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# Different Talks with Different Folks: A Comparative Survey of Stakeholder Dialog in Germany, Italy, and the U.S.

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ABSTRACT. Although theoretical underpinnings of stakeholder dialog (SD) have been extensively discussed in the extant literature, there is a lack of empirical studies presenting evidence on the SD initiatives undertaken by firms. In this article, we provide information about 294 SD initiatives collected through a content analysis of the sustainability reports published by large firms in Germany, Italy, and the U.S. In addition to a country-based description of the different forms, stakeholder categories, and topics of the SD initiatives, we explore the relationship between SD and characteristics of national business systems. Overall, we find firms undertake few SD initiatives, using low-involvement forms of dialog, and focusing on one category of stakeholders per initiative. Results suggest that the explicit approach to corporate social responsibility (CSR) favors the quantity of SD initiatives, but neglects the importance of the level of involvement and diversity of stakeholders participating at the dialog. Finally, we find public policies on CSR have a substantial influence on SD in national business systems with an implicit approach to CSR. Public policies based on a shared discussion involving multiple social actors encourage SD initiatives that use different forms of dialog and are characterized by high level of involvement. Our findings offer contributions to the ongoing debate about the effectiveness of SD and its relationship with CSR.

KEY WORDS: stakeholder dialog, sustainability reporting, corporate social responsibility, international study

ABBREVIATIONS: SD: Stakeholder dialog; CSR: Corporate social responsibility; SDI: Stakeholder Diversity Index; FDI: Form Diversity Index

## Introduction

Recent literature on corporate social responsibility (CSR) emphasizes the importance of the dialog firms should initiate with their stakeholders in order to align business activities with the interests of different social actors. In particular, several authors underline the relevance of stakeholder dialog (SD) for the creation of social capital, which, in turn, can represent an important asset of a company with beneficial effects for the firm's success (e.g., Habisch and Moon, 2006; Mitchell et al., 1997). Firms seek the involvement of stakeholders for strategic management, continuous learning, knowledge appropriation, and participative decision-making (e.g., Van Buren, 2001). Although strong theoretical arguments advocating SD have been brought forward, empirical studies are scarce. This is partly due to the fact that the lack of legal disclosure requirements limits the availability of information concerning SD initiatives. As a consequence, there is only limited scientific knowledge about SD, especially regarding the characteristics of SD initiatives undertaken by firms. Moreover, Greenwood (2007) points out SD *per se* does not lead to socially responsible behavior. In order to be considered as socially responsible, SD must rely on multiple forms of dialog and a comprehensive involvement of the different categories of stakeholders (Greenwood, 2007).

Our research objective is to provide an empirical investigation of the SD initiatives reported by firms in voluntarily disclosed sustainability reports. Inspired by the theoretical framework proposed by Greenwood (2007), we do not limit the analysis of SD to the number of initiatives undertaken by firms; yet, we investigate various aspects of the dialog, namely: the form used to dialog, breadth of the group of stakeholders involved in the dialog, and topics of the dialog. Further, we explore the association between the national business system and the characteristics of SD. Based on the distinction between explicit and implicit approach to CSR proposed by Matten and Moon (2008), we examine SD in three different national business systems. The cross-country analysis reveals different approaches to SD depending on the number of initiatives, the level of involvement, and the diversity of forms used and stakeholders involved in the initiatives.

Our empirical research is based on the information collected from a sample of large listed firms with headquarters in Germany, Italy, and the U.S. We analyzed the firms' sustainability reports and collected information about 294 SD initiatives. We coded information to measure the form and frequency of the SD initiatives, the number and category of stakeholders involved in the SD initiatives, and the topics of the SD.

We present and discuss the empirical evidence in two parts. First, we report descriptive statistics about SD for each country in order to examine national characteristics shaping the empirical setting. We observe that firms' approaches to SD are different across countries and we find the drivers of CSR tend to explain the differences. In particular, German firms concentrate their attention on SD initiatives involving employees; Italian firms devote their attention to different categories of stakeholders; U.S. firms spread their attention to employees and social communities evenly. Second, borrowing from the insights offered by Greenwood (2007) and Matten and Moon (2008), we compare the characteristics of SD initiatives undertaken by firms from three different countries. We classified the SD initiatives contained in our sample into stakeholder involvement and stakeholder response depending on the level of interaction allowed by the form used to dialog. In addition, we constructed two diversity indices to capture the quantity and variety of forms used by firms to dialog with stakeholders and of the categories of stakeholders involved in the dialog. The international comparison suggests the adoption of three different approaches to SD which appear to be consistent with the main elements of the national approaches to CSR. Finally, survey results are corroborated by three brief case studies.

Our research offers several contributions to the ongoing discussion about the role of SD for CSR management and practice. First, we provide novel empirical evidence regarding the initiatives undertaken by large firms to dialog with stakeholders. By considering three different national business systems, we adopt an international perspective that reveals the role played by political, financial, education and labor, and cultural factors on SD. Second, we show the gap between the literature, which emphasizes the importance of SD, and the practice, which is dominated by poor social disclosure, low-involvement SD initiatives, and a narrow approach to SD. Third, we propose an operationalization to empirically measure the concept of SD in order to consider the comprehensiveness of SD initiatives in addition to their quantity, as recommended by Greenwood (2007). Finally, we explore the relationship between SD and national business system, showing that firm approach to SD is consistent with the national approach to CSR.

The article is structured as follows. First, we review the literature on SD and its relationship with CSR. Next, we describe our research methodology and provide empirical results by country followed by an international comparison. Finally, we discuss our findings and draw conclusions for management practices and future research.

## Review of prior studies on SD and its relationship with CSR

### *Benefits of SD*

A growing body of literature focuses on how to identify, address, and fruitfully engage with stakeholders which, according to Freeman (1984, p. 52), can be defined as "groups and individuals who can affect or are affected by, the achievement of an organization's mission." The notions of stakeholder engagement and SD are used interchangeably at times. The former is generally defined as "practices that involve stakeholders in a positive manner in organizational activities" (Greenwood, 2007, p. 318), while the latter indicates a more specific and challenging interaction between various actors (Burchell and Cook, 2008) and can include a wide array of topics (Hess, 2007; Pedersen, 2006). In this article, we focus on SD.

Prior literature provides different theoretical arguments to support the benefits of undertaking SD initiatives. In the organizational learning literature, dialog is presented as a crucial driver of learning

(Burchell and Cook, 2008). In particular, Burchell and Cook (2006a) argue that learning processes between firms and stakeholders can facilitate organizational change through improved relationships. Dialog can provide learning effects through new perspectives on relationships (Payne and Calton, 2002), if it involves key stakeholders (Sillanpää, 1998) and if it is accountable to stakeholders (Hess, 2007). In the risk management literature, SD is discussed as a means to manage and reduce risks (Burchell and Cook, 2006a; Frooman, 1999). Firms may face the negative impact of boycotting and negative image campaigning promoted by customers' and other stakeholders' organizations. As a consequence, they invest financial and managerial resources in order to avoid litigation costs through SD (Hendry, 2005). Such an investment leads them to enhance their understanding of how external actors perceive firm actions and decisions. In this sense, SD serves the role of an early warning system (Burchell and Cook, 2006a). Similarly, several prior studies point out SD emphasizing that accountability is an important mechanism to generate trust in the management (Burchell and Cook, 2006b; Lawrence, 2002; McLaren, 2004; Swift, 2001). Notwithstanding the overall positive view on SD, some studies offer a more critical perspective about the benefits of SD. Deegan (2002) argues that companies exploit SD in order to tactically obtain legitimization of their activities and often focus on managing stakeholders' expectations rather than improving internal social performance (Epstein and Roy, 2003; Hess, 2007). By examining sustainability reports, Owen et al. (2001) show participative structures empowering stakeholders are largely absent. Epstein and Roy (2003) contend it remains still unclear whether what is reported to the public is actually incorporated into organizational strategy and decision-making.

Following a normative approach, the extant literature on SD presents what companies must do to engage with stakeholders, rather than empirically examine actual SD practices and their outcomes (Boesso and Kumar, 2009; Hussain, 1999). O'Riordan and Fairbrass (2008) conclude the literature on SD is sketchy and does not provide a consistent framework for implementation. For example, the model by O'Riordan and Fairbrass (2008) predicts that the interplay of context, stakeholders, events, and business response affects the outcome of dialog efforts. In the model, SD is conceived as the practical implementation of the final phase of the CSR strategizing process. However, the model has not yet been empirically tested. Similarly, although many authors affirm that the selection of relevant stakeholders is one of the crucial challenges for the success of SD initiatives (Mitchell et al., 1997; O'Riordan and Fairbrass, 2008; Pedersen, 2006), research on this topic is remarkably limited (Boesso and Kumar, 2009). Most studies rely on the categorization by Davenport (2000) classifying stakeholders into five categories, namely: customers, suppliers, employees, shareholders, and communities.

Greenwood (2007) elaborates a model of stakeholder engagement and the moral treatment of stakeholders, providing insightful suggestions to operationalize the concept of SD. According to Greenwood, SD can be considered as a socially responsible practice depending on the diversity of SD forms and of stakeholders involved in the dialog. Therefore, the benefits of SD can be fully exploited if SD initiatives enable firms to engage in a dialog characterized by high interaction and diversity of concerns, and not simply through the repetition of many initiatives. By focusing on few stakeholders firms try to manage stakeholder expectations according to their business strategies. As a consequence, the focus on few stakeholders constrains the dialog. Moreover, Morsing and Schultz (2006) point out that not every form of communication with stakeholders allows a balanced interaction. Indeed, some forms of dialog support the stakeholder response strategy, which is characterized by asymmetric interaction between the firm and its stakeholders. This kind of forms reduces the beneficial aspects of SD and its social responsible elements. On the contrary, forms which support the stakeholder involvement strategy are characterized by symmetric interaction between the firm and its stakeholders (Morsing and Schultz, 2006). A high level of involvement is a prerequisite for a socially responsible SD and high involvement forms maximize the benefits of SD.

### *National business systems and CSR*

Matten and Moon (2008) argue a firm's socially responsible behavior is significantly influenced by the factors that shape the national business system. The authors compare Europe with the U.S. and conclude that U.S. firms emphasize explicit elements of CSR, whereas European firms emphasize implicit elements of CSR. The explicit approach to CSR indicates the deliberate disclosure of CSR actions and the firm's strategy to communicate its decision to engage with stakeholders. CSR actions are the result of an explicit decision aimed at enhancing firm social and financial performance. In contrast, the implicit approach to CSR indicates the rare and poor communication about CSR. CSR actions are not the result of a strategic decision. Rather, they represent the reaction to specific aspects of the national business system (Whitley, 1999). Among these aspects, several authors (e.g., Albareda et al., 2006, 2008; Steurer, 2010) underline the relevance of the role played by national governments through public policies on CSR. In particular, Albareda et al. (2006) identify four models, which depend on the type of policies and the actors involved in the policy-making process. Germany and Italy are classified in the Sustainability and Citizenship model, and the Agora model, respectively. In the Sustainability and Citizenship model, the structure of corporate governance reflects the contribution of different stakeholders, and especially that of employees, to the business activities. The government plays a modest role and public policies and corporate actions on CSR emphasize sustainable developments. In the Agora model, the government plays a fundamental role through nationalized businesses and high regulation. Public policies on CSR are formulated through the involvement of a diverse group of social actors. Dialog and negotiation are the key methods used to achieve consensus.

In the analysis of our survey results, we link the characteristics of SD to the factors that describe the national approaches to CSR. In particular, we examine not only the quantity of SD initiatives, but also the level of involvement and diversity of stakeholders participating at the dialog, as recommended by Greenwood (2007). By examining Germany, Italy, and the U.S., our empirical analysis considers there national business systems associated with three different approaches to CSR. Table I summarizes the characteristics of the three national business system considered in our empirical research.

*German national business system and CSR*

The German national business system of Rhenish Capitalism represents an example of implicit CSR (Matten and Moon, 2008), with corporate social commitments largely enforced by legal institutions, rather than voluntarily decided on by the firm. To distinguish its special characteristics, Whitley (1999) mentions four factors of national business systems: political, financial, education and labor, and cultural.

From a political point of view, the German national business system is characterized by a high degree of formalization. Market behaviors, environmental duties, and corporate governance structures all are regulated legally and employer–employee relationships institutionalized based on the so-called Mitbestimmung. Taxes are on a moderate level, but social security payments are high as the welfare state system of public insurance is well elaborated. Public policy in Germany is regionally structured, with a long tradition of corporatism. As mentioned above, the German national business system represents an example of implicit CSR due to a high degree of regulation and institutions covering many aspects of potential corporate social commitment (e.g., social security, education, and child care). Albareda et al. (2006) categorize Germany as an example of the Sustainability and Citizenship model regarding governmental action on CSR. As far as additional CSR is concerned, the government limits itself to a role of a mere moderator, and legal regulations are already tight in CSR relevant issues with emphasis placed on voluntary activities of firms and industrial associations. Thus, the government considers CSR as a private initiative of the firm, rather than a legal requirement (Bertelsmann Foundation and GTZ, 2007). Given that the regulatory elements of CSR are already covered by legal regulations, the main idea is that compliance is less important than citizenship. It follows firms in Germany are expected to act as good citizens in society, including voluntary commitment to social partners and issues that go further than legal requirements.

Financially, Germany ranks among the top five economies in the world with a GDP of 2495 billion of Euro in 2008 (International Monetary Fund, 2009b). It is one of the largest export nations with products and services of nearly one trillion of Euro in 2008 delivered across the national borders

TABLE I

National characteristics and approaches to CSR

| | Germany | Italy | U.S. |
|---|---|---|---|
| *Differences in national business systems* | | | |
| Whitley (1999) | | | |
| Political | Modest role of government<br>Regulated markets and high social systems | High role of government<br>Regulated markets and high social systems | Small role of government<br>Free markets and low social systems |
| Financial | Medium role of stock market<br>Importance of SMEs | Small role of stock market<br>Importance of SMEs | High role of stock market<br>Importance of MNCs |
| Education and labor market | Dominance of public schools and universities<br>Considerable union membership | Dominance of public schools and universities<br>High union membership | Dominance of private schools and universities<br>High dynamic and flexible labor market |
| Cultural | High uncertainty avoidance<br>High individualism and masculinity | Moderate individualism and masculinity<br>Relevance of cooperative movement | High diversity and individualism<br>Low masculinity |
| *Differences in CSR approaches* | | | |
| Matten and Moon (2008), Albareda et al. (2006) | | | |
| CSR approach | Implicit – Sustainability and Citizenship | Implicit – Agora | Explicit – free market |

(Federal Statistical Office, 2008). Even though 39 of the world's 500 largest listed firms are headquartered in Germany (CNN Money, 2009), stock market plays a medium role in capitalization of German businesses, with a market capitalization which amounts to 38% of GDP (OECD, 2009). Overall, Germany has a social market economy and the three main drivers for CSR in Germany are the dominance of private small and medium enterprises (SMEs) in the economic environment, a long tradition of corporatism, and a legal framework fostering private voluntary initiative (Habisch and Wegner, 2005). SMEs play a major role in the German economy: they represent more than 95% of registered firms employ more than 70% of national employees (Federal Statistical Office, 2008). Based on religious or ethical values of the entrepreneurial families and owner–entrepreneurs, SMEs emphasize their social embeddedness within the region (often far from the main city centers) and play an important role in the regional society (Spence et al., 2004. As a consequence, CSR activities are generally aimed at improving relationships with the community and business partners (Observatory of European SMEs, 2002).

Regarding education, public schools and universities are dominant in Germany. The dual education system is the main feature of the German professional education: trainees receive on-the-job training and attend classroom courses during the week, resulting in a sophisticated workforce and a low rate of youth unemployment. The German labor market is characterized by a culture of corporatism, based on corporate governance structures and relevant role of unions. Over the years, unions have become an integral part of the economy with a strong influence on CSR issues. Companies have to be registered members of the regional chamber of commerce organized within the Deutscher Industrie- und Handelskammertag and are collectively represented by an industry-wide employer association (headed by the Federation of German Employers). Employees are institutionally represented by unions on a voluntary basis. Official representatives of employers and employees are regularly involved in collectively negotiating salaries and job conditions, thereby influencing the operations of individual firms. Employees elect a firm specific governance board involved in decisions related to social and personnel issues. Finally, in publicly traded firms, representatives of trade unions are members of the supervisory board which controls the board members.

Cultural studies typically report high levels of individualism and masculinity in Germany (Hofstede, 2001). Germany is characterized by lower power distance than in Italy; compared with the U.S., results show a much lower level of individualism in Germany. More significant is the higher tendency of uncertainty avoidance than in the U.S. The German business culture is dominated by industrial production, which still represents a relatively high percentage of the GDP and first brought affluence to traditionally rather poor German regions.

### *Italian national business system and CSR*

The Italian national business system promotes implicit dimensions of CSR, which is conceived as a bundle of value, norms, and rules defining the obligations of corporate actors in collective terms (Matten and Moon, 2008). This conceptualization leads firms to approach CSR as a reaction to institutional environment rather than a firm's strategic decision. CSR is motivated by the societal consensus on the legitimate expectation of the roles and contribution of all major groups in society. Politically, Italy is characterized by a frequent government intervention in the economy and strong role played by nationalized businesses. In Italy, public policies arose from a series of discussion processes in which government involve different groups. Policies are defined by a relational process seeking consensus among several social groups. According to Albareda et al. (2006), the Italian approach to public policies about CSR can be defined as Agora model. The Greek word used to label the model stresses the emphasis put on the discussion involving a differentiated set of groups.

Regarding the financial context, Italy is the seventh largest economy in the world with a GDP of 1272 billion of Euro in 2008 (International Monetary Fund, 2009a). Within the Italian national business system, the stock market plays a marginal role. In 2009, 291 firms were listed on the Milan Stock Exchange with a total market capitalization of 368 billion of Euro, corresponding only to the 28% of total Italian GDP (OECD, 2009). The Italian national business system is characterized by the great importance of SMEs. 93% of Italian firms have fewer than nine employees and workforce employed by Italian SMEs represents 74% of the country's employed population (OECD, 2009), with an average number of employees per firm of 3.9 (European Commission, 2003).

The Italian educational system is dominated by public schools and universities: students attending courses in public schools and universities benefit from financial advantages of the public educational programs. The labor market is significantly affected by high level of labor union membership and labor contract legislation with national and regional public negotiations.

Finally, the Italian culture is characterized by a medium level of diversity, masculinity, and uncertainty avoidance (Hofstede, 2001). The moderate level of individualism and masculinity fosters firms' responsibility for stakeholder needs, and encourage firms' social activities as a supplement for the social welfare assured by the state. Moreover, the Italian culture is influenced by the cooperative movement, which involved more than 800,000 members. Cooperatives are organizations aimed at providing goods and services (e.g., education, household, environmental protection, and health services) to their own members. This organization promotes two principles in the society and economic market: democracy, as a shared decision-making based on the number of members rather than on the ownership share; and mutuality, as the cooperation between persons to reach an objective in a collectivistic way. The activities of the cooperative movement influence national business management practices and produce high awareness of interest in SD (Williams, 2007).

The Italian national business system leads firms to emphasize the implicit elements of CSR. Russo and Tencati (2009) show Italian SMEs are very sensitive to local communities' needs and they engage with stakeholders through various CSR activities, although they do not communicate the effort toward society. In Italy, CSR is supported through projects and regulations initiated by the public government at both the national and regional level. For instance, in 2004, the Italian Ministry of Welfare launched an important project promoting CSR culture and practices. The project (i.e., The CSR-Social Commitment) emphasizes the social accountability of firms and defines CSR standards firms can adopt on a voluntary basis. In addition, it increases firm awareness of social, environmental, and sustainability issues and disseminates a common culture of responsibility within the industrial system (Perrini et al., 2006). Through the project, the national government decentralizes the promotion of CSR to regional governments. Based on this decentralization, for instance, the Region of Tuscany opened a CSR office in the Department of Economic Development which gives financial support to local firms investing in CSR practices. The Region of Umbria created a register including firms which obtained certifications of their CSR practices. Registered firms benefit from special conditions in contracts with public administrations. The Region of Marche funded a project to design an information system to support CSR practices. All these initiatives document that the driver of CSR in Italy is primarily the public policy formulated by the government in cooperation with different social groups and business actors. Italian firms undertake CSR activities a response to their involvement in public policy making.

### *U.S. national business system and CSR*

The national business system of the U.S. is radically different from Europe. According to Matten and Moon (2008), the U.S. national business system leads firms to emphasize the explicit element of CSR; whereas the European national business system leads firms to emphasize the implicit element of CSR. Political, financial, education and labor, and cultural aspects influence the national business system. Politically, the U.S. national business system is characterized by the small intervention of the government in the economy. The economic activity of the U.S. government is extremely limited and rarely deviates from principles of free market. The subsequent lack of traditional elements of social welfare has been a powerful driver of the diffusion of CSR practices in the U.S.

The stock market is the primary source of capital for the U.S. firms. In the U.S., the market capitalization to GDP ratio is about 80% (OECD, 2009). SMEs represent less than 80% of the total U.S. firms and employee only 11% of the U.S. working population (OECD, 2009). Because of the importance of the stock market for the U.S. national business system, firms have substantial economic incentives to focus their social responsibility on shareholders' needs and manage their relationship with stakeholders with high level of corporate disclosure.

In the U.S., postgraduate education is selective and accessible to a low percentage of the population. The U.S. labor market is extremely flexible and dynamic at all level of employment. The scarcity of public programs for executive education and low levels of union membership justify the explicit responsibility of U.S. firms for employee welfare and training.

Finally, the U.S. culture underlines the role of the individual more than the society for human development and believes in private philanthropy more than public solidarity. The high level of individualism is coupled with high level of diversity and low masculinity, in comparison to other countries (Hofstede, 2001). Moreover, the short-term focus and low uncertainty avoidance of the U.S. culture have significant influences on business practices. The different attributes of the U.S. cultural context fosters firms' responsibility for stakeholders' social needs and identifies the private individual as the promoter of economic and social growth.

Overall, the characteristics of the national business shape the U.S. firms' approach to CSR. Typically, U.S. firms have approached CSR issues motivated by what Buehler and Shetty (1974) found to be enlightened self-interest, which is the combination of firm profitability and social welfare. CSR is explicit because it is the outcome of a strategic decision and the object of a formalized CSR communication. Hence, U.S. firms decide to undertake CSR initiatives in order to achieve their strategic goals, primarily the maximization of shareholder value, and they invest in communicating their initiatives in order to persuade their stakeholders of their CSR. U.S. firms conceive CSR as a management practice to acquire stakeholder influence capacity and, consequently, deliver higher value to shareholders (Barnett, 2007). For U.S. firms, SD is instrumental to the maximization of shareholder value; it is an aspect of strategic management of stakeholder expectations, rather than a dialog with multiple subjects with a stake in the firm (Hess, 2008).

Statistics and empirical rankings seem to support the claim that U.S. firms strategically allocate resources to CSR in order to enhance their influence on stakeholders. The 2007 Accountability Rating shows U.S. firms do not perform well in SD, whereas frequently their deliberated strategies and CSR initiatives address social, especially environmental, issues. Similarly, Maignan and Ralston (2002) found U.S. firms rarely present CSR as a response to stakeholder needs but they normally describe it as part of their corporate culture and strategy. Interestingly, surveys by KPMG suggest a decreasing number of sustainability reports disclosed by U.S. firms (KPMG, 2005, 2008). This trend is opposite to the increasing number of sustainability reporting standards issued by private and public authorities and indicates the common misalignment between sustainability reporting and social performance for the U.S. firms (Weaver et al., 1999). The decreasing level of social disclosure may also indicate the reduction of the gap between the explicit approach to CSR in the U.S., which is becoming more implicit, and the implicit approach to CSR in Europe, which is becoming more explicit as argued by Matten and Moon (2008).

## Research methodology

The target population of our empirical research includes the 50 largest firms in Germany, Italy, and the U.S. The focus on large firms has two reasons: first, large firms have been found to be key promoters of CSR (e.g., European Union, 2002); second, prior research suggests that firm size is an indicator of the quality of corporate social reporting (Gray et al., 1995). In each of the three countries considered in our research, we collected the 2007 sustainability reports.[1] Table II describes our sampling. The final sample contains 73 firms, including 27 German, 24 Italian, and 22 U.S. firms. From the original population, 57 firms were excluded because they did not publish a sustainability report in 2007. 20 firms were excluded because their 2007 sustainability report did not report information about SD activities.

We content-analyzed sustainability reports and codified a variety of information about SD initiatives. Content analysis (Weber, 1988) has been widely used in research dealing with social reporting (e.g., Adams and Harte, 1999; Adams et al., 1995; Farrell and Cobbin, 1996; Gray et al., 1995; Hackston and Milne, 1996; Holder-Webb and Cohen, 2007; Maignan and Ralstons, 2002; Tonkin and Skerratt, 1991). The final sample of 73 firms resulted in 294 SD initiatives.[2]

SD initiatives were grouped into seven different forms: (i) committees, which are stable groups meeting regularly to advise about a defined set of stakeholders' issues; (ii) conferences, which are events open to a large audience with a specific theme; (iii) contact points, which are various communication channels accessible to stakeholders to initiate dialog with firm management; (iv) focus groups, which are meetings involving representatives of categories of stakeholders; (v) forums, which are events open to a relatively small audience involving experts and opinion leaders; (vi) interviews, which are oral consultations with individual stakeholder; and (vii) questionnaire surveys, which are written consultations with individual stakeholders.

Following the categorization proposed by Davenport (2000),[3] stakeholders were grouped into five

TABLE II
Sampling

| | Total | Germany | Italy | U.S. |
|---|---|---|---|---|
| Population of firms | 150 | 50 | 50 | 50 |
| Excluded | | | | |
| No sustainability report in 2007 | 58 | 19 | 20 | 19 |
| No stakeholder dialog initiative in 2007 | 19 | 4 | 6 | 9 |
| Final sample | | | | |
| Number of firms | 73 | 27 | 24 | 22 |
| Number of stakeholder dialog initiatives | 294 | 84 | 105 | 105 |

TABLE III

Industry composition

| Industries (values in percentage) | Total | Germany | Italy | U.S. |
|---|---|---|---|---|
| Aerospace and defense | 2.7 | – | – | 9.1 |
| Automotive | 8.2 | 11.1 | 4.2 | 9.1 |
| Cement production | 2.7 | – | 8.3 | – |
| Energy | 8.2 | 7.4 | 16.7 | – |
| Engineering | 5.5 | 14.8 | – | – |
| Entertainment | 1.4 | – | – | 4.5 |
| Financial | 4.7 | 18.6 | 29.1 | 27.4 |
| High tech | 5.5 | 7.4 | – | 9.1 |
| Manufacturer | 5.5 | 3.7 | 8.3 | 4.5 |
| Merchandisers | 4.1 | 3.7 | 4.2 | 4.5 |
| Petroleum refining | 9.6 | – | 16.7 | 13.7 |
| Pharmaceuticals and chemicals | 9.6 | 18.5 | – | 9.1 |
| Services | 4.1 | – | 8.3 | 4.5 |
| Telecommunication | 5.5 | 7.4 | 4.2 | 4.5 |
| Transport | 2.7 | 7.4 | – | – |
| Number of firms | 73 | 27 | 24 | 22 |

categories, namely: customers, suppliers, employees, shareholders, and community stakeholders. Based on the number of categories of stakeholders involved in the SD initiatives, we constructed a dichotomous variable distinguishing between mono-stakeholder initiatives and multi-stakeholders initiatives. The scarce availability of information about the frequency and the number of stakeholders involved in the SD initiative did not allow us to construct specific variables.[4]

Table IV reports the results of our survey about the characteristics of SD initiatives.

## National findings

### *German findings*

Table II shows that 27 German firms are included in our final sample representing 54% of the firms initially considered. 19 firms were excluded because they did not publish a stand-alone 2007 sustainability report, and four firms were excluded because they did not include any information about SD in their 2007 sustainability report.

Table III describes the industry composition of the sample. In Germany, more than 75% of total workforce is employed in the services sector, including financial institutions (Federal Statistical Office, 2008). Our German subsample reflects the importance of the financial industry, which represents 18.6% of the German subsample. 14.8% of the firms in the German subsample operate in the Engineering industry, which is not represented in the Italian and U.S. subsamples. Engineering is a key industry in the German economy, employing about 19.0% of the German workforce (Federal Statistical Office, 2008). The average number of employees in the German subsample is about 123,900, with a maximum of 536,300 and a minimum of 9500.

Table IV shows the frequency of the different forms of SD. German firms undertake most of their SD initiatives through conferences. Forums and questionnaire surveys are two other recurrent forms of SD initiatives. Contact points and interviews are rare and committees and focus groups are not mentioned in any sustainability report. Overall, the German subsample is characterized by low diversity of forms used for SD.

Table IV provides also descriptive statistics about the targeted category of stakeholders. 54.8% of the SD initiatives undertaken by German firms involve employees. The focus on employees was observed also in both Italian and U.S. firms, but Germany reports

TABLE IV

Stakeholder dialog initiatives

| Category | Total | Germany | Italy | U.S. |
|---|---|---|---|---|
| Panel A: Percentages of forms used | | | | |
| Committees | 3.7 | 0.0 | 1.9 | 8.6 |
| Conferences | 35.1 | 39.3 | 23.8 | 42.9 |
| Contact points | 8.1 | 4.8 | 5.8 | 13.2 |
| Focus groups | 5.5 | 0.0 | 13.2 | 1.9 |
| Forums | 15.7 | 23.8 | 14.2 | 10.5 |
| Interviews | 7.4 | 2.4 | 19.1 | 0.0 |
| Questionnaires or surveys | 24.5 | 29.7 | 22.0 | 22.9 |
| Panel B: Percentages of stakeholders involved | | | | |
| Communities | 22.4 | 19.0 | 16.2 | 31.4 |
| Customers | 22.1 | 14.3 | 31.4 | 19.0 |
| Employees | 43.5 | 56.0 | 41.9 | 35.2 |
| Shareholders | 15.6 | 6.0 | 24.8 | 14.3 |
| Suppliers | 8.2 | 11.9 | 7.6 | 5.7 |
| Panel C: Percentages of topics discussed | | | | |
| Community relations | 3.1 | 2.4 | 3.8 | 2.9 |
| Environmental performance | 5.4 | 10.7 | 1.9 | 4.7 |
| Health and safety | 4.8 | 10.7 | 2.9 | 1.9 |
| Human rights | 3.1 | 2.4 | 1.9 | 4.7 |
| Job conditions | 8.2 | 23.8 | 1.9 | 1.9 |
| Products and services | 3.1 | 1.2 | 3.8 | 3.8 |
| Social disclosure | 14.6 | 4.8 | 21.0 | 16.2 |
| Stakeholder needs[a] | 32.2 | 21.4 | 39.0 | 34.3 |
| Strategy and performance | 15.0 | 11.9 | 18.0 | 14.3 |
| Supply chain and logistics | 2.4 | 5.9 | 1.0 | 1.0 |
| Undeclared | 5.4 | 1.2 | 0.0 | 14.3 |
| Values and culture | 2.7 | 3.6 | 4.8 | 0.0 |
| Number of initiatives | 294 | 84 | 105 | 105 |

[a]The topic refers to SD aimed at discussing with stakeholders about unsatisfied needs they voluntarily want to submit to the firm's consideration.

the highest percentage of initiatives focused on employees. Different from the Italian and U.S. subsamples, few SD initiatives involve customers. Moreover, the SD initiatives involving shareholders represent only 6% of the initiatives undertaken by German firms, whereas they are significantly more frequent in the Italian and U.S. subsamples. This result is corresponding to the finding that German Entrepreneurs dominantly point at employees if they are asked for their most important business responsibility (Hammann et al., 2009). Overall, the German subsample is characterized by high concentration of SD initiatives on employees.

Finally, Table IV reports the frequency of the CSR issues addressed through the SD initiatives. In the German subsample, stakeholder needs, job conditions are the most frequently mentioned SD topics in the sustainability reports. While stakeholder needs is also frequently reported in the other countries, job conditions is rarely reported in the Italian and U.S. subsample. The priority of such a topic in Germany is consistent with the SD initiatives' focus on employees and the national corporate governance system. Only 4.8% of the SD initiatives undertaken by German firms deal with social disclosure, this suggests a lack of concern with social reporting in Germany.

BOX 1

German Case: Adidas Group

The Adidas Group is a global producer of sports footwear, apparel, and accessories. The company was founded in 1949 and is based in Herzogenaurach, Germany. It has been listed on Germany's stock exchange (i.e., Deutscher Aktienindex, DAX) since 1995. In 2007, Adidas Group had 38,982 employees and 170 subsidiaries. The Sports industry faced massive criticism in the '90s because of allegations of child labor in various production sites in South-East Asia. Widespread media criticism led to customers' loss of trust and poor corporate reputation with significant impact on Adidas' business. In 2000, Adidas published its first sustainability report

For our research objectives, we focused on the 2007 sustainability report. After the first section dealing with vision and governance, the report dedicates a chapter exclusively to information about the interaction with stakeholders, another one to supply chain management, suggesting Adidas' concern about stakeholder issues, especially those of its suppliers. Adidas organized six SD initiatives in order to engage with various stakeholders in 2007: three involved employees, two involved community members, and one involved suppliers. Adidas was selected due to the variety of forms (panel, website, workshop, and interview) and the potential of trust creation of two initiatives

The first was a panel organized at four U.S. universities. The aim was to discuss with university students the shutdown of a production site. From a CSR perspective, the success of dialog depends on whether it is considered credible within core business operations. The universities in question have a relevant stake in the company through license agreements for their students' clothes, thus they demanded precise information. This is an example of growing public and media attention directed at companies' social behavior. Here, to go out and face critical questions has the potential to rebuild credibility in the community

The other SD initiative documented in detail was a 1-day workshop for suppliers organized by Adidas in Hong Kong. This initiative serves as a rare example in our total sample of firms organizing a SD initiative involving suppliers. Under the headline of the company's responsibility, concept, and implementation of sustainability issues within Adidas were presented. Sixty executives of Adidas' suppliers were involved and took active part. The report gives a summary of issues tackled: green technologies, recent changes in Chinese labor laws and their implications, CSR from a Chinese suppliers' perspective. Participants' proposals are listed as well as measures planned by Adidas in response to the workshop

In order to enhance employee involvement, Adidas conducted anonymous online surveys to gather feedback for the top management. Communication between employees and top management is also favored through an intranet platform that can be used in any part of the organization to discuss job conditions and corporate practices

A possible limitation is that the actual outcomes of dialog initiatives remain open (e.g., the workshop's results are formulated as "proposals"). However, the report shows a focus on relevant challenges around their business sites and involvement of various stakeholder groups through different dialog measures

Box 1 contains a brief German case (i.e., Adidas Group) describing an example of SD initiatives in Germany.

### *Italian findings*

Italian firms tend to pay substantial attention to the satisfaction of local communities and conceive stakeholder engagement as an implicit element of business management. However, prior studies show Italian firms cope with CSR issues according to an informal approach and firms' voluntary disclosure is generally very poor (Russo and Tencati, 2009).

Among the 50 largest Italian firms, we find 24 firms with a 2007 sustainability report, with 20 firms that were excluded because they did not published a report. Table III shows the Italian sample is concentrated on the bank and insurance industry representing 29.1% of the Italian subsample. This concentration is comparable to that observed in both the German and U.S. subsamples. The remaining 70.9% of the subsample is distributed on a variety of industries. The average number of employees in the Italian subsample is about 41,236, with a maximum of 172,012 and a minimum of 1,377.

Based on Table IV, it seems that Italian firms do not prefer a single form to dialog with stakeholders. Rather, they undertake SD initiatives according to a variety of forms. In comparison to the German and U.S. subsamples, the use of interviews is very frequent. Interviews may offer an efficient communication channel for the SD with members of labor and customer unions, which have great influence within the Italian business environment. Further, the small firm size and high ownership concentration characterizing Italian firms do not justify the organization of large conferences (Patelli and Prencipe, 2007). Indeed, in the Italian subsample, conferences are less frequent than in the German and U.S. subsample.

Most SD initiatives undertaken by Italian firms involve employees. In general, the dialog aims at examining employee satisfaction and other work-related issues. Community stakeholders, customers, employees, and shareholders are usually involved in mono-stakeholder SD initiatives. Suppliers are more often involved in multi-stakeholder initiatives. This result suggests the Italian firms do not consider suppliers as a crucial category of stakeholders for SD.

Regarding the topics, the great emphasis SD initiatives of Italian firms put on discussing social disclosure practices is remarkable. In the Italian subsample, 21% of the initiatives deal with social disclosure, which is the second most frequent topic of SD. Italian firms engage in SD to improve the robustness of social performance indicators and enhance the transparency and fairness of the social reporting. Typically, SD initiatives addressing social disclosure entails an evaluation of the content of the sustainability report and the selection of social performance indicators. Box 2 contains a brief case illustrating the characteristics of SD initiatives organized by an Italian firm (i.e., Hera Group).

BOX 2

Italy Case: Hera Group

Hera Group was established in 2002 by merging 11 public utilities located in the Emilia Romagna region. With 6013 employees, Hera Group provides energy, water, and waste services to 7.2 million customers and gained total revenues of 2311.5 million of Euro in 2007

Hera Groups' approach to CSR has particularly interesting elements. Because of the social and environmental impact of the business activities, the firm considers the engagement with its stakeholders as a fundamental principle of its corporate culture. Hera Group designs SD initiatives with a high degree of formalization. Hera Group conducts dialogs with all its stakeholder groups on a yearly basis and carries out the SD activities in a very structured way. The firm represents one of the most advanced cases of formal dialog with stakeholder in Italy based on the diversity of stakeholders involved and the number and diversity of forms of dialog implemented

Hera Group organizes mono-stakeholder focus groups to discuss specific issues of business operations. In 2007, Hera Group organized 21 focus groups: six to examine the quality of internal communication with employees, six to brainstorm about the development of fidelity clubs, one to discuss a model of costumer information architecture, and eight focus groups on the quality of external communication with local communities. Further, Hera Group conducts annual surveys to analyze the trend of both employee and customer satisfaction. Survey data are used to plan corrective actions and to implement changes in order to respond to stakeholder needs. Also, Hera Group organizes conferences to review the annual sustainability report. Through the conferences, managers seek to improve the level of accountability and disclosure. The quality of resources invested in this specific SD initiative led Hera Group to win the Italian annual prize for the best social report (i.e., "Oscar di Bilancio" in 2008)

A particular SD initiative undertaken by Hera Group is the Residential Advisory Board of Ferrara (RAB). This local pilot project is going to be gradually implemented in different areas. The RAB is a board whose members are elected by the local community. The purpose of the board is to engage in a continuous dialog with local community representatives. The board members meet with the firm's executives at least once a month and discuss primarily local environmental performances. Moreover, they examine proposals of environment-friendly solutions and design communication campaigns to inform members of the local community. The RAB members are allowed to visit operations' sites and have free access to the firm's information about local environmental performances. Through the RAB, Hera Group seeks a deeper understanding of local communities' needs, a social responsible approach to investments in technology advancements, and a constructive trust from the members of local communities

Hera Group effectively follows CSR principles by implementing several SD initiatives which lead the firm to better understand needs and to fruitfully use concerns of its stakeholders, especially local communities. For Hera Group, the development of collaborative relationships with stakeholders has relevant benefits in terms of operational advancement, minimization of risks related to social conflicts, and positive returns on organizational resources

*U.S. findings*

Table II reports 22 U.S. firms are included in our final sample representing 44% of the firms initially considered. This figure is consistent with previous studies on social reporting (e.g., KPMG, 2005, 2008). 19 firms were excluded because they did not publish a stand-alone 2007 sustainability report; nine firms were excluded because they did not include any information about SD in their 2007 sustainability report. We noticed that some U.S. firms publish sustainability reports biennially and update their corporate websites with sporadic information about SD. In line with results reported by professional CSR ratings (e.g., Accountability, 2007) and prior studies dealing with the CSR approach of U.S. firms (e. g., Hess, 2008), a considerable number of U.S. firms (18% in our sample) publish sustainability reports, which do not address SD initiatives.

Table III contains the industry composition of the U.S. subsample. Although the percentage of financial firms is relatively high, firms appear to be fairly distributed across industries. In particular, the U.S. subsample has the highest number of industries represented relative to the other two national subsamples, and Aerospace and Entertainment are industries represented only in the U.S. subsample. The U.S. firms included in our final sample are some of the largest firms in the world, employing on average almost 186,000 employees.

Table IV shows conferences are the most frequent form of SD in the U.S. subsample (8.6%). U.S. firms frequently report questionnaire-based surveys and no U.S. firm included in our final sample reported the use of interviews for SD. As mentioned above, U.S. firms are typically large public companies and conferences and large questionnaire-based surveys seem to be the most appropriate SD forms to reach out to a large group of stakeholders. The frequency of contact points used for SD is noteworthy: 13.2% of the SD forms for U.S. firms are contact points and this is the third-highest percentage reported in Table IV for the U.S. subsample. Relative to the other SD forms, contact points are less formalized and collegial, supporting the personalized and individualistic approach of U.S. firms to CSR.

Table IV reveals also that most SD initiatives of U.S. firms involve employees or community stakeholders. While the attention on employees is consistent with what we found in both German and Italian subsamples, the focus on community is peculiar to the U.S. firms. In line with what was found by prior studies (e.g., Maignan and Ralston, 2002), this result suggests the primary motive of the U.S. SD initiatives is the social welfare of the community. The least involved category of stakeholders is the suppliers indicating the U.S. firms included in our sample lack a supply management perspective in their CSR practice.

Finally, Table IV shows the wide distribution over different topics in the SD initiatives reported by the U.S. firms. The quality of the disclosure seems to be poorer than that registered in Germany and Italy, as indicated by the high percentage of SD addressing undeclared issues. A remarkable portion of SD initiatives (i.e., 16.2%) are undertaken by U.S. firms to assess social disclosure. However, based on arguments developed by prior studies (e.g., Hess, 2008) and evidence provided by professional ratings (e.g., Accountability, 2007), this result may be explained by the adoption of social disclosure models, rather than by the real concern of the U.S. firms about social reporting. Finally, it is interesting to notice the percentage of SD initiatives addressing human rights issues. The large size and international nature of many U.S. firms included in our sample are likely to direct CSR toward the social consequences of globalization. Box 3 contains a brief case (i.e., General Electric Group) of the SD initiatives reported by a U.S. firm.

*Comparison with results of prior empirical studies*

Prior literature provides little empirical evidence about SD in the same countries we analyzed.

Research in Germany is primarily focused on social reporting. In 2007, the Institute for Ecological Economy Research, Future e. V. (2007) conducted a research on reports published by the Germany's 150 largest firms. The institute found that sustainability reports usually lack clarity and about 25% of the firms do not publish relevant information on sustainability issues. The limitations of social reporting emerged also in another research realized by Pleon (2004) which, based on the same sample, reveals that almost 40% of the firms engage systematically in a dialog with stakeholders. Consistent with prior results, our survey data provide further

BOX 3

U.S. Case: General Electric Group

Based on 2007 sales revenues, General Electric (GE) is the 12th largest firm in the world, the sixth largest firm in the U.S., and the fifth largest firm in our final sample. In each of its five geographical areas (i.e., U.S., Canada and the Americas, Europe, Middle East, Africa, and Asia Pacific), GE operations employ more than 3000 people and generate revenues higher than $8 billion. In 2007, global employees were 319,000 and total revenues were $163.3 billion. GE business activity is highly diversified with operations in several sectors including commercial finance, technology infrastructure, industrial manufacturing, healthcare, and media and entertainment. GE is the most widely held stock in the world with more than 5 million shareholders

Notwithstanding the fragmentation of its business activity, GE succeeds in managing operations in an effectively integrated way, as documented by its solid financial structure, increasing profitability, and highly recognized management team (e.g., Chief Executive, 2007). GE social reporting shows this ability of looking at the diversified business activity in a comprehensive and integrated way. The GE 2007 Citizenship Report was the third sustainability report published by GE and provides rich disclosure about CSR. GE is the second U.S. firm listed on the Accountability Rating 2007 and has often been recognized in the managerial press as one of the most socially responsible U.S. firms (e.g., Fortune, 2007)

According to our codification, GE does not report a high number of SD initiatives and of forms. All SD initiatives are mono-stakeholder and were conferences or surveys. We selected the case of GE because of the variety of issues addressed with the SD initiatives undertaken by the firm and the particular emphasis placed on stakeholder feedback about social disclosure. GE 2007 Citizenship Report explicitly talks about SD as a mechanism aimed at providing inputs for decision-making. The decision-making process is presented through a chart illustrating the process timeline with four layers representing different levels of analysis and authorities. GE engages with stakeholders on issues dealing with human rights, environmental performance, product quality, and research in technology. Two interesting SD initiatives related to customers are the Net Promoter Score and Dreaming Sessions. The Net Promoter Score is an indicator of customer loyalty and signifies the noteworthy attempt by GE to translate CSR outcomes into measurable performance metrics. Also, it is interesting to notice that GE considered such an indicator part of its CSR practices, whereas other companies would merely consider it as a marketing and performance measurement tool. The Dreaming Sessions are focus groups involving CEOs of companies operating in related businesses. These meetings are used by GE to monitor the development of customer needs and technology in order to enhance strategic planning and create a competitive advantage. The nature of these SD initiatives suggests that GE is a typical example of the U.S. approach to CSR, and specifically SD. The firm reports SD initiatives, which are characterized by high level of formalization and considerable amount of resources invested, as mechanisms to implement and generate corporate strategy

Two out of the four pages of the SD section of the GE 2007 Citizenship Report are dedicated to a report on the Stakeholder Report Review Panel organized by GE to engage with its stakeholders on an analysis of its social disclosure. The initiative was not limited to an examination of past disclosure, but it generated identifiable objectives for future disclosure. For example, the panel recognizes the need to enhance the balance between the social communication about successes with that about failures or areas of improvement. It also points out the crucial need of measuring the achievement of objectives and identifying CSR performance areas

evidence of the scarce social disclosure, especially regarding SD. Indeed, Table II shows only 27 out of the 50 largest firms in Germany published a sustainable report with a section about SD in 2007.

In Italy, prior research points out that most SMEs have developed some elements of CSR and most big firms have undertaken specific CSR activities (Perrini, 2006). However, prior studies show Italian firms cope with CSR issues according to an informal approach and firm social disclosure is generally very poor (Russo and Tencati, 2009). Further, they show Italian SMEs are very sensitive to local communities' needs and they engage with stakeholders through various CSR activities. Marcuccio and Steccolini (2005) documented the diffusion of a strong CSR culture by discussing the drivers of the adoption of voluntary reports. Regarding SD, there is a lack of research based on Italian firms. Williams (2007) underline the importance of the Italian cooperative movement for the creation of awareness in business management of the need for a dialog with stakeholder. Prior results are consistent with our findings which show Italian firms undertake a high number of SD relative to the sample average.

In the U.S., most studies investigated the relationship between CSR and corporate financial, social, and environmental performance (Barnett and Salomon, 2006). They discussed the benefits and costs associated with CSR practices and tested whether CSR leads to higher financial performance. Although they often rely on the same data sources (e.g., The Kinder, Lydenberg, Domini, and Company Index), studies differ on several empirical measurement choices, such as the variables capturing CSR and the shape of the relationship linking CSR to performance (e.g., Harrison and Freeman, 1999). This emphasis on the linkage between CSR and firm performance seems consistent with the actual explicit approach to CSR of the U.S. firms, as pointed out in a previous section. Recent U.S. studies tend to devote more attention to the role of stakeholders in the relationship between CSR and performance. Hillman and Keim (2001) found that managing the relationship with stakeholders has a positive effect on shareholder value, whereas the firm's contribution to solve problems of the overall society has no significant effect. Coombs and Gilley (2005) showed that stakeholder management intervenes in the relationship between CEO compensation and corporate performance. Kassinis and Vafeas (2006) reported a positive relationship between community stakeholder pressure and environmental performance. In this article, we do not investigate the outcomes of SD and, therefore, it is difficult to compare our findings with prior studies based on U.S. firms. Nonetheless, the emphasis on explicit CSR elements is confirmed by our international comparison, which will be discussed in a later section of this article.

Although there are studies which produce evidence on national context, there is a general lack of comparative empirical research on CSR in both European countries and the U.S. The restricted number of comparative studies deals with three main topics: the reporting and communication of CSR, governmental approach, and dialog with stakeholders.

Maignan and Ralston (2002) content-analyze the corporate websites of firms operating in France, the Netherlands, U.K., and the U.S. They find that, relative to the other countries, U.S. firms carry out CSR activities, as part of their firms' strategy, to improve the quality of life and education of their community. The analysis by Chen and Bouvain (2008) concerning the difference in social reporting practice of Australia, Germany, U.K., and in the U.S. reveals U.S. reports often involve community and employee issues, while German reports also emphasize employees, but put a stronger focus on social and environmental issues. Our survey data provide similar results. Indeed, as shown in Table IV, the German subsample reports the highest percentage (i.e., 10.7) of SD initiatives addressing environmental performance issues. Regarding SD, Boesso and Kumar (2009) provide results of a comparative survey study of SD in Italy and the U.S. The authors find U.S. firms are mainly concerned with the needs of their shareholders and community, whereas Italian firms engage primarily with professional and labor groups of stakeholders. Our survey data provide relatively different results. In fact, as shown in Table IV, we find the attention given to employees through SD initiatives is higher in Italy (i.e., 41.9%) than in the U.S. (i.e., 35.2%), but we still find a high percentage (i.e., 24.8%) of Italian SD initiatives dedicated to shareholders. Regarding the role of government to promote CSR in European firms, Albareda et al. (2006) propose four models of government actions. As mentioned in a previous section, Germany is included in the Sustainability and Citizenship model. German companies are expected to assume responsibility that goes beyond the compliance with relevant laws and transparency of operations and to act as social agents toward the societal good. The government promotes CSR but stresses the voluntary character instead of forcing companies into regulation and one single CSR framework. In Italy, government fosters discussion groups for various social actors, thus involves a large array of stakeholders and topics, according to the so-called Agora model. As explained in a previous section and illustrated in Table I, we rely on prior studies to frame our international comparison and explore the relationship between national business system and SD.

## International comparison

Different from Table IV, which provides frequencies related to the forms used, the category of stakeholders involved, and the topics discussed for the SD initiatives included in our sample, Table V offers a firm perspective by summarizing key average indicators that capture the characteristics of the SD initiatives undertaken by the firms included in our final sample. Table V shows national similarities and differences, and suggest three difference approaches to SD.

*Quantity of SD*

Panel A of Table V reports that on average in our sample, German, Italian, and U.S. firms undertake 3.1, 4.4, and 4.8 SD initiatives, respectively. Overall, a firm included in our sample undertakes four SD initiatives. Given the number of fundamental categories of stakeholder (i.e., five) and the narrow focus of SD on a single category of stakeholders, these figures indicate a fairly low volume of SD activities. In comparison to German and Italian, U.S. firms report a higher number of SD initiatives. This is consistent with the approach to CSR followed by U.S. firms that tend to emphasize explicit elements. The average number of forms used per firm is more uniform across countries. However, it shows another limitation of the current SD practice that is the concentration on few forms. Indeed, firms in our sample use only 2.3 forms, on average. The benefits of the concentration on few forms of SD are related to the firm's specialization on specific techniques of interaction with stakeholders. The costs of the concentration on few forms of SD are related to the methodological and cognitive biases of the specific forms preferred by the firms. Moreover, the reliance on few forms of SD hinders the comprehensiveness of the dialog and increases the likelihood of neglecting important concerns of stakeholders. Similar to the average number of forms used, the average number of category of stakeholders involved in the SD initiatives indicates the narrow focus of the firms included in our sample. Overall, firms undertake SD initiatives with 2.4 categories of stakeholders, on average. The combination of results provided in Tables IV and V reveals the average number of categories of stakeholders is homogenous across countries and, regardless the nationality, a high proportion of SD initiatives undertaken by the firms involve employees and only a very limited proportion involves suppliers. However, the involvement of the other three categories of stakeholders (i.e., community, customers, and shareholders) varies significantly across countries. As shown in Table IV, in comparison to the firms of other countries, German firms report a low percentage of SD initiatives involving shareholders, Italian firms report a high percentage of SD initiatives involving customers, and U.S. firms report a high percentage of SD initiatives involving communities. Finally, Panel A of Table V shows the international similarity of the average number of topics discussed with the SD initiatives. Overall, a firm in our sample discusses 2.4 topics (out of the 12 groups of topics considered in our empirical analysis), on average. Table IV shows that, in contrast to German firms, which report a high dispersion of topics, Italian and U.S. firms focus their SD initiatives on three groups of topics: social disclosure, generic stakeholder needs, and strategy and performance.

*Level of involvement*

As pointed out by Greenwood (2007), an accurate appreciation of SD requires an examination of not only the number of initiatives, but also the variety of forms used to dialog and the breadth and number of stakeholder groups involved in the SD initiatives. In order to better grasp the interaction of the dialog initiated by the firms in the three countries through SD initiatives that they voluntarily disclosed in their sustainability reports, we grouped the seven categories of forms considered in our empirical survey into two groups, based on the CSR communication strategies identified by Morsing and Schultz (2006). The stakeholder response group contains conferences, contact points, interviews, and questionnaires and surveys; the stakeholder involvement group contains committees, focus groups, and forums. Panel B of Table V shows the percentage of SD initiatives grouped in the stakeholder involvement group. The percentage measures the average proportion of forms used by a firm that support the stakeholder involvement strategy. These forms enable firms to engage in an interactive analysis of stakeholders' concerns and can lead to shared actions and decisions. The reciprocal percentage measures the average proportion of forms used by a firm that support the stakeholder response strategy. These forms limit the dialog to a one-way interaction and

TABLE V

Summary indicators of stakeholder dialog initiative per firm

| Indicators | Total | Germany | Italy | U.S. |
|---|---|---|---|---|
| Panel A: General statistics | | | | |
| Average number of SD initiatives per firm | 4.0 | 3.1 | 4.4 | 4.8 |
| Average number of forms used per firm | 2.3 | 2.2 | 2.4 | 2.2 |
| Average number of stakeholders involved per firm | 2.4 | 2.4 | 2.5 | 2.5 |
| Average number of topics discussed per firm | 2.4 | 2.6 | 2.5 | 2.1 |
| Panel B: Level of stakeholder involvement | | | | |
| Average number of SD initiatives with communities per firm | 0.9 | 0.6 | 0.7 | 1.5 |
| Percentages of involvement SD initiatives with communities | 17.9 | 14.2 | 16.7 | 23.6 |
| Percentages of multi-stakeholder dialog initiatives with communities | 10.7 | 10.5 | 20.8 | 0.0 |
| Average number of SD initiatives with customers per firm | 0.9 | 0.4 | 1.4 | 0.9 |
| Percentages of involvement SD initiatives with customers | 8.2 | 5.6 | 18.8 | 0.0 |
| Percentages of multi-stakeholder dialog initiatives with customers | 14.0 | 9.3 | 24.0 | 9.1 |
| Average number of SD initiatives with employees per firm | 1.8 | 1.7 | 1.8 | 1.7 |
| Percentages of involvement SD initiatives with employees | 16.9 | 14.5 | 31.3 | 4.2 |
| Percentages of multi-stakeholder dialog initiatives with employees | 8.2 | 1.9 | 16.7 | 6.8 |
| Average number of SD initiatives with shareholders per firm | 0.6 | 0.2 | 1.1 | 0.7 |
| Percentages of involvement SD initiatives with shareholders | 5.0 | 0.0 | 11.5 | 4.1 |
| Percentages of multi-stakeholder dialog initiatives with shareholders | 11.0 | 3.7 | 20.8 | 9.1 |
| Average number of SD initiatives with suppliers per firm | 0.3 | 0.4 | 0.3 | 0.3 |
| Percentages of involvement SD initiatives with suppliers | 6.8 | 7.4 | 8.3 | 4.5 |
| Percentages of multi-stakeholder dialog initiatives with suppliers | 10.3 | 3.7 | 18.8 | 9.1 |
| Percentages of total involvement SD initiatives | 24.8 | 23.8 | 29.5 | 20.9 |
| Percentages of total multi-stakeholder SD initiatives | 5.1 | 4.8 | 8.6 | 1.9 |
| Panel C: Diversity Indices | | | | |
| Average form Diversity Index per firm | 40.7 | 31.5 | 49.8 | 42.1 |
| Average stakeholder Diversity Index per firm | 36.9 | 27.7 | 46.9 | 37.4 |

allow firms to simply react to stakeholders' concerns. Morsing and Schultz (2006) argued only stakeholder involvement forms enable firms to engage in a dialog with their stakeholders capable of increasing mutual understanding of expectations and improving relationships. Panel B of Table V reports low percentages of stakeholder involvement forms for each of the three national samples. These results indicate most of the SD initiatives rely on low-involvement forms consistent with the pursuit of the stakeholder response strategy. However, there are significant differences across countries regarding the categories of stakeholders involved in the SD initiatives. Only 20.9% of the initiatives undertaken by the U.S. firms included in our sample are in the stakeholder involvement group, while 29.5% of the initiatives undertaken by the Italian firms included in our sample are in the stakeholder response group. Specifically, the U.S. firms in our sample tend to concentrate the use of stakeholder involvement forms on the dialog with communities, whereas Italian firms rely on stakeholder involvement forms for the dialog with different categories of stakeholders. Although our sample contains the same number of SD initiatives for Italian and U.S. firms and a similar proportion of Italian and U.S. initiatives addressing employees' concerns, the percentage of stakeholder involvement forms used in the dialog with employees is remarkably different in the two national samples. In contrast to 31.3% in the Italian sample, only 4.2% of U.S. SD initiatives use involvement forms of dialog. Overall, the results based on the distinction between stakeholder response and stakeholder involvement forms show that current SD initiatives are dominated by low-involvement forms independent from the category of stakeholders involved in the dialog. In particular, the focus on low-involvement forms appears to be associated to the emphasis on explicit CSR.

In order to further investigate the characteristics of the dialog between firms and their stakeholders, we grouped the SD initiatives of our sample into mono-stakeholder and multi-SD initiatives, depending on the number of categories of stakeholders involved in the SD initiative. We grouped SD initiatives addressing concerns of one category of stakeholders alone as mono-SD initiatives; otherwise, we grouped the SD initiatives as multi-SD initiatives. Panel B of Table V reports low percentages of multi-SD initiatives for each of the three national samples. In total, only 5.1% of the SD initiatives included in our sample are multi-SD initiatives. However, there are significant differences across the national samples. We find the highest percentage of multi-SD initiatives within the Italian sample with 8.6%, followed by the German sample with 4.8%, and the U.S. sample with 1.9%. The results reported in Panel B of Table V reveal Italian multi-SD initiatives tend to be undertaken with different categories of stakeholders. German multi-SD initiatives tend to involve communities and U.S. multi-SD initiatives tend to involve shareholders. Even with regard to the number of categories of stakeholders, our findings indicate firms tend to adopt a narrow focus in the dialog with their stakeholders. This tendency is particularly present in the U.S. sample, suggesting an association between mono-SD initiatives and an emphasis on explicit elements of CSR.

*Diversity of SD*

In addition to the categorical variables grouping the SD initiatives contained in our sample into stakeholder response versus stakeholder involvement, and mono-stakeholder versus multi-stakeholder initiatives, we constructed two empirical variables measuring the diversity of forms used by firms to engage in SD and the diversity of stakeholders involved in the SD initiatives. Following the insights offered by Greenwood (2007), we measure diversity of forms and diversity of stakeholders through two indices: the Form Diversity Index (FDI) and the Stakeholder Diversity Index (SDI). The FDI measures the variety of forms used by a firm to dialog with stakeholders. The formula of FDI resembles the formula of the Hirschman–Herfindahl index for market concentration, namely:

$$\mathrm{FDI}_x = 1 - \sum_{i=1}^{7} \left(\frac{F_i}{N}\right)^2,$$

where $x$ is a specific firm in our sample, $i$ is the form of the SD initiative, $F$ is the number of SD initiatives using form $i$, and $N$ is the total number of SD initiatives reported by firm $x$. An index value close to 1 (0) indicates high (low) diversity of forms.

Similarly, the SDI measures the variety of stakeholders involved in the SD initiative. The formula of SDI is as follows:

$$\mathrm{SDI}_x = 1 - \sum_{i=1}^{5} \left(\frac{S_i}{N}\right)^2,$$

where $x$ is a specific firm in our sample, $i$ is the category of stakeholders involved in the SD initiative, $S$ is the number of SD initiatives involving the category of stakeholder $i$, and $N$ is the total number of SD initiatives reported by firm $x$. An index value close to 1 (0) indicates high (low) diversity of stakeholders. Table V reports descriptive statistics for both FDI and SDI. On average, the FDI and SDI of the firms in our sample is 40.7 and 36.9%, respectively. These low percentages indicate firms tend to focus their SD initiatives on one few forms and concentrate on few categories of stakeholders. Although they report information about 294 SD initiatives (see Table II), the 73 firms in our sample tend to use a limited number of SD forms and involve only a few categories of stakeholders. However, a cross-country analysis of the FDI and SDI reveals significant national differences. We find the highest values for both FDI and SDI (i.e., 49.8 and 46.9%, respectively) in the Italian sample and the lowest values for both FDI and SDI (i.e., 31.5 and 27.7%, respectively) in the German sample. These results show Italian firms in our sample are more likely to use different forms to dialog with a diverse group of stakeholders than the German and U.S. firms.

## Discussion

Overall, our findings suggest German, Italian, and U.S. firms included in our sample adopt three different approaches to dialog with their stakeholders.

TABLE VI
Approach to stakeholder dialog

| | Germany | Italy | U.S. |
|---|---|---|---|
| CSR approach | Implicit – Sustainability and Citizenship | Implicit – Agora | Explicit – free market |
| Approach to stakeholder dialog | Focused | Engaging | Strategic |
| Quantity of SD[a] | Low | Medium | High |
| Level of involvement[a] | Medium | High | Low |
| Diversity of SD[a] | Low | High | Medium |

[a]Low, medium, and high are determined based on the sample average.

The differences regard the number of SD initiatives, the level of stakeholder involvement, and the diversity of the initiatives. Table VI summarizes the differences emerged from the international comparison.

Based on the information voluntarily disclosed in the sustainability reports, we find that, compared to the average of our total sample, the German firms tend to undertake fewer SD initiatives characterized by low diversity of forms used and stakeholders involved. The reliance on involvement forms of dialog and multi-stakeholder initiatives is around the average of the sample. German firms seem to select the key category of stakeholders and concentrate their effort on one form of dialog, which can be generated through forms supporting an effective interaction between the firm and its stakeholders. The dispersion of topics discussed through the German SD initiatives implies that the different SD initiatives are undertaken to cope with specific issues instead of an unstructured and open exchange between the firm and its stakeholders. This approach to SD seems consistent with the Sustainability and Citizenship model of CSR. As explained in a previous section, prior studies argue German firms emphasize implicit elements of CSR (Matten and Moon, 2008) as a reaction to public policies. In particular, public policies in Germany are aimed at fostering awareness of citizenship among firms through incentives and other mechanisms of social market economy (e.g., Albareda et al., 2006). Therefore, SD of German firms is based on a focused perspective obtained through a rational selection of forms and categories of stakeholders. As a result, SD of German firms included in our sample appears to be an aspect of stakeholder management rather than a socially responsible SD (Greenwood, 2007).

Our findings show Italian firms tend to undertake a number of SD initiatives closed to the average of the sample. However, Italian SD initiatives contained in our sample are characterized by levels of diversity of forms used and stakeholders involved that are significantly above the sample average. Moreover, Italian firms tend to undertake a number of multi-stakeholder initiatives above the sample average and use more forms of stakeholder involvement (i.e., committees, focus groups, and forums). These results imply that SD initiatives of Italian firms benefit from diverse processes of communication, numerous stakeholders, and broad group of stakeholders, which are elements of high quality of dialog according to Greenwood (2007). This approach to SD seems to be favored by the Agora model Albareda et al. (2006) use to describe the CSR policy-making process in Italy. The wide participation in the process and the deep attention to social values in the business culture promote an environment, where dialog involving multiple voices is used to reach consensus. Italian firms in our sample seem to replicate this policy-making approach in the design of their corporate SD initiatives. As a result, Italian SD initiatives appear to be more comprehensive and involving.

Finally, although they report the highest number of SD initiatives, U.S. firms contained in our sample have a level of stakeholder involvement lower than the sample average. In particular, the U.S. firms of our sample have an extremely low percentage of multi-SD initiatives and the average number of forms used and topics discussed through the SD initiatives undertaken by a firm are the lowest in our sample. Moreover, we find the diversity of forms and stakeholders of U.S. SD initiatives contained in our sample are close to the average of the sample. The combination of high number of SD initiatives and low number and diversity of forms and categories of stakeholders seem consistent with the emphasis on explicit elements of CSR, which is dominant in the U.S. according to Matten and Moon (2008). In their sustainability reports, U.S. firms in our sample tend to provide information about many SD initiatives. However, the dialog appears to rely on a narrow set of forms and be concentrated on few topics and a narrow group of stakeholders. According to Greenwood (2007), an emphasis on the quantity and not the quality of the stakeholder engagement indicates a strategic approach to SD, which is the outcome of a tactical decision to approach certain categories of stakeholders with the purpose of increasing firm performance.

## Conclusions

In this article, we empirically investigated SD initiatives based on the information disclosed in annual sustainability reports. We started from 150 firms listed on the stock market of three countries (i.e., Germany, Italy, and the U.S.) and found 73 firms had published a 2007 sustainability report containing information about SD. Given the large firm size and economic advancement of the three countries, the number of sustainability reports is lower than expected and indicates a gap between the literature and the practice about the importance of SD. Also, the scarcity of such information indicates the lack of standardization of social disclosure. In fact, we found a relatively high proportion of the SD initiatives (i.e., 14.6%) that address issues related to social disclosure. The recent diffusion of international rankings (e.g., accountability rating) promoting SD initiatives examining and reviewing the sustainability reports could create incentives to enhance social disclosure.

In order to examine characteristics of SD, we content-analyzed the sustainability reports and presented statistics about the quantity, form, category of stakeholders, and topic of 294 SD initiatives. In our final sample, the number of SD initiatives per firm ranges from 22 to 1 with an average of 4. Firms tend to use few forms of dialog and involve few categories of stakeholders. Conferences and large questionnaire-based surveys are the preferred form of SD. Committees and focus groups are rarely used, suggesting a scarce interest for informal and personal forms of dialog. The use of low-involvement forms of dialog can reduce the benefits of SD. Moreover, it may indicate that through SD firms use stakeholders' needs as a vehicle to pursue their own interests, according to what Greenwood (2007) labeled as a strategic approach to stakeholder engagement. The majority of SD initiatives involve one category of stakeholders alone. The dominance of mono-stakeholder SD initiatives suggests firms tend to act as leaders of a one-to-one SD and not as contributors of broad dialog involving multiple stakeholder perspectives.

Our empirical setting considers firms with headquarters in three countries, namely: Germany, Italy, and the U.S. In each country, employees are the category of stakeholders most frequently involved in SD initiatives, followed by customers, in Italy, and community stakeholders, in Germany and the U.S. The German firms undertake few SD initiatives with high dispersion of topics and high concentration of both SD forms and category of stakeholders, as measured by two diversity indices (i.e., FDI and SDI). Therefore, German firms follow a focused approach to SD which is consistent with the Citizenship and Sustainability national model of CSR. In comparison to the German and U.S. firms, the Italian firms included in our sample report a more frequent use of interviews and focus groups, plausibly thanks to the smaller firm size. Moreover, they report high values of both SDI and FDI. Therefore, Italian forms follow a socially responsible approach to SD, which is consistent with the Agora national model of CSR. The U.S. firms report the highest number of SD initiative and the highest percentage of SD initiatives involving community stakeholders. However, SD initiatives undertaken by the U.S. firms in our sample are characterized by low levels of involvement. Therefore, U.S. firms follow a strategic approach to SD, which is consistent with the emphasis put on implicit elements of CSR due to the lack of public intervention within the economy and the subsequent reliance on private initiatives to guarantee the welfare of the social community. Table VI summarizes the characteristics of the three national approaches to SD, namely: focused, involving, and strategic.

Our survey is affected by the limitations of our empirical research choices. First, we relied on voluntarily disclosed sustainability reports to gather information about SD. Future research could provide additional evidence by increasing the number of reports and the quality of information to expand the sample size and enrich the dataset. Second, we use a classical categorization of stakeholders (i.e., Davenport, 2000) and we found very limited information about the number of stakeholders participating in the SD initiatives. Future research could sophisticate the analysis of SD by examining different types of stakeholders. Finally, we considered three countries which offer a partial perspective of the variety of national approaches to CSR. Future research could not only deepen the analysis of the relationship between characteristics of national business systems and SD, but also enlarge the spectrum of countries.

Finally, our findings offer several implications for managerial practices. Our explorative analysis of SD based on multiple research methods (including survey data and case studies) sheds lights on the actual initiatives undertaken by firms. The limited information disclosed in the sustainability reports and the concentration on certain forms of dialogs and categories of stakeholders reveals the need for improvement in social disclosure and SD practices. In particular, the promotion of CSR values and standards could generate additional incentives for the firms that can lead to richer disclosure and more-diverse SD initiatives. In addition, firms must more ethically and consistently consider the importance of SD, as explained by various streams of literature on CSR. Further, our international sample highlights remarkable national differences. Characteristics of national business systems are associated with the firm approach to SD and explain differences of SD in the three countries included in our sample. Attempts to create universal principles and guidelines for CSR may be misleading because of the deep differences across countries, for example, in terms of legislation and corporate governance structures. Hence, for example, multinational firms should not design their SD practice in a centralized and hierarchical way. Rather, they should initiate an international dialog, taking into consideration whether the national subsidiaries operate in a national business system that favor a more focused, involving, or strategic approach to SD.

## Notes

[1] Our sampling technique has two limitations. First, since we analyzed published reports, we did not study firms that engage in SD but do not report on it. We believe that this limitation is not worrisome because of the strong incentive firms have to report SD initiatives in their sustainability reports. According to O'Riordan and Fairbrass (2008), the absence of information about SD is likely to indicate irrelevance of the dialog.

[2] In order to ensure reliability and validity, the coding of the information was performed by three different coders per each country; two of them acted as primary coders and analyzed the content of each report and one acted as secondary coder. Initially, the primary coders separately read the reports (especially, the sections regarding SD) to identify SD initiatives. SD initiatives were considered if cited in the sustainability report, either in a textual form or by using indicators. Subsequent to the identification of the SD initiative, information about form of dialog used, categories of stakeholder involved in the dialog, annual frequency of the dialog, number of stakeholders engaged in the dialog, and the topics of the dialog was coded. The secondary coder resolved any inconsistency between different codifications.

[3] The literature provides various categorizations of stakeholders based on different views of the firm (e.g., Davenport, 2000; Freeman, 1984). We acknowledge this variety of categorization, and choose to use Davenport which is closer to the managerial view of the firm. This choice is due to the applicability of Davenport's (2000) classification to a huge variety of firms, regardless their size, industry, and nationality. The applicability of the classification supports the comparability of different studies and allows future research to replicate the methodologies in different empirical settings.

[4] Typical words used in the sustainability reports for (i) committees; (ii) conferences; (iii) contact points; (iv) focus groups (v) forums; (vi) interviews; and (vii) questionnaire surveys include (i) committees and councils, (ii) conferences, meetings, and seminars; (iii) contact points and hotline; (iv) focus group; (v) forums, panels, workshops, and roundtable; (vi) interviews and one-to-one interviews; and (vii) questionnaires and survey, respectively.

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