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From norms to programs: The United Nations Global Compact and global governance

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Abstract

Norms shape policy when they get translated into concrete programs. What if a widely shared norm gets translated into a weak program? How might this influence the program's legitimacy? We examine these issues in the context of the United Nations Global Compact, a voluntary program that embodies the widely shared norm of corporate responsibility. While both international intergovernmental organization (IGO) and international non-governmental organization (INGO) networks support this norm, they differ on the adequacy of the Compact's program design. We explore how this tension affects the diffusion of the Compact across countries, which vary in their levels of embeddedness in IGO and INGO networks. Our findings suggest that embeddedness in IGO networks encourages adoption, while embeddedness in INGO networks discourages it. Our analysis provides important lessons for sponsors of voluntary governance mechanisms. Widespread support for a norm does not automatically ensure support for a program that claims to embody it.

Keywords: global governance, institutional design, norms, policy diffusion, United Nations Global Compact.

1. Introduction

Scholars recognize the important role of norms and ideas in shaping public policy (Hall 1989; Price 1998; Sell 2003). Norms influence behavior in two ways. First, they can constitute actors' identities and interests, and define what actions are appropriate (Wendt 1992; Finnemore & Sikkink 1998). Second, norms can influence behavior through their embodiment in concrete policy programs. The latter is a more visible and explicit method of assessing the influence of norms on policy, and the subject of our paper. In particular, we examine how varying assessments by key policy actors of program design can attenuate the normative pull of a program, and discourage its adoption. If scholars find a norm not affecting actor behavior, they should not assume that actors reject the norm. Rather, actors' lack of participation might reflect their misgivings about the program that seeks to reflect the norm.

A program is a policy persona of a norm, and consists of a set of policies with a legal or organizational basis that can be adopted by an actor as a means of working toward the regulative or prescriptive goals of a norm. It is programs, not norms themselves, which

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actors adopt or join. In embodying a given norm, programs lay out rules, which prescribe, permit, or prohibit certain behaviors (Ostrom 1990). The translation of a norm into a concrete program, however, involves dealing with issues of program design. Some programs clearly outline expectations from actors and provide monitoring and enforcement mechanisms, while other programs do not provide for such "swords" (Hobbes 2004). Perspectives vary on the necessity of such swords in ensuring program efficacy (compare, for example, Ostrom 1990 with Locke *et al.* 2009). The key point is that program design involves making choices, and these choices can lead to contestations, which influence the legitimacy or attractiveness of the program. Norms might fail to affect governance outcomes not because they were unattractive, impractical, or confusing but because key actors found the policies that were supposed to reflect these norms as inadequate.

Our paper suggests that scholars interested in studying the role of ideas in public policy should explore issues of program design. Program design is not necessarily endogenous to the quality of the norm, or the level of support the norm receives from a range of public policy actors. In our context, "global governors" – sources of global authority who exercise power across borders for purposes of affecting policy (Avant *et al.* 2010) – may have divergent preferences over the design of a program. An important trade-off is over the stringency of a program's swords and the breadth of its membership. Stronger rules might lead to narrower adoption, while weaker rules might lead to broader adoption (Prakash & Potoski 2006a; Borck & Coglianese 2009). Certain global governors may support a program with strong swords (henceforth, strong program), which maximizes compliance with the norm, while others may support a program with weak swords (henceforth, weak program), which maximizes adoption while giving members the opportunity to shirk their obligations and pay only lip service to the norm. Thus important global actors – such as networks of intergovernmental organizations and international civil society – can share similar principles regarding a new global norm, yet differ in their ideal or acceptable program design to implement it. How might this tension among key global governors affect a program's legitimacy and diffusion?

We examine this question in the context of the global diffusion of the United Nations Global Compact. Launched in 2000, the Compact claims to embody the widely shared norm of corporate responsibility (CR). It encourages participating firms to adopt socially responsible policies in the areas of human rights, labor standards, the environment, and corruption, thereby improving governance and performance on these issues wherever they operate. It is thus a constellation of various constituent norms, but set apart by the identity of the actors to which it applies: firms. While various forms of CR have existed since the beginning of the industrial age, in the last two decades CR has emerged as an important norm of global governance (Vogel 2005; Kollman 2008). The CR norm makes two related claims (Carroll 1999). First, corporations have responsibilities beyond the short-term pursuit of profit. Second, corporate policies and actions should reflect the preferences of multiple stakeholders, not merely shareholders.

Like many norms, CR is the subject of some contestation: some believe that the sole purpose of a corporation is to pursue profits, while others fear that CR is a devious way for corporations to legitimize themselves and to preempt public regulation (Hamann & Acutt 2003). Nevertheless, key "global governors," actors in "World Society" (Meyer *et al.* 1997; Boli & Thomas 1999), such as the United Nations and other international intergovernmental organizations (IGOs) and international non-governmental organizations (INGOs), tend to support the CR norm, recognizing its role in the global normative order. The governors diverge, however, in their assessment of the Compact's institutional design: whether the Compact provides for adequate monitoring and enforcement to ensure that its participants comply with the CR norm.

Intergovernmental organizations affiliated with the United Nations tend to see the Compact as creating a learning network, which will socialize and teach corporations about CR. For them, the real contribution of the Compact is to facilitate information sharing and socialization, instead of providing verifiable certifications about CR. John Ruggie, the intellectual force behind the Compact, and Georg Kell, current Executive Director of the Global Compact Office, note that the Global Compact is "meant to serve as a framework of reference and dialogue to stimulate best practices and to bring about convergence in corporate practices around universally shared values" (Kell & Ruggie 1999, p. 104). For them, the attraction of the Global Compact does not rest on instrumental benefits. Rather, it reflects the "norm of appropriateness" that firms like to subscribe to, and the Global Compact network helps these firms to learn from and benchmark with leaders in the field.

On the other hand, many NGOs and other critics have pointed out that the Compact imposes few obligations on participating firms, does not employ third-party monitors, and rarely imposes sanctions. For them, the program design makes shirking by participant firms a real possibility. Not surprisingly, critics call it a "bluewash," accusing firms of figuratively draping themselves with the UN flag to distract attention from human rights or labor abuses, poor environmental performance, or corrupt activities. These governors believe that programs with weak institutional design will not ultimately change participants' policies, and may even eventually discredit the CR norm. NGOs' opposition to the Compact does not imply that they oppose the CR norm, or even that they oppose voluntary programs per se as an instrument to translate CR into concrete policies. Some NGOs, which oppose the Compact, have themselves established or participated in voluntary CR programs; Greenpeace's involvement in the Forest Stewardship Council voluntary program is a case in point (Cashore *et al.* 2004). Thus, the divergence between IGOs and NGOs on program design is leading to a tension in the global normative order.

We have organized the remainder of this paper into four sections. First, we analyze the program design of the Global Compact and the role of different global governors in its creation and diffusion. Second, we present our theoretical argument about the role of program design in global normative politics. Third, we conduct a panel analysis of the Global Compact's cross-country adoption for a panel of 112 countries for the 2001–2007 period to assess how the tension among global governors over program design affects country-level adoption levels. Finally, we present our conclusion and outline avenues for further research.

2. The United Nations Global Compact

Former Secretary-General Kofi Annan announced the creation of the United Nations Global Compact in his address to the World Economic Forum on 31 January 1999. It was formally launched in July 2000. The Compact's goals are to make the global economy more stable, inclusive, and equitable by encouraging businesses to embrace socially responsible issue principles as integral parts of their activities (Kell & Levin 2003).

The Compact is explicitly designed as non-hierarchical and non-regulatory in character. It is visualized as a learning network rather than a compliance-based standard, focusing on "norm diffusion and the dissemination of practical know-how and tools" (Ruggie 2007, p. 820). Given the learning network model, the Compact sponsors have sought to rapidly build a large body of participants within which information sharing and social pressure would encourage firms to adopt CR norms in their corporate policies. The Compact was founded with nine principles in the issue areas of human rights, labor standards, and the environment.[1] In June 2004 a tenth principle was added on the issue of corruption (Williams 2004). The principles are derived from four UN documents which enjoy widespread international support: the Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the UN Convention Against Corruption.

The Global Compact resembles other voluntary CR programs in some aspects of its institutional design. Similar to the widely adopted ISO 9000 and ISO 14000 standards, it encourages participants to adopt management systems while not stipulating product standards or performance requirements. Participating firms are required to prepare a Letter of Commitment from their CEO expressing support for the ten principles, and to annually submit a Communications on Progress (COP) report. For monitoring, the Compact relies on "fire alarms," not "police patrols" (McCubbins & Schwartz 1984). That is, it conducts no monitoring of its own, or even verification of materials firms submit. Instead, it relies on members of the public or civil society to highlight cases of poor performance or disingenuous reporting. A complaint system exists for members of the public to report "systematic and egregious abuses" by Compact participants, but it has been criticized for being unresponsive and lacking transparency (Ethical Corporation 2008).

The COP is a disclosure of progress made in implementing the Compact's ten principles, and must be posted to the Compact's website and shared with stakeholders. The only specific elements required in the COP are a statement of continued support for the Compact, a description of practical actions taken on at least two issue areas (recent changes required that all four issue areas must be addressed within five years), and any measurement of outcomes. A firm which fails to submit a COP within two years of joining or within one year of its last COP is listed as "non-communicating" on the Compact's website. If a non-communicating firm fails to submit a COP for another year, it is listed as "inactive" on the website and barred from using the Compact's logo or participating in Compact events. A non-communicating or inactive firm can return to active status by submitting a COP at any time. Finally, after a year of inactive status, a firm is delisted from the Compact entirely. Thus, a firm could engage in shirking for a full four years after joining before being sanctioned with exclusion.[2]

Not only are the deadlines for COP submission lax, the substantive quality of COP reports tends to be poor. The Compact's 2008 Annual Review noted the results of a survey of 40 large companies indicating that "not all Global Compact principles are covered with the same level of detail," that "there is a wide disparity with regard to information available per principle," and that "reported information is not comprehensive, with COPs focusing more on commitments and management systems than on materiality, performance and achievements" (United Nations Global Compact 2009). Given that the COP is the only long-term requirement firms must meet to maintain membership, this information reflects poorly on program credibility among NGOs.[3]

While firms can join the Global Compact and maintain membership while carrying out little to no change in their behavior, the costs of participating are non-trivial. Firms need to devote staff time and resources to preparation of Letters of Commitment and

Communications on Progress. More importantly, firms put themselves forward as potential targets of attention and criticism (Bennie *et al.* 2007). Activists may be more likely to target a participating company for poor performance or egregious actions in any of the Compact's issue areas. Media and regulators may be more likely to take activists' claims seriously. Discrepancies between words and actions can be costly when NGOs, activists, and the media are key stakeholders (Finnemore & Sikkink 1998). Thus, firms can be expected to weigh the pros and cons before joining the Compact.

Existing work has studied the determinants of Global Compact adoption at the level of individual firms. Bennie *et al.* (2007), for example, conceptualize joining the Compact as the assumption of the responsibilities of "global citizenship" by a firm, and find that adoption is driven by a combination of firm-level characteristics like size, extractive sectors, and existing ties to the UN, and country-level characteristics like the strength of Green parties and government commitments to the UN. We seek to build on this work by giving greater attention to the role of different networks of global governors in influencing the country-level context for Global Compact adoption.

Instead of passively waiting for firms to join the Compact, IGO networks, especially organizations in the UN system, actively encouraged its adoption. UN officials "marketed" the Compact at numerous workshops and meetings across the globe, usually involving officials of the Compact and UN agencies such as the UN Environmental Program and the International Labour Organization. Launching ceremonies and workshops were held in many countries. The first official Compact meeting in Brazil, in October 2001, was organized by four UN agencies and the USAID Brazil office, sponsored by a coalition including an "association of 500 Brazilian companies collectively representing one fourth of the country's gross domestic product," and attended by representatives of 50 Brazilian firms (United Nations Global Compact 2001a). A November 2001 conference on the Global Compact in Bangkok, Thailand, hosted by the International Labour Organization, was attended by heads of several UN agencies, and business executives from International Labour Organization Asian countries (United Nations Global Compact 2001b). Local meetings, workshops, and conferences continued to be held frequently over ensuing years. In states with numerous Compact members, the UN also assists in organizing local networks aimed at facilitating implementation and learning on a local level.

IGOs outside of the UN system were also involved in encouraging the Compact. A declaration from the 2003 G8 Summit encouraged firms to join the Compact (G8 2003). In 2005, the Organisation for Economic Co-operation and Development (OECD) Investment Committee published a paper praising the Compact as complementary with its own Guidelines for Multinational Enterprises (OECD 2005). Representatives of many non-UN IGOs have also participated at Global Compact summits. For example, attendance at the 2007 Global Compact Leaders Summit included representatives of the African Union, League of Arab States, International Finance Corporation, and World Bank, along with many United Nations agencies (United Nations Global Compact 2007).

INGOs, on the other hand, have played mixed roles at best vis-à-vis adoption of the UN Global Compact. Key international NGOs, including Greenpeace and the Third World Network, denounced the Compact from its inception and have remained critical since. In January 2004, representatives of 14 international NGOs sent a letter to the directors of five major UN agencies, calling on them to end their participation with the

Global Compact (CorpWatch 2004). In July 2004, 23 NGOs (including Greenpeace) signed a statement criticizing the Compact for creating "undue corporate influence" at the UN, for providing "little but a public relations cover for global corporate malefactors," and for lacking legally binding instruments, and called on the UN Secretary-General to "go beyond repositioning the Global Compact and instead to fundamentally re-design it as an instrument of real corporate accountability – or, alternatively, to disband it entirely" (Joint Civil Society Statement on the Global Compact and Corporate Accountability 2004). In 2007, an ActionAid official said: "As long as the Global Compact accepts members like the British mining giant Anglo American, despite protests from civil society, the accord is not worth the paper it is written on" (Global Policy Forum 2007).

In some cases, however, NGOs have cautiously supported the Compact while calling for reforms and more stringent rules. International NGOs such as Amnesty International and Human Rights Watch initially supported the Compact but called for stronger rules and enforcement (Amnesty International 2007; Human Rights Watch 2000a, b). In fact, Amnesty International used its role as an NGO participant in the Compact to pressure member firms on issues including internet freedom and illicit small arms trade (Amnesty International 2002, 2006). By 2007, however, Amnesty International joined Greenpeace, ActionAid, and the Berne Declaration in criticizing the Compact, saying that it "lacked credibility because it was not legally binding" (Inter Press Service 2007; SwissInfo 2007).

Many NGOs have also used firms' membership in the Global Compact as a rhetorical tool to criticize their activities. Global Witness and the International Transport Workers' Federation, in criticizing auditing firm Deloitte and Touche over the lack of transparency in an agreement with the government of Liberia, noted that "by subscribing to the UN Global Compact, Deloitte and Touche have agreed to meet international standards of corporate responsibility, and giving respectability to the Liberian regime in these circumstances is wholly incompatible with them" (Global Witness 2002). In January 2009, the group Investors Against Genocide began a campaign calling for a formal complaint under the Compact against PetroChina, whose parent company China National Petroleum Corporation has extensive links to Sudan. A letter to the Global Compact on the issue was signed by over 80 NGOs in 25 countries (CSRwire 2009). These examples illustrate not just potential costs to firms that join the Compact, but ways in which international NGO networks discouraged additional firms from joining.

3. Program design, global governance, and normative politics

Finnemore and Sikkink (1998) view norms as "a standard of appropriate behavior for actors with a given identity," that "channel and regularize behavior; they often limit the range of choice and constrain actions" (pp. 891, 894). Jepperson *et al.* (1996) emphasize the collective nature of such expectations: for them, norms are "collective expectations about proper behavior for a given identity" (p. 54). Norms shape human behavior in two ways. First, by outlining "the logic of appropriateness," norms can influence the context or structure in which actors function (March & Olsen 1989). One could view this as an informal, sometimes less visible, mechanism of exercising influence. Second, norms influence behavior when they get translated into concrete programs or policies. In doing so, norms become formalized and institutionalized, and lay out rules which prescribe, permit, or prohibit certain behaviors. Programs tend to be associated with a specific sponsoring organization, governmental or non-governmental, which often impacts their legitimacy in the eyes of the actors who are the targets of influence. By adopting or joining a program, actors signal their commitment to a particular norm. While programs can vary in their issue scope, organizational autonomy, and the nature of the actors that join them, we focus here on applying our argument to voluntary regimes for private actors. The key features of these programs are that membership is voluntary, and that they encourage beyond-compliance practices by their members.

The process by which a norm is translated into a program can lead to several potential sources of concern or contention among norm governors. These concerns can derive from the identity of the program sponsor – as in the case of many voluntary programs sponsored by business associations. They can also derive from the extent to which a program is faithful to the principled content of a norm. If a program incompletely or incorrectly translates a norm into policies, norm governors wishing to safeguard norm integrity can be expected to oppose or criticize the program. In this paper, we focus primarily on a third concern: contention over program design.

There is considerable heterogeneity in the design of CR programs regarding the obligations they impose on their participants. As Vogel points out, in the "market for virtue," there are several programs that impose no serious obligations on participating firms (Vogel 2005, p. 145). Not surprisingly, stakeholders tend to respond to claims of CR behaviors with some skepticism. Anticipating this skepticism, firms can be expected to carefully assess which norm governors support the program, and the importance or salience of these governors in the firms' institutional context. After all, why would such firms besmirch their reputations (which are expensive to establish) by joining a program that key stakeholders oppose, especially when they have the opportunity to join ones that might be less controversial?

Some scholars recognize that, while norms shape the structural context in which actors function (Wendt 1992), the role of agency is crucial in the diffusion of a given norm (Risse-Kappen 1994; Price 1998). World Society scholars attribute this agency to the international networks of both IGOs and INGOs in the global diffusion process (Meyer *et al.* 1997; Boli & Thomas 1999).[4] Scholarship in the World Society tradition has focused on the spread of new ideas and organizational forms in areas of the environment, human rights, and others (Frank *et al.* 2000; Tsutsui & Wotipka 2004).

The World Society approach expects that greater connectedness to IGO and INGO networks will lead states (and variety of actors within a country) to more readily adopt new global norms (Frank *et al.* 2000; Tsutsui & Wotipka 2004; Koo & Ramirez 2009). These scholars, however, have not explored cases where IGO and INGO networks might provide conflicting signals regarding program adoption. This is analytically important because IGOs and INGOs may have a different assessment of a specific program.[5] We believe that scholars need to examine the preferences of IGO networks and INGO networks on a given program, instead of assuming that they converge. This will substantially push forward our understanding of the processes by which norms diffuse across organizations and countries.

In spite of the Global Compact's arguably widely shared normative intent, an impressive pedigree, and the fact NGOs are represented in its governance structure, its program design has disappointed several INGOs championing labor, environmental, and human rights. This criticism is important for two reasons. First, these groups do not oppose the

CR norm or voluntary programs per se; some of them have sponsored other voluntary programs, which reflect the CR norm. For example, Greenpeace opposes the Global Compact but supports the Forest Stewardship Council, a voluntary program with the CR goals of promoting environmental and social standards in forest management.

Second, such NGO groups tend to support the United Nations, which, in turn, has consciously sought to provide a voice to civil society groups (Gordenker & Weiss 1995; Clark *et al.* 1998). Unlike the World Bank, the United Nations tends to be less supportive of the liberal economic agenda embodied in the so-called Washington Consensus, which liberal activist groups tend to oppose. Yet for these groups, the Compact represents a weak CR program because it neither imposes real, verifiable obligations on its participants regarding CR policies, nor sanctions program shirkers in a timely manner. It does not stipulate CR performance standards, the adoption of management systems, or third-party monitoring to ensure that participants comply with program obligations. It threatens to expel participants only if they fail to submit a COP report for multiple years in a row.

Many critics fear that weak programs can not only crowd out strong programs, which impose real obligations on firms, but also preempt public regulation. For them, notwithstanding the good intentions and a credible pedigree, the Compact leads to the legitimization of the status quo and provides a cover for corporations to pay lip service to the core challenges regarding the protection of the natural environment, human rights, and labor rights. Therefore, for many NGO groups, the Compact is a weak program even though it reflects a good norm. The Global Compact represents a new site of contestation between INGO and IGO networks. This contestation is neither over the actions of states nor over access to IGO networks themselves. Rather, it is over the program adoption by non-state actors: individual firms.

Thus, we expect that program design itself may be the subject of contestation among global governors, even when there is agreement over an underlying norm. This has clearly occurred in the case of the Global Compact. Even major INGOs, which spoke out against the Compact and sought to discourage firms from joining, like Greenpeace, have supported CR in other contexts, encouraged firms to undertake CR initiatives, and directly supported other CR programs. Yet the program design of the Compact has been a major, if not the major, point of criticism by INGOs.

4. Empirical model: IGOs, INGOs, and the diffusion of a weak program

In this section, we test empirically the role of international networks of IGOs and INGOs in the cross-national diffusion of the UN Global Compact. While the Compact is adopted at the firm level, much of IGO and INGO pressure has been exerted at the country level. Given that firms' policies are significantly influenced by the national context in which they function, and consistent with the prior literature on the cross-country diffusion of voluntary programs (Neumayer & Perkins 2005; Prakash & Potoski 2006b), we observe Compact adoption at the country level while controlling for a variety of domestic and international variables. In contrast, Bennie *et al.* (2007) studied Global Compact adoption at the firm level among the world's 2,000 largest companies, emphasizing a combination of firm-level characteristics and country-level context. In order to address a set of questions specific to the context of global governance, and in order to address the drivers of adoption among both small and large firms, we aggregate up to the level of the country.

As World Society scholars have indicated, norms might diffuse through global IGO and INGO networks (Frank *et al*. 2000; Tsutsui & Wotipka 2004; Koo & Ramirez 2009). However, these networks may have opposing effects in diffusing a weak program, which might embody a good norm. Due to the sponsorship of the Compact by the preeminent IGO, the United Nations, we expect the embeddedness in IGO networks to encourage the adoption of the Compact. INGOs, however, have been among the harshest critics of the Compact's program design. They view CR programs primarily as certification standards. For critical NGOs, the role of the Compact as a learning network is secondary. For them, the Compact undermines the CR norm because its weak institutional design allows participating firms to wrap themselves in the CR mantle without investing substantial resources in pursuing this norm. Contrary to the predictions of the World Society scholars, we expect embeddedness in international NGO networks to have the opposite effect, namely discouraging the adoption of the Compact. Our discussion leads to the following key hypotheses:

Hypothesis 1: Global Compact participation is *higher* in countries with greater involvement in the World Society networks of inter-governmental organizations.

Hypothesis 2: Global Compact participation is *lower* in countries with greater involvement in the World Society networks of international non-governmental organizations.

Along with examining the role of IGO networks and INGO networks, our model controls for a range of factors, which can influence country level adoption of the Global Compact. We expect existing voluntary programs in related issue areas to play a role, especially ISO 14001, the most widely adopted voluntary environmental program in the world. The effects of ISO 14001 adoption might run in different directions, however. Individual firms, which are ISO certified, might be more willing to join the Compact, given their commitment to CSR. Broader awareness of internationally recognized programs such as ISO 14001 among important stakeholders might increase the benefits to adoption of newer programs like the Compact. ISO 14001 adoption might also reflect existing environmental norms: firms functioning in countries with strong environmental norms might be more inclined to join ISO 14001. On the other hand, ISO certified firms might feel that the Global Compact provides little incremental value to their efforts to signal their CSR behaviors, and so ISO adoption might crowd out the Compact.

Political economy explanations identify instrumental motives behind the emergence of and participation in voluntary programs. Firms join CR programs in the hope of obtaining instrumental benefits. Exposure to global markets can help the diffusion of CR programs. Trade with other countries encourages companies to differentiate themselves on a variety of attributes including CR. Similarly, inward foreign direct investment (FDI) can help the adoption of voluntary programs because foreign investors may require that their suppliers demonstrate fluency in best corporate practices – the Global Compact can serve as a proxy for this (Prakash & Potoski 2007).

Firms assess the usefulness of voluntary programs based on the regulatory context in which they operate. Firms in countries where effective regulations already cover the CR areas may be able to join the Global Compact at lower cost, while for firms in countries where regulations covering CR issues are lax, the costs of joining the Compact may be higher, leading to lower participation levels.

Rich countries tend to pollute less (per dollar of GDP). This is because environmental protection has positive income elasticity and governments of rich countries have the resources to protect the environment. Similarly, the principles of human rights, labor rights, and to a lesser extent anti-corruption may be seen as luxuries that only stakeholders in wealthy, developed states can afford. Thus, Global Compact adoption levels can be expected to be higher in more developed countries. Finally, we also control for the level of democracy, as aspects of democratic states, such as the free flow of information and freedom of expression, may facilitate the diffusion of new CR programs.

The Global Compact was launched in 2000. We therefore test our hypotheses using a panel of 112 countries for the period 2001 to 2007.[6] The dependent variable is the number of companies, aggregated at the country level, participating in the UN Global Compact in each year. We include both large companies (above 250 employees) as well as "small and medium enterprises" (SMEs) (less than 250 employees). The dependent variable does not include business associations or non-business participants such as labor groups, cities, or NGOs. Consistent with the prior literature, we control for the scale of the economy by including gross domestic product (GDP) adjusted for purchasing power parity as a covariate.[7]

We measure involvement in the World Society of intergovernmental organizations (*IGOs*) with the number of IGOs a country is a member of in each year. We measure non-governmental organization strength with the number of international NGOs (*INGOs*) which have members in each country. Both of these variables are taken from the annual Yearbook of International Organizations (Union of International Associations 2009). While specific responses to the Global Compact varied both among IGOs and among INGOs, our expectation is that on average, the evaluation among INGOs is far less favorable than among IGOs.

The variable *ISO 14001* reflects the number of ISO 14001 certified facilities in each country, as reported in the 12th Cycle of the ISO Census and in ISO Surveys of Certifications since (ISO 2003, 2005, 2006, 2007).[8] We measure *GDP* and *GDP per capita*, adjusted for Purchasing Power Parity, and *trade* and *FDI* inflow as ratios of GDP with figures from the World Bank World Development Indicators (World Bank 2009). Our measure of *Regulation* is the index of regulatory policy from the Fraser Economic Freedom of the World Index, covering the stringency of credit market regulations, labor market regulations, and business regulations (Gwartney & Lawson 2009). We reverse the sign of the original values, so that higher values reflect more stringent regulatory policy.

Following Greenhill *et al.*, we control for the *California Effect* on the Global Compact by including a variable which reflects Global Compact adoption levels in a country's export destinations, and is weighted by the salience of these destinations in the export basket of this country (Greenhill *et al.* 2009).[9] We also control for direct spatial diffusion with a spatial lag of Compact members in each country's contiguous neighbors. Because the effect of our independent variables is likely to be observed after some time, we lag all independent variables by one year and in a separate model, by two years.

Our dependent variable, the number of Global Compact participants in each country, is an overdispersed count with a variance greater than the mean. Thus, a negative binomial count model, rather than a Poisson regression, is the appropriate modeling approach. We report clustered standard errors, and include a lagged dependent variable in the model, to account for temporal dependence (Beck & Katz 1995). Finally we employ country fixed effects to control for unobserved heterogeneity across countries, and year fixed effects to control for the across-the-board time trend of increasing adoption worldwide.

We test our hypotheses across a range of specifications. Model 1, our main model, employs a dependent variable which includes both large companies (250 or more employees) and small/medium enterprises (fewer than 250 employees). Model 2 tests an alternative specification employing only the count of large companies participating in the Compact as the dependent variable. Model 3 employs a two-year lag of all independent variables, rather than a one-year lag, to check whether the effects of the independent variables take a longer time to influence firms' incentives to join the Compact. Given the enthusiastic response to the Global Compact in some European countries, Model 4 excludes European countries from the data. Given that CR norms might represent post-materialist values of the OECD world, Model 5 excludes OECD countries, to check whether the mechanisms of program diffusion reported in prior models are at work in developing countries. Finally, Model 6 removes the three countries with the highest numbers of participating firms in the final year of the analysis, France, Mexico, and Spain, in case these high-adoption cases are driving the results. Model 7 omits the lagged dependent variable to ensure that the choice of its inclusion or exclusion is not driving the results.

5. Results

We present our results in Table 1. Our key hypotheses regarding diffusion via IGO networks and via INGO networks receive empirical support across model specifications. In Model 1, embeddedness in IGO networks is significantly and positively associated with Global Compact participation (the *P*-value on a two tail test is 0.092). As hypothesized, embeddedness in international NGO networks is significantly and negatively associated with Global Compact participation (the *P*-value on a two tail test is 0.0003). It is important to recognize that our models include both country and year fixed effects, making our estimates quite conservative. Thus, we find support for the World Society perspective regarding the role of IGO networks in the global diffusion of liberal norms. In substantive terms, an increase in IGO memberships from the mean value to one standard deviation above the mean, holding all other independent variables to their means, is associated with an increase of 5.93 in the expected count of firms participating in the Global Compact in a hypothetical country. In fact, this variable has a larger substantive effect than any other covariate in the model aside from the scale control GDP, and GDP per capita.

The World Society perspective suggests that IGO and INGO networks work in tandem to diffuse liberal norms. Our theoretical expectations were the opposite, in the light of the criticism of the Compact from the NGO community. Indeed, we find support for our expectation of a negative relationship between embeddedness in INGO networks and Global Compact membership. In substantive terms, an increase in INGO memberships from the mean value to one standard deviation above the mean, holding all other independent variables to their means, is associated with a decrease of 3.67 in the expected count of participant firms in a hypothetical country. These results highlight the need for scholars to pay attention to situations when key components of World Society, IGOs and INGOs, may have different perspectives on the programmatic translation of a given norm.

While the Global Compact embodies the norm of corporate responsibility, there are other programs which seek to reflect subcomponents of the broader CR norm. Because ISO 14001 has emerged as the most widely voluntary environmental program, its prevalence in a country could influence the context for Global Compact adoption, but this

Table 1 Model results. Results of negative binomial models of country-level UN Global Compact adoption from 2001 to 2007

	Model 1: All companies	Model 2: Only large companies	Model 3: With 2 year lag	Model 4: Europe excluded	Model 5: OECD excluded	Model 6: France, mexico, spain excluded	Model 7: No lagged dependent variable
Key variables							
IGO membership	0.072*	0.074*	0.031	0.036	0.13*	0.087**	0.073*
	(0.043)	(0.043)	(0.04)	(0.081)	(0.074)	(0.043)	(0.043)
INGO membership	−0.0064***	−0.0062***	−0.0048***	−0.0081**	−0.01**	−0.0072***	−0.0063***
	(0.0018)	(0.0018)	(0.0016)	(0.0034)	(0.0045)	(0.0019)	(0.0018)
Control variables							
ISO 14001 adoption	0.002	0.0036	0.002	0.0027	0.0058	0.0045	0.0023
	(0.0028)	(0.003)	(0.0039)	(0.0057)	(0.0059)	(0.0029)	(0.0028)
Regulatory stringency	−0.36*	−0.37*	−0.13	−0.38	0.087	−0.19	−0.35*
	(0.2)	(0.2)	(0.2)	(0.27)	(0.22)	(0.18)	(0.2)
Democracy	0.037	0.055	0.13***	0.012	0.035	0.039	0.036
	(0.042)	(0.035)	(0.044)	(0.041)	(0.045)	(0.041)	(0.042)
Log total GDP	−5.28	−4.17	−8.02	−12.1	−20.5**	−5.83	−4.95
	(5.96)	(6.42)	(6.45)	(11.9)	(9.17)	(6.35)	(5.95)
Log GDP per capita	4.17	3.52	5.96	6.93	14.6*	5.04	3.84
	(5.75)	(6.4)	(6.23)	(11.5)	(8.04)	(6.08)	(5.75)
Trade/GDP	0.0098	0.012	0.021*	0.031***	0.017	0.01	0.0095
	(0.012)	(0.013)	(0.011)	(0.011)	(0.013)	(0.012)	(0.012)
FDI inflow/GDP	−0.011	−0.0075	−0.011	−0.015	0.0093	−0.0091	−0.0099
	(0.013)	(0.012)	(0.01)	(0.041)	(0.039)	(0.013)	(0.013)
Export market context	0.013*	0.022	0.014*	0.014	0.0098	0.012	0.013*
	(0.0081)	(0.015)	(0.0083)	(0.011)	(0.0098)	(0.0082)	(0.0081)
Neighborhood context	0.00052	0.0045	0.0012	0.0018	0.0012	0.0024	0.00041
	(0.0047)	(0.0083)	(0.0052)	(0.0072)	(0.0072)	(0.0045)	(0.0047)
Lagged dependent variable	0.00099	0.0025	−0.0053*	0.0011	−0.0026	−0.001	
	(0.0011)	(0.0021)	(0.003)	(0.0016)	(0.0031)	(0.0026)	
Constant	38.5	27.9	64.2	149	168**	43.1	35.9
	(49.2)	(52.7)	(53.1)	(128)	(77.2)	(52.5)	(49)
Country fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Akaike information criterion	3,361.11	2,809.03	3,095.55	1,999.04	2,113.53	3,123.3	3,309.7
Number of observations	752	752	643	522	564	731	752

Clustered standard errors in parentheses. Significance codes: $^{***}P < 0.01$, $^{**}P < 0.05$, $^{*}P < 0.1$.
Country fixed effects and year fixed effects included but not displayed.

influence might be either positive or negative. We find that ISO 14001 adoption is not significantly associated with Global Compact participation in any model. It is possible that any positive effects and negative effects cancel each other out.

Consistent with the findings reported in other research on voluntary programs, the average level of Global Compact participation in each country's export markets, weighted by the amount of exports, was positively and (weakly) significantly associated with participation in the home country (*P*-value is 0.099). This result is surprising given the conventional approach to the California Effect, as the Global Compact does not claim to offer certification or apply at the facility level. However, this bilateral export market effect we find may illustrate a sociological variant of the California Effect, whereby firms in one country learn from or emulate the behavior of firms in countries to which they export.

In Model 2, we restricted the dependent variable to large companies, with more than 250 employees. Our main results were almost identical, with IGO Membership associated with greater Global Compact participation and INGO Membership associated with less. In Model 3, we employ two-year lags of all independent variables, rather than one-year lags. In effect, this model looks for relationships which take longer to take effect. In the results of this model, INGO Membership is still negatively and significantly associated with Compact participation. IGO Membership remains positively signed, but is no longer statistically significant at conventional levels. In Models 4 and 5, we exclude European countries and OECD countries in turn, to ensure that results hold for the rest of the world. In both models, INGO Membership retains its negative sign and statistical significance. IGO Membership has a positive effect in both models, but is statistically significant only in Model 5. In Model 6, we remove the three countries with the greatest number of participating firms, to ensure that our results do not depend on these possible outliers. The sign and significance of the two key variables are the same as in Model 1, and in fact, the effect of IGO Membership is now statistically significant at a $P < 0.05$ level. Finally, in Model 7, we omit the lagged dependent variable. While the coefficient of the lagged dependent variable can be biased downwards in the presence of fixed effects, our main results still hold when it is omitted. This provides additional confidence that the inclusion of a lagged dependent variable along with country fixed effects does not influence our results of substantive interest.

6. Conclusion

Ideas can inform public policy. A poor response to a given program might not necessarily reflect a rejection of the norm that motivated it. Rather, it might reflect the inadequate translation of the norm into the program. A careful study of program design should therefore figure prominently in the research agenda of scholars studying how norms inform policy and governance. Instead of assuming that widely shared norms will be translated into programs which key norm governors will find acceptable, scholars need to explore why and how programs acquire certain design attributes, and what are the consequences of design choices for the diffusion of the program and the norm.

Program design pertains to the issues of stringency, monitoring, disclosure, sanctions, and enforcement, many of the same issues considered in the literature on institutional design (Koremenos *et al*. 2001; Potoski & Prakash 2009). It involves conflicting goals, such as strength versus inclusiveness, and different norm governors may desire different choices. While "strong" programs provide a greater assurance that program participants will honor the norm, such programs may set the bar too high, or make it a high cost program – eventually leading to low levels of program participation. If governors disagree on the prioritization of the goals of widespread program participation in relation to maintaining norm integrity, conflicts among them might break out. How such tradeoffs take place in different issue areas is an issue for future research.

The literature on voluntary programs suggests (as is also attested by the failure of voluntary regulations in financial markets, especially the one sponsored by the Securities and Exchange Commission) that voluntary programs which do not impose real obligations on firms or do not back them with sufficient monitoring – "bluewashes" or "Astroturfs" – have a greater chance of failure (Cutler *et al*. 1999; Haufler 2001; Mattli and Büthe 2003; Vogel 2005). As Daniel Mittler of Greenpeace International notes: "the world does not need more declarations of intent from corporations, but real actions that can be measured and monitored" (Global Policy Forum 2007). In the case of the Global Compact, IGO networks appear to prefer more inclusive programs while INGO networks place greater value on program integrity. Both broadly support and advocate for the norm of CR, yet differ over this program. Instead of treating IGO and INGO networks as undifferentiated components of a World Society with uniform effects on states, our paper suggests that scholars recognize a more conflictual and differentiated nature of global society. If IGO or NGO networks serve to transmit such weak programs, it raises a serious question as to whether the increasing density of World Society networks will always have beneficial outcomes for humanity.

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Notes

1 The full list of the ten principles can be found on the UN Global Compact website. Available from URL: http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html.

2 In response to criticism that the COP timeline was too lax, the Compact in 2009 updated its policy such that a new participant has only one year to submit its first COP, and firms "non-communicating" for one year will be immediately delisted, thus eliminating the inactive category. However, the new policy does not apply to the time period under study in this paper.

3 Bernhagen and Mitchell (2010) find that among the world's 2,000 largest companies, Global Compact participants were more likely to have written human rights policies, and more likely to be listed among Innovest's "Global 100" most sustainable corporations. However, their analysis did not take into account potential endogeneity whereby firms with better practices are more likely to adopt in the first place. Indeed, dealing with selection issues has become a major preoccupation of IR scholars studying regime efficacy and public policy scholars studying program effectiveness.

4 Some also note the role of professional associations, trade associations, and epistemic communities in the diffusion of norms (see Meyer *et al*. 1997; Keck and Sikkink 1998. The term

"network" is used here to reflect that the multitude of IGOs and INGOs worldwide are connected with each other, with states, and with various other stakeholders through different types of formal and informal linkages.

5 The tension between governments and NGOs is evident in the case of government-sponsored voluntary environmental programs such as Project XL and Performance Track (Coglianese & Nash 2009). While broadly supporting the goal of environmental sustainability, NGOs oppose the specific ways in which it has been operationalized in voluntary programs sponsored by regulatory agencies.

6 We omit countries with populations under 1 million, as the determinants of adoption in very small countries are likely to be idiosyncratic. We also listwise delete observations with missing data.

7 Our substantive findings remain unchanged if we include the log of total population. It needs to be noted that we cannot include population, total GDP, and GDP per capita simultaneously since the last of these is a transformation of the first two.

8 We divide this variable by 100 for ease of presentation.

9 Perkins and Neumayer (2010) report that Global Compact adoption is encouraged by business travel, especially when conditioned on high levels of democracy. However, this work covered a smaller range of years than ours, and has neglected to model the effects of intergovernmental organizations or international NGOs.

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