WHY DO SPANISH FIRMS ENGAGE IN THE GLOBAL COMPACT INITIATIVE? AN EXPLANATION FROM INSTITUTIONAL AND SOCIAL IDENTITY THEORIES

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Abstract

Purpose: This chapter seeks to explain why Spanish companies are so active in Global Compact (GC) initiative, while their external environment is worse than other European countries. From 2010 onwards, Spain ranks first in business participants in Global Compact initiative, ahead of European countries with higher levels of transparency and higher quality of governance.

Design/methodology/approach: In this chapter we relate the Spanish evolution of GC signatories and external uncertainty (measured by Worldwide Governance Indicators and Corruption Perception Index); pointing out two theoretical approaches: Institutional and Social Identity Theories.

Findings: Economic perspective is not sufficient to explain the companies' adhesion to the GC initiative. In this chapter we explain the companies' behaviour regarding to the CSR activities from a social perspective.

Practical Implications: This chapter provides a response to understand the active behaviour of Spanish companies regarding to GC initiative.

Originality/value of chapter: This is the first study that analyses the relationship between the GC evolution in a country and its external uncertainty. Moreover it contributes to the CSR field by providing two theoretical approaches that offer complementary explanation and advance our knowledge about the GC motivations.

Keywords: *Global Compact, Institutional Theory, Social Identity Theory, External Uncertainty, International Transparency, Governance quality.*

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INTRODUCTION

The economic crisis in Spain is being followed by a strong social movement where demonstrations are the most visible consequence. According to CIS[2] (2014), unemployment, corruption and politicians are perceived as the main problems for the country. In fact, in the European context the Spanish level of international transparency and quality of governance is rather low. However, in the last years, the number of Global Compact (GC) Spanish participants has radically increased, even under an environmental situation of crisis, financial losses and closures. From 2010, Spain ranks first in number of business participants of the top twenty countries Global Compact signatories, ahead of European countries with higher levels of international transparency. In 2013, the number of Spanish business participants was 4.252 of which 314 were large companies and 903 were SMEs (UNCG, 2013). These data suggest that a discrepancy exists between Spanish managers' behaviour in Corporate Social Responsibility (CSR) and the perceived state of transparency and quality of governance in the country.

Why is Spanish business participation in Global Compact initiative increasing while the level of the country international transparency indicator is decreasing? When comparing with other European countries, what explanation can be given for Spanish firms and managers being so active in signing up for the GC? From a theoretical point of view there are two approaches that help us understand why Spanish firms behave in this way: Institutional Theory and Social Identity Theory.

Institutional Theory allows us to understand organizations' behaviour in order to maintain their external legitimacy, specifically under conditions of external uncertainty. The external uncertainty refers to the lack of knowledge the firm has about the environmental conditions. This lack of knowledge makes it difficult to specify in advance all possible contingencies and to adapt to the environment. Such uncertainty increases under e.g political and economic instability, corruption, or market volatility. The acceptance of the organization by its environment is critical for its success (Hannan and Freeman, 1977; Kostova and Zaheer, 1999). In Spain, the GC initiative is being led by Fundación Rafael del Pino, one of the most relevant Spanish foundations with important external relationships. Hence, it has effects on two domains of the institutional environment: the cognitive and the normative domains. The fact that well-reputed firms and organizations agree on GC, raises the status of this initiative and increases its degree of societal support. Institutional theory elucidates the mechanisms behind such societal support and extension of the initiative among firms. Both normative and mimetic isomorphism effects (DiMaggio and Powell, 1983) allow clarification of why organizations develop homogeneous patterns and follow model practices in order to reduce external uncertainty –or improve their knowledge about the environment- and, therefore, behave in such a way that increases their legitimacy. So, we argue that being part of the initiative in Spain is a means for maintaining external legitimacy under conditions of social dissatisfaction.

Social Identity Theory and Self-Categorization Theory (Ashforth and Mael, 1989; Hogg and Terry, 2000) suggest that people classify themselves into social categories on the basis of various factors. Those categories are useful for identifying members of the group and then excluding the ones that are not members. At organizational level, these theoretical approaches have been used to explain why corporate social performance is positively related to firms' reputation and to their attractiveness as employers (Aguilera et al., 2007; Turban and Greening, 1997). We apply similar reasoning to explain why Spanish managers are so active in their commitment to the GC. Managers classify themselves and manifest part of their social identity by the firm they are working for (Turban and Greening, 1997), so their decisions will take into account factors that affect firm's reputation and legitimacy.

To the best of our knowledge, this is the first study that analyses the relationship between the GC evolution in a country and its external uncertainty, specifically related to the firm's and managers' perception of transparency and quality of government. Recent literature has analysed the main reasons underlying the firms' GC engagement (Arevalo et al., 2013; Cetindamar and Husoy, 2007) and the driving forces for CSR in general (Aguilera et al., 2007; Melé, 2004). Nevertheless, such studies neglect the relationship between the country's environment regarding corruption and governance and managers behaviours. In this sense, analysing the theories that underlie these motivations would help clarify this phenomenon. Our study contributes to the field in three ways: first, by analysing firm and manager behaviour from the most-participatory country in the UN Global Compact; second, by employing a multi-level which might be of value to other IB and CSR scholars, and third, by providing two theoretical views that offer complementary explanation and advance our knowledge about the motivation behind this behaviour.

The paper is structured as follows. In the first section, we offer a brief introduction to the GC initiative and we provide some data to contextualise the analysis and to propose the research questions. In the second section, we delve into institutional theory and social identity theory, considering them suitable for explaining this phenomenon. In the third section, we consider government quality and corruption as indicators of the external uncertainty and we analyse businesses' behaviour regarding GC initiative. Finally, the discussion and conclusions are presented answering the research questions proposed in this paper.

GLOBAL COMPACT AND LOCAL NETWORKS

Global Compact Initiative

In 1999, the former Secretary-General Kofi Annan introduced in a speech to a meeting of CEO's the proposal that business and the United Nations (UN) should initiate together a "global compact of shared values and principles, to give a human face to the global market" (Gonzalez-Perez, M.A., 2013). His message caused a great impact on the audience and the following year, the small Global Compact initiative was born – with 44 signatories, coming from companies, influential civil society, labour and employer organizations (UNGC, 2010).

In 2014, the UN Global Compact (UNGC) is the world's largest corporate citizenship and sustainability initiative with over 12.000 signatories, including more than 8.000 businesses from over 147 countries around the world, that are committed to implementing the GC principles into business practices and taking actions to advance UN goals. (UNGC, 2010 & 2014).

The GC is a voluntary initiative where the public accountability, transparency and enlightened self-interest of participants are basic and necessary (Arevalo et al., 2013). The GC initiative is supported by the CEO's of the signatory organizations and prescribes a set of 10 principles focused in four different areas -human rights, labour, the environment and anti-corruption- that should be accepted and taken into account in the actions carried out by the signatories.

However, given that the initiative is a voluntary one, it is not without controversy. The participants, especially business participants, do not always take the GC principles into account when implementing their actions, and therefore they can deviate from philanthropic discourse. This risk -called "bluewashing"- together with the use of the relationship with the

UN by participants to positively influence their image without concern for improving their CSR strategies, are its main disadvantages. (Arevalo and Aravind, 2010).
In 2012, SMEs became the largest group of participants in GC (36%). Business participants (SMEs and large companies[3]) accounted for 66% of the total participants while Non-Business represented 34% (UNGC, 2012).

The participation in the GC initiative is by far greatest in Europe, comprising close to 48% of all signatories (UNGC, 2012). Furthermore, as reflected below, businesses account for the largest number of participants.

GC Local Networks and evolution of the Spanish GC Local Network

The GC Local Networks (GCLN)[4] are clusters of participants who group themselves to work within a particular geographic area. Their role is to facilitate the progress of companies (both local firms and subsidiaries of foreign corporations) engaged in the GC with respect to the implementation of the ten principles, while also creating opportunities for multi-stakeholder engagement and collective action. Furthermore, networks deepen the learning experience of all participants through their own activities and events and promote action in support of broader UN goals (UNGC, 2014b).

In Spain, the GC initiative was launched in 2002. At that time, thanks to the Fundación Rafael del Pino, 135 entities endorsed this initiative. In 2003 a Coordination Committee was created –with CSR Manager of Inditex as president - to encourage learning and dialogue amongst institutions, companies and their stakeholders.

The Spanish Local Network was launched in 2004, making it the tenth European GCLN. Following the launch of Spanish Local Network, other 14 European GCLN were created. Since then, the number of participants and members in the GC in Spain has not ceased to increase, as can be seen in Figure 1 and Figure 2 respectively.

[INSERT HERE FIGURE 1]

The number of GC Spanish signatories went from 369 in 2005 to 2,452 in 2013. We emphasize the experienced growth in 2009 with 923 participants, an increase of 42% from 2008. Similarly, in 2011, the Spanish GC signatories increased 40.7% over the previous year. In the same way the membership of GC Spanish network has evolved. The number of members in 2005 was 132, achieving 350 in 2013. The most significant growth in membership occurred in 2006 (35.6%) and in 2013 (36.7%).

[INSERT HERE FIGURE 2]

Following the global trend, in Spain SMEs –including micro-companies- are the largest group of GC participants, increasing 37% in 2012, and 26% in 2013. In 2013, SMEs accounted for 71% of total participants. Combined, SMEs and large companies accounted for 84% of total participants. This is a first difference compared to Europe's average.

[INSERT HERE FIGURE 3]

As a result of this evolution Spain, from 2010 onwards, has the greatest number of business participants, is ranked in first position. The Figure 3 shows that Spain ranks first in the top 20 countries with Local Network by number of business participants in 2012. Of the top 20 Local Network represented, eight are from Europe, seven from the Americas and five from Asia/Oceania.

This study focuses on the European context. We have taken into account the position of the European countries involved in the GC in the ranking, namely, Spain, France, Italy, Germany, United Kingdom and Nordic Network (Iceland, Denmark, Finland, Sweden and Norway).

The Local Network of these countries has been in the top 20 by number of business participants from 2007. France has held the top position from 2007 to 2010. In 2007, Italy was in seventh place but from 2008 began to fall, reaching the 16th position in 2012. However, UK, Germany and Nordic Countries remained in the top 10.

Why are Spanish firms the most active in adopting the Global Compact initiative? Why is there a different behaviour compared to other countries?

THEORETICAL EXPLANATIONS: INSTITUTIONAL THEORY AND SOCIAL IDENTITY THEORY

Several studies have identified some external and internal factors acting as the firm's drivers of CSR (Aguilera et al., 2007; Arevalo et al., 2013; Campbell, 2007; Turban and Greening, 1997). These studies increase our knowledge about the motivations for behaving in socially responsible ways, but they do not allow us to understand why there is a different behaviour among firms from different countries and what are the mechanisms underlying a manager's decision to engage in socially responsible initiatives as the GC.

From our view there are two theoretical perspectives that can help understand the above mentioned research questions: Institutional Theory and Social Identity Theory. While Institutional Theory increases our knowledge about the mechanisms that explain the relevance of external pressures in a specific country, the Social Identity Theory contributes to our understanding of why managers respond to these pressures in a specific way, involving their organizations in the GC Initiative.

Institutional Theory

There is a recent interest in adopting an institutional point of view for explaining why corporations engage in socially responsible initiatives (Aguilera et al., 2007; Brammer, Jackson and Matter, 2012; Campbell, 2007; Husted and Allen, 2006). The role of institutions in shaping the behaviour of firms has been well established by different authors (Hotho and Pedersen, 2012; Kostova, 1997; Powell and Di Maggio, 1991; Scott, 1995). A country's institutional environment is the set of political, economic, social and legal conventions that establish the basis for the organizations' functioning. In this sense, "institutions are taken for granted ways of acting, which derive from shared regulative, cognitive and normative frames" (Morgan and Kristensen, 2006: 1470). Therefore, institutions influence organizations by different processes. According Scott (1995) there are three main domains by which institutions exert their influence: the regulative, the normative, and the cognitive systems. Following this line of reasoning, Kostova (1997: 180) defines the three dimensions that configure a country's institutional profile. The "regulative" dimension refers to the "existing laws and rules in a particular national environment that promote certain types of behaviours and restrict others". The "cognitive" dimension is formed by the "cognitive programs that affect the way people notice, categorize and interpret stimuli from the environment". Finally, the "normative" dimension consists of "social norms, values, beliefs and assumptions that are socially shared and carried out by individuals".

Even in the absence of regulative pressures, institutions can have a strong effect on organizations' behaviour through the normative and the cognitive-system domain (Kostova and Zaheer, 1999; Scott, 1995). On the one side, the normative components of institutions define what is right and appropriate and what is wrong for a society's members. On the other side, the cognitive programs and shared values foster imitation patterns of those activities that have strong acceptance and cultural support in a specific society. This mechanism explains why organizations can become homogeneous by developing organizational isomorphism. Following this perspective, institutions shape the organizations' behaviour by guiding and encouraging certain types of structures and practices. Organizations will follow these institutionalized practices because it is internally rewarding and increases their external legitimacy (Kostova and Roth, 2002; Kostova and Zaheer, 1999; Scott, 1995).

Isomorphism can take different forms (DiMaggio and Powell, 1983). While we cannot claim that the GC initiative exerts a coercive isomorphism because of its voluntary character, we defend that its growth in Spain is due to normative and mimetic isomorphism. Mimetic isomorphism occurs when organizations respond to uncertainty and ambiguity by imitating other organizations that become the model. In this sense, modelling is a response to uncertainty (DiMaggio and Powell, 1983). Normative isomorphism occurs when organizations adopt patterns that are considered appropriate in their environment (DiMaggio and Powell, 1983). The legitimacy of these patterns has been established previously by the members of the collective and by imitating them the organization gains external legitimacy. The GC initiative is a powerful institutional pressure that increases mimetic and normative isomorphism. Firstly, by becoming a model for organizations, this initiative is a convenient source of practices that allows reducing uncertainty and ambiguity by mimetic behaviour. Therefore, the GC can affect the cognitive domain of the organizations under conditions of uncertainty. Secondly, the extent to which the initiative GC receives value from the organizations' collectives is a source of normative isomorphism because it increases its legitimacy.

Social Identity Theory

Social Identity Theory (Ashforth and Mael, 1989; Hogg and Terry, 2000; Tajfel, 1982) explains the self-categorization processes of individuals and groups dynamics. This theory introduces the concept of social identity or an individual's awareness of belongingness to certain groups, whose characteristics are different from those that identify other groups. The social categorization of self and others into an in-group and an out-group is very useful for understanding the individuals' behaviour, because it accentuates the perceived similarity of the individual to the relevant in-group prototype (Hogg and Terry, 2000). This process of depersonalization implies that the individual, because of being part of the group, assimilates herself to the stereotypical attributes that define the prototype and makes her own distinctive characteristics fuzzier.

Social Identity Theory has been applied to explain that an organization's social actions matter to its employees and influence their willingness to work for the organization (Aguilera et al. 2007). Similarly, it has been supported that a firm's corporate social performance is positively related to its reputation and, consequently, to its attractiveness for employees (Turban and Greening, 1997).

Hogg and Terry (2000) posit that social identity processes are guided by the need to reduce subjective uncertainty about one's perceptions, attitudes and feelings. Self-categorization as in-group reduces uncertainty by assimilating the individual to a prototype. Such prototype is both descriptive and normative because it implies the accomplishment of stereotypes and establishes how the individual should feel and behave. So, self-categorization can be a process for resolving uncertainty. Therefore, under circumstances of external uncertainty and ambiguity, where criticism about old management practices is rising and new demands for more transparent organizations are appearing, managers can feel compelled to be part of the group that has socially desirable characteristics.

There are several factors that increase the identification's willingness (Ashford and Mael, 1989). The first one is the "distinctiveness" of the group's values, or extent to which these values are specific to the group and different from others. The second one is the "prestige" of the group (Ashford and Mael, 1989) that can increase its popularity and extend the group's identification. This effect is due to the fact that social-identification affects self-esteem and the desire for positive prototyping will drive individuals to be part of the group. The third element that is associated with identification is the salience of the out-group (Ashford and Mael, 1989). When awareness of the out-group traits and behaviours is high, the characteristics of the in-group become more salient, affecting the individuals' identification.

Social Identity Theory contributes to explaining why Spanish managers are so active in their commitment to the GC because it focuses on the individual and how he or she behaves in order to improve his or her self-perception. This theory clarifies that under external uncertainty conditions managers can feel forced to join the group.

In the following sections we will illustrate how these two theoretical approaches allow understanding why GC initiative has become ingrained in Spain under conditions of crisis and external uncertainty.

EXTERNAL UNCERTAINTY IN THE SPANISH ENVIRONMENT

Since 2008, Spain has been affected by a deep economic crisis. In the last years, this country has seen a sharp fall in GDP due to a combination of overvalued exports, the EU recession, austerity policies, the collapse in the property market and the banking crisis. Consequently, the unemployment rate has increased substantially. This has resulted in log-term unemployment that has hit middle and upper-middle class employees. This economic crisis has led to a social crisis: in 2011 the May 15 Movement exploded onto the streets; in 2012 there was a large demonstration for independence in Catalonia; many cases of corruption have come to light in different areas and levels. During this time, the economic and social crisis has turned into a political crisis. Discontent with the political system has reached levels never before seen since democracy returned in 1978, having a clear effect on the last elections in May 2014, where both big parties have not been able to obtain half of the votes and small parties have obtained greater representation. According to a recent study by the Center for Sociological Research, the problems that Spaniards are most concerned about are unemployment, corruption and the economic situation.

Obviously companies, especially SMEs, have suffered the effects of the crisis. The lack of credit and financing facilities, delays in payments and the tax burden have slowed their growth and have even led to the closure of many companies. So the priorities of the firms have changed with liquidity being one of the most important aspects to survive (Miras et al, 2013). The economic crisis has dramatically altered the context of companies and in consequence of the CSR efforts, being one of the most important challenges (EABIS, 2009). In this sense, it might be expected that given the restrictions businesses will reduce their participation in socially responsible initiatives. Notwithstanding, some studies suggest that, contrary to expected, in crisis periods the constraint of resources of the companies do not affect the efforts of GC participants (Arevalo and Aravind, 2010). In the Spanish case, as noted above, the number of GC participants has increased considerably instead of being negatively affected.

As we have pointed out before, the external uncertainty refers to the lack of knowledge that managers have about the formal and informal institutional environment of a country and has been pointed out as a source of transaction costs[5] and it is related to corruption, among other factors (Demirbag et al., 2007).

In order to compare the external uncertainty of Spain with other European countries we use the Worldwide Governance Indicators (WGI) that have been used as a proxy measure (Dikova and Van Witteloostuijn, 2007; Slangen and Van Tulder, 2009; Thomas, 2006). Additionally, we also include the analysis of the corruption in these countries. Corruption increases the perceived external uncertainty and firms' transaction costs by making unclear the rules of the game (Demirbag et al., 2007; Habib and Zurawicki, 2002). To measure this phenomenon the most well-known corruption indicator is the Corruption Perception Index (CPI), published every year by Transparency International (Berg, 2001; Teixeira and Grande, 2012). Although the WGI includes corruption among its indicators, we use this as a global measure of external uncertainty and CPI as a specific measure of corruption.

Worldwide Governance Indicators

Governance is the way in which authority in a country is exercised in the management of public goods and services, including the process of selection, monitoring and replacement of governments, their capacity of government and the respect of citizens (Kaufman, Kraay and Zoido-Lobatón, 1999). The WGI are a research dataset summarizing the views on the quality of governance. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms (Kaufmann and Kraay, 2008; Kaufmann, Kraay and Mastruzzi, 2010). The WGI, developed by the World Bank consist of six aggregate measures of governance covering more than 200 countries. The six dimensions of governance quality are: voice and accountability, political stability and absence of violence/terrorism, government effectiveness, regulatory quality, rule of law, and control of corruption (Kaufmann, et al. 2010). Measures are reported in the standard normal units of the governance indicator, ranging from around -2.5 (weak) to 2.5 (strong) governance performance.

[INSERT HERE TABLE 1]

To measure quality of governance, we averaged the scores of the six WGI for several years collected by the World Bank into a composite measure of the overall quality of a country's governance (Dikova and Van Witteloostuijn, 2007; Håkanson and Ambos, 2010; Slangen and van Tulder, 2009). We include 2007 (before crisis), 2010 and 2012 (during crisis)[6]. Regarding the European countries considered -ranked in the top 20 GC participants-, we can appreciate some countries with quite low scores (see Table 1). It is the case of Spain (below 1) and Italy (near 0.5). France, Germany and United Kingdom have scores between 1.1 and 1.5 but all the scores have reduced during crisis. It should be noted that countries of Nordic Network have the highest scores of quality of governance, and these have improved in the last years, except in the cases of Iceland and Denmark.

To compare Spain with the other countries we have calculated relative governance quality as the difference in WGI scores between other European countries and Spain in the three years analysed (Håkanson and Ambos, 2010). Therefore, a positive value indicates that Spain has a less transparent governance system than the compared country. As showed in Table 1, in the three years all the values are positive with the exception of Italy. This means that Spain has a system of government less developed than the other countries, except for Italy that is worse. The difference is higher regarding France, Germany and the United Kingdom, although their governance quality has been reduced in 2012. The biggest difference is found with the countries of the Nordic Network, which means that these countries have a more developed governance system than Spain has. However, it should be noted that the Iceland case differs from the other Nordic countries. The relative governance quality in Iceland as regards Spain has been reduced substantially from 2007 to 2012.

It should point out that, despite the fact that most countries have reduced their quality of governance during the crisis, in Spain the situation has not changed whilst in Finland, Sweden and Norway they have improved their governance quality. This means that in the last countries external uncertainty has decreased while in the rest it has increased. In the case of Spain, even though this indicator does not show significant changes, we should note that it is rather low and has maintained stagnant in its low score, indicating that there is not a perception of efforts for improving even that the Spanish population is claiming for that.

International Transparency: Corruption Perception Index

The CPI scores and ranks countries based on how corrupt a country's public sector is perceived to be. It is a composite index, a combination of surveys and assessments of corruption that is collected by a variety of reputable institutions and calculated on a yearly basis. Launched in 1995, the CPI is the most widely used indicator of corruption worldwide (Transparency International, 2014).

The CPI draws on data sources from independent institutions specialising in governance and business climate analysis[7].

The CPI scores before 2012 are not comparable over time, because of the update in the methodology this year[8]. As part of the update to the methodology used to calculate the CPI in 2012, Transparency International (TI) established the new scale of 0-100[9], where 0 means that a country is perceived as highly corrupt and 100 means that a country is perceived as uncorrupted. However, in this study we want to compare the Spanish CPI with the other European countries in specific years and not over time.

[INSERT HERE TABLE 2]

As observed in Table 2 CPI values for Spain are the lowest among the analysed countries for the three years considered, except in the case of Italy. The public sector in the Nordic countries is perceived as less corrupt with values close to 10 in 2007 and 2010, and close to 100 in 2012. Spain, France, Italy, the UK and Iceland have reduced their CPI value in 2010 compared to 2007, meaning that increases the perception of corruption in these countries.

According to Transparency International, in 2013 Spain was one of the biggest CPI decliners along with Syria, Libya, Yemen or Iceland.

DISCUSSION AND CONCLUSIONS

It is difficult to understand the active engagement of Spanish organizations in GC if we only adopt an economic perspective (Campbell, 2007). The economic conditions in Spain can make difficult for firms to behave in socially responsible ways, because they cannot turn a healthy profit in the short term and their financial performance does not allow them to invest in such practices. We argue that the perceived environmental uncertainty –manifested in an increasing perceived corruption and in a stagnation of the low quality of government in Spain- is critical for understanding the Spanish firms' behaviour. We point out two theoretical approaches that relate external uncertainty and firms and managers' behaviour.

Taking an institutional point of view we argue that the Spanish GC Local Network has become a model that has exerted influence in the normative system by clarifying the appropriate patterns of behaviour and reducing the uncertainty. This is due to the fact that, in Spain, this initiative has been led by a very influential firms' network that gathers successful and well-recognised firms. Analysing the Global 2000 List (Forbes, 2014), there are 27 Spanish firms between the world's biggest companies. In the case of Spain, 24 of the 27 firms included in the ranking, are participants in the Global Compact initiative and most of them are leaders in the adhesion to this. The pioneer was Inditex, leading company in textile and apparel sector, signing the GC a year later that this was launched. As we can see in Table 3, the initiative, carry out by Inditex, was followed by top companies in the sector like Cortefiel, Adolfo Dominguez or Mango. The behaviour in other sectors has been similar. The pioneers in banks and financial services sector were BBVA and Santander, the two main Spanish banks, followed by Banco Sabadell, CaixaBank or Bankinter. Concerning Infrastructures, Construction, and Services Group sector, FCC, Abertis, OHL, and Sacyr followed to the leaders Ferrovial and ACS. The initiative has also affected the cognitive system domain by fostering the imitation patters. The fact that such large companies well positioned both nationally and internationally, are among the signatories has exerted a mimetic pressure over small firms that try to reduce the external uncertainty by following successful paths.

The Social Identity Theory complements this institutional approach by explaining why individuals are willing to identify themselves with referent groups and assimilating themselves to an ideal prototype. First of all, the distinctiveness of the group characteristics is claimed to be a factor that increases such willingness. If the group has distinctive values, as it is the case of GC initiative, by being part of this group –e.g. by committing their organizations with the GC initiative- managers gain the benefit of prototyping and depersonalization. At the same time, being part of the group allows to differentiate them from out-group members, e.g. those that have not signed any socially responsible initiative. The "distinctiveness" of the group's values provides a unique identity for its members. This is very important in current Spanish environment, where firms are more and more criticized and corruption is one of the main problems for society. The second element that increases such willingness is the "prestige" of the group. The fact that the GC initiative has been launched by United Nations and it is coordinated in Spain by well reputed institutions and leader firms has, with no doubt, increased the prestige and legitimacy of the in-group and explains why the initiative has gained momentum and escalated in this way. Finally, the third element, the salience of the out-group characteristics is very clear in Spain. As the Spanish crisis has been characterized by a raising perception of widespread corruption among firms and institutions and damaged social and labour conditions, the opposite values –those defended by GC initiative- have been more salient and desirable.

In the European context, Italy has a similar uncertain environment. However, as we have seen above its evolution has been very different from Spain. In 2007, Italy ranked in the top 10 GC participants. Nevertheless, from 2008 this country has lost positions in the ranking because of the decrease of the signatories. The behaviour of Italian participants can also be explained by the theories proposed. Italian Local Network has not been led by a particular reputed institution. Its launch was supported mainly by the government, but during the last years the Italian government has not been characterized by best practices. Important political crisis and high governmental instability have characterized this last period. Moreover, ENI was one on the first signatories in the Italy Local Network in 2001. This company, 30% participated by Italian government, has been involved in several corruption cases from 2005 (e.g. the scandal with Russian company Gazpron that implicated the Italian Prime Minister[10] or bribery problems with Uganda[11] and Algeria[12]). So this is not exactly a business model to be followed by other companies in order to reduce external uncertainty. In this line the prestige and legitimacy of the in-group GC participants could be questioned by Italian companies. Therefore, while Spanish firms use GC initiative to escape the reputational risk of their country, the Italian firms can’t escape. So, Spanish managers can lead their companies to a better reputation and lower their firm’s legitimacy risk, nonetheless Italian firms are stuck. Further studies should analyse in deep the Italian case to find more evidence between companies GC behaviour and Institutional Theory and Social-Identity Theory.

Consequently, to explain the companies’ adhesion to the GC initiative the economic perspective can be necessary but not sufficient. In a recession situation and lack of resources, it can be expected that firms withdraw CSR initiatives. Nonetheless, as we can see in the European countries, there are some examples (e.g. Spain and Iceland) where economic situation does not seem to hinder this kind of initiatives. In this paper we emphasize the importance of a social perspective to explain the companies’ behaviour regarding to the CSR activities. In so doing we contribute to a better understanding of the GC initiative and a to a deeper theoretical foundation of managers and firms’ behaviour in CSR. In this sense, we complement other studies that have relied on Institutional Theory for analysing why firms behave in a socially responsible way. But, more important, we provide a new glance to the field by relying on Social Identity Theory that has not been previously applied to this regard.

However, our study is not without limitations. In this paper we compare the case of Spanish GC participants with other European countries with cultural differences. But we do not consider the influence of country’s cultural features in the behaviour regarding to CSR initiatives. So, future research should consider the impact of cultural differences in these kinds of initiatives. On the other hand, we have used the number of GC participants in absolute data. To improve the evidence of the results future studies should consider the GC participants with respect to the total number of companies in each country.

Derived from the development of this paper arise other research topics. An empirical research would be desirable in order to analyse the impact of the adhesion to the GC on the reputation or prestige of the companies. Likewise, it would be very interesting to know the reasons that lead SMEs to embrace UN Global Compact initiative more than large companies. Finally, future research about CSR activities carried out by Spanish participants in GC initiative will be welcome.

ACKNOWLEDGMENTS

We appreciate the collaboration of the Spanish Local Network, with special thanks to the General Manager Isabel Garro, for providing us with the GC Spanish data.

NOTES

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[2]Centro de Investigaciones Sociológicas (*Center for Sociological Research*) is an independent administrative body, with its own legal status and funding, dependent on the Ministerio de la Presidencia, whose purpose is to conduct scientific studies of Spanish society.

[3]Of the total 3,262 large companies engaged in the GC, 49% were from Europe, 25% were the Americas, 20% were from Asia/Oceania, and 6% were from Africa/ Middle East & North Africa.

[4] There are three GCLN categories (formal, established and emerging networks). The differences between them are the type of requirements accomplished by their members. While the formal local networks involve those organizations that meet all governance and accountability requirements laid out in the Memorandum of Understanding (MoU), the emerging network gather those institutions that are in early stages of implementation of GC requirements. Nowadays, there are 100 GCLN around the world (62 formal, 10 established and 28 emerging networks).

[5] We refer to Spanish macro environment, that is, the environment that a Spanish firm faces when attempting to increase its legitimacy. We thank to one of the reviewers for calling our attention on this point.

[6]We do not include 2013 because of the lack of data.

[7]The methodology of each data source is reviewed in detail to ensure that the sources used meet Transparency International's quality standards. For more information about CPI sources: http://www.transparency.org/files/content/pressrelease/2013_CPISourceDescription_EN.pdf

[8] Saisana & Saltelli (2012) justify the differences between old and new methodology that make unfeasible to compare CPI scores obtained by different methodologies (Saisana, M., & Saltelli, A.; 2012. Corruption Perceptions Index 2012, statistical assessment. *JRC Scientific and Policy Reports)*.

[9]Values for years prior to 2012 are placed on a scale of 0-10.

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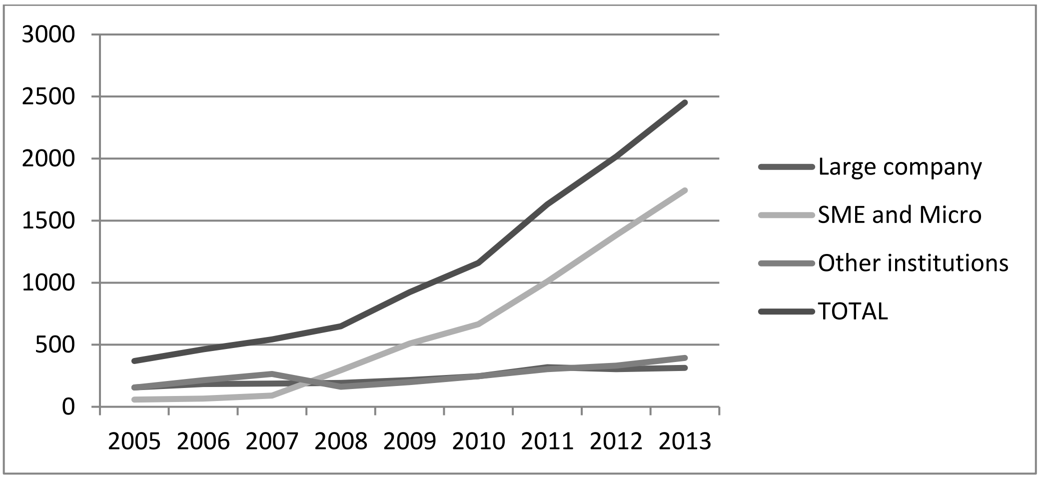
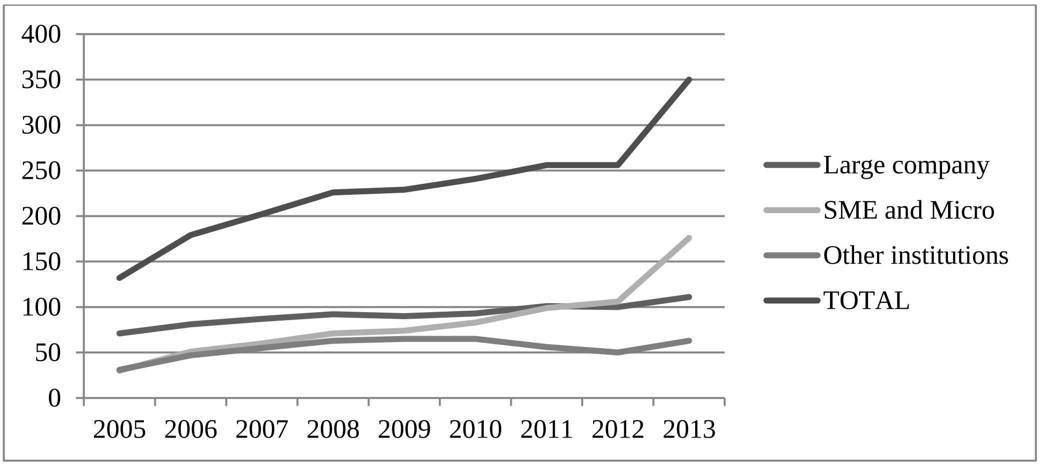
Figure 1: Global Compact Spanish Signatories evolution



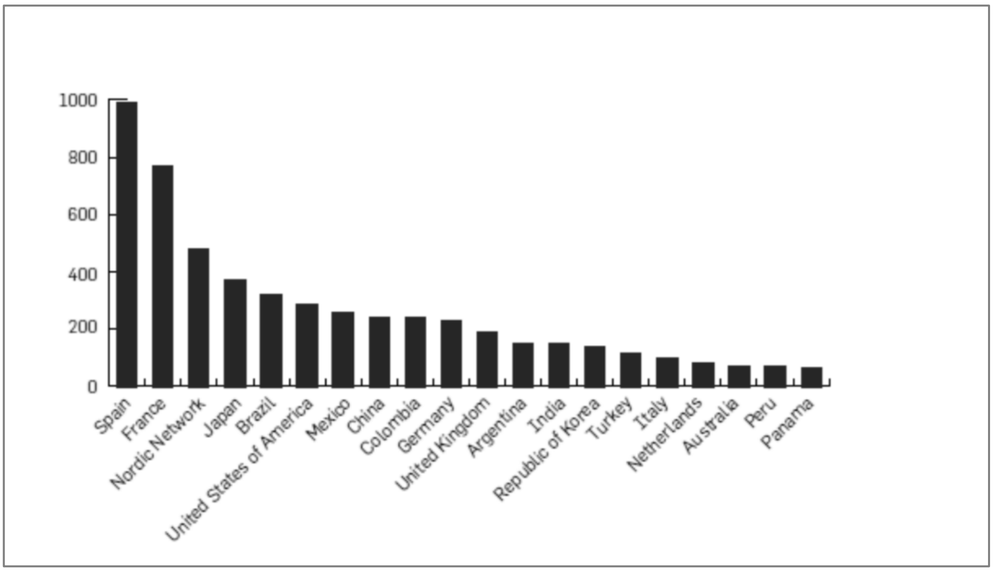
Source: Global Compact, Spanish Local Network (2014)

Figure 2: Global Compact Spanish Members evolution



Source: Global Compact, Spanish Local Network (2014)

Figure 3: Top 20 Countries with Local Networks by Number of Business Participants (2012)



Source: UN Global Compact Local Network Report (2012)

Table 1: Governance quality between Spain and de rest of top European countries with Local Networks by number of business participants

	Absolute governance quality			**Relative governance quality**		
	2007	**2010**	**2012**	**2007**	**2010**	**2012**
SPAIN	0,85	0,86	0,86			
FRANCE	1,24	1,26	1,18	0,39	0,41	0,32
ITALY	0,57	0,52	0,48	-0,28	-0,33	-0,38
GERMANY	1,51	1,43	1,45	0,65	0,57	0,59
UNITED KINGDOM	1,47	1,39	1,37	0,61	0,53	0,51
DENMARK	1,91	1,82	1,77	1,05	0,96	0,91
FINLAND	1,81	1,87	1,87	0,96	1,01	1,00
SWEDEN	1,75	1,77	1,82	0,90	0,91	0,96
NORWAY	1,66	1,72	1,78	0,80	0,87	0,92
ICELAND	1,73	1,43	1,46	0,87	0,58	0,60

Source: Worldwide Governance Indicators (http://info.worldbank.org)

Table 2: Corruption Perception Index in the top European countries with Local Networks by number of business participants

	2007	2010	2012
SPAIN	6,7	6,1	65
FRANCE	7,3	6,8	71
ITALY	5,2	3,9	42
GERMANY	7,8	7,9	79
UNITED KINGDOM	8,4	7,6	74
DENMARK	9,4	9,3	90
FINLAND	9,4	9,2	90
SWEDEN	9,3	9,2	88
NORWAY	8,7	8,6	87
ICELAND	9,2	8,5	82

Source: Transparency International, (http://www.transparency.org)

Table 3: Leading participants of the GC initiative and followers in Spain

Leaders companies	GC participant since	Sector*	Followers companies**
Inditex	19/09/2001	Textile and Apparel	Cortefiel Adolfo Dominguez Mango
BBVA Santander	24/06/2002 03/08/2002	Banks and Financial Services	Banco Sabadell BME Caixabank Banco Popular Bankinter Bankia
Gas Natural F. Iberdrola Abengoa	24/06/2002 24/06/2002 20/09/2002	Electricity, Gas, Water and Multiutilities	Endesa Gamesa Enagas Acciona
Ferrovial ACS	03/07/2002 30/09/2002	Infrastructures, Construction and Service Group	FCC Abertis OHL Sacyr
Repsol	01/11/2002	Oil and Gas Producers	Cepsa Union Fenosa Gas
Telefonica	24/04/2002	Telecommunications	Euskaltel Vodafone

*Adapted from the GC classification.
** The participation of these companies is later in time than leaders companies.

Source: Ranking "Global 2000" (Forbes, 2014) and UNGC (2014b)

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