How do systems of governance influence corporate impact on sustainable development?

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Why are "systems of governance for corporate responsibility" relevant? We posit that taking such systems into account when exploring the sustainable development impact of multinational corporations is relevant for at least two reasons. Firstly, as was pointed out above, companies do not act in isolation – they are embedded in a multitude of political and economic institutions that affect their behaviour (Campbell, 2007; Fligstein, 2001; Hall & Soskice, 2001; Hall, 1986), including in developing countries. Secondly, SoGs for corporate responsibility are explicitly geared towards improving corporate sustainability performance and/ or impacts. The rules, norms, instruments and compliance structures they provide as well as the SoG's structures of co-governance are oriented towards supporting companies or 'threatening' them into more sustainable development-friendly practices. Systems of governance can thus help companies to overcome the limitations of individual action which become more and more obvious – governance of value chains being a point in case. They have the potential to constitute an important driver or multiplier of corporate sustainability impacts (cf. below). This should hold especially when systems of governance are designed in a way that they promote complementarity of business practices and development coordination.

In the following, we will first explore how companies may impact on the socio-economic development and environment in developing countries and emerging economies. In a second step we will look at the role of systems of governance within this process. We will start out with clarifying key concepts.

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Systems of governance and corporate impacts on sustainable development

Systems of governance for corporate responsibility may address all four dimensions of corporate responsibility elaborated above: they may aim at stimulating

a) public policy dialogue, advocacy and institution building for a more sustainable development;

b) philanthropy and community projects (in our case: within host countries);

c) the rendering more socially or ecologically responsible of core business operations and value chains;

d) the development of new business models for solving social/development and environmental problems (inclusive business, social business, bottom of the pyramid, shared value etc.).

Ultimately, systems of governance aim at changing corporate impacts. By corporate impacts we mean the social, economic and environmental effects occurring *outside the company* (i.e., in the society, economy, environment) that can be traced back to a corporation along the value chain of its products. For our purposes, we are interested in the impact of MNCs that occur in developing countries or emerging economies. Such impacts result from changes in corporate strategy (outputs) and subsequent changes in corporate practices (outcomes) (Barth & Wolff, 2009, pp. 15–17; Skjærseth & Wettestad, 2009, pp. 31–34).[1]

Outputs are the strategic decisions of companies dedicated to issues they are committed to ('what companies decide'). Examples include a company's vision on role in society, its commitment to the Global Compact principles or human rights more particularly, its diversity policy, its growth or sustainability strategy. Once an output is implemented and leads to changes in corporate practices we speak of 'outcomes'.

Outcomes ('what companies do') may occur within the respective issue area and for the whole company. Examples are the pursuing of new product areas as a result of the growth strategy; the greening of the production process as result of the sustainability strategy; changes in staffing as result of the diversity policy. Typically, an output triggers a whole series or 'cascade' of subsequent outcomes. For instance, the greening of the production process as result of a company's sustainability strategy may include the adoption of an environmental management system (outcome I) and the subsequent implementation of energy efficiency measures (outcome IIa), energy saving measures (outcome IIb) and a substitution of fossil energy by regenerative energy in production processes (outcome IIc). An outcome of the third 'order' would be reductions (resulting from outcome IIa+b) in the absolute consumption of energy (outcome III).

A specific type of outcome is changes in firm-level competitiveness. Competitiveness at the level of firms (as opposed to sectoral or regional-level competitiveness) has been defined as the ability for the firm to compete successfully in a given business environment (Porter, 1985, 1990). Competitiveness at

1 Output and outcome can be subsumed under "corporate performance".

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the firm level is associated with productivity and efficiency growth and is a function of the nature of the business environment in which firms and industries emerge (Porter, 1998a). Firms will either choose to compete on quality and/or other forms of product differentiation or on price. Alternatively they will they can position themselves in a niche. Competitive advantage is superior economic value creation (Peteraf & Barney, 2003). This translates into comparable quality at lower prices, or quality differential at similar prices. Firm-level competitiveness is a cross-cutting outcome, i.e. can be triggered by diverse strategic decisions (outputs) which may pertain both to core business questions and to sustainable development issues (in the latter case, we speak of "the business case of CSR"). Furthermore, firm-level competitiveness is a multi-causal and cumulative outcome which emerges as a combined effect of various factors, including factors *external* to the company such as the strategic positioning of competitors, network and cluster building, development of consumer demand, socio-technological innovations etc.. Finally, when it comes to the adoption and implementation of responsible business practices, the expectation to increase firm-level competitiveness is a strong driver which merits further attention later in this paper (see Section 4.2).

Impacts (i.e., the results of outcomes) may pertain, for instance, to the production process, the product portfolio, specific operations, projects, investments etc.. An example of positive environmental impacts would be reductions in greenhouse gas emissions, induced by the above mentioned outcomes (I-III) and output. An example of positive social impacts would be improvements of the health status of the local community, induced by good working conditions for employees at supplier companies as well as by the MNC's local engagement to build up an effective health infrastructure. Positive economic outcomes include increases in host countries' competitiveness. We define (sustainable) competitiveness at national level, in line with the Global Competitiveness Report, as the "set of institutions, policies and factors that make a nation remain productive over the longer term while ensuring social and environmental sustainability " (WEF, 2014, p. 55).[2] Such a productivity-oriented definition "stresses the importance of synergies among firms and between firms, markets, and government and, above all, the crucial role of well-functioning institutions" (Zinnes, Eilat, & Sachs, 2001, p. 316). For our purposes, the sustainability dimension of the definition is relevant as well.

Generally, corporate impacts can be *negative* as well as *positive*. The aim of responsible business conduct is to foster positive impacts and avoid or reduce negative ones, though such success is not guaranteed. Impacts can be *intended*[3] or *unintended* (side-effects).

Depending on the distance and intermediate steps between MNC practices and the realisation of impacts, the degree of influence companies are able to exercise, and the place where impacts are realised in the value chain (network) we can distinguish different types of impact, including:

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2 In line with various critics (Krugman, 1994, p. 34; Porter, 1990, p. 71; Strange, 1998, pp. 101–114), we thus follow a 'productivity view' which locates the sources for a country's standard of living mostly in its own domestic performance, expressed in productivity measures of an economy, rather than a 'market-share view' which emphasizes a country's performance on international markets. The latter has been most prominently proposed by the OECD which defines national level competitiveness as the degree to which a country can, "under free and fair market conditions, produce goods and services to meet the test of international markets, whilst simultaneously maintaining, and expanding the real incomes of the people over the longer term" (OECD, 1992).

3 In the case of negative impacts one may prefer to speak of 'accepted' rather than 'intended (negative) impacts'. However, it is important to recognize that there can be intentionality in the case of negative impacts as well.

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- Direct and indirect impacts
- Cumulative and shared impacts
- Upstream and downstream impacts
- Intended and unintended impacts

Pathways of corporate impact on sustainable development

Impacts are realized along more or less complex causal chains, which we call pathways of impact.

A comprehensive understanding of sustainable development (especially in stakeholder/network-oriented and systemic approaches to impact) would imply that there can be no single blueprint and no single trajectory towards assessing/enhancing the contribution of business to development. This is due to the occurrence of system-immanent trade-offs between the dimensions of sustainability and the context-dependency of pathways.

The value chain – including the MNC's own processes – can be seen as the primary mode of delivering global responsibility for MNCs operating in a development context (see e.g. EU definition of RSCM and ISO 26000 understanding of responsible supply chain management and the conceptualisation of responsible supply chains in a global governance context of Scherer & Palazzo, 2011).

This is because the value chain (network) of a company can be viewed as its primary sphere of influence, i.e. the larger system within which impact pathways can be mapped in a useful way and in which MNCs disposes of a certain power to instigate systemic change.

There are at least five general pathways of impact along the value chain, taking into account positive and negative impacts (it should be noted that these are not mutually exclusive):

- Direct local impacts of business operations are caused by production facilities, mines, plantations, power plants, etc.
- Direct local impacts of corporate philanthropy and community investments are caused by donations, projects, or programmes that are not directly linked to the core business of an MNC (e.g. philanthropy, corporate volunteering, sponsoring, etc.). As many companies run such initiatives and often report about them, they are rather easy to access.
- Indirect local impacts are a sort of "second round effect" of the previous two pathways of impact. While, for example, a company creates a certain number of jobs by building a new production facility, a much higher number of local inhabitants will benefit from the income that is generated. Indirect local impacts can be taken into account by calculating multiplier effects based on regional, national, or sectoral data.
- Impacts upwards the value chain are caused by decisions of MNCs, but can be found at their suppliers' premises. An MNC's power to influence is strongest in those nodes of the chain/network directly linked to the focal company, first tier suppliers and distribution centers

(e.g. through formalised contractual relationships) and decreases incrementally the farther upstream or downstream one goes.

- Impacts downwards the value chain are caused in the phases of further processing, sale, use, recycling, recovery, and disposal of the product of an MNC. Therefore, decisions and practices of industrial users, end-consumers, and actors involved in waste management are decisive for managing these types of impacts.

Identifying pathways of impact is of major relevance to responsible business practices – without knowing how a societal, economic or environmental state is related to corporate conduct it is hard to decide how the company's practices need to change in order to improve the situation. However, trying to capture all possible impacts for all nodes of the value chain (network) is neither feasible (too high a level of complexity) nor useful for companies to enhance their contribution to global development (no strategic guidance). Instead, there is a need for scoping those nodes and issue areas, where business impacts are likely to be substantive.

The influence of systems of governance on corporate impact

How can systems of governance stimulate or increase MNC's positive impact on global development issues?

To start with, we need to be aware of the fact that governance structures can *directly* affect only corporate policies and practices, not corporate impacts. Impact will *indirectly* result from changes in corporate practices.

Second, we will need to break up the influence of a SoG into systemic influences of the whole SoG and more specific influences of individual SoG elements, specifically instruments.

Here, we can differentiate various causal mechanisms by which a SoG instrument aims to influence corporate practices. For instance, a SoG can:

- shape societal values by norm and rule setting
- help MNCs and stakeholders to develop a shared understanding of issues and frame specific practices as legitimate or appropriate, including trough increasing the interaction in actor networks
- provide technical information (e.g. on legal requirements, best practices) and platforms for knowledge exchange to stimulate the uptake or improve the implementation of responsible practices
- specify procedural requirements for the implementation of responsible practices within the company pertaining to, for instance, the allocation of roles, the building of capacities for the implementation of practices, or the verification and measurement of performance
- provide technical and organisational infrastructures

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- provide (monetary or non-monetary) incentives or disincentives for the uptake/ (enforced) implementation of responsible business practices
- regulate corporate practices (e.g. by prescribing or prohibiting certain practices, or by defining standards)
- monitor and verify compliance and deal with non-compliance, e.g. through a complaints procedure
- others

The influence of a SoG on corporate sustainability practices can then also be related to the pathways of corporate impact schematized above. That is, we can look at *where* a SoG instrument tries to influence corporate practices: with regard to an MNC's core business operations, its community investments, its local impacts, upward or downward its supply chain.

What are enablers and barriers of systems of governance for corporate responsibility?

There is an ample literature on enablers and barriers of corporate sustainability impact in developing country contexts on the one hand and on that of institutional arrangements on the other. Within these literatures, different approaches exist that tend to focus on particular determinants. Very roughly, for instance, rationalist forms of institutionalism (such as "actor centered institutionalism", cf. Mayntz & Scharpf, 1995; Scharpf, 1997; see also Ostrom, 1999) emphasise that (boundedly rational) actors (Simon, 1957) comply with norms and rules based on coercion, 'credible threat', cost-benefit-calculations and/ or material incentives within the given system of governance, socio-economic setting and structural context. In contrast with this, a cultural perspective on institutions as it is endorsed by sociological institutionalism and institutionalist strands of organisational theory (Christensen, Lægreid, Roness, & Rovik, 2007; DiMaggio & Powell, 1991; March & Olsen, 2005) highlights the role of routine behaviour and of practices that are perceived as culturally appropriate (rather than as utility-maximising) in the respective setting (March & Olsen, 1989). This approach also deals with multiple problem framings, ambivalences of goals, conflicts of values, uncertainties of knowledge, complex system dynamics and path dependencies (Voß, Bauknecht, & Kemp, 2006). A network perspective on governance focusses on the dynamics within networks as self-regulating, pluricentric entities of autonomous, yet interdependent actors that engage in the regulation of societal problems and conflicts (Börzel, 1998; Klijn & Koppenjan, 2000; Sørensen & Torfing, 2007). Finally, a power perspective as it is underwritten by resource dependence theory (Pfeffer & Salancik, 1978) or political economy approaches (Humphreys, Lai, & Sculli, 2001) emphasises the role of (bargaining) power and of asymmetries within organisations and networks (including value chains) as context within which CSR strategies are developed, implemented and potentially contested.

Based on the described (as well as further) approaches, the following categories of success factors and barriers can be differentiated:

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- The *design* of the system of governance and/or CSR instrument: This includes ambitious targets, stringent (including mandatory) obligations, tangible incentives to comply with these, credible control and sanctioning mechanisms as well as aspects particularly relevant in a development context such as provision of access to resources for capacity development and tailoring to local needs (Beisheim, Liese, Janetschek, & Sarre, 2014; Hönke & Thauer, 2014; Maon, Lindgreen, & Swaen, 2009; Seitanidi & Crane, 2009; Viganò, Wolff, & Nicolai, 2009). In a process perspective, the legitimacy of the design process (e.g., the involvement of relevant actors) is relevant with regard to the endorsement and ownership of the SoG/ its instruments by a multitude of stakeholder types (Beisheim et al., 2014; Marin & Mayntz, 1991).

- The *implementation* process within the company and its supply chain. Within the company, this process is influenced by such factors as corporate strategy and organisation, including hierarchical executing, monitoring and sanctioning of SoG implementation within the MNC; a broad communication of norms, rules and practices; organisational culture; and the involvement of societal stakeholders into the implementation process (Boasson & Wettestad, 2009; Eccles, Ioannou, & Serafeim, 2012; Galbreath, 2006; Kakabadse & Kakabadse, 2007; Linnenluecke & Griffiths, 2010; S. Maas & Reniers, 2014; Park, Chidlow, & Choi, 2014; Pohl & Tolhurst, 2011; Thauer, 2013; Wolff, 2009). Within supply chains, both the power of MNCs to set and enforce the SoG's standards as well as the support they lend to suppliers play a role in the creation of sustainability impact (Altenburg, 2006; Crook & Combs, 2007; Frohlich & Westbrook, 2001; Gereffi, Humphrey, & Sturgeon, 2005; Seuring & Gold, 2013; World Bank & IFC, 2003).

- The *context* in which MNCs operate. This includes, firstly, the business context, such as customer and consumer demand, intensity of competition within the sub-/sector or market in question, exposure to sustainability risks as well as market opportunities arising from the promotion of sustainability, sustainability conditions tied to the access to capital, best practices and corporate expectations within the sector that may create 'mimetic pressures' for others to imitate, or the existence of platforms that foster learning and a shared understanding of the (MDG-related) issues/ solutions, ideally along the value chain (Hoffman, 2001; Newell, 2001; Porter & Kramer, 2006; Ruggie, 2002; Steger, 1993). Secondly, systems of governance for corporate responsibility are embedded in a wider political-institutional context particularly of the host (and to some extent the home) countries which do not specifically aim at making corporate behaviour more responsible but certainly influence the effectiveness of corporate responsibility. Such context elements include the efficacy and stability of more issue-specific aspects like national education systems as well as more general factors such as property rights regimes or industrial relations, the judicial or political system and democratic oversight; the extent of the informal sector and blending of formal and informal institutions; the pervasiveness of corruption, constellations of 'patrimonial collusion' or illicit networks of politicians and (local and foreign) businessmen that de facto constitute 'shadow states' (Reno, 1995); the degree of social cohesion but also local traditions of charity and communalism (Börzel, Hönke, & Thauer, 2012; Börzel, 2013; Campbell, 2007; Kim, Amaeshi, Harris, & Suh, 2013; Pels & Kidd, 2012; Wiig & Kolstad, 2010).

- Characteristics of the *problems* or *issues* in question, such as their complexity, visibility and measurability, the degree of influence companies have over the issues and uncertainty about the

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effects of interventions (Breitmeier, Underdal, & Young, 2011; Voß & Kemp, 2006; Wolff, Barth, Hochfeld, & Schmitt, 2009, pp. 295, 297)

From this set of factors influencing the success of systems of governance for corporate responsibility in stimulating MNCs' sustainable development impact, we develop further three assumptions, related to the SoG design and implementation process. We assume that the success of a system of governance varies directly with the degree to which the SoG

- promotes the complementarity of business practices with development co-operation;
- helps improving a company's as well as a host country's drivers of competitiveness;
- is coherent with, rather than conflicts with, its implementation context.

The assumed interrelations are depicted in Figure 3, which details the earlier Figure 2.

These three assumptions will primarily guide the empirical case studies to be carried out in Work Package 2 of the Global Value Project. Other potential success factors – as they are likely addressed in the literature overview – will also be taken into account to the extent that they deem relevant (on the basis of interviews and other data) for the specific case studies. This approach is consistent with a research strategy of 'abduction' which combines (goes back and forth between) inferences identified in the literature on the influence and success factors of institutions on corporate sustainability impact on the one hand, and inductive case study findings on the other.[4]

The following sections will elaborate the three above propositions.

4 Friedrichs & Kratochwil (2009) describe abduction as a strategy particularly fitting in contexts where we lack applicable theories (ibid, p. 709). 'We therefore start collecting pertinent observations and, at the same time, applying concepts from existing fields of our knowledge. Instead of trying to impose an abstract theoretical template (deduction) or "simply" inferring propositions from facts (induction), we start reasoning at an intermediate level (abduction)' (Friedrichs & Kratochwil, 2009, p. 709). They go on to explain: 'The typical goal of abduction is to enable orientation in a relevant field. It consists of mapping a class of phenomena to increase cognitive understanding and/or practical manipulability. (…) In some cases, it is possible to go beyond this and formulate a "grounded theory", or even some tentative causal hypotheses. But causal theory is not the gold standard of scientific success. Given the contingent nature of the social world, the best we can hope for in social science is contingent generalizations' (Friedrichs & Kratochwil, 2009, pp. 715, 716).

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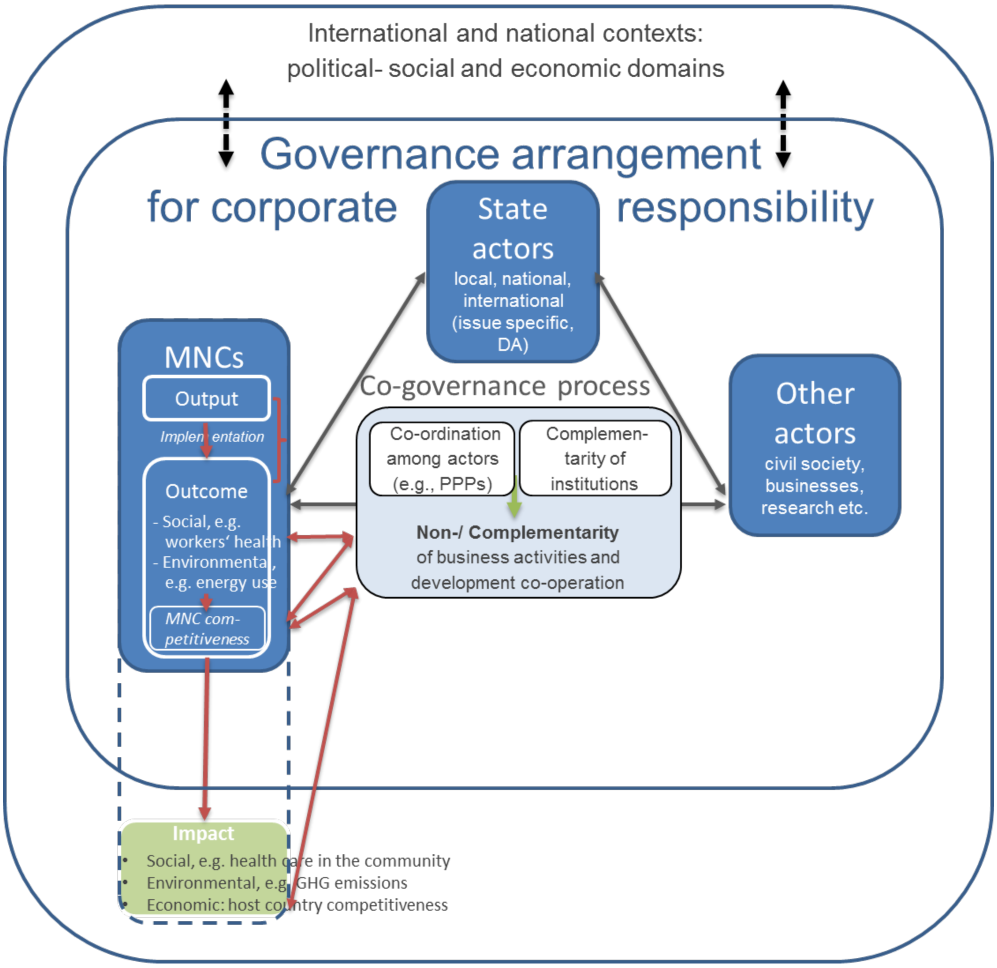
Figure 1: Systems of governance for corporate responsibility (more detailed)



Source: Authors.

Complementarity of business practices with development co-operation

We assume *the success of systems of governance in stimulating MNC's impact on sustainable development in host countries to vary directly with the degree to which the SoG promotes the complementarity of business practices with development co-operation*.

"Complementarity", once again, is defined here as absence of any form of clash, disparity or inefficiency between the development cooperation systems of state, business and civil society on the way to achieve the MDGs, SDGs or other global goals associated with sustainable development (Rech et al., 2014). Non-complementarity exists when the different development systems clash or exhibit disparities and inefficiencies on the way towards global goal achievement.

As Rech, Meyer, & Meyer (2014) describe, there are two key mechanisms to increase the likelihood of complementarity between business activities and development co-operation efforts by governments (ODA) and civil society aid: (negative/ positive) co-ordination among actors (at the micro-level) and institutional complementarity (at the macro-level).

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The micro-level mechanism, co-ordination of actors, involves the taking into consideration of development-related activities (including goals, strategies) by other actors, with or without direct communication between the actors. Negative co-ordination means that actors avoid that their activities clash with or make inefficient those of other aid actors, e.g. by violating the others' goals[5] or undermining their means.[6] To avoid such a clash and hence promote complementarity, the alignment of sustainable development efforts is required. For instance, negative co-ordination would imply that an MNC, when developing local philanthropy projects, takes into account the host country's sustainable development priorities (for instance, as published in a Five-Year-Plan). Another form of negative coordination to enhance complementarity is 'blended finance' programmes: these aim at "the complementary use of grants (or grant-equivalent instruments) and non-grant financing from private and/or public sources to provide financing on terms that would make projects financially viable and/or financially sustainable" (Mustapha, Prizzon, & Gavas, 2014).[7] Positive co-ordination means that the different aid actors engage in the joint development of problem solutions. For instance, MNCs would engage in the direct exchange and planning of sustainable development activities within multi-stakeholder settings, be they local community committees or international roundtables on sustainable products/production. A highly institutionalised form of positive co-ordination is Public-Private Partnerships (PPPs). Such PPPs range from weak-tied networks to co-funded institutions or implementations of joint projects (Beisheim & Liese, 2014; Schäferhoff, Campe, & Kaan, 2009) and cover a broad range of issues, including MDG-/SDG-related ones. Positive co-ordination is more demanding than negative co-ordination: transaction costs are higher due to actors' direct interaction and negotiations, and these costs increase exponentially with the number of actors involved. Also, trust needs to be developed among the participants.

The macro-level mechanism, institutional complementarity, describes institutional constellations where the presence of one (set of) institution(s) raises the returns available from another (set of) institution(s) (Hall & Gingerich, 2004, pp. 5, 22).[8] The concept of institutional complementarity derives from the literature on 'varieties of capitalism' (most notably, Hall & Soskice, 2001) where complementarity is regarded to cause variations in economic performance and comparative institutional advantage.[9] Institutional complementarity is held to work by two distinct logics: similarity and contrast. The logic of similarity refers to an "institutional link through which institutions of similar properties are organized around similar principles" (Kang & Moon, 2011, p. 89) (Khan and Moon 2010: 89). The logic of contrast "refers to the opposite kind of institutional link though which institutions with contrasting properties find a balance, as one makes up for the deficiencies of the other (for instance by supplying the 'missing ingredient')" (ibid). Transferred to the achievement of the MDGs or

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5 An example would be if in the agricultural sector some aid actors promoted the use of agricultural inputs (chemical fertilizer, pesticides, commercial seed including hybrid and GM crops etc.) to increase production while other actors strive to promote 'food sovereignty' and make subsistence farmers more independent from such expensive inputs (EurActive, 2014). The first strategy is implicit in the G8's "New Alliance for Food Security and Nutrition" initiated by US President Barack Obama in 2012, the latter in the "Comprehensive Africa Agriculture Development Programme" (CAADP).
6 An example would be if one actor's aid activities draw resources (including public attention) away from other activities.
7 For instance, the IFC's blended finance programme subsidises investment in the private sector at lower than market rates by combining donors' concessional funds with the IFC's own non-concessional funding (Bretton Woods Project, 2014; IFC, 2012).
8 In a more formalized language: "Two elements E and E' are said to be complementary if the performance R of the conjunction of E and E' is superior to the performance of each element considered separately (Boyer, 2011, p. 13).
9 Examples of institutional complementarity from this literature (unrelated to our research focus) include a) a financial regime governed by direct finance which is held to be complementary with weak trade unions and a domination of short-term strategies, while b) a 'patient' financial regime built upon bank credit is held to be complementary to strong unions, both involved in long-term strategies (Boyer, 2005, p. 4).

SDGs, institutional complementarity would imply that different modes of institutional coordination – such as hierarchies, market-mechanisms, networks and solidarity – should be combined within the issue-specific systems of governance. While markets are apt to efficiently allocate private goods but not to provide for equity concerns, the state with its potential for hierarchical steering can supply public goods and address externalities as well social justice, networks and communities help building trust which is necessary to coordinate complex value chains (Boyer, 2011, p. 11). More specifically, systems of governance driven by different actors exhibit different organizational characteristics and can draw on different resources and strengths, potentially compensating each other's weaknesses (cf. Rech et al., 2014).

Table 1: Comparison of organizational characteristics of ODA agencies, businesses and CSOs

	State (ODA)	Business	CSOs
Values, motivation and objectives[10]	Improve the economic and social well-being of people around the world; public service for social betterment[11]	Create a sustainable future for business, society and the environment; Corporate Social Responsibility (CSR) for incorporating the costs of externalities[12]	Private social engagement for socially disadvantaged, especially eradication of poverty and establishing of equality (gender equality, social justice and protection of rights)[13]
Financial and technical resources	Public budget (international commitment), all kind of techniques can be recruited	Company budget (self-commitment), specific techniques of the company can be used	Donation budget (donor commitment), specific techniques can be recruited
Personal resources (quality, quantity)	Public administration and implementation experts; all kind of expertise can be recruited	Company staff; business and technical experts with specific expertise available, depending on corporate orientation and size	Volunteers and CSO staff; social expertise and engagement can be recruited for specific issues, quantity limited by the recruiting ability of the CSO
Organization (culture, structure and processes)	Bureaucracy, accountable to citizens, legally controlled and administrated processes; consultation-oriented stakeholder integration/engagement	Management; accountable to shareholders, product-oriented and company specific processes; need-oriented stakeholder integration/engagement[14]	Participatory, accountable to members; open and primarily client-oriented processes; dialogue-oriented stakeholder integration/engagement
Decision-making (investments, adaptations)	Democratic by governments, controlled by budget laws and political opposition[15]	Hierarchic by corporate management, controlled by budget planning and directorate	Participative by board and members, controlled by statutes and general meetings

10 As extracted from official publications of the described actor groups.
11 Cf. the definition of ODA
12 Cf. WBCSD (http://www.wbcsd.org/about.aspx)
13 Cf. CONCORD (European Confederation of Relief and Development NGOs), http://www.concordeurope.org/about-us; http://www.concordeurope.org/shaping-development-policy
14 Barkemeyer 2009: 276.
15 cf. http://www.oecd.org/development/effectiveness/34428351.pdf. The Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) sets the norms for ODA. It expects partner countries to commit

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	State (ODA)	Business	CSOs
Communication principles (internal, external)	Top-down; highly formalized; public-oriented	Top-down; less formalized; customer-oriented	Bottom-up; sometimes formalized; client-oriented
Relation to public media (intensity, quality)	Broad public with high publicity; competition on broad public with high publicity; competition on opinion leadership between government and other political institutions (opposition, parties, parliament)	Specific public (potential customers), with limited publicity marketing and professional public relations for building a positive and homogenous company and product image	General public with selective publicity; General public with selective publicity; pressure groups for issue-setting and lobbying for specific topics; directing public attention towards CSO-relevant topics.

Source: Rech, Meyer, & Meyer (2014, pp. 25–26), with slight changes in/shortening of footnotes.

For instance, decision-making on the terms of development co-operation within ODA agencies is controlled by democratic procedures, budget laws and political opposition; within MNCs by hierarchical management procedures, corporate budget planning and the finance director's influence; and within CSO by a more participatory process which typically involves board and members and is controlled by CSOs' statutes and general meetings. As a result of different organizational characteristics, ODA agencies, business and CSOs have varying options and strengths for activities supporting sustainable development in the Global South. The following table systemizes these by means of a brief SWOT-analysis (Strengths, Weaknesses, Opportunities and Threats).

Table 2: SWOT analysis of development engagement of ODA, Business and CSOs

	Strength	Weakness	Opportunity	Threat
ODA agencies	• Accountability • Recruiting resources • Administration • Political power • Transparency • Public attention	• Engagement • Abuse of resources • Potentially too bureaucratic and inflexible • Decision making is slow and too strong oriented towards short-term outcomes • Time-consuming and risky • Battle of ideologies ("de-rationalization")	• Obligatory rule-setting • Long-term input of resources • Political assertiveness, national planning and implementation • National contracts; laws; policy strategies; Investment despite risks • Trustworthiness and continuous exchange • System relevance; Promotion of Good Governance	• Lack of ambition ("all kippers and curtains") • Lack of sustainability of impacts • Hidden political agenda; aid dependency • Depending on international treaties that can avoid flexible action or are disadvantageous on the long run • Diplomatic gamesmanship • Supporting non-sustainable developments ("side-effects")

to building institutions and establishing governance structures with democratic characteristics. Even if there are other donor governments that are not democratic, they are not the ideal standard.

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	Strength	Weakness	Opportunity	Threat
Business	• Engagement • Availability of technical and financial resources • Professional management • Market power • Straightforward case-oriented communication • Professional Marketing	• Lack of accountability; • Lack of expertise and resources outside the company's field of competence • Authoritarian leadership • Too focused on economic issues • Too selfish and benefit-oriented (business case for CSR, short-term profitability) • "Fishing for customers", "greenwashing"	• Effectiveness • Fast availability of resources • Efficient management • Economic assertiveness • Standard setting • Initiating diffusion processes	• Lack of obligation • Lack of durability (especial of resource input) • Hidden economic agenda • Dependence on one firm ('monopole'), risk-avoiding investments • Only lobbying for company interests • "Race to the bottom"
CSOs	• Engagement • Recruiting voluntary resources • Networking • Ethical power • Dialogue-oriented communication • Public mobilization	• One-sidedness • Lack of resources • Possibility of missing powerful actors • Too idealistic and socially-oriented • More talk than action • "Fishing for supporters"	• Steadiness • Fast mobilization of people • Openness • High creditability, investment despite risks • Inclusion of many (but not necessarily opposed) interests • Strengthening support of activities (empowerment)	• Lack of obligation • Lack of resource availability • Hidden social agenda • Depending on shared values • Only lobbying for clients • Too focused on specific issues ('moral monopole')

Source: Rech, Meyer, & Meyer (2014, pp. 26–27).

Following from the above described differences in organizational characteristics, the deployment of resources by ODA agencies is democratically accountable (vis-à-vis home country citizens); that of companies is highly flexible; and CSOs, finally, can draw on volunteers with social expertise and typically local knowledge.

If the development co-operation efforts of all these actors are used in a complementary way, for example, the legitimacy of sustainable development priorities set by host country governments and donor organisations in ideally transparent and democratic political processes can be combined with the resources, innovation orientation, market power, professional management capacities and communication skills of MNCs as well as with the issue expertise, high commitment, local knowledge, social networks and credibility (e.g., watchdog-functions) of CSOs.

To sum up: We posit that systems of governance for corporate responsibility are particularly conducive to creating MNCs' sustainability impact when they also promote complementarity with aid. They can do so by employing the whole range of governance modes (institutional complementarity, macro-

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level) and/ or by promoting the (positive and negative) co-ordination of issue-experts and aid experts in the SoG's issue area.

Stimulating the drivers of competitiveness in host countries

Secondly, we expect *the success of success of systems of governance to vary directly with the degree to which these influence the drivers of an MNC's competiveness as well as of the host country in a positive way*.

Competitiveness is a major driver for MNCs in developing countries. As defined above, we understand firm-level competitiveness as the ability for the firm to compete successfully in a given business environment (Porter, 1985, 1990), while national-level (sustainable) competitiveness describes the "set of institutions, policies and factors that make a nation remain productive over the longer term while ensuring social and environmental sustainability " (WEF, 2014, p. 55).

Our assumption above is rooted in the following reflections: On the firm level, a (perceived) business case is a strong incentive for companies to change their practices – as well as to engage within co-governance structures to increase the complementarity of business practices with (official and NGO) aid efforts. The international business literature indicates that the international competitiveness of MNCs depends on the linkages between the firm's unique, idiosyncratic capabilities or "firm specific advantages" (FSA such as production knowledge, managerial or marketing capabilities as well as technologies over which the firm has proprietary control, favoured access to inputs and resources etc.), "country specific advantages" (CSA, such as natural resource endowments, quality and quantity of labor force and associated cultural factors, transport and communication costs, input prices, quality and productivity of resources, psychic distance, government interventions etc.) and "subsidiary-specific advantages" (SSA, i.e. the subsidiaries' specialist competences and capabilities including their external relationships) (Rugman, Oh, & Lim, 2012; e.g., Rugman & Verbeke, 2001; Sakolvieng, 2012). Therefore, a MNC's international activity is a complex phenomenon, influenced by a myriad of such firm-, subsidiary- and country-specific factors which are also highly contingent on the type of products MNCs produce (and on the extent to which these are based on technology, knowledge and resources). The challenge for MNCs operating in host countries is to tap those advantages related to the host country and the local subsidiaries conducive to increasing the MNCs' competitiveness. One resource that features highly when companies start to invest or produce outside their home country is local knowledge and relations – MNCs have been described to suffer from a "liability of foreignness" (Zaheer, 1995).

Systems of governance may address and potentially *mobilise* location-bound firm-specific advantages as well as country- or subsidiary-specific advantages, an incentive emerges for MNCs to implement the related responsible practices despite the fact that such practices may (in the short term) increase production costs. For instance, a system of governance might lead to higher levels of education and skills (CSA) developing clusters of specific expertise, which in turn could influence the firm specific advantages of the MNC if it is agile and adapts to these changes in CSA. Through agility and adaptation this might lead to new FSAs.

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In cases where a system of governance for responsible business practice also stimulates national-level drivers of (host country) competitiveness, it will provide incentives for the host country to strengthen and actively implement the domestic components of the SoG – and possibly to enhance complementarity with the aid regime. Drivers of national level competitiveness include health and primary education, higher education and training, infrastructures, institutions beyond government, goods and market efficiency, labour market efficiency and financial market development (WEF, 2014). For example, a system of governance might create institutions beyond government to govern an issue, such as corruption, which in turn might strengthen and improve goods and market efficiency.

Coherence of systems of governance and their implementation context

Thirdly, we assume *the success of systems of governance in creating MNC impact to vary directly with the degree to which they are coherent with, rather than conflict with, their implementation context*. Put in a different way: when (national, international-level) institutions, policies and practices exist that are incoherent with the SoG in question, the SoG's success will be limited.

By "coherence" we mean that an institution, policy or practice, through the effects it has, a) does not countervail the achievement of the goals of the system of governance, or b) actively supports the achievement of the SoG goals. In the first case, the relation between SoG and implementation would be characterised by a) an absence of conflict, in the second case by b) an instance of synergy. "Incoherence" or conflict between an SoG and its implementation context is defined accordingly.[16] Analytically, we posit that the goals of the SoG and those of the institutions/ policies existing in the implementation environment) are not immediately coherent or incoherent with each other, but only through the chains of effects they develop: a host country's investment policy with the goal of boosting FDI inflows into the country will result in concrete measures and practices such as lax approval procedures. These will put at a disadvantage an MNC with environmentally high-standard technologies as opposed to one with low standards and environmentally harmful technologies. This "non-level" playing field provides an incentive to violate a system of governance promoting environmental sustainability.

At international level, relevant aspects of the implementation context that may interact with systems of governances in a coherent or non-coherent form include, for instance, multilateral trade and investment regimes. At national level, the implementation context includes a host country's investment policies and practices, its regulatory and enforcement capacities, democratic accountability, rule of law, systems of transparency and oversight, freedom of press as well as well as more informal institutions such as gender roles, institutionalised practices of corruption, patronage or 'shadow governance', etc.. To some extent, the implementation context will be issue-specific.

Multilateral investment agreements provide an example of a potential incoherence: as was pointed out in the Introduction, some investment agreements allow firms or individuals to initiate arbitration proceedings against states and create the opportunity for MNCs to take legal action against host

16 I.e., an institution, policy or practice, through the effects it has, countervails the achievement of the goals of the system of governance.

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governments' social and environmental standards. In effect, such agreements are hence incoherent (conflictive) with a system of governance that aims at promoting such social and environmental standards. An example for a (national) level coherence are trade preferences that can the industrialized countries can threaten to withdraw when a host country does not see to it that certain minimum standards are complied with by its industries.

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