Table 1: Tests of Between-Subjects Effects using data sets from corporate social reports

Source	Dependent Variable	df	F	Sig.
Sector	Employees	2	4.955	.010
	Shareholders	2	.139	.871
	Consumers	2	1.494	.232
	Management	2	3.240	.046
Country	Employees	1	1.022	.316
	Shareholders	1	.721	.399
	Consumers	1	8.846	.004
	Management	1	.592	.445
Sector * Country	Employees	2	2.724	.043
	Shareholders	2	4.073	.022
	Consumers	2	1.674	.196
	Management	2	3.968	.024

Table 2: Implications of the influences of sector, country and sector-country interactions on corporate stakeholder salience patterns

	STAKEHOLDER SALIENCE/ ISSUES	DETAILS	SECTOR	COUNTRY	SECTOR/ COUNTRY JOINT INFLUENCES
Proposition 1:		Corporate stakeholding patterns will differ between German and UK national institutional contexts.	NA	☑	NA
Proposition 2:	**Shareholder**	German and UK firms will differ on the emphasis they respectively place on shareholder salience of different stakeholder groups in corporate social reports	☒	☒	☑
Proposition 3:	**Employees**	German and UK firms will differ on the emphasis they respectively place on employee groups in corporate social reports	☑	☒	☑
Proposition 4:	**Management**	German and UK firms will differ on the emphasis they respectively place on management in corporate social reports	☑	☒	☑
Proposition 5:	**Customers**	German and UK firms will adopt similar direction of emphasis on customers in their corporate social reports if exposed to similar international influences	☑	☒	☑

Figure 1: Country Sector Interactions



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