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2009

Bachelor of Commerce Best Business Research Papers

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Original citation:

Weberg, H. (2009). The influence of culture on business and corporate social responsibility in France. *Bachelor of Commerce Best Business Research Papers, 2*, 58-67.

The Influence of Culture on Business and Corporate Social Responsibility in France

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ABSTRACT

In today's global marketplace, corporate social responsibility has become essential to longevity and success of the business model. With emergence of the triple bottom line approach to management, corporations face increasing pressure to adopt sustainable business practices, promote transparency in financial reporting and acknowledge stakeholder interests. This paper attempts to utilize the theoretical framework based on the triple bottom line to examine French business practices and gain a better understanding of the profound impact that culture has on corporate social responsibility. In this context, analysis of three cultural elements that have influenced corporate policy in France for centuries: dignity, honour, and patrimony, provide an international perspective on business. While corporate culture in North America has been criticized for its obsession with profit maximization in the short run, French businesses have respected cultural values in promoting a holistic, long-run approach to social responsibility. Therefore, valuable lessons can be learned from the French whose approach to corporate social responsibility hinges on the intrinsic link between consumers, firms, a market economy and the realization that in order to achieve sustainable development, a model of growth must embrace all elements of the dynamic business environment.

INTRODUCTION

Over the past two decades, business has played an increasingly dominant role in the global marketplace, giving rise to intense debate about the role of business in society and corporate social responsibility (CSR). The advent of the Internet has allowed for worldwide dissemination of information, forcing North American corporations to act transparently and in the best interests of governmental groups, consumers, employees, and society at large. Public awareness has therefore triggered an evolution in the expectations placed on business, as Friedman's shareholder theory (the sole responsibility of business is to maximize profits—whilst staying within the rules of the game, and avoiding deception or fraud) is replaced by Freeman's argument that business has a moral obligation to all stakeholders—everyone with a vested interest, or "stake," in what the entity does (Wikipedia, 2007).

In North American business schools, the concept of corporate social responsibility is associated with the adoption of sustainable business practices, transparency in financial reporting and acknowledgment of stakeholder interests, also known as the triple bottom line approach to corporate governance (dedication to environmental, economic and social interests). As CEOs of companies like DuPont and Shell rush to gain competitive advantage by publicly outlining elaborate plans to increase stakeholder value while minimizing the detrimental effects of operations on the environment, it would seem as though industrialized countries in Europe have failed to jump on the bandwagon. This misconception can be attributed to the impact of culture on business practices and international differences in the interpretation of corporate social responsibility. Martin Wolff, Chief Economics Correspondent for the *Financial Times* recently commented, "If CSR is an idea whose time has come, why has this concept entered the agendas of European business, politics and academia so much later than those of the USA and other parts of the world?" (Matten & Moon, 2004). Despite the trend towards globalization, Wolff's statement is largely representative of North American opinion as few are aware of the unwritten rule of implicit responsibility, a code that has been present in European economic development for centuries. Hence, the fact that literature on corporate social responsibility is predominately Anglo-American does not necessarily mean that other organizations have remained silent and inactive (Antal & Sobczak, 2007). It is for these reasons that researchers have concluded, "The concept of corporate social responsibility is an essentially contested topic due to internal complexity and relatively open rules of application." (Matten & Moon, 2004: 2).

Furthermore, from an American perspective, corporate social responsibility in France as a voluntary corporate policy is considered dispensable due to the fact that the institutional framework of the economy, in particular formal, mandatory and codified rules or laws define the responsibility of corporations and other societal actors for particular social issues (Matten & Moon, 2004). In France, the influence of tradition and history on corporate social responsibility is more marked than in North America and other European countries because business people "think deeply about the origins and development of their institutions in an analytical, political, and historical way." (Antal & Sobczak, 2007: 11). But what exactly is corporate social responsibility? With the United Nation's creation of the Brundtland Commission (formerly World Commission on Environment and Development) in 1983 came the concept of sustainable development and a deeper understanding of the influence that corporations have on social, economic and environmental systems. Although there is not a single definition of corporate social responsibility, organizational interpretations of the concept share similar objectives. According to the European Union, the initiative encompasses sustainable development (SD) and is "a vision of progress that links economic development, protection of the environment and social justice to offer a better quality of life for everyone, now and for generations to come." (Egan, Mauleon, Wolff, & Bendick, 2003: 3). The European Alliance for CSR has stated that the initiative "mirrors the core values of the society in which we wish to live . . . a concept whereby companies decide voluntarily to contribute to a better society" (Europa Press Release, 2006). Common to these definitions is the morality behind corporate decision-making and behaviour, and emphasis on the importance of a long-term perspective (Egan et al., 2003). Applying the triple bottom line framework of corporate social responsibility to decision making in France, it is possible to deduce that the stakeholder perspective is implicit in the way business is carried out, and not merely considered a source of competitive advantage. As one of the world's largest economies, it is not competition but three cultural elements that have influenced corporate policy in France for centuries: dignity, honor, and weighted patrimony. While corporate culture in North America has been criticized for its obsession with profit maximization in the short run, French businesses have respected these cultural elements in promoting a holistic, long run approach to social responsibility.

As corporations in North America work towards acknowledgment of stakeholders in generating greater awareness for corporate social responsibility, lessons can be learned from the French whose economy has been based for centuries on the three aforementioned fundamental cultural principles. Essentially, strategy for sustainable development in France hinges on the intrinsic link between consumers, firms, the market economy and the realization that, in order to achieve sustainable development, a model of growth that incorporates all components of this environment must be arrived upon (Egan et al., 2003). In this context, the theoretical framework based on triple bottom line management can be used as a tool through which it is possible to examine French business practices, and gain a better understanding of the profound influence that culture has on corporate social responsibility.

A BRIEF HISTORY OF CORPORATE THOUGHT IN FRANCE

From a North American perspective, little is known about the evolution of corporate social responsibility in France because relatively few articles on the subject have been published in English. Furthermore, "confusion often arises with direct translation of 'corporate social responsibility' because in French there is no distinction between the notion of 'responsibility' and the legal concept of 'liability'." (Antal & Sobczak, 2007: 12). For this reason, corporations in France interpret corporate social responsibility in a different light than most countries and place great importance on its legal implications, whereas in North America such discussion is often limited to the legal community. (Antal & Sobczak, 2007). (It is also important to note that the social system in France has remained public in providing security to all citizens, and the French support state control over business. In America there is an increasing tendency towards privatization, placing greater power in the hands of corporations.) A second discrepancy in interpretation arises with the term "social," which is representative of internal corporate structure in France (labour relations) and the external structure in North America (society). Therefore, before introducing any other elements from a cultural perspective, it is also important to note that language has greatly influenced the understanding of corporate social responsibility in France when compared to the North American interpretation (Antal & Sobczak, 2007).

Dating back to the 18th century, French political thinkers and historians have criticized the prevalence of corporate concepts in North America. In his works *Democracy in America and The Old Regime and the Revolution*, Alexis de Tocqueville explored the effects of the rising inequality of social conditions on the individual and the state in western societies. Tocqueville was skeptical of capitalism in North America, and believed that an overpowering sense of individualism had rooted itself in the underlying concept of Western business. His insights provide a basis for the analysis of implicit corporate social responsibility in France, and reinforce the profound impact that culture has exerted on French business and society. Tocqueville's skepticism of profit was reinforced by Marxist influence in the 1900s, as Marx considered profit a lazy means of generating capital (Gaynard, 2007). As France took more of a collectivist approach to generating revenue through commerce, political thinkers in North America such as Joseph Schumpeter were emphasizing the importance of profit for innovation and entrepreneurial endeavors.

THE THREE PILLARS OF CULTURAL INFLUENCE ON CORPORATE SOCIAL RESPONSIBILITY

The implicit institutional framework in France is composed of two elements; its informal institutions, such as values and beliefs, and the codified rules and norms that have been developed as part of the country's mandatory legal framework (Appendix A) (Matten & Moon, 2004). Inherent in the informal institution are the three pillars—dignity, honour, and patrimony—on which the traditional French approach to corporate social responsibility rests.

Preservation of Dignity at the National Level

Olivier Sirven, International Project Director for IBM in France, explains that culture has shaped implicit French business mentality since the Napoleonic Era, (a period during which France was constantly threatened by invasion and engaged in war) and has contributed to a certain skepticism of foreign multinationals. When Toyota voiced interest in outsourcing production of the Yaris II to France, despite the promise of approximately 1,000 new jobs in the region of Valenciennes, the French were extremely hesitant to accept the offer. Union representatives feared that the Japanese manufacturer would fail to acknowledge labour laws in France and recruit solely based on constant levels of productivity, neglecting the social pillar of the triple bottom line. Although the French government realized that foreign investment by Toyota would provide a significant boost to the economy and help to alleviate unemployment in the region, it was essential that the rights of workers be respected. If the arrangement did not work out as planned, officials debated whether benefits of a short-run economic boost in the region would outweigh costs to society if the factory was shut down and workers were laid off. Regarding the preservation of dignity in France, managers discussed the precedent that would be set by allowing a company of this magnitude to set up its operation in France. If Toyota did not ensure recognition of core French business values, other multinationals might assume that due to high levels of unemployment in the country, workers could easily be taken advantage of through future outsourcing arrangements.

Even today, the French have great admiration for managers who are willing to take charge of their organizations; much like Napoleon did with his armies during the fourth and final stage of the French revolution. The current President of France, Nicolas Sarkozy, has been likened to Napoleon in his blatant actions for reform. Before election, one of his key campaign promises was to organize the "Grenelle," an initiative aimed at launching an environmental revolution.

True to his promise, in the recent government summit, Le Grenelle de l'Environement (held October 2007) green campaigners, scientists and business joined forces to develop a new platform for sustainable development in France. This initiative has been paramount in France, as Sarkozy is one of the first leaders to promote corporate social responsibility through the adoption of sustainable business practices.

Patrimony in the French Business Model

The weight of patrimony in business refers to cultural inheritance on a national level, and is best exemplified by the role of ownership that French managers accept for the companies they represent.

For this reason, patrimony is essential to the social aspect of the Triple Bottom Line because of its positive impact on the communities concerned; employees (investment in human capital), customers (psychological effect of products), suppliers and society as a whole (Aguilera, Rupp, Williams, & Ganapathi, 2007). In France, a core competence of successful management (bred from patrimony) is paternalism, which fosters a strong sense of family and pride in the workplace, and this feeling is often widespread among employees, many of whom will stay loyal to one company for the duration of their career (Furlough, 2003).

Group Auchan: A Policy of Sustainable Development. The presence of patrimony is evident in the business model of Auchan, a French enterprise and one of the world's top retail and distribution groups with more than EUR 22 billion in revenues each year. The first Auchan store was opened in 1961 by Gerard Mulliez, who wanted his company values to revolve around the sharing of knowledge, authority, and results. In 1977, Mulliez revolutionized the concept of patrimony by issuing company shares to employees and therefore instilling a sense of loyalty in all ranks of the company (even janitors were issued stock). Embracing the soft approach to human resources management, he nurtured working relationships and developed unique employee incentive systems while encouraging constant development within the organization. Mulliez realized that the key to attracting and retaining talent was providing employees with a direct link between their well-being and the company's success—much like the dynamic he considered essential in a happy family. (These ideas have been re-emerging in North American corporate social responsibility initiatives; Starbucks has implemented employee stock option plans and managers across the United States are developing strategies to increase employee loyalty and productivity).

Today, Auchan remains privately owned by approximately 300 members of the Mulliez family who hold 85 per cent of the company's shares while a number of employees who received stock upon first starting with Auchan have become independently wealthy as prices have soared. Through its policy of organic growth and internal development the company has solidified its reputation in the global marketplace, and states that, "Wherever it is located, Groupe Auchan is an actor in the economic and social landscape and has the will to act with corporate responsibility" (Groupe Auchan, 2006).

Hermès: Time is the Greatest Weapon. When asked what comes to mind immediately after hearing the word 'Paris', people often respond by saying The Eiffel Tower, wine, or fashion – *haute couture* in particular, an industry that has been dominated by the French for centuries. As exemplified by the operations of Auchan, weighted patrimony has fostered a sense of loyalty in employees, and the same is true for Hermès, undoubtedly one of France's most famous luxury brands. Upon opening his first shop in 1837, Thierry Hermès attracted the attention of European royalty, including the emperor Napoleon III and his empress, Eugenie. Originally specializing in equipage for horses, it has been said that "almost two centuries ago, a royal coronation might be delayed until the arrival of its exquisitely stitched carriage fittings, just as today even the richest women must wait for an exquisitely stitched Hermès Birkin bag—in some cases, up to five years" (Jacobs, 2007: 376). As one of the oldest family-owned-and-controlled companies in France, success rests in the human expertise that has been passed down through family generations for centuries. Jean-Louis Dumas, most recent head of the company and fifth generation of the Hermès family, has said, "We are an industrial company with 12 divisions, which designs, makes and retails its products; we will continue to make things the way the grandfathers of our grandfathers did" (Jacobs, 2007: 378). He makes strong reference to 'we', as the international collection of Hermès employees are a team and work together to achieve the desired end: perfection. This testament to tradition through patrimony has placed Hermès on a pedestal when compared to other luxury products; the company does not use celebrities in advertising and has established one of the most successful 'pull' marketing strategies in the fashion industry. True to its founders' vision, Hermès has succeeded in maintaining its 'policy of product', designing and creating timeless pieces that transcend fashion; the world's finest leather is secured by elaborate hand-stitching that will never come undone. The value that Hermès places on quality and perfection are reinforced by the family's belief that 'time is the greatest weapon', and is essential to the company's long-run corporate strategy (Jacobs, 2007). Regarding the triple bottom line, human capital is considered indispensable, and the company aims to create products that are timeless and will last a lifetime (reducing waste throughout the product life-cycle).

As North American corporations loosen their grip on technological know-how by outsourcing production to maximize profit, Hermès tightens its hold on patrimonial knowledge. It was under Dumas's leadership that Hermès made its debut on the global market; however, it did not succumb to variations and trends in the market as it began its ascent to the top of the global fashion industry. Style experts will argue that Hermès is ineffably the greatest house of fashion in the world with 283 stores worldwide, but no one can be certain of what the future holds for one of the oldest purveyors of luxury goods in France. After his retirement last year Dumas handed control of the Hermès dynasty over to the family's sixth generation, who must combine new world with old, respect for traditional corporate culture and family legacy while innovatively developing a trajectory for future growth.

Michelin: A Strategy Based on Long-Term Progress. A final example of weighted patrimony in French business involves Michelin Tires, founded by André and Edouard Michelin in 1889. There is a paradox in Michelin's strategy; the company has based its success on innovation and economic development in the global market, however it also emphasizes the importance of culture and the honour of France. In his book entitled "Marketing Michelin: Advertising and Cultural Identity in Twentieth Century France," Stephen Harp discusses the roles that paternalism and patriotism have played in helping a traditional family-owned firm forge aspects of culture in 20th century France. Michelin tires have dominated the tire market in France since the 1900s, supplying approximately one-third of the world's tires prior to the World War I. During the war, Michelin developed its well publicized system of family allowances for workers, instilling good morale in workers who were unsure of what the future had in store. "Michelin did not want to Americanize France so much as it wanted to modernize French industry, to promote techniques of production and mass consumerism for the sake of France, and, indirectly, for the sake of Michelin" (Furlough, 2003: 1).

A factor contributing to the success and prevalence of patrimony in France is tied to the distinct hierarchy of power that exists in French business—social mobility is not as possible in France as it is in North America. Generally speaking, the elitist system in France has contributed to a risk adverse culture, as people feel that they have more to lose. In North America, the rich and famous are celebrated and idolized, whereas in France there is an underlying feeling of jealousy for those who have independently made fortunes. Moreover, it is taboo to discuss topics regarding income and personal wealth in France. Leaders are still "born" into their positions, as many of France's most influential businesspeople are upper-class white men who come from powerful families, have graduated from the same business schools, and exercise their power through membership in this prestigious "old boys club." However, the social network that binds French managers has compensated for the lack of transparency, as business information is widely shared among management. Observing the CAC 40 which lists the members on each board of directors for France's top ranked organizations, the same names can be seen on several companies' boards. Although there is no reporting to prove it, it is assumed that information is shared among these managers who work together and control access to the boards. This proves that organizations are not so territorial in regard to information, and businesspeople are implicitly expected to act transparently.

Sandrine Henneron, Professor of Law at EDHEC Business School, argues that this open communication network has worked for centuries, and will continue to do so. She goes on to say that while the main drivers towards transparency in the United States have resulted from scandals such as Enron and WorldCom, France has yet to experience a scandal of such magnitude. Therefore, if the system has worked up to this point and French businesspeople have generally acted in accordance with the rules set out by society and government, there is no need for immediate reform. This does not mean that French managers are not cognizant of the push toward corporate social responsibility in North America; however, patrimony and obligation to the past explains why corporations in France have been slower to adopt new business strategies when compared to North American multinationals, who refer to France as a 'Blocked Society'—the implicit framework in France has undergone little change over the years and economists have even gone so far as to say that France has failed to embrace the 21st century. While critics argue that the French economy is in need of reform, the people in France continue to embrace cultural and traditional influences and remain skeptical of globalization—especially after the introduction of a politician named José Bové in the 2007 French presidential election.

Also a revolutionary thinker, Bové is a member of the alter-globalization (or alter-mondialization from the French *altermondialisme*) movement which supports international integration but stresses the importance of placing democracy, justice, environmental protection and human rights before purely economic concerns. For Bové the golden arches, now symbolic of North American fast-food culture, represent the worst of food industrialization and in 1999 Bové spent three weeks in jail after vandalizing a McDonald's restaurant in Millau, France. There is a paradox; McDonald's is an exciting novelty to the French, yet from a cultural perspective eating at the restaurant is considered unpatriotic. In a recent interview Bové explains, "If you question people coming out of one, they're embarrassed. They say 'I just went to see what it was like and I won't be going back'." (Bremner, 2000).

The Honour Principle (La Logique de l'Honneur)

The reluctance to embrace multinational enterprises that fail to acknowledge the triple bottom line is also tied to honour within French society. John Gaynard, a consultant with Syre Consulting, uses Philippe d'Iribarne's Frameworks of Meaning (les référentiels de sens) to explain how, in every national culture, people constantly "decode the words, the expression of feelings, the attititudes and the deeds of others, within mutually understood frameworks." (Gaynard, 2007). Mr. Gaynard's areas of expertise include understanding national cultures and knowledge management, and consultants for Syre have worked with a number of French and international companies (Michelin, Roche, Volkswagen Bank), as well as subsidiaries of American companies in France (Coca-Cola, 3M, Pfizer).

The French are driven by "logic of honour," derived from ancestral tendency to distinguish between what is "noble" and what is "common." Therefore, the French take great pride in their *métier*, or occupation, and will only accept constructive feedback from colleagues who are considered fellow experts in the field. For example, a French engineer will feel implicitly responsible for ensuring that all bases are covered in his/her area of expertise, and will not accept recommendations from a manager who is perceived or known to have less experience. Mr. Gaynard directly relates this phenomenon in the workplace to the logic of honour as it is considered noble to know what is expected regarding the *métier,* and thought of as dishonourable to be reminded (or to remind one) of professional shortcomings.

Applying this concept to the perception of corporate social responsibility in France, the logic of honour resurfaces as most French employees maintain that companies exist as social entities and not solely to generate profits. This emphasis on placing "people" before "company" has manifested itself in a form of corporate culture that is quite unlike most Western models. Furthermore, employees believe that if the social connection between a company and society is strong, people will find greater enjoyment in what they do, and therefore the company will be more prone to success. These inherent values constitute the underlying principles of the triple bottom line and the morality that supports decision-making in France. For example, after purchasing an automotive factory in Rochester, New York, French engineers at Valéo (a French automobile manufacturer) were shocked upon discovering the factory's state of disrepair. The Americans had apparently taken more of a marketing approach in determining consumer needs and made minimum modifications to the factory, planning to use it for a maximum of 10 to 15 years. In terms of a holistic approach to development, the French prefer their factories to be long-term showcases. Hypothetically, in speaking with French employees Mr. Gaynard goes on to state that professional pride is paramount in French industry; if a shareholder or stakeholder asks an employee to sacrifice professional pride, the immediate reaction will be "I am not here to be bought or sold, or to sacrifice my honour—or reputation—among my colleagues to satisfy someone else's need to achieve short-term gains." (Gaynard, 2007).

LEGAL IMPLICATIONS OF THE TRIPLE BOTTOM LINE: THE FUTURE OF CSR IN FRANCE

Professor Henneron, who has written several articles focusing on the legal aspects of risk disclosure in French companies' financial reports, discusses implementation of the Law NRE (*Les Nouvelles Regulations Economiques*), an update of French corporate law passed by French Parliament in May 2001. The Law was designed to encourage French firms to expand upon the information disclosed to the public, in particular on social and environmental impacts (Appendix B). Setting an example for global business, the Law NRE imposes the first legal requirement in any nation that firms must publicly report on the triple bottom line (Egan et al., 2003). Designed to provide a framework for transparency and ethics within companies, the Law NRE sets new limitations for the number of executive mandates for limited companies that can be held by one person (Mazars News, 2007). In other words, the Law aims to reduce conflicts of interest while improving corporate governance within French companies. The introduction of such mandates are now necessary in the United States post-Enron era, and it is interesting to note that in North America, the social, environmental and economic elements of public policy are often treated as separate entities whereas the French consider these elements holistically, and actors are expected to work in a common network (*travail en réseau*) (Egan et al., 2003).

Currently, France is operating under its second National Strategy for Sustainable Development, supporting the argument that sustainable development (as exhibited through corporate social responsibility) must be reflected in a systemic network of efforts, and not a series of isolated projects (Egan et al, 2003). As part of this comprehensive approach to social responsibility, France has drafted an amendment called the Charter of Environment, stating that each French citizen is entitled to "the right to live in a balanced environment which is favorable to his health." (Egan et al., 2003: 7).

CONCLUSION

As business continues to play an increasingly dominant role in the global marketplace and the actions of multinationals transcend national boundaries, the future of corporate social responsibility is an essentially contested topic. In France, the influence of culture on business to act in the best interests of all relevant stakeholders is powerful, and provides a valuable model for the implementation of similar initiatives in North America (Antal & Sobczak, 2007). The emergence of globalization means that in order to collectively embrace the concept of sustainable development and therefore best deal with global issues, corporations must work together to achieve mutual goals for the common good.

To date, literature on corporate social responsibility in France is limited; however, this does not mean that French businesspeople are not cognizant of the importance of greater economic, environmental and social concerns. Through developing a better understanding of French culture and how business is perceived in France, it is possible to use the theoretical framework based on the triple bottom line as a tool used to examine French business practices, and gain insight into the profound influence that culture, history and language have exerted on the interpretation of corporate social responsibility in France. Moreover, as business schools in North America stress explicit foundations of the concept, lessons can be learned from France, whose economy has been based for centuries on three implicit elements; namely dignity, honor and patrimony. Therefore, the long-run, holistic approach to corporate social responsibility in France should be respected, as one of the world's most influential economies embraces the 21st century and nurtures the intrinsic link between environmental, economic and social welfare.

APPENDIX A

Comparison of Explicit and Implicit CSR: A Conceptual Framework for Understanding CSR in Europe

Explicit CSR	Implicit CSR
Describes all corporate activities to resume responsibility in society	**Describes all** formal and informal institutions of a society which assigns and defines the extent of corporate responsibility for the interests of an entire society
Consists of voluntary corporate policies, programs and strategies	**Consists of** values, norms and rules which result in (chiefly codified and mandatory) requirements for corporations
Motivated by the perceived expectations of all stakeholders of the corporation	**Motivated by** the societal consensus on the legitimate expectations towards the role and contribution of all major groups in society, including corporations

APPENDIX B

Key Elements Required in Reporting under France's Nouvelles Regulations Economiques

Topic	Suggested Quantitative Reporting	Suggested Qualitative Reporting
Human Resources		
Employment	Hires during the year	Details on recruiting process
	Short-term employees	Analysis and rationale
	Lay-offs	Analysis and rationale
Work Organization	Amount of overtime	Analysis and rationale
	Absenteeism	Analysis and rationale
Compensation	History of pay rates	--
Social Benefits	--	Details
Equal Opportunities	Integration of women in different posts	Details/Analysis
	--	Integration of Physically Challenged into Workforce
Health & Safety	--	Health and safety conditions; details of accidents and incidents
Community Involvement		
Local Impacts	--	Integration into local community
Local Partnerships	--	Contacts with environment NGOs, consumer groups, educational institutions and impacted populations
Environment		
Resource Consumption	Water, raw materials, natural sources, land use	--
	Energy	Use of renewable energy
Environmental Management	--	Compliance with environmental law and regulations
	--	Employee awareness and training programs
		Compliance with environmental laws and regulations
		Integration of foreign subsidiaries within environmental management system

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