Article

Business & Society
2014, Vol. 53(6) 787–819

DOI: 10.1177/0007650312439448
bas.sagepub.com

Promoting Corporate Responsibility in Private Banking: Necessary and Sufficient Conditions for Joining the Wolfsberg Initiative Against Money Laundering

Martino Maggetti[1]

Abstract

In recent years, the fight against money laundering has emerged as a key issue of financial regulation. The Wolfsberg Group is an important multi-stakeholder agreement establishing corporate responsibility (CR) principles against money laundering in a domain where international coordination remains otherwise difficult. The fact that 10 out of the 25 top private banking institutions joined this initiative opens up an interesting puzzle concerning the conditions for the participation of key industry players in the Wolfsberg Group. The article presents a fuzzy-set analysis of seven hypotheses based on firm-level organizational factors, the macro-institutional context, and the regulatory framework. Results from the analysis of these 25 financial institutions show that public ownership of the bank and the existence of a code of

[1]University of Lausanne, Lausanne, Switzerland

Corresponding Author:
Martino Maggetti, University of Lausanne, Institute of Political and International Studies (IEPI), Géopolis, 1015 Lausanne, Switzerland.
Email: Martino.Maggetti@unil.ch

conduct are necessary conditions for participation in the Wolfsberg Group, whereas factors related to the type of financial institution, combined with the existence of a black list, are sufficient for explaining participation.

Keywords

banking, corporate responsibility, fuzzy-set analysis, regulation, Wolfsberg principles

Starting in the late 1980s, a wave of reregulation took place in Organization for Economic Co-operation and Development (OECD) countries, subsequently spreading worldwide. Quite unexpectedly, regulatory reforms such as privatization and liberalization produced “more rules” (Vogel, 1996) and the establishment of a “new regulatory order” that has been conceptualized as “regulatory capitalism” (Braithwaite, 2008; Levi-Faur, 2005). This label connotes the processes of delegating regulatory competencies from governments to independent regulatory agencies, as well as the formalization of interinstitutional and intrainstitutional relationships, the development of new technologies of regulation in the private sphere, and the proliferation of mechanisms of coregulation and self-regulation in the shadow of public authorities (Abbott & Snidal, 2003; Börzel, 2000; Börzel & Risse, 2005; Cerny, 1993; Drahos, 2004; Eberlein & Grande, 2005; Gilardi, 2008; Héritier & Eckert, 2008; Levi-Faur, 2005; Scott, 2004). As a consequence, new forms of transnational nongovernmental governance and regulation are expanding rapidly across the globe (Djelic & Sahlin-Andersson, 2006; Djelic & Quack, 2010; Slaughter, 2004).

Multistakeholder agreements constitute a crucial mechanism in such nongovernmental regulatory initiatives (Vogel, 2008, 2010). With the involvement of public, private, and civil society actors, such agreements constitute an original, collective effort to reconcile the effectiveness and legitimacy of transnational governance (Borzel & Risse, 2005; Koppell, 2008, 2010). Multistakeholder groups decree and sometimes enact a great number of voluntary standards, mechanisms of certification and labeling, and codes of corporate responsibility (CR) to which private firms should conform (Griffin & Prakash, 2010), and which could eventually improve firms’ corporate social performance (Griffin, 2000).

The literature points to some ambiguities that surround this regulatory instrument (Marx, 2008; Vogel, 2008, 2010). First, supporters of multistakeholder initiatives argue that they represent a flexible, efficient, and participatory arrangement, whereas critics underline their elitist and exclusionary characteristics and the fact that they were essentially designed with protectionist aims and to avoid more stringent public regulation (O'Rourke, 2006). Second, CR initiatives have led many firms to make important changes in their labor, health, safety, and environmental standards and practices, but, being voluntary and market-driven, they are expected to engage only some companies in some areas, when it makes business sense for them to do so (Vogel, 2005).

The conditions under which companies join voluntary multistakeholder CR agreements represent therefore an important research question for the study of global governance and regulatory reforms. However, it is conceptually and methodologically difficult to disentangle market and political factors in such an endeavor. Political factors such as pressures from nongovernmental organizations (NGOs) are likely to be successful only when there are market incentives for firms to respond to these pressures (Haberberg, Gander, Rieple, Helm, & Martin-Castilla, 2010; King & Lenox, 2000; Matten & Moon, 2008). What is more, institutional factors are deemed to mediate the internal and external pressures for firms to engage in CR (Campbell, 2007). Therefore, "middle-range" explanations need to be unpacked at a lower analytical level into a set of factors wherein markets and politics are structurally intertwined, in line with a view of markets as social constructions (Fligstein, 1996; Polanyi, 1944). These factors can be eventually articulated in a coherent model combining different explanatory conditions through empirical analysis, following a configurational approach relying on qualitative comparative analysis (QCA; Ragin, 2000; Schneider & Wagemann, 2010).

Furthermore, hardly any single factor can explain complex phenomena such as voluntary participation in multistakeholder groups. Multilevel explanations operationalizing the interplay of conditions are therefore needed to explain this outcome (Aguilera, Rupp, Williams, & Ganapathi, 2007). To tackle this puzzle, this contribution applies dedicated fuzzy-set QCA (fsQCA) to examine the configurations of necessary and jointly sufficient conditions for adherence by key financial institutions to Wolfsberg Group principles against money laundering (Ragin, 2006b). This analytical choice permits studying the diversity of causal paths that may lead to participation and highlighting the combination of conditions related to organizational, macro-institutional and regulatory factors, which are expected to influence the extent to which firms adopt this multistakeholder CR initiative.

Empirically, the Wolfsberg principles against money laundering in private banking constitute a particularly interesting CR initiative that permits the exploration of some crucial aspects of the puzzle of setting up and implementing nonstate regulation through multistakeholder agreements (Griffin & Prakash, 2010), as the group, after its initial rapid development and despite its continued relevance, has not grown much during the decade of the 2000s and not all global players in private banking have followed the initiative.

The results of the fsQCA show that the public ownership of the bank and the existence of a code of conduct are necessary conditions for explaining the participation of top financial institutions in the Wolfsberg Group against money laundering, whereas factors related to the type of bank, combined with the existence of a blacklist, are sufficient conditions for this outcome. From a theoretical point of view, these results confirm the relevance of reputational mechanisms combined with organizational and political factors for explaining the behavior of firms. At the same time, it appears that multistakeholder agreements are not universally valid and cannot be applied to all types of business actors. Indeed, smaller private banks seem to lack both the political incentives and the organizational capacity to participate in multistakeholder CR initiatives.

Methodologically, the core contribution of this article is to stress that organizational and regulatory factors should not be studied in isolation. When examining complex phenomena such as the development, adoption and implementation of corporate social responsibility (CSR) codes it seems reasonable to study how do conditions combine rather than compete to form the outcome of interest. QCA may help researchers to unravel the multilevel, multiactor, and multicontextual nature of these phenomena.

The article is structured as follows: The next section discusses the development of CR in private banking and illustrates the particular case of the Wolfsberg principles. The subsequent section presents hypotheses based on explanatory conditions concerning firm-level organizational factors, macro-institutional factors, and regulatory factors. Case selection, methods and data are then described in the dedicated section. The results section reports the application of fsQCA to the 25 top financial institutions. There is a brief conclusion section.

Corporate Responsibility in Private Banking

This section presents the Wolfsberg principles against money laundering in the context of the debate about CR initiatives in private banking. First, anti-money laundering policies and regulation are discussed with reference to private banking activities. Second, details are given about the development and the content of the Wolfsberg principles.

Private Banking and Money Laundering

Since the 1970s, the notion of private banking no longer designates a form of business organization, but rather indicates a specific activity: portfolio management on behalf of very wealthy individuals and foreign governments (Cassis & Cottrell, 2009). It refers to a kind of financial service that provides high-profit margins but that at the same time is particularly prone to risks of abuse, namely, concerning money laundering (Levi, 2002). The frequency of cross-border transactions, the utilization of offshore investment and associated services, and a tradition of discrete customer service are examples of some aspects of private banking that can lead to an inherently high level of money laundering risk within this business (Financial Services Authority, 2007).

The expression money laundering, in essence, refers to the illicit process of converting the proceeds of crime (e.g., drug trafficking) and dictatorship into funds that seem to have a legitimate origin, usually by passing through different offshore jurisdictions, to integrate them in the global economy. The negative externalities of money laundering—which ultimately constitutes a facilitator for continued criminal activities, corruption and despotism—are thus considerable.

In recent years, anti-money laundering regulation has emerged as a key element of international financial regulation, in terms of government activism and media attention, and with respect to the effort by professionals in the industry. The combined effect of a series of highly media-covered banking scandals from the 1990s and the need to block the financial resources of transnational terrorism after the attacks of September 11, 2001, played a major role in setting the political agenda and accelerating the approval of some domestic regulations against money laundering in OECD countries. Today, anti-money laundering policies are considered a central instrument to secure a healthy financial system and a successful fight against organized crime. The need to fight against dirty money has reached almost complete consensus, in principle, at national and supranational levels (Favarel-Garrigues, Godefroy, & Lascoumes, 2009). The tools for enforcing anti-money laundering regulations remain, however, much debated—a debate in which "soft law" voluntary best practice rules can be highly influential (Kerwer, 2005).

National supervision over the financial sector has usually relied on a reactive attitude, while displaying problems of coordination, imperfect information, and uncertainties about how to exercise regulatory power. States only ever had a very limited sovereignty over their banking systems; in fact, (private) banking is a long-standing globalized market wherein regulation is traditionally limited and weakly (but increasingly) globalized (Drahos & Braithwaite, 2001). There is therefore room for the emergence of "bottom-up" regulatory instruments (Moon, Kang, & Gond, 2010), such as CR codes developed in multistakeholder environments (Cashore, Auld, & Newsom, 2004), which are consistent with wider phenomena implying reregulation and the shift of political and regulatory power from sovereign states toward arenas concerned with the production of global public goods, under the authority of business in partnership with the government and the civil society (Héritier & Eckert, 2008; Petschow, Rosenau, & von Weizsacker, 2007; Ruggie, 2004). The rule-making logics prevalent in these areas are cooperative rather than adversarial and hierarchical, and as such should promote synergetic relationships between public and private actors (even if this mode of governance is considered as still restricted to advanced democracies; Peters, Koechlin, & Förster, 2009).

Private actors involved in such arenas both seek a competitive harmonization of rules at the global level and look forward to avoiding further, more stringent regulations (Mattli & Büthe, 2003). Furthermore, given the voluntary nature of participation and the nonbinding status of international standards in the form of CR codes, powerful financial firms can engage in "forum-shopping" to advance, diffuse and institutionalize their preferences (Drezner, 2007). Hence, the question of whether private banks are eager to engage in a particular multistakeholder arena and to adopt a specific CR code is eminently pertinent.

As anticipated in the introduction of this article, financial institutions may incorporate voluntary CR codes by following different possible rationales (Vogel, 2008, 2010). Following a market-driven approach, CR codes take the form of coordinated responses by private actors to public campaigns and NGO initiatives, with the aim of shifting blame and protecting firms' reputations. A political approach focuses instead on the role of political factors in shaping the interaction between states, business and civil society in the context of globalization, and the rise of regulatory governance (Bartley, 2007).

In that regard, this contribution assumes that markets are embedded in political institutions (Polanyi, 1944) and that they are constantly constructed through conflict and cooperation among business and political actors (Fligstein, 1996). Therefore, the empirical analysis will operationalize the view that market and political explanations can be concomitantly or alternatively present in lower level organizational, macro-institutional, and regulatory factors. Theoretical expectations derived from these factors are presented in the hypotheses section, in the form of explanatory conditions that are expected to be necessary or jointly sufficient for adopting the multistakeholder CR initiative under investigation, namely, the Wolfsberg principles against money laundering.

The Wolfsberg Initiative

The Wolfsberg anti-money laundering principles consist of a voluntary code of conduct that aims to define a common standard against money laundering for financial institutions in private banking.

The principles were drafted in 2000 at the Wolfsberg Castle, in Northeastern Switzerland, following the first meeting of the group holding the same name, and were subsequently published in the course of the same year. The initiative was taken after a series of money laundering scandals in the 1990s that entailed serious reputational concerns for the banking sector, such as the widely media-covered "Abacha," "Estrada," "Marcos," "Milosevic," "Mobutu," "Suharto," "Wahid," and "Salinas" scandals, among others (Brooks, 2002). A small number of leading banks, along with Transparency International and the think tank Basel Institute on Governance met to develop a set of customer-due-diligence standards in private banking; then, the group grew rapidly to include up to 12 key players in the industry (Pieth, 2007). Since then, the Wolfsberg Group convenes about four times a year to revise the standards and discuss new issues. Participants are representatives of leading banks engaged in private banking, representatives of NGOs, such as Transparency International and the Financial Action Task Force on Money Laundering (FATF), representatives of national governments, and experts from academia (Pieth, 2007).

Concretely, the principles consist of remedies to impede money laundering stemming from inadequate managerial supervision of high-risk customers, insufficient verification of the identities of beneficial owners of companies, and inadequate understanding of the source of customers' wealth (Haynes, 2004). As a consequence, the principle of "know your customer" became an essential consideration in the banking sector (Ogrizek, 2002; Shehu, 2005). The principles can be summarized as follows:

- Bank policy will be to prevent the use of its worldwide operations for criminal purposes.
- The identity and the background of clients and beneficial owners must be established.
- Due diligence (e.g., source of wealth and funds) must be performed on all beneficial owners.
- Additional due diligence is necessary in high-risk countries and for unusual or suspicious activities.

- A monitoring program and a written control policy establishing standard control procedures must be in place.
- The bank will establish a regular training program for employees.
- The bank will establish an adequately staffed and independent department responsible for the prevention of money laundering. The principles are globally applicable.
- Money laundering–related documents must be kept for a minimum of 5 years.

The main goal of the Wolfsberg initiative was to lead the way for a paradigmatic change toward a harmonized "risk-based approach," engaging the responsibility of banks more directly that the traditional "rule-based approach." The key difference is that in the rule-based approach, bankers apply a set of rules in all contexts and all cases, whereas in the risk-based approach, financial institutions have the leeway to identify and manage money laundering risks in a flexible and less predictable way, using their judgment, knowledge, and expertise to develop the appropriate anti-money laundering model for their particular organization, structure, and business activity (Dalla Pellegrina & Masciandaro, 2009). This approach should favor more active and dynamic regulation, whereby it becomes more difficult for money launderers to adjust and adapt their money laundering techniques to comply with the codified rules and consequently to manage making illegal operations virtually indistinguishable from legal ones.

This shift is coherent with the wider rise and institutionalization of "compliance," which is gradually becoming part of the everyday activity of banks through the translation and the internalization of operational risk requirements that were once perceived from a security-based and legalistic perspective (Favarel-Garrigues et al., 2009). In this context, the expected results might be considered less important than the symbolic properties of the means and procedures that have been implemented (Power, 1999; Power, 2009). In fact, anti-money laundering devices, whose effectiveness remains to be proven and whose results have yet to be shown, are deemed to fulfill the essential function of producing legitimacy according to a logic of "blame avoidance" that aims first to protect banks from criminal allegations and from public campaigns that would lead to a loss of reputation and damage banks' business prospects (Weaver, 1986).

Even so, the Wolfsberg principles are extremely relevant for the governance of the global banking system. Participant banks control roughly 60% to 70% of the world market in private banking, and they commit to applying the rules to their operations at home and abroad, including offshore centers. In addition, the Wolfsberg Group is a key policy interlocutor for domestic regulatory agencies and international bodies; its standards are increasingly referenced and cited as minimal requirements, guidelines and "best practices" for the self-regulation of the banking industry. Finally, some preliminary evidence suggests that the principles may influence, directly or indirectly, national governments and parliaments when they issue or amend legislation in the area of private banking (Pieth & Aiolfi, 2003).

Hypotheses

This section presents hypotheses related to three types of explanatory conditions for participation in the Wolfsberg initiative, concerning organizational, macro-institutional, and regulatory factors, wherein market-driven and policy-driven approaches are considered as intertwined. These three factors permit operationalizing multilevel explanations that focus on the interplay of meso-level conditions (organizational factors), cross-national variations (macro-institutional factors) and "hard and soft" rules and regulations (regulatory factors; Aguilera et al., 2007; Campbell, 2007). The criteria for the choice of a manageable number of conditions representing each factor are mentioned at the beginning of each subsection. Each condition will then be operationalized in the methodological section and tested in the empirical analysis portion, using fuzzy-set analysis, leaving room for the discovery of combinations of conditions leading to the outcome.

Organizational Factors

The selected organizational factors include the type of bank, the ownership structure of the financial institutions, and the internal codes of conduct. These factors provide incentives that may render corporations more inclined to join CR initiatives (Campbell, 2007; Matten, 2006). They are hardly sufficient as explanatory conditions, but they are expected to constitute necessary preconditions triggering the decisions to engage in multistakeholder initiatives. Individual-level conditions such as managers' ethics are purposely excluded because this research points to systematic patterns in a firm's behavior derived from meso- and macro-level conditions (Weaver, Treviño, & Cochran, 1999).

> *Hypothesis 1:* The "type of bank" is expected to influence a bank's willingness to join multistakeholder initiatives such as the Wolfsberg principles against money laundering.

This condition relates to the industrial organization of financial institutions. Nonstate market-driven governance instruments are more likely to be adopted by large and vertically integrated firms because they are more sensitive to public blame. Larger firms tend to receive more public scrutiny and undergo greater pressure to respond to attacks to protect their reputations (Chen & Hambrick, 1995; Fombrun & Shanley, 1990), whereby corporate reputation is considered critical for its long-term potential for value creation and superior financial performance, and it is regarded as hardly replicable by or substitutable with other assets (Roberts & Dowling, 2002). At the same time, large banks possess the human and financial resources to cope with supranational rule-making processes and to contribute successfully to multistakeholder initiatives (Vogel, 2005). Therefore, large universal banks, deposit banks, and commercial banks are expected to be more willing to join multiple-stakeholder CR than smaller, more specialized banks and financial institutions whose activities are merely focused on private banking.

Hypothesis 2: The external business opportunity structure determined by the public or private ownerships of financial institutions will shape the incentives for participation in CR initiatives.

The direct influence of NGOs, such as Transparency International or the Financial Action Task Force on Money Laundering on particular firms' behavior, is difficult to measure and, in this context, can be considered as more or less constant across cases. However, a condition that might crucially mediate the impact of NGOs is the business opportunity structure of the investigated companies (Marx, 2008). The business opportunity structure of individual firms is externally determined by their resource-dependency—that is, by the type of resources derived from the organizational environment, which comprises contextual factors that determine whether pressures from exterior actors have an influence on a firm's behavior (Pfeffer & Salancik, 2003). In particular, shareholders may affect the strategic and tactical management of firms following media-transmitted information that shapes a firm's reputation (Balboni, 2008; Pollock & Rindova, 2003). Therefore, public companies traded on a stock exchange should be the most concerned with reputational risks before the public opinion and will have incentive to preserve the names of their brands via their active participation in multiple stakeholders CR initiatives.

Hypothesis 3: The existence of a code of conduct could be a facilitator for participation in transnational multistakeholder groups.

Corporations adopt internal codes of conduct for a wide range of reasons that are exogenous to the present discussion, for instance following a strategy of regulation avoidance and to anticipate possible criticism and downplay negative legal consequences when scandals or controversies occur (Weaver et al., 1999). However, from a sociological institutional perspective, once in place, these codes might have (largely unintended) effects on the participation of firms in multistakeholder initiatives, following two mechanisms: imitation and learning. On the one hand, imitation may lead to the isomorphic incorporation of ethics commitments when codes of conducts are in place that shape the organizational culture of the firm in such a way that participating in CSR initiatives comes to be taken for granted. In this sense, the presence of institutionalized codes of conduct is important because institutions function as routines and procedures that shape the appropriate rule for a given situation, whereby the perceptions of the appropriate role of organizations is encapsulated in the institutional ethos, practices, and expectations concerning the proper (individual and collective) behavior (DiMaggio & Powell, 1983; March & Olsen, 1984).

On the other hand, organizational learning and change are facilitated when the firm has already experienced and dealt with similar challenges, given that change is incremental and path dependent (Hannan & Freeman, 1984; Levitt & March, 1988). Organizational change is usually produced by progressive alterations of the existing institutional framework at the margins (North, 1990), especially in complex organizational settings surrounded by decision making uncertainty and actors' bounded rationality (Simon, 1982). Organizational learning is highly routine based and history dependent—that is, it is based on prior direct and indirect experience, and coherent with existing cognitive and conceptual frameworks (Levitt & March, 1988). The prior existence of an internal code of conduct can thus enhance organizational capacity to adopt new rules derived from multistakeholder initiatives (Marx, 2008).

Macro-Institutional Factors

The macro-institutional context introduces factors that can constrain and enable firms' behaviors in ways that may shape participation in CR initiatives (Campbell, 2006; Matten & Moon, 2008). In particular, two structural macro-institutional variables can have an impact on bank behavior: the degree of coordination of corporate relationships and the liberalization of the national financial sector.

Hypothesis 4: The coordination of corporate relationships could enhance the capacity of firms to participate in multistakeholder agreements.

The literature on varieties of capitalism (Hall & Soskice, 2001) distinguishes between two basic ideal types of institutional models concerning the organization of the political economy: the coordinated market economies (CMEs) model, based on extramarket coordination between economic and political actors and the liberal market economies (LMEs) model, in which the architecture of markets is expected to ensure coordination. The concept of institutional complementarities underlines the fact that institutions must be analyzed in a relational manner: Two institutions are complementary if the presence of one increases the "returns" (i.e., outcomes) of the other. Thus, a system deploying a particular type of coordination in one sphere should tend to develop complementarities in other spheres. By extending this approach to transnational arenas, Mattli and Büthe (2003) see involvement in international standardization as a process partially predetermined, though largely in an unintended way, by the institutional setting at the national level, which places firms in first or second mover positions when standardization is globalized. This effect is deemed to be related to the degree of coordination at the national level, which affects the quality of participation at the international level (Mattli & Büthe, 2003). The level of coordination among domestic firms is relatively high in consensual and corporatist systems, while it is typically lower in market-based economies. Therefore, participation in global arenas is expected to be higher for firms located in countries where corporate relationships are mostly coordinated, as opposed to LMEs (Hall & Gingerich, 2009).

Hypothesis 5: The liberalization of the financial sector is expected to sustain the need for multistakeholder initiatives.

This condition concerns a classic argument of the literature on regulatory governance and regulatory capitalism (Levi-Faur, 2003, 2005). Liberalization and privatization, far from equating to mere deregulation, produce new risks and new opportunities that imply the relocation and eventual expansion of regulatory authority within and beyond the state, in turn leading to a new regulatory order where reregulation plays a crucial role and where there is increasing reliance on mechanisms of self-regulation in the shadow of the state. In this context, the public–private and national boundaries become nebulous, political and economic power is fragmented and disseminated, and levels of decision making become more and more entangled. In that regard, financial liberalization, conceived as the process in which different types of capital controls and restrictions are removed over time, has followed an uninterrupted process in most developed economies, whereas the pattern of liberalization varies across regions, with some countries liberalizing quickly and more extensively (Kaminsky & Schmukler, 2003). Financial markets—and markets in general—should be conceived as evolving social instructions that organize various forms of competition among firms, which are shaped by the conflicting and collaborative interaction of market participants (Fligstein, 1996). Therefore, it is expected that market developments also produce more regulatory arrangements that are ultimately appropriated for stabilizing the ongoing transformations. Thus, the extent to which the financial sector is liberalized in target countries should be positively related to the need for developing new CR codes in multistakeholder environments.

Regulatory Factors

Not just macro-institutional factors are expected to combine with firm-level organizational conditions to explain participation in multistakeholder CR initiatives such as the Wolfsberg principles. Meso-level regulatory factors connected to sector-specific regulatory policies must be considered as well (Kagan, Gunningham, & Thornton, 2003; Sasser, Prakash, Cashore, & Auld, 2006). Contrary to the previously discussed factors, which shall mediate the effect of other variables, regulatory factors correspond to proximate explanations that stem directly from the decisions of a variety of political actors. Among all possible variables that may play a role, two conditions are selected, which epitomize two key elements of sector-specific regulation: The stringency of the regulatory environment permits making sense of the effect of financial regulations issued by policy makers. Furthermore, the existence of blacklists operationalizes the pressures exerted by transnational actors, international organizations, and NGO.

> *Hypothesis 6:* Financial regulatory density may sustain compliance with multistakeholder principles.

Government regulations are expected to have an impact on the development of CR initiatives (Cashore, Auld, Bernstein, & McDermott, 2007). Prior evidence suggests that firms tend to adopt more nonstate, voluntary standards when the existing regulatory approach in the sector is already relatively stringent (Auld, Balboa, Bartley, Cashore, & Levin, 2007). In fact, firms are expected to recognize and support new regulations that do not diverge too much from existing practices, given that these are cognitively easier to integrate by an incremental process that builds on procedures and structures already in place, and considering that the costs of compliance are lower if there is little mismatch between existing regulations and international standards and guidelines. It is thus expected that when sectoral regulation is relatively stringent, international norms and rules are likely to be adopted if they do not impose significant material and immaterial compliance costs and they are compatible with domestic regulatory standards and with organizational approaches.

In addition, it is expected that the willingness of firms to engage in private governance is prompted by the "shadow of hierarchy," that is, by the threat of intervention of public authorities in sectoral governance (Héritier & Eckert, 2008). Therefore, engagement in multistakeholder initiatives seems more likely for firms headquartered in territorial entities where a certain degree of regulatory stringency signals the determination of the government to reregulate the sector (Börzel, 2000). This explanation will hold whatever the mechanism of adoption and the underlying theory of action—a rational choice-based logic of consequentiality or a sociological institutionalist logic of appropriateness (March & Olsen, 2004).

Hypothesis 7: Credible blacklists can exert normative pressures on firms to participate in multistakeholder agreements.

Constructivist theories emphasize the importance of ideas and norms in global politics (Ruggie, 2005). In particular, norms can exercise influence on state and nonstate actors by providing "strategic social constructions," in which actors may act strategically to reconfigure their preferences and behavior (Finnemore & Sikkink, 2005). "Norm entrepreneurs" (Becker, 1997) are crucial in generating public awareness for the enforcement of "soft" rules, in giving legitimacy to specific institutions and in mobilizing various type of resources, which can be especially important for CR initiatives in a sensitive field such as money laundering (Battilana, Leca, & Boxenbaum, 2009; Déjean, Gond, & Leca, 2004; Dorado, 2005). Well-organized norm entrepreneurs can draw attention to a subject and put pressures on powerful actors through normative actions such as "naming and shaming," especially if the latter care about their reputation in the international system (Baylis, Smith, & Owens, 2001). International organizations like the OECD or the International Monetary Fund (IMF) have no legal binding authority in the cases under investigation, and they can only issue recommendations and draft report studies. Nevertheless, it is expected that public blacklisting by these international organizations can be effective in enhancing firms' preemptive or reactive compliance with international standards (Sharman, 2009). In fact, especially in a sector where a reputation of stability and security plays a decisive role in preserving international competition, the existence of credible blacklists can distract investors and customers from targeted financial institutions, thereby occasioning important economic damages.

Method

This section first presents case selection and the research design. Then, the methodological foundations of the fsQCA are outlined. The last subsection reports data sources and the operationalization of causal conditions.

Cases and the Logic of the Comparison

The strategy of case selection aims at comparing positive cases with "nonpositive" negative cases, while excluding "nonpositive" irrelevant cases. Positive cases are those that show the outcome of interest, whereas "nonpositive" cases lack this outcome. Negative cases to be included in the analysis are nonpositive cases for which the outcome of interest is however possible, insofar as they resemble positive cases, including with respect to key hypothesized causal factors; meanwhile, irrelevant cases are those that do not display any variable of interest (Mahoney & Goertz, 2004). This procedure permits maximizing analytical leverage for the analysis of necessary and sufficient conditions.

The investigated cases consist of 10 out of the 11 members of the Wolfsberg Group: UBS; Citigroup Private Bank; Credit Suisse Private Banking; HSBC Private Bank; JPMorgan Private Bank; Deutsche Bank Private Wealth Management; Société Générale Private Banking; Santander; Goldman Sachs; and Barclays. The Bank of Tokyo-Mitsubishi UFJ is excluded, as it does not have a global leading role in private banking. In addition, the sample includes the other 16 banks that make up the population of the 25 top private banking institutions during the time period under examination—26 in total, as the last 2 were equally rated by official polls in the time frame of this investigation: Pictet & Cie; Merrill Lynch; ABN Amro Private Banking; Coutts & Co RBS; BNP Paribas Private Bank; MeesPierson; N M Rothschild & Sons; Morgan Stanley; ING Private Banking; Lombard Odier Darier Hentsch; Union Bancaire Privée; Julius Baer; Nordea; Carnegie;

LCF Edmond de Rothschild; and Royal Bank of Canada (Euromoney, various years; PricewaterhouseCoopers, various years).

Fuzzy-Set Qualitative Comparative Analysis

The present study relies on a fsQCA to assess the necessity and sufficiency of the above mentioned causal conditions for the outcome termed *participation in the Wolfsberg initiative*. FsQCA is the most advanced method of the QCA family. The advantages of fsQCA over the original version of QCA (Ragin, 1987)—today referred to as *crisp-set QCA* (csQCA)—are numerous (Ragin, 2008b). The main difference is that conditions and outcomes are no longer binary (presence/absence) but they can be calibrated according to different "degrees of membership" in the fuzzy sets. This extension allows the researcher much more precision in the operationalization of conditions, and it increases greatly the analytical leverage of QCA. Furthermore, fsQCA differs from quantitative and qualitative covariational techniques in that it is not oriented toward the task of estimating the "net effect" of supposedly independent variables on the dependent variable (Ragin, 2006b). When the research goal is to estimate the effect of independent variables on dependent variables for the purpose of discriminating between competing causal variables representing rival explanations of the outcome, the best method is regression analysis (or similar statistical techniques) and "qualitative" methods that try to reproduce this logic (Ragin, 2005). But the researcher may want to study causal complexity (Ragin, 2000, 2006b) in a way that requires unpacking the information that is usually conflated in correlations (Ragin, 2008b) and examining how factors combine rather than compete to create the outcome (Fiss, 2007), to align the methods for empirical analysis with underlying theories hypothesizing complex relationships among variables (Hall, 2003).

To this aim, QCA methods apply a "configurational approach" that allows researchers to conceive each case as a combination of causal conditions leading to the investigated outcome (Ragin, 2006a; Smithson & Verkuilen, 2006). This analytical framework permits the study of "multiple and conjunctural" patterns of causation (Ragin, 2000; Rihoux & Ragin, 2008) and of the possibility of "equifinality," that is, the assumption that different combinations of explanatory conditions could lead to the same outcome (Schneider & Wagemann, 2010). Causal relationships are conceived as subsets relationships, where *necessity* means that the presence of outcome B always involves condition A, and *sufficiency* means that condition A always implies the presence of outcome B. In addition, fsQCA is particularly helpful when dealing with a small-to-medium number of cases, balancing intensive and extensive investigation (Ragin, 2000). This way, fsQCA combines the advantages of case-oriented qualitative studies in terms of in-depth knowledge of cases and attention to multiple, singular, or deviant patterns of causation with the precision, transparency, and systematic accuracy of a variable-oriented quantitative approach (Rihoux, 2006).

In this contribution, the examination of the necessary and sufficient conditions is more relevant than studying the general patterns of covariation of independent variables. The empirical analysis will thus focus on the test of necessity, that is, the examination of whether instances of the outcome represent a subset of a specific cause; it will focus also on the analysis of sufficiency, that is, the identification of the combinations of causal conditions that constitute a subset of the outcome (Ragin & Giesel, 2006). According to Ragin, a fuzzy set can be considered a variable that has been "purposefully calibrated" to indicate the degree of membership in a specified set. Researchers can adjust partial membership in sets using ordinal and interval scales between 0 (*nonmembership*) and 1 (*full membership*) (Braumoeller & Goertz, 2000; Ragin, 2008b). Then, the fuzzy subset relationship is assessed using fuzzy-set algebra implemented in software packages such as dedicated fs/QCA 2.0, as follows: The first analytical step (after coding data) is to discover all causal conditions with membership scores that are consistently greater than or equal to the outcome membership scores, to determine the possible necessary conditions. The second step is to examine the sufficient conditions by means of a comparison of membership scores in the outcome with the scores for all possible combinations of conditions.

Next, the procedure described by Ragin is used for the assessment of consistency and coverage, respectively, indicating reliability—that is, how closely the subset relationship is approximated (i.e., the degree to which the cases sharing a given combination of conditions agree in displaying the outcome)—and validity—that is, the empirical relevance of a consistent subset (i.e., the proportion of cases following a specific path; Ragin, 2006a). Finally, three models are presented: a complex solution, wherein the software does not compute any simplifying operation; an intermediate solution, which incorporates simplifying assumptions based on the counterfactual combinations considered as theoretically and substantially plausible by the researcher; and a parsimonious solution, where all logical remainders are included (Ragin, 2008b).

Operationalization

The next step is the operationalization of causal conditions, that is, of explanatory variables, in QCA terms (Table 1). The type of bank ("banktype") is coded 1 if the financial institution corresponds to a large universal, deposit or commercial bank, and coded 0 if its activities concentrate on investment and private banking. The "publicowner" condition operationalizes the ownership of the firm. The bank is coded 1 if, in the course of the years 2000 through 2010, it had the form of a public company traded on the stock market, and 0 if it was privately owned in those years. The third condition represents the existence of an internal code of conduct, labeled as *codeofc*. When this code explicitly mentions measures against money laundering, it is coded 1; if it does so implicitly, it is coded 0.5; and 0 otherwise (this information can be easily retrieved from the official websites of individual firms). The coordination of corporate relationships ("corpcoord") is a measure that conflates information related to shareholder power, dispersion of control, and the size of the stock market (Hall & Gingerich, 2009). The coordination index is coded on a 6-point fuzzy-set scale that also relies on substantive knowledge of each case. Concerning financial liberalization ("finlib"), the variation is evidently quite limited in the selected cases; however, it is convenient to discriminate between fully liberalized markets (1), almost fully liberalized markets (0.83), and markets that are more liberalized than not (0.67). Data are derived from the database compiled by Abdul Abiad, Enrica Detragiache, and Thierry Tressel, and especially the indicator "finreform_n," average years 2000-2005 (Abiad, Detragiache, & Tressel, 2008). The stringency of regulatory policies can be assessed by the regulatory intensity framework ("regintensity"), which offers comparative data on the direct costs of financial regulation per billion dollars of GDP (Jackson, 2007). A fine-grained 7-point fuzzy-set scale is used to capture variation ranging from low- to high-regulatory intensity. Then, blacklisting is operationalized with the first blacklist related to money laundering and tax havens, published by the IMF in 1999. The presence of the target country on the blacklist ("blacklist") is coded 1, and the absence, 0. This choice is not only due to the timing but also due to the fact that this blacklist is particularly important, given that it compiles a list of countries that go beyond the usual suspects represented by small, noncooperative jurisdictions (Unger & Ferwerda, 2008). Finally, the outcome condition (the dependent variable) is labeled *wolfsberg* and simply coded 1 in case of membership in the group, and 0 otherwise.

Table 1. Cases and Conditions.

Case		Type of bank (banktype)		Ownership (publicowner)		Code of conduct (codeofc)		Coordination of corporate relationships (corpcoord)		Financial liberalization (finlib)		Regulatory intensity (regintensity)		Blacklisting (blacklist)		Participation in the Wolfsberg initiative (wolfsberg)	
Institution	Country	Data	Coding	Data	Coding	Data	Coding	Data	Coding	Data	Coding	Data	Coding	Data	Coding	Data	Coding
ABN Amro	Netherlands	Universal	1	Public	1	No	0	0.74	0.8	0.98	0.83	144	0.5	Yes	1	No	0
Barclays	United Kingdom	Commercial	1	Public	1	Explicit	1	0.14	0.2	1	1	277	0.83	Yes	1	Yes	1
BNP Paribas	France	universal	1	Public	1	Implicit	0.5	0.82	0.8	1	1	75	0.33	No	0	No	0
Carnegie	Sweden	Investment	0	Public	1	No	0	0.71	0.6	0.95	0.83	83	0.33	No	0	No	0
Citigroup	United States	Commercial	1	Public	1	Explicit	1	0	0	1	1	426	1	Yes	1	Yes	1
Coutts & Co	United Kingdom	Private	0	Public	1	Implicit	0.5	0.14	0.2	1	1	277	0.83	Yes	1	No	0
CS	Switzerland	Universal	1	Public	1	Explicit	1	0.44	0.4	0.95	0.83	83	0.33	Yes	1	Yes	1
Deutsche B.	Germany	Universal	1	Public	1	Explicit	1	0.95	1	0.9	0.67	45	0	No	0	Yes	1
Goldman S.	United States	Investment	0	Public	1	Explicit	1	0	0	1	1	426	1	Yes	1	Yes	1
HSBC	United Kingdom	Commercial	1	Public	1	Implicit	0.5	0.14	0.2	1	1	277	0.83	Yes	1	Yes	1
ING	Netherlands	Universal	1	Public	1	Implicit	0.5	0.74	0.8	0.98	0.83	144	0.5	Yes	1	No	0
JPMorgan	United States	Commercial	1	Public	1	Explicit	1	0	0	1	1	426	1	Yes	1	Yes	1
Julius Baer	Switzerland	Private	0	Public	1	No	0	0.44	0.4	0.95	0.83	83	0.33	Yes	1	No	0
LCF	France	Private	0	Private	0	No	0	0.82	0.8	1	1	75	0.17	No	0	No	0
LODH	Switzerland	Private	0	Private	0	No	0	0.44	0.4	0.95	0.83	83	0.33	Yes	1	No	0
MeesPierson	Netherlands	Private	0	Public	1	No	0	0.74	0.8	0.98	0.83	144	0.5	Yes	1	No	0
Merrill Lynch	United States	Investment	0	Public	1	Implicit	0.5	0	0	1	1	426	1	Yes	1	No	0
Morgan S.	United States	Investment	0	Public	1	Explicit	1	0.14	0	1	1	277	1	Yes	1	No	0
Nordea	Sweden	Universal	1	Public	1	Implicit	0.5	0.71	0.6	0.95	0.83	83	0.33	No	0	No	0
Pictet & Cie	Switzerland	Private	0	Private	0	No	0	0.44	0.4	0.95	0.83	83	0.33	Yes	1	No	0
RBC	Canada	Universal	1	Public	1	Explicit	1	0.23	0.2	1	1	149	0.33	No	0	No	0
Rothschild	United Kingdom	Investment	0	Private	0	No	0	0.14	0.2	1	1	277	0.83	Yes	1	No	0
Santander	Spain	Universal	1	Public	1	Explicit	1	0.77	0.8	1	1	53	0	No	0	Yes	1
SG	France	Universal	1	Public	1	Explicit	1	0.82	0.8	1	1	75	0.17	No	0	Yes	1
UBP	Switzerland	Private	0	Private	0	No	0	0.44	0.4	0.95	0.83	83	0.33	Yes	1	No	0
UBS	Switzerland	Universal	1	Public	1	Explicit	1	0.44	0.4	0.95	0.83	83	0.33	Yes	1	Yes	1

Note: Banks are listed alphabetically. In Table 1 only the abbreviations of the full names of banks are used for simplicity of presentation. The full names of these abbreviations are ABN Amro Private Banking, Barclays, BNP Paribas Private Bank, Carnegie, Citigroup Private Bank, Coutts & Co RBS, Credit Suisse Private Banking, Deutsche Bank Private Wealth Management, Goldman Sachs, HSBC Private Bank, ING Private Banking, JPMorgan Private Bank, Julius Baer, LCF Edmond de Rothschild, Lombard Odier Darier Hentsch, MeesPierson, Merrill Lynch, Morgan Stanley, Nordea, Pictet & Cie, Royal Bank of Canada, N M Rothschild & Sons, Santander, Société Générale Private Banking, Union Bancaire Privée, and UBS.

Table 2. Analysis of Necessary Conditions.

Conditions tested	Consistency	Coverage
publicowner	1.00	0.48
codeofc	0.95	0.68
Outcome variable: wolfsberg		

Note: This table reports the analysis of necessary conditions for banks' participation in the Wolfsberg initiative against money laundering in private banking (outcome: wolfsberg). Only the two consistent conditions are reported: banks' public ownership (publicowner) and the existence of an internal code of conduct (codeofc).

Empirical Analysis

This section presents the results of the fuzzy-set analysis of necessary and sufficient conditions for the outcome of banks' participation in the Wolfsberg initiative against money laundering and discusses the main findings and their implications.

Results

The fuzzy-set analysis reports the solutions for individual necessary conditions and for jointly sufficient combinations of conditions, along with the scores of consistency and coverage for complex, intermediate, and parsimonious solutions.

Necessary conditions. Results of the fuzzy-set analysis for necessary conditions are reported in Table 2 and explained below. Two conditions meet the very restrictive consistency threshold for supporting necessity (i.e., 0.95; Ragin, 2006a, 2008b). The first condition that displays a perfectly consistent subset relationship relates to the public ownership of banks. The second condition is the presence of a prior code of conduct. The latter barely falls within the threshold value, so it must be interpreted with more care. However, in both cases, the necessary conditions can be considered as empirically relevant, given the satisfactory coverage level, and they can be considered "nontrivial," as their presence varies across populations under investigation (Goertz, 2006). Being necessary, these conditions can be excluded from the subsequent analysis of sufficiency.

Sufficient conditions. The fuzzy-set analysis executed with software fs/QCA 2.0 generates one combination of conditions for each model, all possessing an adequate consistency score (i.e., an absolute value that is strictly greater than 0.75) and satisfactory coverage levels for the test of sufficiency (Ragin, 2006a, 2008b). The complex solution presented in Table 3 shows a

Table 3. Analysis of Sufficient Conditions.

		Raw coverage	Unique coverage	Consistency
Complex solution	banktype × blacklist × finlib × ~corpcoord	0.48	0.48	0.92
	Solution coverage: 0.48			
	Solution consistency: 0.92			
Intermediate solution	banktype × blacklist × finlib	0.57	0.57	0.77
	Solution coverage: 0.57			
	Solution consistency: 0.77			
Parsimonious solution	banktype × blacklist	0.60	0.60	0.75
	Solution coverage: 0.60			
	Solution consistency: 0.75			
Model: wolfsberg = f(banktype, blacklist, corpcoord, finlib, regintensity)				

Note: This table reports the analysis of sufficient combinations of conditions for banks' participation in the Wolfsberg initiative against money laundering in private banking (outcome: wolfsberg). The core expression that comprises the type of bank (banktype) combined with the presence of a black list (blacklist) is very robust across solutions with or without the inclusion of logical remainders. Consistency scores range from 0.75 in the case of the parsimonious solution to 0.92 for the complex solution.

combination of four conditions that are jointly sufficient to produce an outcome of firms' participation in the Wolfsberg Group: being a universal, deposit, or commercial bank that has been blacklisted and is embedded in a political economy that is fully liberalized, both from the point of view of the financial markets and pertaining to corporate relationships. In fact, regulatory intensity plays no role at all. As regards the intermediate solution, the condition related to the coordination of corporate relationships disappears, while, as usual, consistency slightly decreases and coverage increases. Meanwhile, the parsimonious solution offers a combination of only two conditions—that is, the bank type and the blacklist—with decent levels of consistency and coverage (0.75 and 0.6, respectively). The solutions are empirically relevant enough to exclude the possibility that this sufficient combination is "trivial," as would happen for extremely rare sufficient conditions (Goertz, 2006; Goertz & Starr, 2003).

Incidentally, it should be noted that the parameters of consistency and coverage would have been even more robust had the sample included the case of ABN Amro, which participated in the original Wolfsberg Group but resigned later for contingent reasons, and which exhibits a configuration of conditions that is wholly comparable with other positive cases.

The Implications of These Results

These results deserve a detailed discussion concerning the interpretation of the empirical findings, their broader theoretical implications, and the methodological contribution of fsQCA.

First. The hypotheses find considerable overall empirical support. All of the conditions, except regulatory density (Hypothesis 6), play a role in explaining firms' participation in the Wolfsberg initiative against money laundering. When the two necessary conditions and the parsimonious solution are considered together, it appears that one expression is jointly sufficient to lead to the outcome: the combination of public ownership (Hypothesis 2), code of conduct (Hypothesis 3), bank type (Hypothesis 1), and black list (Hypothesis 7). This means that firms that adopted this multistakeholder CR code against money laundering consist of public companies that do not restrict their activities to private banking, but have a broader scope. This type of bank will be more receptive to pressures exerted by international organizations through blacklists, given that it is more sensitive to reputational risks before shareholders, customers, and the public at large. At the same time, these banks are more capable of introducing new regulatory tools, given their previous experience with internal codes of conduct. It is worth adding that in terms of the complex solution, the weak coordination of corporate relationships emerges as a condition leading to participation, and not the reverse, as expected according to Hypothesis 4. An alternative explanation could be that this condition is closely related to the liberalization of the financial sector (Hypothesis 5) and thus follows a similar logic of reregulation ("freer markets, more rules"; Vogel, 1996).

These findings offer strong support for the organizational approach based on resource-dependency theory, considering that external and internal organizational characteristics appear decisive in shaping firms' behavior. Instead, given that conditions associated with the variety of the political economy are present in the most complex solution, yet progressively disappear when moving down to the parsimonious one, they can be considered rather as enabling factors than proximate triggers of firms' activism and participation. Concerning political and regulatory variables, the results are mixed. Although blacklisting in an important component of the explanation, regulatory density is nearly irrelevant. In this sense, the political act of blacklisting is more important than the sector-specific regulatory framework set up by political decision makers. This result is not discouraging in itself, as the contrary would have meant that multistakeholder regulation would come up when it is less needed, but it does qualify prior evidence concerning other cases (Auld et al., 2007), thus revealing an interesting cross-sectoral variation. In that regard, business actors in the financial sector, and in private banking in particular, might be particularly aware of their common interests and hence capable of a more strategic process of self-organization, given that they have constituted a relatively cohesive and highly transnationalized community for much longer than other branches (Braithwaite & Drahos, 2000; Cassis & Cottrell, 2009).

Second. Some insights for the broader literature on CSR as self-regulation and multistakeholder initiatives can be mentioned. It would be quite difficult to extend the results of this study too far beyond the case of the Wolfsberg principles, and, specifically, beyond arguments about coregulation mechanisms for banking CR codes. However, it is probably fair to say that these results are expected to hold for cases presenting similar characteristics—that is, for transnational multistakeholder environments populated with small numbers of very powerful private actors for which reputation is crucial.

To begin with, in line with other studies, the role of symbolic sanctions (with possible substantial consequences) appears crucial in prompting firms' participation in multistakeholder CR initiatives such as the Wolfsberg principles (Haberberg et al., 2010; King & Lenox, 2000). The application of credible blacklisting issued by powerful international organizations such the OECD and the IMF, and supported by the action of NGOs, is confirmed to be an effective means to induce voluntary compliance through reputational sanctions on corporations (Ayres & Braithwaite, 1995). This result suggests the need to reconsider the tendency toward the current progressive dismissal of this regulatory instrument, due to which the vast majority of countries are being removed from blacklists following political pressures (Unger & Ferwerda, 2008).

In addition, this study counterfactually demonstrates that multistakeholder CR agreements, even without taking into account any concerns about their implementation and effectiveness, do not represent a solution for all seasons. In fact, some firms, such as smaller private banks, are systematically excluded from these initiatives because they lack both the political incentives and the organizational capacity to participate in multistakeholder CR initiatives. Therefore, other, more appropriate, complementary regulatory tools are needed, especially in a sector such as private banking, where even an infinitesimal number of loopholes are likely to produce huge systemic risks and socially undesirable outcomes (Levi, 2002).

Third. It is worth mentioning the methodological added value of the fsQCA for this kind of study. Fuzzy-set analysis is particular useful when the researcher is not interested in measuring the "net effect" of one or more independent variables on the dependent variable, but when the investigated phenomena can be at best represented in terms of set-theoretical relationships such as *necessity* and *sufficiency* (Ragin, 2008b). Fuzzy-set analysis permits thus to "align" theoretical expectations that involve complex causal relationships such as nonlinearity, synergistic effects and equifinality with an appropriate methodology that lends itself to modeling and testing these expectations (Hall, 2003).

Fuzzy-set analysis allows the researcher to explore causal configurations starting from a number of theoretically-backed conditions and then helps to build-up more complex theories, from a case-oriented perspective (Mahoney & Goertz, 2006). The examination of how variables combine to produce the outcome of interest is particularly interesting for organizational research and business and society studies. For instance, this is the case with the study of the strategies of firms' decision makers, whereby the researcher could be interested in examining how different organizational elements combine rather than compete to create the outcome (Fiss, 2007). Furthermore, fuzzy-set analysis is useful when several different causal paths are expected to lead to the same outcome. Regression analysis is usually unable to detect such a causal effect, as it assumes that causal relationships are relevant for all cases under consideration. Instead, the fuzzy-set analysis of necessary and sufficient conditions may be fruitfully applied to areas of research where causal relationships are expected to be heterogeneous across cases, such as in the cross-cultural and comparative analysis of CSR, where it is plausible that different causal combinations will bear differently in explaining the same phenomena in different contexts, such as in OECD and non-OECD countries.

Conclusion

This article examined necessary and sufficient conditions for joining the Wolfsberg initiative against money laundering in private banking. The Wolfsberg Group is a voluntary, nonbinding multistakeholder agreement that promulgates and regularly revises a set of CR principles to which the participating financial institutions should conform. This kind of multistakeholder group, wherein civil servants, business, and civil society are involved, constitutes an essential mechanism of non-governmental governance (Vogel, 2005), which aims at bringing together legitimacy and efficiency for improving global regulation (Borzel & Risse, 2005; Koppell, 2010). Starting from the assumption that market and politics are structurally intertwined (Fligstein, 1996), a number of conditions related to organizational, macro-institutional, and regulatory factors are derived from the literature to form hypotheses about explanations of firms' participation in the Wolfsberg principles.

The analytical technique adopted in this study—fsQCA (Ragin, 2008a)—is appropriate for examining the complex causal patterns that lead to the outcome of interest. Through the analysis of set-theoretical relationships in terms of necessary and sufficient conditions, fuzzy-set analysis permits tackling research questions that are different from those that are commonplace in quantitative and qualitative covariational approaches. Instead of isolating the net effect of independent variables, the goal is to find causal recipes formed by combinations of conditions, whereby different causal paths can lead to the same outcome (Ragin, 2006b).

The fuzzy-set analysis executed in this contribution shows that two conditions are necessary for firms' participation in the Wolfsberg initiative—the organizational model of the public company and the prior existence of an internal code of CR mentioning anti-money laundering principles; meanwhile, according to the most parsimonious fuzzy-set solution, the combination of another two conditions is sufficient for the outcome, that is, the type of bank and the presence of a blacklist issued by an international organization. Hence, the hypotheses about the pertinence of organizational explanations specifically based on resource-dependency theory are confirmed. In particular, one can observe the relevance of reputational mechanisms in driving the behavior of firms when supported by organizational structures and activated with political factors such as the phenomenon of "naming and shaming" through blacklisting, which may entail serious economic damages. Yet, at the same time, multistakeholder agreements do not appear as universally valid. In fact, for particular categories of business actors, such as smaller private banks, other types of regulatory instruments are possibly required to reduce systemic risks.

More generally, it can be observed that organizational and regulatory factors should not be studied in isolation. The former appear as necessary but individually insufficient conditions for explaining firms' participation. The latter factor is crucial to activate the outcome as part of a jointly sufficient combination. This situation is plausibly common in the literature on business and society, wherein hardly a single variable has a very strong "net effect" on complex outcomes such as the development, adoption, and implementation of CSR codes (Fiss, 2007). It seems reasonable to assume that some important explanatory conditions might deploy a sizable effect only when they are combined, given the multilevel, multiactor, and multicontextual nature of these phenomena (Aguilera et al., 2007).

As this contribution has shown, this kind of complex causal path may become visible only when appropriate analytical techniques are applied, such as fsQCA. To conclude, however, it is worth noting that the present analysis focused on organizational, macro-institutional, and regulatory factors; further research could extend this research by examining the micro-level mechanisms driving firms' behaviors in multistakeholder transnational arenas.

Declaration of Conflicting Interests

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

Funding

The author(s) disclosed receipt of the following financial support for the research, authorship, and/or publication of this article: This research is part of the NCCR Democracy (http://www.nccr-democracy.uzh.ch/) and is funded by the Swiss National Science Foundation.

References

Abbott, K., & Snidal, D. (2003). Hard and soft law in international governance. *International Organization, 54*, 421-456.

Abiad, A., Detragiache, E., & Tressel, T. (2008). *A new database of financial reforms* (Working Paper No. 08/266). Washington, DC: International Monetary Fund.

Aguilera, R. V., Rupp, D. E., Williams, C. A., & Ganapathi, J. (2007). Putting the S back in corporate social responsibility: A multilevel theory of social change in organizations. *Academy of Management Review, 32*, 836-863.

Auld, G., Balboa, C., Bartley, T., Cashore, B., & Levin, K. (2007, February). *The spread of the certification model: Understanding the evolution of non-state market driven governance*. Chicago, IL: International Studies Association Conference.

Ayres, I., & Braithwaite, J. (1995). *Responsive regulation: Transcending the deregulation debate*. New York, NY: Oxford University Press.

Balboni, B. (2008). *Perceived corporate credibility as the emergent property of corporate reputation's transmission process* (Munich Personal RePEc Archive (MPRA) Paper No. 7944). Retrieved from http://mpra.ub.uni-muenchen.de/7944/1/MPRA_paper_7944.pdf

Bartley, T. (2007). Institutional emergence in an era of globalization: The rise of transnational private regulation of labor and environmental conditions. *American Journal of Sociology, 113*, 297-351.

Battilana, J., Leca, B., & Boxenbaum, E. (2009). How actors change institutions: Towards a theory of institutional entrepreneurship. *Academy of Management Annals, 3*(1), 65-107.

Baylis, J., Smith, S., & Owens, P. (2001). *The globalization of world politics: An introduction to international relations*. Oxford, UK: Oxford University Press.

Becker, H. S. (1997). *Outsiders: Studies in the sociology of deviance*. New York, NY: Free Press.

Börzel, T. (2000). *Private actors on the rise? The role of non-state actors in compliance with international institutions* (Working Paper 2000/14). Bonn, Germany: Max Planck Institute for Research on Collective Goods.

Börzel, T. A., & Risse, T. (2005). Public–private partnerships: Effective and legitimate tools of transnational governance? In E. Grande & L. W. Pauly (Eds.), *Complex sovereignty: reconstituting political authority in the twenty-first century* (pp. 195-217). Toronto, ON: University of Toronto Press.

Braithwaite, J. (2008). *Regulatory capitalism: How it works, ideas for making it work better*. Cheltenham, UK: Edward Elgar.

Braithwaite, J., & Drahos, P. (2000). *Global business regulation*. Cambridge, UK: Cambridge University Press.

Braumoeller, B. F., & Goertz, G. (2000). The methodology of necessary conditions. *American Journal of Political Science, 44*, 844-858.

Brooks, J. P. (2002, February). *The Wolfsberg principles: A joint anti-money laundering initiative in private banking*. London, UK: Stop Money Laundering Conference.

Campbell, J. (2006). Institutional analysis and the paradox of corporate social responsibility. *American Behavioral Scientist, 49*, 925-938.

Campbell, J. L. (2007). Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility. *Academy of Management Review, 32*, 946-967.

Cashore, B., Auld, G., Bernstein, S., & McDermott, C. (2007). Can non state governance "ratchet up" global environmental standards? Lessons from the forest sector. *Review of European Community & International Environmental Law, 16*, 158-172.

Cashore, B., Auld, G., & Newsom, D. (2004). *Governing through markets: Forest certification and the emergence of non-state authority*. New Haven, UK: Yale University Press.

Cassis, Y., & Cottrell, P. (2009). *The world of private banking*. Farnham, UK: Ashgate.

Cerny, P. G. (1993). The deregulation and re-regulation of financial markets in a more open world. In P. G. Cerny (Ed.), *Finance and world politics: Markets, regimes and states in the post-hegemonic era* (pp. 51-78). Aldershot, UK: Edward Elgar.

Chen, M., & Hambrick, D. (1995). Speed, stealth, and selective attack: How small firms differ from large firms in competitive behavior. *Academy of Management Annals, 88*, 453-482.

Dalla Pellegrina, L., & Masciandaro, D. (2009). The risk-based approach in the new European anti-money laundering legislation: A law and economics view. *Review of Law & Economics, 5*, 931-952.

Déjean, F., Gond, J. P., & Leca, B. (2004). Measuring the unmeasured: An institutional entrepreneur strategy in an emerging industry. *Human relations, 57*, 741.

DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review, 48*(2), 147-160.

Djelic, M., & Quack, S. (2010). *Transnational communities: Shaping global economic governance*. Cambridge, UK: Cambridge University Press.

Djelic, M., & Sahlin-Andersson, K. (2006). *Transnational governance: Institutional dynamics of regulation*. Cambridge, UK: Cambridge University Press.

Dorado, S. (2005). Institutional entrepreneurship, partaking, and convening. *Organization Studies, 26*, 385-414.

Drahos, P. (2004). The regulation of public goods. *Journal of International Economic Law, 7*, 321-339.

Drahos, P., & Braithwaite, J. (2001). The globalisation of regulation. *Journal of Political Philosophy, 9*(1), 103-128.

Drezner, D. (2007). *All politics is global: Explaining international regulatory regimes*. Princeton, NJ: Princeton University Press.

Eberlein, B., & Grande, E. (2005). Beyond delegation: Transnational regulatory regimes and the EU regulatory state. *Journal of European Public Policy, 12*(1), 89-112.

Euromoney. (Various years). *Private banking and wealth management survey*. Retrieved from www.euromoney.com

Favarel-Garrigues, G., Godefroy, T., & Lascoumes, P. (2009). *Les sentinelles de l'argent sale. Les banques aux prises avec l'antiblanchiment* [The sentinels of dirty money. Banks struggling with money laundering]. Paris, France: La Découverte.

Financial Services Authority. (2007). *Review of private banks' anti-money laundering systems and controls*. London, UK: Author.

Finnemore, M., & Sikkink, K. (2005). International norm dynamics and political change. *International Organization, 52*, 887-917.

Fiss, P. C. (2007). A set-theoretic approach to organizational configurations. *Academy of Management Review, 32*, 1180-1198.

Fligstein, N. (1996). Markets as politics: A political-cultural approach to market institutions. *American Sociological Review, 61*, 656-673.

Fombrun, C., & Shanley, M. (1990). What's in a name? Reputation building and corporate strategy. *Academy of Management Annals, 33*, 233-258.

Gilardi, F. (2008). *Delegation in the regulatory state: Independent regulatory agencies in Western Europe*. Northampton, MA: Edward Elgar.

Goertz, G. (2006). Assessing the trivialness, relevance, and relative importance of necessary or sufficient conditions in social science. *Studies in Comparative International Development, 41*(2), 88-109.

Goertz, G., & Starr, H. (2003). *Necessary conditions: Theory, methodology, and applications*. Lanham, MD: Rowman & Littlefield.

Griffin, J. (2000). Corporate social performance: Research directions for the 21st century. *Business & Society, 39*, 479-491.

Griffin, J., & Prakash, A. (2010). Corporate responsibility: Initiatives and mechanisms. *Business & Society, 49*(1), 179-184.

Haberberg, A., Gander, J., Rieple, A., Helm, C., & Martin-Castilla, J. I. (2010). Institutionalizing idealism: The adoption of CSR practices. *Journal of Global Responsibility, 1*, 366-381.

Hall, P. A. (2003). Aligning ontology and methodology in comparative research. In J. Mahoney & D. Rueschmeyer (Eds.), *Comparative historical analysis in the social science* (pp. 373-404). Cambridge, UK: Cambridge University Press.

Hall, P. A., & Soskice, D. W. (2001). *Varieties of capitalism: The institutional foundations of comparative advantage*. Oxford, UK: Oxford University Press.

Hall, P., & Gingerich, D. (2009). Varieties of capitalism and institutional complementarities in the political economy: An empirical analysis. *British Journal of Political Science, 39*, 449-482.

Hannan, M., & Freeman, J. (1984). Structural inertia and organizational change. *American Sociological Review, 49*(2), 149-164.

Haynes, A. (2004). The Wolfsberg principles—An analysis. *Journal of Money Laundering Control, 7*, 207-217.

Héritier, A., & Eckert, S. (2008). New modes of governance in the shadow of hierarchy: Self-regulation by industry in Europe. *Journal of Public Policy, 28*(1), 113-138.

Jackson, H. (2007). Variation in the intensity of financial regulation: Preliminary evidence and potential implications. *Yale Journal on Regulation, 24*(1), 101-139.

Kagan, R. A., Gunningham, N., & Thornton, D. (2003). Explaining corporate environmental performance: How does regulation matter? *Law & Society Review, 37*(1), 51-90.

Kaminsky, G., & Schmukler, S. (2003). *Short-run pain, long-run gain: The effects of financial liberalization* (Working Paper 9787). Cambridge, MA: National Bureau of Economic Research (NBER).

Kerwer, D. (2005). Rules that many use: Standards and global regulation. *Governance: An International Journal of Policy, Administration, and Institutions, 18*, 611-632.

King, A. A., & Lenox, M. J. (2000). Industry self-regulation without sanctions: The chemical industry's responsible care program. *Academy of Management Annals, 43*, 698-716.

Koppell, J. G. S. (2008). Global governance organizations: Legitimacy and authority in conflict. *Journal of Public Administration Research and Theory, 18*, 177-203.

Koppell, J. G. S. (2010). *World rule: Accountability, legitimacy, and the design of global governance*. Chicago, IL: University of Chicago Press.

Levi, M. (2002). Money laundering and its regulation. *Annals of the American Academy of Political and Social Science, 582*, 181-194.

Levi-Faur, D. (2003). The politics of liberalisation: Privatisation and regulation-for-competition in Europe's and Latin America's telecoms and electricity industries. *European Journal of Political Research, 42*, 705-740.

Levi-Faur, D. (2005). The global diffusion of regulatory capitalism. *ANNALS of the American Academy of Political and Social Science, 598*(1), 12-32.

Levitt, B., & March, J. (1988). Organizational learning. *Annual Review of Sociology, 14*, 319-338.

Mahoney, J., & Goertz, G. (2004). The possibility principle: Choosing negative cases in comparative research. *American Political Science Review, 98*, 653-669.

Mahoney, J., & Goertz, G. (2006). A tale of two cultures: Contrasting quantitative and qualitative Research. *Political Analysis, 14*, 227-249.

March, J. G., & Olsen, J. P. (1984). The new institutionalism: Organizational factors in political life. *American Political Science Review, 78*, 734-749.

March, J. G., & Olsen, J. P. (2004). *The logic of appropriateness* (ARENA Working Papers, Vol. 4, pp. 1-28). Oslo, Norway: Oslo University.

Marx, A. (2008). Limits to non-state market regulation: A qualitative comparative analysis of the international sport footwear industry and the Fair Labor Association. *Regulation & Governance, 2*, 253-273.

Matten, D. (2006). Why do companies engage in corporate social responsibility? Background, reasons and basic concepts. In J. Hennigfeld, M. Pohl, & N. Tolhurts (Eds.), *The ICCA handbook on corporate social responsibility* (pp. 3-23). Chichester, UK: John Wiley.

Matten, D., & Moon, J. (2008). "Implicit" and "explicit" CSR: A conceptual framework for a comparative understanding of corporate social responsibility. *Academy of Management Review, 33*, 404-424.

Mattli, W., & Büthe, T. (2003). Setting international standards: Technological rationality or primacy of power? *World Politics, 56*(1), 1-42.

Moon, J., Kang, N., & Gond, J.-P. (2010). Corporate social responsibility and government. In D. Coen, W. Grant, & G. Wilson (Eds.), *Oxford handbook of business and government* (pp. 512-543). Oxford, UK: Oxford University Press.

North, D. C. (1990). *Institutions, institutional change, and economic performance*. Cambridge, UK: Cambridge University Press.

O'Rourke, D. (2006). Multi-stakeholder regulation: Privatizing or socializing global labor standards? *World Development, 34*, 899-918.

Ogrizek, M. (2002). The effect of corporate social responsibility on the branding of financial services. *Journal of Financial Services Marketing, 6*, 215-228.

Peters, A., Koechlin, L., & Förster, T. (2009). *Non-state actors as standard setters*. Cambridge, UK: Cambridge University Press.

Petschow, U., Rosenau, J., & von Weizsacker, E. (2007). Governance and sustainability: New challenges for states, companies and civil society. *International journal of sustainable development, 10*, 195.

Pfeffer, J., & Salancik, G. (2003). *The external control of organizations: A resource dependence perspective*. Stanford, CA: Stanford University Press.

Pieth, M. (2007). Multistakeholder initiatives to combat money laundering and bribery. In C. Brütsch & D. Lehmkuhl (Eds.), *Law and legalization in transnational relations* (pp. 81-99). London, UK: Routledge.

Pieth, M., & Aiolfi, G. (2003). The private sector becomes active: The Wolfsberg process. *Journal of Financial Crime, 10*, 359-365.

Polanyi, K. (1944). *The great transformation: The political and economic origins of our time*. Boston, MA: Beacon.

Pollock, T. G., & Rindova, V. P. (2003). Media legitimation effects in the market for initial public offerings. *Academy of Management Journal, 46*, 631-642.

Power, M. (1999). *The audit society: Rituals of verification*. Oxford, UK: Oxford University Press.

Power, M. (2009). The risk management of nothing. *Accounting, Organizations and Society, 34*, 849-855.

PricewaterhouseCoopers. (Various years). *Global private banking and wealth management survey*. Retrieved from www.pwc.com/wealth

Ragin, C. C. (1987). *The comparative method: Moving beyond qualitative and quantitative strategies*. Berkeley, CA: University of California Press.

Ragin, C. C. (2000). *Fuzzy-set social science*. Chicago, IL: University of Chicago Press.

Ragin, C. C. (2005). Core versus tangential assumptions in comparative research. *Studies in Comparative International Development, 40*(1), 33-38.

Ragin, C. C. (2006a). Set relations in social research: Evaluating their consistency and coverage. *Political Analysis, 14*, 291-310.

Ragin, C. C. (2006b). The limitations of net-effects thinking. In B. Rihoux & H. Grimm (Eds.), *Innovative comparative methods for policy analysis* (pp. 13-41). New York, NY: Springer.

Ragin, C. C. (2008a). Fuzzy sets: Calibration versus measurement. In J. Box-Steffensmeier, H. E. Brady, & D. Collier (Eds.), *The Oxford Handbook of Political Methodology* (pp. 174-198). Oxford, UK: Oxford University Press.

Ragin, C. C. (2008b). *Redesigning social inquiry: Fuzzy sets and beyond*. Chicago, IL: University of Chicago Press.

Ragin, C. C., & Giesel, H. (2006). *User's guide to fuzzy-set/qualitative comparative analysis 2.0*. Tucson, AZ: Department of Sociology, University of Arizona.

Rihoux, B. (2006). Qualitative comparative analysis (QCA) and related systematic comparative methods: Recent advances and remaining challenges for social science research. *International Sociology, 21*, 679-706.

Rihoux, B., & Ragin, C. (2008). *Configurational comparative analysis*. Thousand Oaks, CA: Sage.

Roberts, P., & Dowling, G. (2002). Corporate reputation and sustained superior financial performance. *Strategic Management Journal, 23*, 1077-1093.

Ruggie, J. (2004). Reconstituting the global public domain: Issues, actors, and practices. *European Journal of International Relations, 10*, 499-531.

Ruggie, J. (2005). What makes the world hang together? Neo-utilitarianism and the social constructivist challenge. *International Organization, 52*, 855-885.

Sasser, E. N., Prakash, A., Cashore, B., & Auld, G. (2006). Direct targeting as an NGO political strategy: Examining private authority regimes in the forestry sector. *Business and Politics, 8*(3), 1-32.

Schneider, C., & Wagemann, C. (2010). Standards of good practice in qualitative comparative analysis (QCA) and fuzzy-sets. *Comparative Sociology, 9*, 397-418.

Scott, C. (2004). Regulation in the age of governance: The rise of the post-regulatory state. In J. Jordana & D. Levi-Faur (Eds.), *The politics of regulation: Institutions and regulatory reforms for the age of governance* (pp. 145-173). Cheltenham, UK: Edward Elgar.

Sharman, J. (2009). The bark is the bite: International organizations and blacklisting. *Review of International Political Economy, 16*, 573-596.

Shehu, A. (2005). International initiatives against corruption and money laundering: An overview. *Journal of Financial Crime, 12*, 221-245.

Simon, H. A. (1982). *Models of bounded rationality*. Cambridge, MA: MIT Press.

Slaughter, A. (2004). *A new world order*. Princeton, NJ: Princeton University Press.

Smithson, M., & Verkuilen, J. (2006). *Fuzzy set theory: Applications in the social sciences*. Thousand Oaks, CA: Sage.

Unger, B., & Ferwerda, J. (2008). Regulating money laundering and tax havens: The role of blacklisting. *Discussion Paper Series/Tjalling C. Koopmans Research Institute, 8*(12), 1-33.

Vogel, D. (2005). *The market for virtue: The potential and limits of corporate social responsibility*. Washington, DC: Brookings Institution.

Vogel, D. (2008). Private global business regulation. *Annual Review of Political Science, 11*, 261-282.
Vogel, D. (2010). The private regulation of global corporate conduct: Achievements and limitations. *Business & Society, 49*(1), 68-87.
Vogel, S. K. (1996). *Freer markets, more rules: Regulatory reform in advanced industrial countries.* Ithaca, NY: Cornell University Press.
Weaver, G. R., Treviño, L. K., & Cochran, P. L. (1999). Integrated and decoupled corporate social performance: Management commitments, external pressures, and corporate ethics practices. *Academy of Management Journal, 42*, 539-552.
Weaver, R. (1986). The politics of blame avoidance. *Journal of Public Policy, 6*, 371-398.

Author Biography

Martino Maggetti (PhD, University of Lausanne) is associate professor at the Institute of Political and International Studies (IEPI) of the University of Lausanne. His research interests focus on regulatory governance, policy analysis, and comparative politics. His research articles have appeared in the journals *European Journal of Political Research, European Political Science Review, International Review of Administrative Sciences, Journal of European Public Policy, Political Research Quarterly, Regulation & Governance, Swiss Political Science Review*, and *West European Politics*. His latest books are *Regulation in Practice* (ECPR Press 2012) and *Designing Research in the Social Sciences* (Sage 2012, with Fabrizio Gilardi and Claudio M. Radaelli).