Fostering Corporate Responsibility through Self- and Co-regulation

Sector-specific Initiatives as Complements to Public Regulation

Executive Summary

Need for institutional and policy innovations

Due to the complex nature of today's societal challenges to sustainable development, such as demographic change and resource scarcity, there is a need for institutional and policy innovations to remedy the contested capacity of governments to fulfil societal expectations related to addressing these issues. Self- and co-regulation of business behaviour by companies are governance mechanisms that can serve as complements to traditional governing approaches. Self- and co-regulation refer to a broad range of collaborations between politics, business and civil society organisations (CSOs). They encompass structures and processes in which public and private actors work towards the development of common norms and/or the provision of collective goods.

Self- and co-regulation of business behaviour through sector-specific initiatives

As forms of self- and co-regulation, sector-specific initiatives with government involvement can adequately tackle sustainability issues. These initiatives represent different types of multi-stakeholder collaborations or industry-wide action in which public and private actors pool their resources and work together to address sector-specific challenges to the companies' operating environment (e.g., supply-chain management or a lack of trust within society) while tackling societal concerns. Thus, such initiatives promote win-win solutions for both companies and society at large. They can also assume different institutional forms (e.g., roundtables, networks, associations, etc.) depending on the specific goals they aim to meet.

Variety of sector-specific initiatives

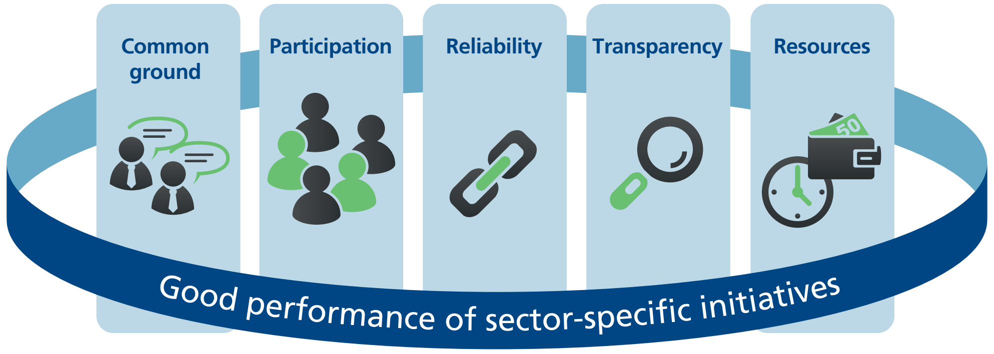
The study provides an overview of sector-specific initiatives at the national level in Europe based on intense research on the state of sector-specific Corporate Responsibility (CR) in eight countries (Denmark, Germany, France, the Netherlands, Poland, Spain, Switzerland and the United Kingdom) and five industrial sectors (chemicals, construction, wholesale and retail trade, information and communication technologies, and financial services). According to their goals and rationales, we identify awareness-raising, partnering, soft-law and mandating initiatives. Due to their differences, the four types of initiatives demonstrate certain strengths and limitations.

Four roles of government in sector-specific initiatives

We have identified four roles that governments can play in sector-specific initiatives: *contributing, facilitating, managing* and *regulating*. Three general statements can be made about these roles and the performance of sector-specific initiatives: Firstly, the *facilitating* and *managing* roles generally advance the initiatives' performance. Secondly, whereas public actors almost always *contribute* financially to such initiatives, neither the volume nor the source of support seems to be decisive for performance. Thirdly, since governments' role as *regulators* in sector-specific initiatives is mostly limited to soft-law and mandating initiatives. Nevertheless, this role does not seem to be significant for the performance of such initiatives.

Five success factors of sector-specific initiatives

As alternative governance mechanisms, sector-specific initiatives should abide by the criteria for good performance of traditional governance approaches: *legitimacy* (i.e., fairness and ownership of structures, processes and outcomes), *effectiveness* (i.e., short- and long-term benefits for companies and society) and *efficiency* (i.e., positive cost-benefit relationships).



Source: Bertelsmann Stiftung.

Correspondingly, in order to be successful, initiatives should: (1) offer *common ground* for public and private actors in terms of a common understanding of problems and shared goals; (2) generate high degrees of *participation* from both public and private actors; (3) prove *reliable* in terms of having feasible and measurable goals; (4) foster *transparency* in terms of providing information and permitting evaluation; and (5) be sustainably designed in terms of *resources* and duration of support.

Recommendations for policymakers

Policymakers can increase societal impact through self- and co-regulation in general and sector-specific initiatives in particular. First and foremost, public actors could help the sector-specific CR approach grow strong roots. They can do so by creating multi-stakeholder bodies, by founding new organisations and by incorporating sector-specific CR into overarching political and economic strategies. Secondly, public actors can focus on solutions. Especially in public-led or co-launched initiatives, they can enhance initiatives' performance by choosing the appropriate type of public-private collaboration in light of the specific problem to be addressed. In addition, public actors could consider which roles they should play within the structures and processes of collaboration. Last but not least, public actors could establish the five success factors of sector-specific initiatives.

This study presents the potential for self- and co-regulation of business behaviour as complements to traditional governing approaches as well as the role of public and private actors in such governance structures and processes. In doing so, it ties in with the current debate on self- and co-regulation with respect to CR at the European and national levels while emphasising the crucial role that governments can play as promoters and enablers of responsible business behaviour. Furthermore, the study highlights the sector-specific approach to CR as an adequate collective response by companies to tackling sustainability issues. Lastly, it offers insights to public actors and other stakeholders (e.g., business and trade associations, companies and CSOs) that engage in and facilitate self- and co-regulation through sector-specific initiatives.