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Foreword

One of the most important strategic goals of the European Union is to deliver stronger, lasting growth with more and better jobs, fulfilling at the same time broader social and environmental ambitions that lead to sustainable development. Enterprises are the main actors on which the successful pursuit of these goals will depend. For this reason corporate social responsibility, defined as a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with stakeholders, is at the heart of the matter.

Recognising the importance of advancing corporate social responsibility, substantial research in this area was undertaken under the European Union's Sixth Framework Programme for Research. This publication examines the results of four projects implemented in the period 2005-2008 in the area of socio-economic sciences and humanities, which made a significant step forward in bringing research on this issue to a European level. These projects involved a large number of researchers from 31 institutions located in 13 different European countries and the research they conducted tackled many different aspects of corporate social responsibility.

I would like to share with you here two messages which are of particular importance.

Firstly, research demonstrated that there is a growing interest in advancing corporate social responsibility not only by policy-makers, but also by companies themselves, as corporate players become more and more interested in universal standards covering a broad range of aspects of responsible business-making and corporate engagement in society. This is a particularly important conclusion in the context of the 2008-2009 financial crisis and, following it, a significant drop of social trust in the corporate sector.

Secondly, corporate social responsibility is a field where strong co-operation between business, academia and civil society is essential. This can be demonstrated by the fact that analysis showed a significant gap between managers' and stakeholders' understanding of what constitutes a company's social responsibilities. Moreover, managers tend to exhibit a relatively narrow consciousness of their company's responsibility, defined by the legal and moral boundaries, while stakeholders have a broader notion of an expanded enterprise, including and integrating the interests of wider stakeholders and society as a whole. As regards the outcomes of implementing a corporate social responsibility strategy, as well as impact on performance, research suggests differences across sectors, but more importantly difficulties by companies themselves to assess robustly the effects of their activities in this field. These are areas where collaboration can really bear fruit.

This publication, which I have the pleasure to place in your hands, covers much more than the results of the four research projects. It draws a picture of corporate social responsibility today, and shows how European research contributed to its development. To achieve this, the document first gives the broader context by analysing the concept of corporate social responsibility and its development, as well as the evolution of European Union policy in this area. Consequently, the main part of the publication concentrates on a number of key questions related to corporate social responsibility demonstrating how they were approached by research and how the work done advanced knowledge in particular fields. The analysis is concluded by an overview of the most important research results as well as policy recommendations including potential priorities for a future research agenda in this area.

The publication is addressed to policy-makers at all levels of public governance as well as all other stakeholders. However, because of the way it combines a comprehensive overview with a detailed analysis of the issues, I believe it should be of interest not only to specialists working in this field but also to a broader audience.

A handwritten signature in black ink, appearing to read 'JMB', with a long horizontal stroke extending to the right.

Jean-Michel Baer
Director Science, Economy and Society

Abstract

This policy review assesses the results of four research projects on Corporate Social Responsibility (CSR) which were financed under the European Commission's Sixth Framework Programme (FP6) for Research and Technological Development. Financed within the Socio-economic Sciences and Humanities (SSH) programme, the four projects – CSR PLATFORM, ESTER, RARE and RESPONSE – are assessed, taking into account current policy developments, with the goal of identifying possible gaps in public policy, lessons learnt for policy makers, and pointing out under-researched or emerging research themes.

At the core of CSR is that a company is a so-called 'moral agent' in society, having some degree of responsibility beyond its shareholders to a wider circle of stakeholders. This premise is now widely accepted. Indeed, the intellectual 'battle' on defining CSR has been won, with the term 'socially and environmentally responsible' no longer seen as going against a company's competitiveness. Nevertheless, by defining CSR as 'beyond compliance' and 'voluntary', the European Commission has created an environment where there is limited scope for binding regulation and enforcement. Although the European Parliament has repeatedly promoted harmonisation and application of CSR reporting standards, for example, the European Commission has shied away from this type of 'regulated CSR', preferring a 'stimulated CSR' approach that is explained in greater detail throughout this policy review.

The ESTER project assumes that far-reaching regulation is required, while the RESPONSE project seems averse to creating any restrictions for businesses. The RARE project seems to favour a middle way, broadly in line with a stimulated CSR approach, while the CSR PLATFORM project was mainly concerned with stimulating and moderating a dialogue between academia, business and policy makers, including discussions on the future CSR research agenda.

In general, the projects' main contributions are at a conceptual level. Today, we can observe that the field of interdisciplinary CSR research has started to achieve a level of maturity, in which more rigorous empirical research – namely information gathered by means of observation, experience, or experiment – promises to bear fruit. The projects also draw attention to the importance of international CSR standards and instruments, which respond to the needs of global companies. Given the wide scope and dynamics of the field, researchers recommend that the setting-up of a CSR observatory for Europe may be useful.

This body of research can now be complemented by more focussed management research related to business processes on the following themes:

- mainstreaming CSR in firms' strategic processes, including SMEs,
- the linkage between CSR and innovation,
- performance and impact indicators, and
- global supply chain management.

Research on the internal strategic processes and mainstreaming CSR in business processes, as well as research on the wider societal outcomes of CSR programmes, both require more research effort in the coming years. In addition, in the face of continuing globalisation, a more profound analysis of the implications of global supply chains on CSR, and the factors limiting uptake of CSR in developing countries and new EU Member States deserve more attention in European research.

Without similar, interdisciplinary management research, it will not be possible to identify and disseminate best practices in CSR and increase the uptake of CSR activities by Small- and Medium-sized Enterprises (SMEs) and in new Member States. The explicit inclusion of a section on policy developments and a vision for the future in all research projects would greatly enhance their policy relevance.



Introduction

The purpose of this policy review is to assess the results of four research projects on corporate social responsibility (CSR) financed under the Sixth Framework Programme for Research within Socio-economic Sciences and Humanities – CSR PLATFORM, ESTER, RARE and RESPONSE – in the light of current policy developments, with the goal of both identifying public policy gaps and lessons learnt for policy-makers, as well as pointing out under-researched or emerging research themes.

First, the contribution of the research projects under review to the conceptual development of CSR will be outlined. Since CSR is an inherently controversial concept, it should come as no surprise that the views expressed in the research project's reports on the role of the state in regulating business are widely divergent, and often rather imperfectly related to the actual policy debate. It was necessary therefore to establish a clear and comprehensive framework allowing a comparative analysis of the research projects.

Secondly, the European policy context of CSR will be reviewed and the underlying policy process analysed with the aim of outlining a future research agenda. None of the research projects include a similar policy analysis, although all of them contain a number of policy recommendations. Unfortunately, the lack of connection with actual policy developments diminishes the relevance of some of these recommendations. As described by the CSR PLATFORM project, the main policy challenges in the coming years are probably the need for a greater uptake of CSR activities by SMEs, in particular in new Member States in an adverse economic climate, and the issues continuing to emerge due to ongoing globalisation.

Thirdly, the Sixth Framework Programme-CSR projects will be reviewed with the purpose of identifying relevant policy recommendations, and finding policy gaps at European level. The following broad themes will be used to review these projects, which were selected on the basis of the literature in the field, combined with the principal themes indicated by the researchers themselves:

- Instruments
- Social and environmental reporting
- Global dimensions
- Principles and processes
- Outcomes and impacts
- Business education and training
- Future research agenda

Finally, the research findings and resulting policy recommendations from these research projects will be summarised.





The concept of Corporate Social Responsibility

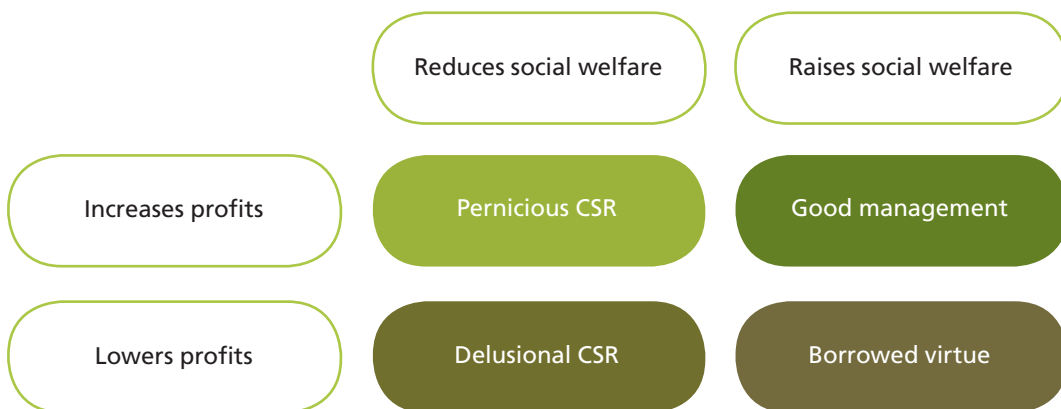


The concept of Corporate Social Responsibility

There is substantial diversity in the use of the CSR, and it has been used to designate a wide range of corporate 'do-good' activities. By its nature, CSR is an essentially contested concept and internally complex (Moon 2008, RARE 2007). None of the research projects reviewed here, however, pretends to produce an original contribution to the theoretical development of the CSR concept, although their results may have conceptual implications.

Definitions of, and approaches to, CSR vary widely. Substantially, there is a reductionist and a more holistic vision of the concept. A minimalist and reductionist approach was taken by *The Economist* publication, which equates CSR with 'good management'. CSR that actually reduces profit is seen as 'delusional CSR' or 'borrowed virtue', and the kind that actually reduces social welfare is seen as 'pernicious CSR'.

➤ Reductionist approach to CSR



Source: adapted from *The Economist*: "Survey: The Good Company" Jan. 20th 2005.

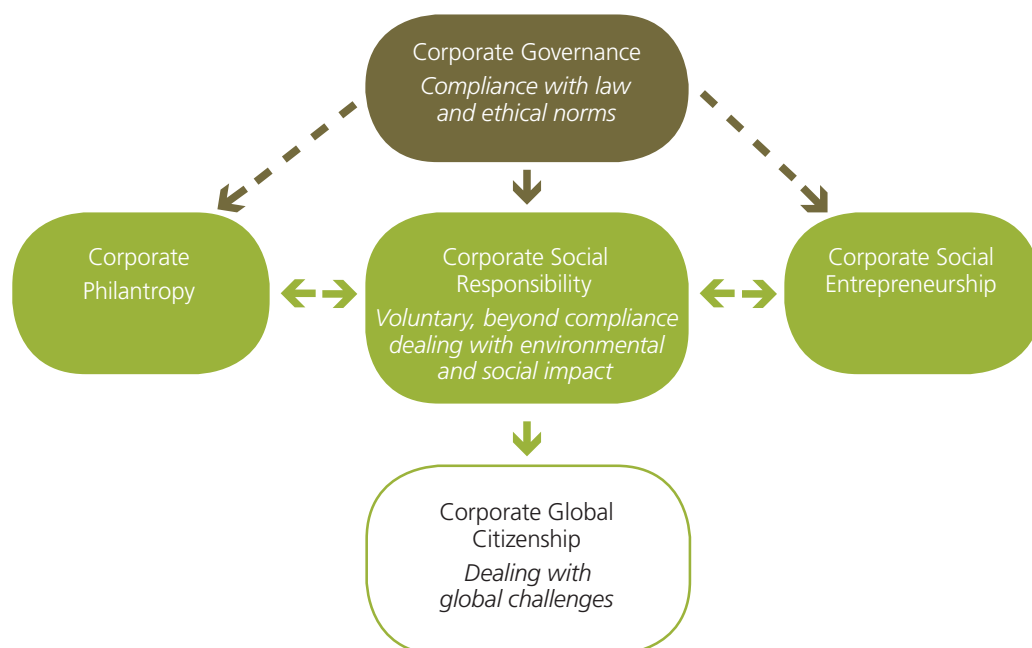
This view implies that CSR is at worst a costly distraction, and reduces the profits of the owners of the company, the shareholders, who are seen as the owners and only relevant stakeholders. At best, CSR is just part of good management, and therefore has no independent domain or scope.

The case for CSR as an independent domain is based on two fundamental premises discussed in business ethics literature related to the role of business in society. First, the implicit *social contract* between the company and stakeholders in the organisation (employees, shareholders, customers, and suppliers), the community, state authorities, and the media entails rights and obligations for all parties. When the company upholds its obligations of this social contract it maintains its permission to operate. The second premise is that the company is a *moral agent*. By its nature, the role of the company in society is an ethical question, where at the extremes some see corporations as the lackeys of society, while others don't accept any limitation to a corporation's freedom. Since corporations reflect and reinforce values, they inevitably act as moral agents and the case for complete freedom has hardly any basis (Wartick and Cochran 1985).

Implicitly accepting these premises, in the economics literature the conflicts between business and society are seen as originating principally from an externality problem (Crouch 2006). CSR issues arise when a company imposes costs on society which are not compensated financially – so-called externalities – or when costs or benefits of its activities are perceived to be unfairly distributed among the company's stakeholders. In the realistic case, when government has not resolved these conflicts, there is a case for CSR to be made (Heal 2005). The vision that the 'only business of business is business' is therefore not part of mainstream thinking in economics (Friedman 1970).

Accepting that a legitimate case for CSR can be made, the question becomes what the domain and scope of CSR is. Considering the broad field of corporate engagement within society in a more holistic way, we will distinguish CSR from corporate philanthropy or corporate social entrepreneurship, which are independent and free standing activities, in the sense that they can be pursued without any substantive change in existing business strategies or business models. Corporate governance involves compliance with regulation and ethical norms, and forms a basic condition for CSR activities. At the other extreme, global corporate citizenships is what companies do to solve global problems.

➤ Five concepts of corporate engagement



Source: Klaus Schwab (2008) "Global Corporate Citizenship. Working with Governments and Civil Society"
Foreign Affairs, Vol. 87, No. 1. pp.

A general model focuses on corporate social performance (CSP) and embodies the CSR concept. Since there is no agreement on what the responsibility of business is exactly, it is more productive to focus on outcomes and CSP, and how businesses report on their CSR activities. According to Wood (1991), in a globalising world the business-society relationship cannot be described either by the old term 'business in society' nor by the newer term

'business and society'. Thinkers of the former tend to see business as the lackey of society, which ignored the independent dynamics of business. Thinkers of the latter overstate the independence of business by seeing it as a largely separate system. Instead, CSP is put forward as a more comprehensive and accurate term.

The CSP approach changes the focus from societal expectations, and companies' motivations or rhetoric, towards outcomes and performance: *"corporate social performance is a business organisation's configuration of principles of social responsibility, processes of social responsiveness, and policies, programmes, and observable outcomes as they relate to the firm's societal relationships"* (Wood 1991a). This definition, building on a similar model by Archie Carroll (1979), is generally accepted in the academic literature, and quoted by most research projects under review here (Crouch 2006, RARE 2007). As pointed out by the RESPONSE project, however, this model did not produce a generally accepted definition of CSR. Moreover, inconsistent interpretation of the meaning and content of CSR by the business community and practitioners has led to confusion on what is meant by CSR (RESPONSE 2006).

Wood's three dimensional model can be called the PPO model, since it distinguishes CSR Principles and drivers, internal Processes including issue and stakeholder management, and corporate social Outcomes and results, as shown in the graph below.

➤ Holistic approach to CSR: the PPO model



Source: adapted from Wood 1991.

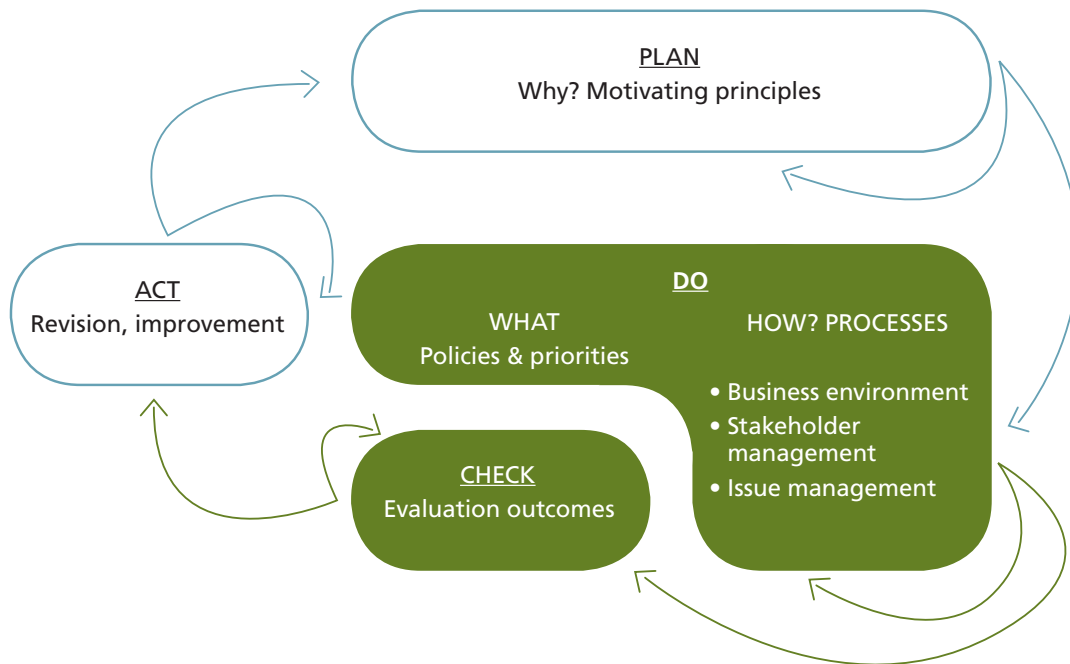
The CSR principles are seen as operating at three levels: institutional, organisational and individual. At the institutional level, legitimacy or a license to operate is sought. At the organisational level, accountability towards society is the main principle. The individual level is the domain of the principal personal drivers for CSR among the management team. Among the processes, mainstreaming CSR into strategic decision-making – also called assessment of the business environment by Wood – is the starting point. The processes to engage stakeholders and the approach to managing specific issues (e.g. environment, labour rights, etc.) determine the CSR agenda of the organisation. Finally, regarding outcomes of CSR activities, the organisation's CSR policies are seen as outcomes, but are themselves not enough to produce an impact. Specific programmes need to be put in place, in order to achieve social impact.

The advantage of a similar PPO model is that it can help analyse and shape the research agenda on CSR for the future. In addition, it can form the basis of a CSR management system, since it can be related to the Plan-Do-Check-Act cycle (PDCA), customary in management systems, in a rather straightforward manner. The corporate CSR principles are defined in the planning phase. The processes are established in the 'do' phase, and the outcomes are evaluated in the 'act' and 'review' phases. In this manner the implementation of CSR policies becomes easier to grasp and apply for managers, since they have been familiar with the PDCA cycle from the introduction of quality and environmental management systems in the 1980s and 1990s.

The CSR principles distinguish between the discretionary responsibility of the individual manager to 'do good', the responsibility of the company to be transparent and accountable, and the institutional responsibility to obtain a license to operate from society. Regarding CSR processes, a re-assessment of the business environment and strategy is a necessary prerequisite for successfully mainstreaming CSR. In fact, the added value of CSR lies mostly in potential for finding innovative ways of doing business. Organisations which see CSR as leading to innovation are successful, others much less so (RESPONSE 2006). Stakeholder management has been given a lot of attention by CSR managers, sometimes at the expense of the other processes (RESPONSE 2006). The selection of which stakeholders to do business with is a key factor for success in this respect. Trying to build a sustainable relationship with organisations of which the sole purpose is to court controversy, is at best futile, and at worst counter productive. Finally, building knowledge and capacity to manage the wide variety of issues is another process that deserves careful attention. Here the cognitive alignment issues identified by the RESPONSE project play a key role.

The principles and processes lead to particular outcomes, which can be divided into corporate social policies, which lay the basis for a company's social programmes. Ultimately, the actions of the companies will produce certain social outcomes. For all these outcomes, appropriate indicators should be developed, which is a far from straightforward exercise.

➤ CSR and Plan-Do-Check-Act cycle



Source: Elaboration after Carroll, 1979, 1991; Wartick & Cochran, 1985; Wood 1991a, 1991b.

In sum, CSR is a concept that goes beyond corporate governance, in the sense that CSR activities can go beyond legal compliance and conventional ethical norms as applied to businesses. Furthermore, CSR can be distinguished from social entrepreneurship, corporate philanthropy and global citizenships in the sense that these latter concepts do not necessarily affect the business model and can be added on to existing business practice without changing them. Although we do not have a generally accepted definition of CSR, there is a generally agreed upon Principles-Processes-Outcomes (PPO) model which broadly distinguishes principles or drivers, internal CSR processes, and outcomes of CSR. This model is helpful for formulating a research agenda, and allows integration of CSR activities into management practice since it roughly matched the **Plan-Do-Check-Act** cycle, familiar from quality or integrated management systems.

CSR management is not an exact science, and by going through the PDCA cycle repeatedly organizations can come closer to reaching their objectives and achieve near perfect operation and output. In the **Plan** phase, the exact determination of objectives means the motivating principles must be defined. The small feedback arrow means that this is done together with stakeholders. In the **Do** phase, general policies and priorities need to be formulated and implemented in three major CSR areas: the analysis of the business environment, stakeholder and issue management. In the **Check** phase, the outcomes are evaluated, and in the **Act** phase the CSR management system is improved.

What's in a name? What is CSR?

Different institutions have come up with contrasting definitions. The first definition of CSR as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis, used by the European Commission, excludes innovative business processes that fall within the compliance of the law. Others would have liked to emphasise the mainstreaming of CSR into business operations, or the need for responsibility with accountability, i.e. reporting.

The Inter-American Development Bank, by contrast, seems to take the view that only profitable CSR is legitimate, stating: "Corporate social responsibility (CSR) is a business approach that views respect for ethics, people, communities and the environment, as an integral strategy that increases value added and thus improves the competitive position of a firm" (IDB Inter-American Development Bank 2001). Given the pressing needs for faster economic growth and development in Latin America and the weakness of many of its institutions, the focus on ethics and competitiveness of the firms is understandable. A third definition is provided by the International Standards Organization. The definition contained in the ISO 26000 guidance norm stresses integration of CSR in all business processes, responsiveness to stakeholders' expectations, and CSR activities' potential contribution to sustainable development. According to this standard, CSR is the "responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that:

- contributes to *sustainable development*, health and the welfare of society,
- takes into account the *expectations of stakeholders*,
- is in *compliance* with applicable law and consistent with international norms of behaviour, and,
- is integrated throughout the organization and practiced in its *relationships*."

This comprehensive definition of CSR has the advantage that it was developed in close cooperation with the private sector. In fact, in some countries like the Netherlands steps are considered to make the guidance CSR norm into a certifiable standard and building block of the management system. Its main contribution will probably be the identification of main topics of CSR which can be introduced in the issue and stakeholder management, and some mechanisms of dealing with them at firm level.

ISO 26000: 7 key topics



Source: ISO (2009) Guidance on social responsibility draft international standard ISO/DIS 26000 Geneva.

Given the past success in terms of acceptance by the private sector, and wide implementation of the ISO norms, including a large number of SMEs, it is hoped that the field will become better defined, and consequently that it will be easier to communicate about CSR performance and outcomes. It is interesting to note that originally the name for CSR in the academic literature was simply social responsibility. Thanks to ISO's insistence that CSR can be applied to any organization, not only corporations, we are back with the old name.



The European policy context of Corporate Social Responsibility



The European policy context of Corporate Social Responsibility

The global public debate on business and society. Most countries are facing severe challenges to achieve sustainable development objectives, and all sectors of society need to contribute including business. Fortunately, a growing part of the corporate sector is going beyond its legal and moral obligations in the environmental and social spheres by implementing different instruments and approaches to corporate social responsibility.

This is fortunate, because adequate corporate governance and adhering to legal and ethical norms does not form a sufficient safeguard of business reputation, and the impact of business not living up to its responsibilities can be felt worldwide. The financial crisis, for example, was in part caused by the increasing complexity of banking operations which obscured risks, and incentive systems which stimulated risky behaviour by bankers. Their bounded rationality and limited self control were likely at the source of the recent financial crisis (Thaler and Sunstein 2008). As a consequence, the reputation of bankers and business in general suffered long-term damage.

The *UN Conference on Environment and Development* in Rio de Janeiro in 1992 can be seen as a turning point in the relations between global corporations, governments and society. At this conference, from a traditionally adversarial style of communication between business and the rest of society, the outlines of a more cooperative style started to emerge. At this conference, the World Business Council for Sustainable Development, supported by the International Chamber of Commerce, participated, and through these groups the corporate sector expressed its wish to be part of the solution of environmental problems, and an equal partner of governments and NGOs. The notions of CSR and triple bottom line reporting (people, planet, profit) would hereafter frame the discourse about the corporate role in the governance of the global sustainability agenda (Szenjwald Brown, De Jong et al. 2007). Although divergence in approaches to CSR continues to exist, as we saw since the early 1990s in the academic community, sufficient consensus has emerged regarding a holistic approach to CSR. Let us now examine how the policy debate on CSR in the European institutions developed since 1992.

The European Commission. The first policy initiatives at EU level aimed at promoting corporate social responsibility date back to June 1993, when the President of the European Commission, Jacques Delors, made an appeal to the business community to address Europe's structural problems of unemployment, restructuring and social exclusion. In January 1995, 20 business leaders and European Commission President Jacques Delors adopted and announced the *European Business Declaration against Social Exclusion*, which calls for the development of a European network for the exchange of information and experience. Such a network was set up in 1996 under the name of *European Business Network for Social Cohesion*. The central role of business networks in promoting CSR has therefore been recognised from the outset.

CSR Key policy documents

If three key policy documents on CSR were to be selected, they would probably be:

1. Official Consultation on CSR, July 2001. Corporate Social Responsibility Green Paper, *Promoting a European Framework for Corporate Social Responsibility* (July 2001) (COM(2001)366 final of 18/07/2001).
2. Communication from the Commission concerning Corporate Social Responsibility, July 2002 *A business contribution to sustainable development* (July 2002) (COM(2002)347 final of 02/07/2002).
3. Communication from the Commission concerning Corporate Social Responsibility, March 2006. *Implementing the partnership for growth and jobs: Making Europe a pole of excellence on CSR* (March 2006) (COM(2006)136 final of 22/03/2006).

CSR policy milestones

- 2001: Green Paper on CSR.
- 2002: Communication on Corporate Social Responsibility (CSR) as a part of the Lisbon Agenda. In October 2002, the Commission launched the EU Multi Stakeholder Forum (MSF) on CSR. The European Parliament passed a first resolution on CSR endorsing the MSF and underlined the importance of the implementation of codes of conduct, and wider adoption of social reporting.
- 2003: The European Parliament passes a second resolution on CSR, stressing the importance of the contribution of business to sustainable development, and supporting the greater uptake of the Global Reporting Initiative (GRI) standards.
- 2004: Final report Multi-Stakeholder Forum calling for a better legal framework for CSR.
- 2006: Second Communication by the Commission "Implementing the partnership for growth and jobs: making Europe a pole of excellence on CSR" was published on 22 March 2006. In this paper, the Commission defines CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". An approach to CSR involving additional requirements for business risks being counter-productive and contrary to the principles of good regulation.
- 2007: European Parliament resolution on CSR expresses that CSR can be enhanced and implemented using existing legal instruments.
- 2008: Communication on the European Competitiveness Report noted the positive impact of CSR on firms' competitiveness, and the need for more CSR activities in times of economic crisis.

In the 1990s, after a positive response of the European business community to this appeal, the groundwork was laid, and the structure was created for cooperation on CSR between European policy-makers and the business community in the following years. The next highlight occurs in 2000, when before the Lisbon summit 20 European business leaders presented their plans for promoting CSR. CSR was implicitly put at the heart of the *Lisbon Strategy for 2010*, since for reaching its main goal, namely “to make Europe the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion by 2010”, companies needed to incorporate environmental and social concerns into their operations.

In response to the Lisbon appeal on CSR, in July 2001 the Commission presented a *Corporate Social Responsibility Green Paper: Promoting a European Framework for Corporate Social Responsibility*. In this green paper it defines CSR as: **“a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”**.

In February 2002, the Commission adopted a second paper covering EU’s external policies *Towards a Global Partnership for Sustainable Development*, through which the policy framework described above acquired a global dimension. After extensive stakeholder consultation in 2002, the Commission prepared a communication on *Corporate Social Responsibility: a Business Contribution to Sustainable Development*. In this communication the Commission confirmed that CSR can make a contribution to achieving the goals of the Lisbon Strategy as well as the European Strategy for Sustainable Development. One of the important priorities mentioned in the communication was to increase knowledge about the impact of CSR on business and society. The instrument first mentioned to achieve this is EU level funded research under the FP6 programme “Citizens and Governance in a Knowledge-Based Society”, which is the topic of this policy review (European Commission 2002).

The Commission took up the European Parliament’s proposal, put forward in its first Resolution on CSR in 2002, to organise an EU Multi-stakeholder Forum on CSR. The aim of this Forum was to bring together various actors at the EU level, allowing them to exchange experiences and to establish guiding principles and a common approach throughout the EU towards CSR. The forum comprised a substantial number of European organisations representing employers, employees, consumers and civil society⁽¹⁾ and published its final report in 2004. The final report was a consensus document which represented the common ground that could be reached between stakeholders, and the main focus of the report’s recommendations was on awareness-raising and capacity-building activities. Trade unions and non-governmental organisations made clear, however, that in their view certain legislative measures were also required in the field of CSR. The forum continues its activities and meets regularly. In its communication to re-launch the Lisbon Strategy in 2005, the Commission stated that CSR “can play a key role in contributing to sustainable development while enhancing Europe’s innovative potential and competitiveness” (Commission 2005).

⁽¹⁾ Members were UNICE, CEEP, UEAPME, Eurocommerce, CECOP, ERT (European Round Table of Industrialists), Eurochambres, CSR Europe, World Business Council on Sustainable Development (WBCSD), ETUC, Eurocadres / CEC, Green G8, Platform of European Social NGOs, BEUC, Amnesty International, Fédération Internationale des Droits de l’Homme (FIDH), Fairtrade Labelling Organisation, Oxfam. Observers were European Parliament, European Council, European Economic & Social Committee, Committee of the Regions, ILO secretariat, OECD secretariat, UNEP, ACP secretariat, EUROSIF, EUA (European University Association), Global compact secretariat. See <http://ec.europa.eu/enterprise/csr/multistakeholder.htm>

In March 2006 the Commission published a new Communication entitled *Implementing the partnership for growth and jobs: making Europe a pole of excellence on CSR*. This communication situates CSR more centrally within the Lisbon “Growth and Jobs Strategy”, as part of what enterprises are expected to deliver in return for the creation of a more business friendly environment in Europe. It also emphasises that, through CSR, enterprises can contribute more to the “Growth and Jobs Strategy” and to other public policy objectives regarding sustainable development. It explicitly rules out a regulatory or quasi-regulatory approach to CSR at EU level. Furthermore, it identifies eight areas on which the Commission will focus in further promoting CSR, among which the international dimension of CSR, SMEs, support for multi-stakeholder initiatives and cooperation with Member States. To a large extent this amounts to a continuation and consolidation of the kind of initiatives supported by the Commission since 2002. In order to stress the importance of multi-stakeholder dialogue on CSR, and committing the Commission to convening frequent meetings of the CSR Multi-stakeholder Forum, it expressed strong political backing for the launch of the European Alliance on CSR, a business-led initiative designed to address specific aspects of the CSR agenda in a practical way. Broadly speaking, the new communication was welcomed by business and their representatives, and criticised by NGOs and trade unions. A number of stakeholders outside the business community had hoped the European Commission would go further in regulating CSR⁽²⁾ and some of them said they feared exclusion from the European Alliance on CSR.

In the Commission’s communication on the European Competitiveness report from 28 November 2008, again the importance of CSR activities was stressed in the light of the economic crisis. CSR is seen as having a positive impact on six different determinants of competitiveness at firm level – cost structure, human resources, customer perspective, innovation, risk and reputation management and financial performance. In particular, engaging actively with stakeholders, and attracting and retaining internationally networked employees are key elements in promoting innovation, since innovation has increasingly become a collaborative exercise requiring open, outward looking organisations. Moreover, business interest in CSR is increasingly based on opportunities for new value creation and not just on value protection through risk and reputation management (European Commission 2008).

The European Parliament. In response to different policy documents of the European Commission, the European Parliament published three resolutions on corporate social responsibility, in most cases pressing the European Commission to go further on CSR. In the first one, published in 2002, the Parliament welcomed the *Green Paper* and the public consultation process and expressed its support to initiatives promoting CSR. In particular, the importance of implementation of codes of conduct for European companies operating in third countries, as well as the need for widespread introduction of social reporting was underlined. One idea put forward in the European Parliament was a requirement for so-called triple bottom line reporting of financial, social and environmental performance. Another suggestion was that the OECD guidelines for multinational companies should be made

⁽²⁾ The rapporteur for the European Parliament, for example, the British Labour MEP Richard Howitt, said: “The Commission wants Europe to be ‘a pole of excellence’ in business, but instead has dumped five years of debate and consultation into a black hole. The Commission says that public authorities should create an enabling environment for CSR yet opts out from any proposals for concrete action for itself, simply repeating generalisations which we have all read before. The failure to build on extensive work since 2001 creates the risk that companies, as well as other interests, will walk away from the debate. If this is all the Commission can come up with, Europe risks being sidelined on a critical issue for the future of business...”. <http://www.euractiv.com/en/socialeurope/csr-corporate-social-responsibility/article-153515>

obligatory for all businesses operating within and outside of the EU. These recommendations have so far not been taken up by other EU institutions.

In addition, the Parliament called on the Commission to bring forward a proposal for the creation of an EU wide multi-stakeholder forum on CSR in order to stimulate increasing the role of stakeholders. The Parliament also called on the Commission to mainstream corporate responsibility issues in European policies, which to a certain extent has already been undertaken.

In its second resolution of 2003, the Parliament welcomed the Commission's Communication as well as the creation of a multi-stakeholder forum on CSR. However, it pointed out that insufficient attention was paid to the role of business in sustainable development. The Parliament also expressed again its support for all kinds of actions promoting CSR, including reporting schemes, such as, for example the *Global Reporting Initiative* (Global Reporting Initiative 2006).

Neither of the two first resolutions made any reference to research as one of the EU policies that could contribute to the promotion of CSR activities, as well as to the deepening of knowledge on the issue. This changed in the last resolution of 2007, published in relation to the Commission Communication of 2006. In this resolution the Parliament reflected on the EU debate on CSR and a link between CSR and competitiveness, called for better regulation that would integrate CSR principles, as well as further elaborated on the mainstreaming of CSR in EU policies and programmes. The resolution also picked up the issue of global dimension of CSR and discussed Europe's contribution in this respect.

The European Council. First, in the Lisbon Council conclusions (2000) an appeal was made to promote the take-up of CSR by companies. This appeal resulted in policy initiatives of the European Commission. In June 2001, the European Council at Gothenburg discussed *A Sustainable Europe for a Better World: a European Strategy for Sustainable Development (ESSD)*, proposed by the European Commission. In the proposal it maintains: "Public policy also has a key role in encouraging a greater sense of corporate social responsibility, and in establishing a framework to ensure that businesses integrate environmental and social considerations in their activities. Some of the most far sighted businesses have realised that sustainable development offers new opportunities and have begun to adapt their investments accordingly. Business should be encouraged to take a pro-active approach to sustainable development in their operations both within the EU and elsewhere".

The European Council proposal also clarifies the diverse responsibilities of the business community and of public authorities: "While public authorities have a key role in providing a clear long-term framework, it is ultimately individual citizens and businesses who will deliver the changes in consumption and investment patterns needed to achieve sustainable development" (European Commission 2001). The importance of CSR for sustainable development, the role of business and the global dimensions of CSR are hereby included in the fundamental strategies of the EU: the Lisbon Agenda and the Gothenburg objectives. The key role of business in achieving sustainable development objectives globally, by including environmental and social considerations in their investment decisions, was recognised.

In its Resolution of 3 December 2001, the Council stressed that a European approach to CSR could complement existing measures at national and local level, imparting an added value

over national measures. The Council mentioned that CSR can contribute not only to encouraging high levels of social cohesion, environmental protection and respect for fundamental rights, but also to improving competitiveness in all types of businesses.

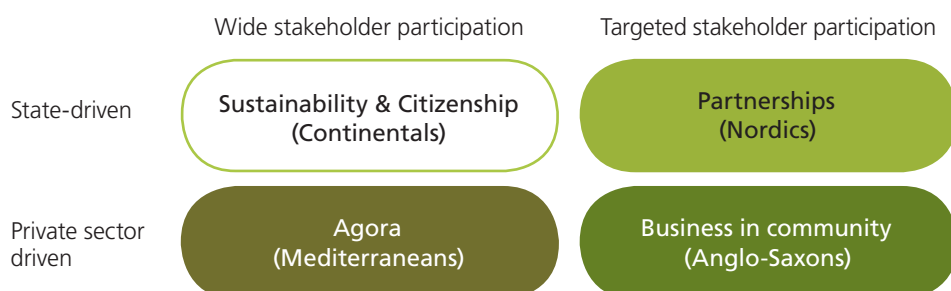
In March 2005, in conclusions to its Spring Summit the European Council again underlined the distinct responsibilities of public authorities and the business community: “in order to encourage investment and provide an attractive setting for business and work, the European Union must complete its internal market and make its regulatory environment more business-friendly, while business must in turn develop its sense of social responsibility”. In addition, in the *Integrated Guidelines for Growth and Jobs (2005-2008)*, the Council recommended that Member States should “encourage enterprises in developing their corporate social responsibility” (European Council 2005).

Future policy developments. By its very nature the CSR debate touches on controversial issues related to the role of the state, private companies, and individuals. Inevitably, the debate on CSR will refer directly to the core of politics, and it should come as no revelation that it can trigger emotional outbursts, both on the business sector side, as well as on the trade union and NGO sides. To date, the European Commission avoided proposals involving additional obligations and administrative requirements as more regulated CSR risks being counter-productive. Regulated CSR may sound paradoxical, but according to the RARE research project it is not. Although the decision to engage in CSR activities may be voluntary, the way in which this is done by companies can be regulated to a certain extent (RARE 2007). Advocates of such an approach argue that the growing number of reporting formats undermines their credibility, thus justifying some kind of regulation.

In Europe, the policy ‘mode’ regarding CSR tends to follow different styles, which are related to more general types of capitalism that have developed into rather stable patterns (Letica 2008). In the new Member States, interesting new policy modes are being created, often taking eclectically from neighbouring Member States (Line and Braun 2007). In the European policy debate, it seems a mild version of the ‘sustainability and citizenship’ continental model is going to dominate, combined with some elements of the ‘agora’ model. The ‘partnership’ model requires a substantial number of critical conditions to be fulfilled which are practically unique to the Nordic countries, while the ‘business in community’ model is set in a liberal market economy model of capitalism which is foreign to most Member States.

The dual challenge of dealing with the climate crisis and the economic crisis has pushed CSR higher up the policy agenda. More than ever the forces stimulating business to contribute to more sustainable development need to be harnessed and strengthened.

➤ CSR policy styles



Source: Adapted from Albareda et al. 2007, p.401.

Model	Characteristics	Member States
Partnership	Partnership and strategy is shared between mostly governmental sectors for meeting employment challenges	<u>Nordic countries + NL</u> : Denmark, Finland, Sweden and Netherlands
Business in community	Soft intervention policies to encourage company involvement in challenges affecting the community through encouraging entrepreneurship and voluntary service	<u>Anglo-Saxon countries</u> : United Kingdom, Ireland
Sustainability and citizenship	Updating of existing social agreement and emphasis on a strategy of sustainable development	<u>Continental</u> s: Germany, Austria, Belgium and Luxembourg
Agora	Creation of discussion groups for different social actors striving for greater public consensus on CSR	<u>Mediterranean</u> s: France, Italy, Spain, Greece and Portugal

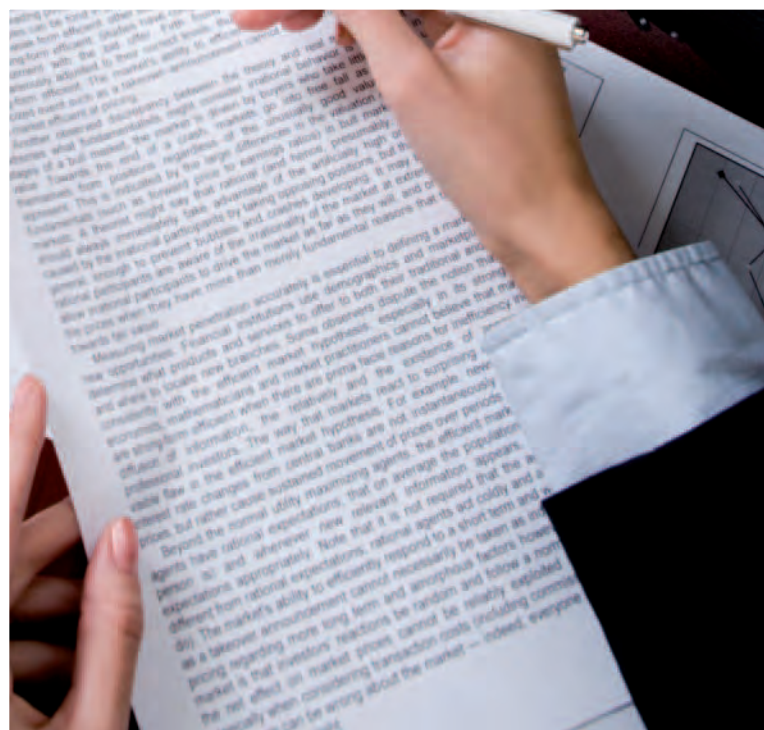
Source: Adapted from Albareda et al. 2007, p.401.

In the coming years, several directives will indirectly stimulate the European business community to undertake more CSR activities. In December 2008, the European Parliament and Council reached an agreement on the climate and energy package, which is intended to transform Europe into a low-carbon economy and increase its energy security. On 23 January 2008, the European Commission put forward a far-reaching 'climate and energy package' of proposals that will deliver on the European Union's ambitious commitments to fighting climate change. It sets out the contribution expected from each Member State to meeting a 20 % target for CO₂ emission reduction, energy efficiency increase, and the share of renewable energy in the energy mix. It also proposes a series of measures to help achieve these targets. Indirectly, this package will specifically enhance the uptake of the environmental dimension of CSR in the European business community by creating business opportunities in the fields of, for example, renewable energy, energy efficient technology, and carbon capture or scrubbing.

An important example of the wider impact of the climate and energy package is the recast Energy Performance of Buildings Directive (European Commission 2008), which stimulates development of energy efficient building, or retro-fitting existing buildings. Buildings are responsible for a substantial share of CO₂ emissions and energy use, and in this sector reductions can be achieved at the lowest costs. This directive creates an energy performance label, which is meant to lead to higher market prices for more energy efficient building. In fact, there is increasing evidence from Europe and the US that investments in development of eco-efficient building, or retro-fitting existing buildings and creating credible energy labels, produces long-term benefits for owners, occupants, and investors (Eicholtz, Kok et al. 2009, Brounen and Kok 2009). As a consequence of this type of legislation affecting the large construction industry in Europe, a considerable number of European businesses are expected to go beyond the mandatory targets, and see strategic opportunities in providing, in a socially responsible manner, the necessary technological innovation, increasing their energy efficiency, reducing emissions of greenhouse gases, and increasing their use of renewable energy. Market forces will provide very powerful incentives for businesses and in particular SMEs to include CSR in general and environmental considerations, in particular in their strategic decision-making processes. The application by the business community of the CSR concept in its full sense will thus be considerably enhanced by the EU policy on climate change and energy efficiency. These developments underline the importance of further CSR research including the new CSR activities developed by European companies and SMEs to these emerging topics.



Overview of Corporate Social Responsibility research



Overview of Corporate Social Responsibility research

The way CSR is conceptualised has direct policy implications and determines the related research agenda. Given the great variety of viewpoints so far, no single conceptualisation of CSR has dominated. We derived the following seven themes for the research agenda, following the themes mentioned in the projects under review, and the PPO model developed by Donna Wood (Wood 1991a):

- Instruments
- Global dimensions
- Principles and processes
- Outcomes and impact
- Business education and training
- The future research agenda

➤ Instruments

Empirical research into the implementation and effectiveness of various CSR instruments continues to be an important area of management research. The business sector has focussed on three types of CSR instruments (RARE 2007):

1. **Management instruments**
 - voluntary codes of conduct,
 - accounting or reporting standards,
 - management systems, and
 - stakeholder engagement tools
2. **Responsible investment instruments**
 - socially Responsible Investment indices
3. **Sustainable consumption instruments**
 - eco-labelling

The development of the European policy on CSR and CSR research takes place in the context of global debate on sustainable development policies, and the creation by different groups of stakeholders of a considerable number of different codes of conduct standards, and guidelines on CSR. **Codes of conduct** offer a broad spectrum approach for promoting fundamental human, labour, environmental and ethical values within a companies' culture and business practices. The *UN Global Compact (2000)*, the *OECD Guidelines for Multinational Enterprises (2000)*, and the *OECD Anti-Bribery Convention (1997)* are among the better known. The UN Global Compact consists of 10 general principles, is entirely voluntary and has over 5,200 businesses subscribing to it. In the absence of a monitoring and compliance control mechanism, however, the UN global compact has limited credibility. The OECD guidelines and the convention have a bit more bite, since governments pledge to uphold them. Nevertheless, codes of conduct provide scarce guidance for specific management of CSR issues in companies.

If we accept the idea that corporate responsibility is linked to performance, and that the evaluation of performance must be outcome-oriented, the central issue of CSR **accounting**

and reporting standards needs to be raised (Wood 1991b). A company's monitoring, assessment and improvement of its impacts on people, communities, societies and transnational environments must take a central place, if CSR activities want to acquire credibility and transcend beyond corporate public relations efforts.

Accounting or reporting standards initiatives are information based instruments of regulation, and rely on market forces for their effect. In the 1980s and 1990s, the US corporate sector began to withdraw massively from similar standards. Although there are serious arguments about measurement, issue selection and values, the reporting movement was killed by business's fear and lack of cooperation (Wood 1991b). In Europe, this tendency was less pronounced and in some European countries social and environmental reporting took a large step forward, and in France, for example, reporting on social and environmental matters is even mandatory for listed companies.

Among accounting standards, the environmental management accounting procedures and principles by the United Nations Division for Sustainable Development are probably the most authoritative guidelines, although it is impossible to gauge in what measure and by what number organisations have implemented these guidelines (UN-SDD United Nations Division for Sustainable Development 2001).

The Global Reporting Initiative (GRI) which produced clear guidelines on social and environmental reporting stands out among the rest of the reporting frameworks. It was convened in 1997 by the *Coalition for Environmentally Responsible Economies* (CERES) in partnership with the *United Nations Environment Programme* (UNEP). After an exhaustive period of drafting, pilot testing, and further consultation, GRI released the first version of its 'Sustainability Reporting Guidelines' in June 2000 and the current G3 version in 2006, which over 1,000 organisations worldwide now use in their sustainability reporting. SA8000 is a certification scheme for CSR, based on the UN Universal Declaration of Human Rights, Convention on the Rights of the Child and various International Labour Organization (ILO) conventions. It is managed by an international NGO, Social Accountability International, and the certification is undertaken by third parties managed by Social Accountability Accreditation Services (SAAS). So far, less than 2,000 companies worldwide have been certified.

The Sigma Sustainability Scorecard is a strategic management tool aimed at integrating sustainability principles into businesses' strategic processes. A limited number of companies, mostly in the UK, are using it. It was developed among others by AccountAbility. This is an independent, global, not-for-profit organisation promoting accountability, sustainable business practices and corporate responsibility. It is a self-managed partnership, governed by its multi-stakeholder network. At the core of the organisation's work is the AA1000 standards series. These are standards for helping organisations become more accountable, responsible and sustainable. They are open source frameworks developed through a multi-stakeholder consultation and review process. The standards are designed to be compatible with other key standards in this area, including the GRI Guidelines, SIGMA Sustainability Scorecard, SA8000, the ISO Series and financial accounting standards.

By contrast, the International Standards Organization (ISO) 14000 series standards for environmental **management systems** have been far more widely diffused. Since they were first published in 1996 over 150,000 organisations have received a certificate (ISO International

Standards Organization 2008). The ISO 14000 standards built on the success of the ISO 9000 quality management standards, which were tremendously successful in the 1980s and early 1990s. The ISO 14000 standards are used worldwide by businesses and organisations large and small, in public and private sectors, by manufacturers and service providers, in all sectors of activity to improve the environmental performance.

In the Autumn of 2009, ISO published the draft international standard ISO 26000 on CSR, which will provide practical guidance related to operationalising social responsibility, identifying and engaging with stakeholders, and enhancing credibility of reports and claims made about social responsibility. Although, in contrast to ISO 9000 (quality) and ISO 14000 (environmental management), ISO 26000 is not intended as a management standard, and consequently compliance is not open to third party certification. Nevertheless, it will probably have substantial impact on promoting a common terminology in this wide field, emphasising performance results and improving consistency with other social responsibility standards.

The popularity of the two management standards, suggests that the publication of the ISO 26000 guideline for social responsibility may have a profound impact in the coming years by developing a common language and approach.

For managing **stakeholder engagement** there are various 'toolkits' available but no overall generally accepted methodology. Many toolkits were developed for enhancing dialogue on sustainable development. In addition, performance norms such as ISO 14031 are particularly focussed on companies, and describe how stakeholders can be involved in business processes.

Better CSR performance could lead to access to finance if investors and analysts take account of such performance. **Socially Responsible Investment (SRI)** indices take account of social and environmental as well as financial criteria in investment decisions. There are several tools developed by independent rating agencies which aim at including CSR in financial performance indicators, such as the FTSE4Good US Index, the US component of the Dow Jones Sustainability Index (DJSI), the Calvert Social Index (CALVIN), KLD's Domini 400 Social Index (DSI), and the KLD Social Select Index.

Although the SRI sector is still relatively small, its strong growth during the last years is noteworthy. The European Social Investment Forum estimates that 15-20 % of total funds under management in the EU belong to this category. In time, companies with strong CSR programmes could gain competitive advantage in terms of access to finance in international markets. This effect would be even stronger if mainstream funds and analysts included CSR criteria in their investment decisions and valuations.

From the consumer side, **eco-labelling** is an instrument for companies to eco-innovate and access new markets. The key for credible CSR is to be as transparent as possible and to pro-actively manage issues that might arise. An open and transparent approach to supply chain management is an essential element of this. Unfortunately, there is a great quantity of different eco-labels, and the European eco-label scheme has not solved the problem of the label jungle.

In sum, the development of producer side CSR reporting schemes, and from the consumer side the labelling schemes merit close scrutiny regarding their design, and continuous attention concerning their success or lack thereof in the market place. If policy initiatives fail to take

these developments into account, they risk to be superseded by reality. It seems setting up a CSR observatory for this purpose is recommendable.

➤ Global dimensions

From the outset, an important reason for researchers' interest in CSR has been the need to find a response to the limited reach of national states in regulating multinational companies (MNCs). It is therefore remarkable that little attention has been paid to company's efforts to achieve more transparency in the management of the international supply chain, as well as the management of labour relations. The Fair Trade Label movement, for example, and other initiatives have been working for decades on these issues. Equally important has been the outsourcing of labour to low wage countries or of highly-skilled labour to India made possible through the introduction of work flow software.

Only the ESTER project gave substantial attention to global dimensions of CSR. Although not so well-known, the growing number of International Framework Agreements (IFA) may have some influence on CSR practices of European companies. The ESTER project stressed the importance of these agreements for shaping labour relations. These agreements are negotiated between multinational companies (MNCs) and Global Union Federations. IFAs are a form of transnational framework agreement that are different in scope and content from European Framework Agreements (EFAs). While IFAs are a global instrument with the main purpose of ensuring the international labour standards in all of the target company's locations, EFAs are limited to the European context and cover a broader range of topics. In general, EFAs also contain more concrete and focused arrangements. By the end of 2007, 57 out of a total of 61 IFAs had been concluded by European multinationals. These agreements represent a practical implementation of a European approach to economic globalisation and encourage CSR activities.

The RARE and ESTER projects give some attention to the development of international CSR reporting and management standards. The RARE project points out that uptake of standards differ substantially among sectors, as well as among MNCs and SMEs. In general, MNCs can and will develop their own standards, while SME favour international standards and a management systems approach, such as in the ISO 9000 quality and ISO 14000 environment standards. The ESTER project seems to suggest there is scope for an initiative on CSR in multinational companies provided that it takes into account universal standards and is developed in the context of a global forum of international institutions. Given the myriad of CSR initiatives, it even proposes setting up effective monitoring systems for non-binding instruments on CSR, and establishing a European monitoring agency on corporate social responsibility. Both projects urge for an international approach, and want to avoid the EU setting up its own parallel CSR initiative.

Apart from international supply chain issues, another point of concern is the diffusion of CSR practice in new Member States. The findings of the FP6-CORE support action underline the great diversity in CSR uptake in Europe, and the impossibility to utilize a one-size-fits-all approach for stimulating CSR. Given the interest generated by the CORE conferences and the results of the benchmark study, further research efforts on CSR uptake in new Member States seems to be called for.

CSR in New Member States

For the 4th conference organised by the FP6-CORE project, a quick scan was made among 288 companies in six new Member States. The main findings were:

1. The agents of change are businesses themselves, supported by membership-based business or international organisations (UNDP, World Bank, etc.).
2. The level of direct involvement by government is diverse, but there seems to be a general underlying belief that social responsibility is an exclusive government domain.
3. The awareness and powers of NGOs to put pressure on government and business actors is limited.
4. The media are failing to hold corporate actors accountable for irresponsible business activities.
5. In the majority of countries analysed, foreign multinational companies are more often the key corporate drivers of the social agenda.
6. There is a need to build up a common understanding of how to measure CSR practice at company level across the region.
7. Companies are more open to the concept of expressing CSR strategy and engaging in dialogue with stakeholders than before.

➤ Principles and processes

A lot of attention has been paid to the driving forces or principles behind CSR activities, in particular the role of profit motive and the CEO. For some stakeholders, the profit motive is often distrusted as a driver for CSR activities, and used to question CSR as corporate whitewash. Since business needs profit to ensure continuity, these types of attitudes do not promote fruitful communication between business and stakeholders. The fact that sales or profits can increase due to CSR activities, is not logically related to the drivers for CSR. In fact, from a business perspective mainstreaming CSR is significantly easier when financial results are positive.

The projects under review take widely different views on CSR principles and drivers. The ESTER project concludes that corporate social responsibility is mainly motivated by corporate image considerations, either by increasing market share directly, or by avoiding costs associated by reputational damage. It takes a negative view of the 'pick and choose' attitude of companies to CSR, and seems to favour more incisive regulation.

The RARE and RESPONSE projects seem to allow for a larger set of drivers for CSR, and focus on the role of the CEO. These projects take diametrically opposing views as to the ethical drivers of CSR. In the RARE project's view, CSR does not have to be motivated by deep ethical beliefs of CEOs, staff or influential stakeholders. "Though the ethical attitudes, virtues or environmental convictions of 'institutional entrepreneurs' or 'change agents' within companies are certainly important drivers of socially responsible behaviour (Dobson 2004), it assumes that self-interest as well as institutional pressures and the seeking of legitimacy within the

organizational field can also induce CSR behaviour.”(RARE 2007). The RESPONSE project takes the opposite approach, and sees ethical commitment on the part of CEOs as a necessary condition for CSR. In fact, it measures a change in CEOs perception of CSR before and after training on ethics (RESPONSE 2006). In practice, these views can be merged by accepting that logically CEOs’ moral convictions are not a necessary condition, and that there may exist other, more powerful drivers. In practice, however, CEO commitment to CSR significantly enhances the chances of success for CSR, and a good level of understanding of CSR by CEOs is required, including its ethical dimensions.

Regarding the research agenda, RESPONSE presents a series of thematic and methodological recommendations. The themes of CSR cognition and integration merit more research. More experimental research at the individual level is called for, in order to establish cause-effect relations which mere statistical analysis cannot achieve. Furthermore, research on learning and training CSR in formal and informal settings requires attention. Regarding research methods, it advocates a more rigorous matched pair design for empirical studies. It also introduces an innovative experimental design using randomised controlled trials to establish causality between managers’ cognition of CSR and their behaviour. Finally, it co-develops research strategy with business and other stakeholders, such as business networks, rating agencies, etc.

Only the RESPONSE project delves somewhat deeper into the internal processes, outlining the need for training to enhance understanding of CSR issues. The process of strategic assessment and issue selection are mentioned only in passing. None of the projects develops a system to monitor CSR performance of companies systematically.

➤ Outcomes and impact

In the academic literature, the relationship between CSR activities and financial performance is still anecdotal and requires more solid empirical evidence. Measuring the wider impact of CSR has been undertaken in a few cases, but as a first step a higher degree of consensus on a significant set of indicators needs to be achieved.

None of the projects have given systematic attention to developing impact indicators, although the RARE and RESPONSE projects have undertaken a limited number of case studies for specific industry sectors. The RESPONSE project points out that the uptake of CSR activities is different depending on company size, industry sector, region, and external stakeholder pressure. The RARE project confirms this finding for the five sectors it studied. Currently, a new FP7 project⁽³⁾ delves deeper into this topic.

➤ Business education and training

The current economic crisis has intensified the debates on the role of business in society, and on the perceived lack of ethics in behaviour by business people. It has also given rise to soul searching among business schools. Some have argued for some time now that a radical reform

⁽³⁾ The project entitled ‘Impact measurement and performance analysis of CSR’, acronym IMPACT, is scheduled to start at the beginning of 2010.

of the curriculum is needed, in order to avoid the greedy and uncontrolled behaviour of managers which has contributed to the current economic woes (Ghoshal 2005). Others maintain a more incremental change in the curriculum by introducing CSR topics in all main subjects will contribute more effectively to this goal. Although the reform of the business school curriculum in order to include business ethics and CSR research and teaching activities is the primary responsibility of the business schools themselves, European CSR research is essential to achieve greater spread of curriculum reform, and more convergence regarding CSR teaching practices.

The 'Beyond Grey Pin Stripes' initiative has been tracking progress in the inclusion of CSR courses in business schools since 1999, with an emphasis on US business schools. For Europe, a recent survey of CSR research and education shows a considerable growth of CSR related teaching and research activities in business schools and universities, although it may be still lagging in comparison to the US (Orlitzky and Moon 2008).

There is evidently a need to train current managers and business leaders in CSR outside business schools, and methods need to be developed for this purpose. The experimental components of the RESPONSE project point to the need to reconsider the approach taken in dealing with the core issue of developing managerial skills and sensitivities related to the impact of decisions and actions on the social context in which companies operate. Whereas the pedagogical designs currently implemented in business schools, corporate universities and executive training centres might suffice in raising managerial awareness of the multiplicity and complexity of the issues at stake, they might fall short of the objective to develop a deep consciousness of the social role and responsibilities that managers carry in their daily activities. The likelihood of seeing socially responsible behaviour – in particular of a proactive, 'do good', kind – increases. However, its becoming part of the fabric of the organisation depends on how effectively the evolution of personal values, emotional traits and decision-making processes is facilitated during internal and external managerial education efforts.

The RESPONSE project's learning experiments show that a coaching approach based on the practice of deep introspection and meditation techniques, without any explicit mentioning of CSR concepts or cases, can succeed in shifting psychological traits and personal values towards increasing levels of social consciousness, and therefore towards increasing likelihood of socially responsible behaviour to emerge spontaneously and diffuse throughout the organisation. This conclusion supports efforts to include more and better ethics training into the business school curriculum.

➤ The future research agenda

CSR Platform was the project explicitly aimed at formulating a research agenda for the future. Due to the wide participation of stakeholders the results of this exercise are not focused on particular issues. The project formulated 11 priority areas for research:

1. Developments in global governance as related to CSR;
2. Development of new forms of collaboration, partnerships, clusters and alliances;
3. Emerging economies and societies;
4. Diversity of CSR across Europe;

5. Competitiveness and CSR;
6. Practices of change inside companies;
7. Strategy and corporate governance;
8. Managerial skills and organisational competencies;
9. Sector specific implementation studies;
10. CSR and SMEs; and
11. CSR's contribution to sustainability.

For each of these areas it is indicated whether research should take place at the meta-, macro-, meso-, micro- or individual level. The specific priorities for research mentioned by various groups of stakeholder are listed in the table below:

Stake-holder group	General research orientation	Research priorities (based on knowledge gaps identified by stakeholder groups)					Overall research goal
		1	2	3	4	5	
Business	Micro-Level	Building new CSR business models Creating tools for CSR risk management, partnership governance and accountability rating	Identifying CSR financial impacts on performance and behavioural changes	Assessing impacts of diverse CSR performance reporting approaches	Increasing awareness about risks and opportunities of company impacts on society		More effective business risk management (longer term perspective on risk)
Policy	Analysis macro-level	Devising indicators of CSR performance in achieving public policy goals	Developing approaches for producing reliable aggregated CSR data	Identifying approaches to CSR policy formulation that attract the interest of consumers	Identifying macro-level CSR impacts on EU priority issues	Identifying incentives to motivate companies to act sustainably	More effective data collection for policy formulation and monitoring
Academe	New knowledge creation	Identifying examples of CSR as a driver of innovation on CSR performance and as a driver of sustained competitive advantage	Assessing effectiveness of validation/ benchmarking mechanisms and their credibility and assessing the role and impact of business in society	Devising credible stakeholder information transfer approaches	Identifying effective CSR teaching approaches	Identifying incentives to facilitate responsible lobbying	More effective innovation initiatives to contribute to credible CSR practices
Civil society	Stronger advocacy positions	Identifying best practices for supply chain management in different industries	Identifying environmental performance indicators and possible prioritisation/ weighting	Innovating approaches for more effective stakeholder (especially consumer) dialogue on CSR issues	Developing more detailed data on social, economic and environmental impacts of companies	Identifying incentives to motivate companies to act sustainably	More effective monitoring based on industry-specific analysis
All stakeholder groups	Credibility with targeted stakeholders	More effective strategies for facilitating CSR compliance	More effective strategies for CSR data collection	More effective strategies for CSR performance impact dissemination	More effective strategies for CSR issue dialogue	More effective strategies for creating meaningful incentives to effect behavioural changes related to CSR	More detailed understanding of the CSR process as it applies to individual stakeholder group priorities and to specific industries

Source: CSR Platform D57 Catalogue of research priorities and means of cross-sectoral collaboration: Figure 5– Comparison of research priorities for the four stakeholder groups at the multi-stakeholder meeting 19 July 2005.

In this way CSR PLATFORM clearly maps the different research priorities as seen by various stakeholders. It does not however explicitly endorse any specific research agenda. CSR PLATFORM proposes the creation of 'learning laboratories' to foster industry-academic cooperation and inter-disciplinary or hybrid work. It calls for a major reform of the business school curriculum, or research and teaching methods with the purpose of including CSR in all courses and activities of business schools.

RESPONSE envisages a new, more cooperative way to conduct research on business and society relations in terms of achieving a fruitful balance between academic rigour and managerial relevance. The existence and pursuit of a stable relationship and commitment to cooperation between research centres, business corporations and key stakeholders should be viewed as a necessary condition for the development of research plans that can aspire to real breakthrough results with both academic as well as managerial audiences.

More empirical evidence of the relationship between CSR and financial performance continues to be required. Furthermore, research on the impact of CSR on communities, regions and countries is called for. Equally important is research into the internal personal and group decision-making processes in companies, and into effectiveness of stakeholder engagement activities.

Future research could build on these initial findings to further understand (a) how managerial and stakeholders' understanding about corporate responsibility can be measured and validated, (b) how it evolves over time, (c) how it shapes the way firms behave and (d) what outcomes it generates in terms of social and financial performance.

Whereas the learning experiments have shown the feasibility and the importance of studying different approaches to the problem of developing social consciousness in managers, this study has not been able to evaluate with the desired precision the impact of knowledge development and diffusion processes at the organisational level. We trust future scholars will be willing and able to make new inroads on this crucial quest to explain how firms develop competencies specific to the management of their social responsibilities.

In sum, business would like to see more research into the effects of reporting, and the development of CSR as a risk management strategy. Policy-makers decry the lack of reliable data, and would like to see more efforts to identify policy relevant indicators in particular impact indicators. Academe looks for better ways to do research with companies in particular regarding the mainstreaming of CSR, and development of appropriate teaching and training methodologies. Research into the factors limiting the uptake of CSR activities, in particular among SMEs and in new Member States, seems like a research gap, as well as research on the wider societal outcomes of CSR programmes. In addition, in the face of continuing globalisation, a more profound analysis of the implications of global supply chains on CSR, and the factors affecting CSR activities in developing countries and new Member States deserve more attention in European research.

From the discussion above, the main areas of attention of the four projects under review can be summarised as follows:

FP6-CSR projects' main areas of attention

Principles

	Legitimacy	Public responsibility	Management discretion
CSR Platform			
ESTER			
RARE			
RESPONSE			

Processes

	Strategic assessment	Stakeholder management	Issue management
CSR Platform			
ESTER			
RARE			
RESPONSE			

Outcomes

	Social policies	Social programmes	Social Impact	Research agenda
CSR Platform				
ESTER				
RARE				
RESPONSE				

Legenda:

Substantial attention	Some attention	Little attention
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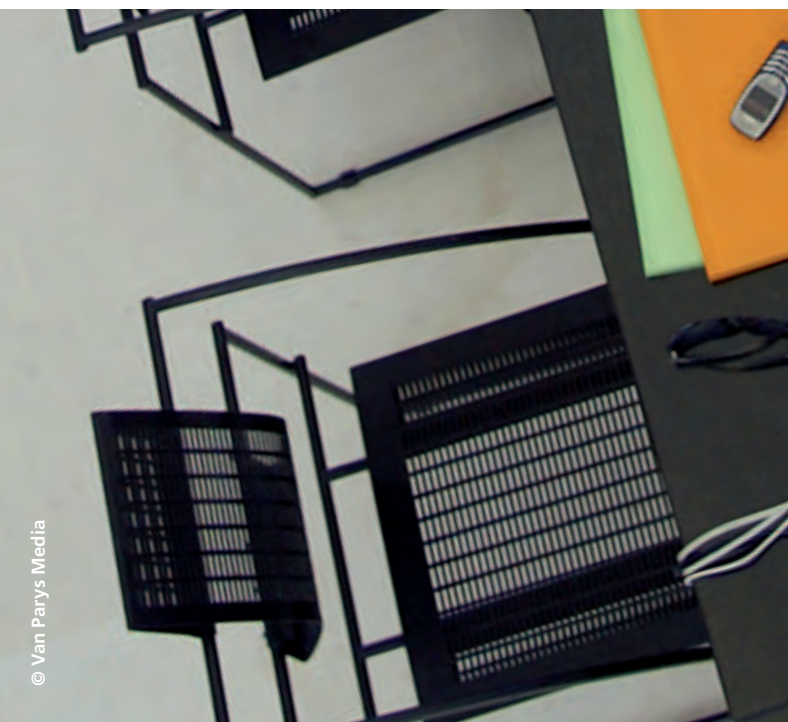
Source: author's own elaboration.

The table above shows that the 'Outcomes' dimension was least covered by the projects under review. In particular, the social policies of companies and their final outcomes and impact on society offer opportunities for further research. Regarding 'Processes', stakeholder management issues have, in the past, been studied at the expense of the analysis of strategic mainstreaming and innovation, as well as the study of the management of particular issues by companies. Concerning CSR 'Principles', the level of managerial discretion has been covered only by the RESPONSE project, and other perspectives on this issue would be welcome.





Research results and policy recommendations



Research results and policy recommendations

Although the main purpose of the research projects under review is the creation of new knowledge, some projects contain general or more specific recommendations for CSR policy at the European level. An extensive summary of the four research projects findings can be found in Annex to this document. On the whole, the ESTER project seems to advocate a 'regulated CSR' approach, which however is not in line with policy developments in the EU since 2001. In particular, this project's legal analysis pointed out the importance of IFAs, and how 'voluntary' standards can become para-legal instruments. The sociological analysis observed the 'hybridisation' of the CSR concept, the 'pick and choose' approach from the business side, and showed the inevitable conflicts between the stakeholders. The economic analysis focused on the drivers of CSR being competitive advantage, and insurance against risk. It also pointed out that all companies prefer joining a strong network instead of a weaker one, and that for MNC global networks rather than European one. Moreover, SMEs prefer voluntary standards. Given the quick development of CSR activities, a useful suggestion is to set up an observatory on CSR in order to strengthen the control and monitoring procedures associated with CSR.

The RARE project also mentions the role of international codes of conduct and guidelines, and standards, such as ISO, GRI, and UN Global Compact. It studies the different types of responsibility from a legal perspective, specifies the nature of voluntary and beyond compliance CSR goals, and calls for 'built-in' CSR in business processes as opposed to 'bolt-on'.

➤ Examples of beyond compliance activities in environmental management

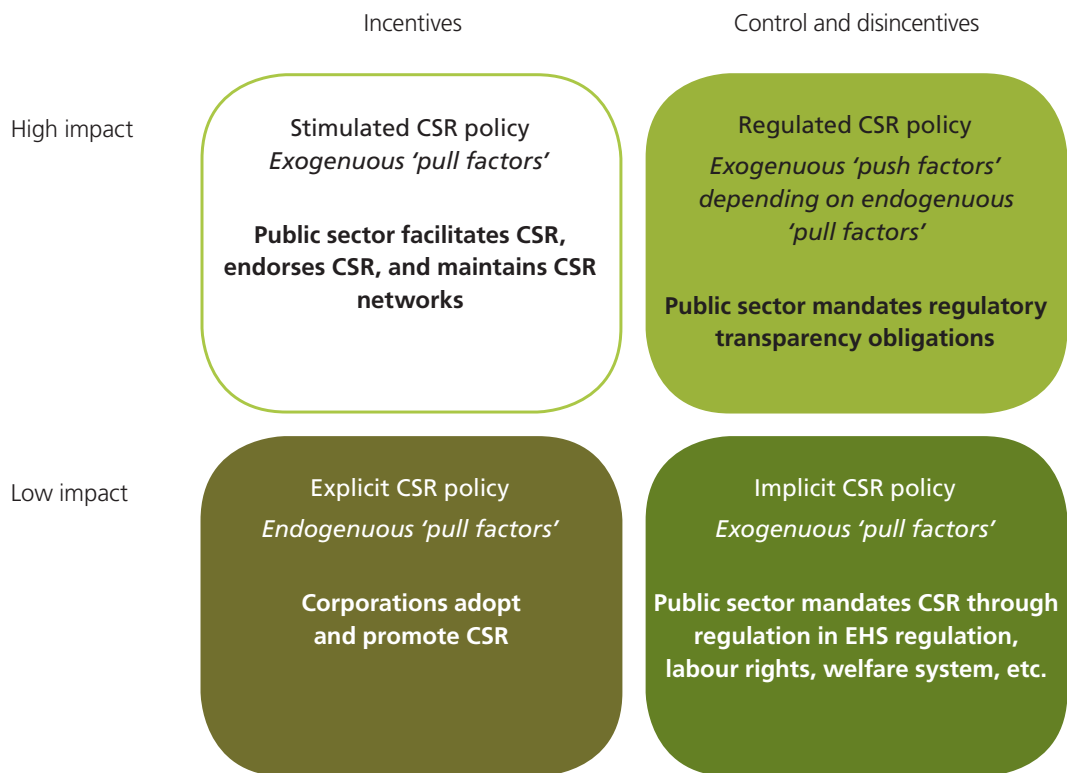
Legislative requirements		Beyond compliance	
Mandatory goal	Implementation measures	Beyond compliance goal	Beyond compliance implementation measures
Maximum threshold for the emission of substance x		Company commits itself to reduce emissions beyond mandatory threshold by x % in the year y	
	Verification via an internal control programme every month		Verification via an internal control programme every day. Additional verification by an independent expert organization
	Report to the competent authority every six months		Report is made available to the public. Report includes analysis of performance fluctuations and corrective measures

Source: RARE Corporate Social Responsibility: integrating a business and societal governance perspective. The RARE project's approach, p.16.

The RARE project also compares the broader context of CSR in Europe and the USA, where in some cases the lack of healthcare and social regulation gave rise to 'explicit' CSR. By contrast, what is considered CSR in the US, such as a company's contribution to its employees' health insurance, is mandated by law in Europe. Consequently, companies' scope to go beyond regulatory requirements in these fields is smaller.

RARE introduces the difference between the 'stimulated CSR' regulatory approach, which relies on incentives and public private partnerships and stakeholder dialogues, as opposed to 'regulated CSR', where the public sector mandates CSR through regulatory transparency obligations. Depending on how successfully CSR opponents can block regulated CSR, the stimulated CSR approach is more effective and therefore preferable. If regulated CSR mobilises strong resistance, it will completely fail in reaching its objectives.

➤ Typology of CSR state policies



Source: RARE Corporate Social Responsibility: integrating a business and societal governance perspective. The RARE project's approach, p.28.

The RESPONSE project introduces the concept of 'cognitive alignment', or similarity in understanding CSR issues between stakeholders and managers. It concludes that if stakeholders and managers have a different understandings of what CSR entails, CSR results cannot be optimal. In general, it turned out that managers have a more conservative understanding of CSR, and have difficulty taking the step from 'do no harm' to 'do good'. RESPONSE undertakes quite a large empirical study among managers and finds that understanding of CSR can be enhanced by specific interventions, such as general or specific management training on CSR. It also finds empirical evidence that CSR performance is stimulated by the role of internal factors such as adoption of a differentiation strategy, priority given to internal change initiatives and innovation. External factors such as regional and industry dynamism, as well as pressure from external actors also play a positive role in stimulating CSR activities.

For policy-makers, RESPONSE calls for a shift from promoting wide stakeholder engagement into more selective one, and a focus on internal change and strategic processes. If a company's understanding of CSR is limited to stakeholder management, it may fail to identify the opportunities to innovate, which is where the true benefits of CSR lie. CSR has so far favoured the stakeholder engagement component to the detriment of the strategic integration and alignment objectives. Conversely, the application of CSR by SMEs has focused more narrowly on its environmental dimensions, using international standards as instrument of choice. According to RESPONSE, an important recommendation for future policy development would therefore be to apply the definition of CSR to the full extent of its meaning and significance, focusing on the internal change processes necessary to realise the strategic integration, or mainstreaming objectives. Points for attention are the application of CSR by SMEs, CSR's global dimensions, and the role of SMEs in multi-stakeholder fora. This would also create more credibility of CSR initiatives by reducing the distance between the rhetoric of CSR, which is strongly present in external stakeholder engagement initiatives, and its real application in concrete business conduct and operations.



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Conclusions



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Conclusions

Regarding the formulation of a research agenda for the future, in our view this type of horizontal legal, sociological and economic analysis of CSR as done in the FP6 project on CSR analysed here has now reached its culmination point. These projects contributed substantially to clarifying CSR principles and drivers, and started unveiling the first empirical evidence on outcomes in Europe.

Now, the social policies of companies and their final outcomes and impact on society offer opportunities for further research. Regarding processes, in the past stakeholder management issues have been studied at the expense of the analysis of strategic mainstreaming and innovation, as well as the study of the management of particular issues by companies. Concerning CSR principles, the level of managerial discretion has been covered only by the RESPONSE project, and other perspectives on this issue would be welcome.

In the future, this body of research should be complemented by more focussed management research related to business processes on the following themes:

- mainstreaming CSR in firm's strategic processes including SMEs,
- the linkage between CSR and innovation,
- performance and impact indicators, and
- global supply chain management.

Without similar, interdisciplinary management research, it will not be possible to identify and disseminate CSR best-practices in Europe and beyond.

The research projects analysed here came up with a wide range of general policy recommendations and a few specific ones. The ESTER project general recommendations seem mostly to relate to 'regulated CSR', which is hard to reconcile with the current policy developments which are driven by a 'stimulated CSR' style. The more specific recommendation of setting-up of a CSR observatory for Europe is considered useful. The RARE project increased the understanding of the different policy styles related to CSR, and identified the circumstances under which they can be effective. The RESPONSE project formulated a number of recommendations, in particular referring to research themes and the definition of CSR used by the European Commission. The CSR platform project focussed on mapping research issues, and contains few policy recommendations.

In general, the projects' main contributions are at a conceptual level. The projects under review have enhanced the knowledge on the type of policy instruments, and the general conditions under which these will be effective. They also draw attention to the importance of international CSR standards and instruments, which respond both to the need of global companies, as well as SMEs.

The projects' empirical research has been limited to certain sectors in a number of countries. At this point, we feel the field of interdisciplinary CSR research has begun to achieve a level of maturity, in which a comprehensive empirical research programme promises to be fruitful. The explicit inclusion of a section on policy developments, and vision for the future in all research projects would greatly enhance the policy relevance of future research projects' results.

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Annex: project summaries

1. CSR PLATFORM – European Platform for Excellence in CRS Research

<http://www.eabis.org/csrplatform/>

Consortium: The CSR Platform was led by the European Academy of Business in Society (EABIS) and involved a consortium of 13 Business Schools and organisations in management development and Corporate Social Responsibility (CSR) practice: the European Foundation for Management Development (Belgium), Ashridge Business School (UK), Copenhagen Business School (Denmark), Cranfield School of Management (UK), INSEAD (France), Vlerick Leuven Gent Management School (Belgium), Warwick Business School (UK), Leon Kozminski Academy of Entrepreneurship and Management (Poland), Warsaw School of Economics (Poland), Catholic University Eichstätt-Ingolstadt (Germany), The Copenhagen Centre (Denmark) and CSR Europe (Belgium).

Purpose and principal findings: The purpose of the Platform was to mobilise researchers in supporting and developing excellence in research on corporate social responsibility and business in society issues in the European Research Area (ERA). The project framework was developed around a number of central perceptions about the 'state of the art' in CSR research in the early years of this decade. Specifically, it set out to address a number of identified barriers and failures that were hindering real progress in terms of CSR research content, structure, approaches and coordination. The obstacles identified were:

- The European CSR research agenda is fragmented, with most activity taking place in institutional isolation, outside of any coordinated national or regional framework.
- There is a fundamental lack of collaboration in CSR research, with little integration of theoretical and applied work, and little inter-disciplinary enquiry.
- There is a lack of stakeholder input into the construct and delivery of CSR research, despite the fact that multi-stakeholder dialogue and engagement is emerging as a core aspect in the practice of CSR.
- Dissemination of research on CSR issues is diffuse, ad hoc and depended on niche channels, with no coherent framework for strategic communication of outputs at the European level.
- There is limited evidence that CSR research was being successfully translated into teaching and educational programmes, and becoming a driver for institutional change.
- There is a lack of institutional support for development of the next generation of CSR researchers, with few doctoral and post-doctoral resources made available to those wishing to build a career in this domain.

This understandably gave rise to a deeper concern, namely a lack of focus and prioritization at the European level on a topic that – without such definition – would have the potential to become nebulous. The Platform consortium set out to address these barriers and failures

through seven individual work programmes, along with many subsidiary events designed to promote and advance the quality of CSR research in Europe. Throughout its implementation phase (late 2004 - early 2008), the Platform had as its foundation three strategic priorities:

1. To mobilise an international community of researchers across disciplines, within disciplines, across generations and across types of research through the creation of fora for effective and relevant scientific collaboration.
2. To foster cooperation, participation and co-ownership in bringing CSR research forward between academia, the business community, policy makers and other key stakeholders through the creation of a multi-stakeholder platform and the organisation of multi-stakeholder research colloquia.
3. To put in place an effective dissemination and integration system which will exploit past, current, and future European research efforts, projects, initiatives, resources and outcomes on CSR-related issues to benefit all stakeholders.

Through the project, a diverse community of researchers, research institutions, businesses, stakeholders, practitioners and policy-makers from across the continent, with an interest in research, have shared views and ideas, exchanged research findings and experiences from theory and practice, identified gaps in knowledge and priorities for future research and disseminated those insights to a wider audience in Europe and overseas.

Main messages: Arising out of the Platform are that there is a continuing need to connect researchers in the ERA and to provide centralised resources to support research on CSR and business in society, as an emerging field of research and to promote its quality. However, improving the relevance of research and its usability and accessibility are just as important if real gains are to be made in accomplishing the ambition of the ERA as a centre of excellence in competitiveness and innovation, through responsible business practices that maintain the quality of the European environment and contribute to social cohesion.

The overall approach recommended in this report is intended to have a direct impact on the established institutions, structures and mechanisms by which research is developed, funded, conducted and disseminated. The key to this approach is found in 'more and better-connected knowledge', with its base in connections between research centres and disciplines, between research and practice and between research and education. In parallel with the reconfiguration of the profound relationship between business and society, the complex relationship between research, education and practice is undergoing significant change. This is undoubtedly a necessary paradigmatic shift. Only in that way will research fulfil its capability to contribute to a competitive, environmentally sound and socially cohesive Europe.

The CSR Platform Project has highlighted that:

- Knowledge development through CSR research of quality and relevance is critical to the continued and enhanced performance and practice of business beyond legal compliance in the ERA. Such an approach promises a direct contribution to meeting European goals on competitiveness, social cohesion and sustainable development.
- Deeper and broader understanding of CSR issues will support a better interface between business and society. Among other aspects, it will help to shape more robust approaches to the use of scarce resources, delivering improved environmental and social conditions in the ERA and enhancing its strategic relationships with the rest of the world. It will also inform the education and training of current and future policy-makers and corporate decision-makers who will provide European leadership.

On the basis of three years of multi-stakeholder dialogue, analysis of existing research, and an understanding of emerging challenges, it is recommended that the following 11 thematic areas are prioritised in future research across the Social Sciences & Humanities on CSR and the changing role of business in society:

1. Corporate governance
2. Collaboration, partnerships, clusters and alliances
3. Developing and emerging economies and societies
4. Diversity and excellence in CSR across the European Research Area
5. Competitiveness and CSR
6. Practices for change inside companies
7. Strategy and corporate governance for embedding responsibility in business
8. Managerial skills and organisational competences
9. Sector-specific and implementation studies
10. CSR and integration in SMEs
11. CSR and sustainability

2. ESTER – Social regulation of European transnational companies

<http://ester.u-bordeaux4.fr/>

Consortium: Centre National de la Recherche Scientifique-COMPTRASEC (coordinator, France), Université Libre de Bruxelles (Belgium), Université Montesquieu-Bordeaux IV LARE-efi (France), Université Toulouse II CERTOP (France), Universität Hamburg UHH-DWP (Germany), Università degli Studi di Trento UNITN (Italy), Universidad de Castilla – La Mancha UCLM (Spain), Universidad Complutense de Madrid UCM (Spain), Utrecht University UU (Netherlands), University of Essex UE (United Kingdom).

Purpose and principal findings: ESTER conducted empirical research into the social responsibility of European transnational companies. The project had three directions: the observation on the existence of a European model of CSR, the exportability of the European social model, and an examination of the hypothesis of a 'codification of ethics'. It examines the conditions for implementing legal regulations, its probable reception, as well as its intended and unintended, or perverse effects in a globalised economy.

As to the principal sociological results, it noted that the forms of CSR mainly preferred by companies were codes of conduct and ethics charters, drafted and implemented unilaterally. In exceptional cases, corporate norms were negotiated with trade union organisations and issued as international framework agreements (IFAs). The social partners had evolved from a refusal to become involved in social responsibility issues to a more active approach, while commercial partners (e.g. suppliers) were held hostage by corporate commitments on CSR. The results of the legal analysis show that even though companies act 'voluntarily', they have created legal and para-legal CSR instruments. The study revealed evidence that CSR was being 'legalised'.

Finally, the ESTER project demonstrated that the implementation of CSR practices was primarily motivated by a series of organisational or economic windfall effects. For instance, CSR was not only useful for enhancing corporate 'image' and legitimacy, but also for gaining an advantage over competitors and demonstrating the company's performance in a new area, at a relatively modest cost to the organisation, especially when implemented via the existing corporate structure.

Main messages: The policy findings of the ESTER research project indicated that all players, including companies, had an interest in universal standards in all fields covered by CSR. In the social sphere, the rights covered by the ILO Declaration of 1998 are certainly used by companies as standards. It would nonetheless be desirable to have a precise, rigorous and comprehensive inventory of all the international human rights instruments covering the three pillars of CSR, so as to put an end to companies' self-service or 'pick and choose' practices. For this purpose, a European observatory on CSR could be set up as an independent entity.

By the end of 2007, 57 out of a total of 61 IFAs had been concluded by European multinationals. These agreements represent a practical implementation of a European approach to economic globalisation. IFAs are the most ambitious corporate standards for implementing CSR commitments. The European Union can act as a driving force in CSR

by emphasising one of its strengths and specific features on the global level, i.e. social dialogue and the principle of joint representation. To this end, it must show the daring to move forward and act where companies do not fear to tread. How is it then, if the international dimension of CSR represents a forward-looking strategy for the European Union, that it continues to turn a blind eye towards IFAs, leaving them with no legal status.

Any implementation in response to an initiative on social responsibility or the adoption of a regulatory instrument requires a common monitoring and audit strategy, which should:

- Confirm the full competency of public administrations in monitoring all binding legal norms, at every level.
- Promote all types of cooperation and mutual assistance among public monitoring organisations for this purpose.
- Set up effective monitoring systems for non-binding instruments on CSR. A European monitoring agency on corporate social responsibility could be established for this purpose. A Community agency is a body governed by European public law; it is distinct from the Community Institutions (Council, Parliament, Commission, etc.) and has its own legal personality. It is set up by an act of secondary legislation in order to accomplish a very specific technical, scientific or managerial task, in the framework of the European Union's 'first pillar'.
- Monitoring could also be carried out by industry-specific bodies with employer-employee representation.
- Define macroeconomic indicators to measure the impact of social norms on changes in European trade patterns to determine whether norms have an effect on the international competitiveness of European firms or impact imports from the South and could, therefore, be considered protectionist.

3. RESPONSE – Understanding and Responding to Societal Demands on Corporate Responsibility – http://www.insead.edu/v1/ibis/response_project/

Consortium: The consortium was lead by INSEAD (France - coordinator), and consisted of Copenhagen Business School (Denmark), Università Commerciale Luigi Bocconi (Italy), Leon Kozminski Academy (Poland), Impact (Austria).

Purpose and principal findings: The RESPONSE project has been created to develop knowledge and understanding on the degree of alignment between companies and their stakeholders about what corporate social responsibility consists of within their specific context. This was referred to as 'cognitive alignment'. Alignment of thinking on the respective interests as well as on the joint ambitions is expected to be essential to progress towards effective mutual support between business corporations and their societal counterparts, for the betterment of both.

In addition, the study seeks to assess the implications of the degree of alignment for the perceptions of social performance created by corporate behaviour, and to identify the internal and external factors that might influence the variation in the degree of cognitive alignment across business corporations.

Finally, the RESPONSE project aims to study CSR at the level of the individual manager's behaviour, and to assess the relative effectiveness of diverse training interventions on the development of social consciousness in managers. The individuals' understanding and sensitivity towards the social implications of their decisions and actions is deemed in fact to be crucial to enhancing the capacity of business organisations to respond to and bridge the 'cognitive gaps' that separate them from their stakeholders and from society at large.

The evidence base accumulated during the study consists of 427 interviews related to 19 companies in eight sectors, selected through a matched pair/triad design aimed at maximising the similarity in product, geography, size and financial performance, while maximising the difference in social performance across companies within each pair/triad.

With respect to the individual level of analysis, four randomised controlled experiments were conducted with the collaboration of four multinational companies, involving 93 managers based in 15 locations worldwide, with the pre and post training assessment conducted via a web-based questionnaire. Overall, the study has therefore leveraged the collaboration of over 300 managers in 20 multinational companies as well as representatives of 180 stakeholder organisations.

The key findings from the analysis of the collected data can be summarised as follows:

1. The analysis shows that there is a wide gap between managers' and stakeholders' understanding of what constitutes the company's social responsibilities. In particular, managers seem to be tied to a fairly conservative view of corporate responsibility characterised primarily by refraining from negative impacts ('do no harm'), rather than a proactive attempt to have a positive impact on society ('do good'). Moreover, managers exhibit a relatively

narrow consciousness of their company's responsibility, defined by the legal and moral boundaries, while stakeholders have a broader notion of an expanded enterprise, including and integrating the interests of wider stakeholders and society as a whole.

2. Some evidence was found in support of the hypothesis, related to the link between cognitive alignment and the perceptions of social performance. The size of the gap or the lack of alignment is indeed associated with lower social performance.
3. The results concerning the influence of external factors on the degree of cognitive alignment are:
 - Industry dynamism: more dynamic industries (e.g. high-tech) are associated with better alignment;
 - Regional dynamism: more dynamic regions (e.g. Anglo-Saxon countries) are associated with better alignment; and
 - Pressure from external actors: the larger the pressure, the higher the alignment.
4. The key internal factors influencing the degree of alignment are analysed and the results reported. In particular, the following dimensions to distinguish the companies with higher cognitive alignment than the others were found:
 - Business strategy: firms adopting a differentiation strategy are associated with higher alignment, compared to firms choosing to compete with a cost minimisation strategy;
 - CSR initiatives: firms prioritising internal change initiatives (adapting incentives, resource allocation, operating processes, etc.) over external stakeholder engagement processes show higher cognitive alignment; and
 - Motivation: firms motivated by an innovation-driven business case show higher alignment compared to firms motivated by organisational values or other types of business case arguments (risk reduction, cost efficiency, sales or margin growth).
5. The standard executive education approach based on engaged discussions and case analyses fails to facilitate managers to shift towards higher probabilities of making socially responsible decisions. On the other hand, coaching programmes based on introspection and meditation techniques, without any discussion about CSR topics, exhibit a significant impact on both the probability to act in a socially responsible way and on the factors that influence the probability to behave that way.

We believe that the findings of the RESPONSE project hold multiple implications of interest for future research on the relationship between business and society, from both a process and a content point of view. What concerns the content of future research the key indications can be summarised as follows:

1. **CSR Cognition.** The results show for the first time how important cognition is in explaining the characteristics of the CSR process as well as the quality of its outcomes. Future research could build on these initial findings to further understand (a) how managerial and stakeholders' understanding about corporate responsibility can be measured and validated, (b) how it evolves over time, (c) how it shapes the way firms behave and (d) what outcomes it generates in terms of social and financial performance.
2. **CSR Integration.** The integration of CSR principles and processes within operating routines and strategic decision-making is another area in which the RESPONSE data suggests future research should study in more depth. How is that integration really happening within business organisations? What are the barriers and the enabling factors for its successful realisation? What are the outcomes to expect in terms of social and financial performance and what factors might influence the quality of the outcomes?
3. **The Individual Level.** RESPONSE has also highlighted in both theoretical and empirical terms the need to study CSR not only as an organisational process but as an individual behaviour. We trust future scholars will build on these initial insights to further our understanding of the factors explaining socially responsible behaviour in managers, as well as of the outcomes for the organisation and for society.
4. **Learning CSR.** The final area where we feel RESPONSE has broken new ground for future scholarship to advance is the assessment of learning processes at both the individual and organisational levels of analysis. Whereas the learning experiments have shown the feasibility and the importance of studying different approaches to the problem of developing social consciousness in managers, this study has not been able to evaluate with the desired precision the impact of knowledge development and diffusion processes at the organisational level. We trust future scholars will be willing and able to make new inroads on this crucial quest to explain how firms develop competencies specific to the management of their social responsibilities.

The implications of RESPONSE experience for the design of future projects in this domain are, in our view, equally important:

1. **Matched-Pair Sampling.** We consider the matched-pair design implemented in RESPONSE to be one of the strengths of the study. Empirical research in the Business & Society domain has been characterised so far by the study of a small number of companies, typically selected in an ad hoc way on the basis of prior relationships. We have tried to go beyond that limited design and have paid the price of a much more complex and uncertain recruitment process. The fact that it proved possible to complete the study, in all its limitations, with a solid sampling method should be an encouraging sign for future scholars in this field of work.
2. **Experimental Design.** The other innovative design successfully implemented in this study is the use of randomised controlled trials to measure the effect of training interventions on the psychological profile and behaviour of managers. Conducting this rather intrusive design with practicing managers in their own normal working environment (i.e. outside

the standard laboratory conditions) on a sensitive subject such as CSR and with some non-orthodox intervention techniques (such as meditation practices) gives comfort in the possibility of running cutting-edge research and developing the highest quality of knowledge (comparable to that published in natural science journals) in this area of social science research.

3. **Research Co-Development with Businesses and Stakeholders.** One of the key factors for the successful implementation of both the matched pair sampling as well as the experimental designs lies in the presence of multiple established relationships and cooperative agreements that the research team has been able to leverage with corporations, especially the founding partners of the European Academy of Business In Society (EABIS), and with some of the key stakeholders (leading social rating agencies, NGOs, etc.). This new model of social science research, based on the active collaboration with the 'subjects' of the research throughout all the phases of the process, from the initial formulation of the questions all the way to the dissemination of results, offers important indications for future scholars in this area on how to maximise their chances of success in such complex and politically charged fields of study (see below for some related recommendations for policy-making and research funding institutions).

Main messages: A few key implications for policy-making institutions stemming from the results of the analysis ought to be carefully considered:

1. **Internal Change Processes.** The definition of CSR introduced by the EU Commission's White Paper in 2001 mentions both the integration of CSR in the operations and the stakeholder engagement processes as constitutive elements of the concept itself. The application in business firms has so far prioritised the stakeholder engagement component to the detriment of the integration objective. An important indication for future policy development could be, therefore, to invite enterprises to apply the definition of CSR to the full extent of its meaning and significance, focusing on the internal change processes necessary to realise the integration objectives. This will also help the alignment between the rhetoric, which is strongly present in external stakeholder engagement initiatives, with the reality of concrete change in business conduct.
2. **The Role of Business Strategy.** Given the importance of the company's choices on how to compete in product markets for the likelihood of alignment with stakeholder expectations, we propose to extend the definition of the concept of CSR to include the integration of CSR in the decision-making processes and outcomes, such as major resource allocations, pricing strategies, corporate growth initiatives, market entries and exits, and so on. These characterise and shape the way the company competes on the markets of choice. The definition of CSR could therefore be edited as follows: "CSR is a concept whereby companies integrate social and environmental concerns in *their strategic decision-making processes*, in their business operations and in their interaction with their stakeholders on a voluntary basis".

3. A New Role for the Partnership between Business and Society. The recent initiative by the European Commission towards the establishment of a partnership between business and society to enhance the quality of their mutual understanding, of their multiple interactions and ultimately of both their development and growth is a valuable initiative. Project's suggestion is to articulate and focus the concrete outcomes of the partnership on the facilitation of a profound change process inside both business corporations and their societal counterparts.
4. A New Way to Conduct Research on Business & Society. Related to the previous point, RESPONSE has also demonstrated a new way in which academic research can be conducted in this field. The cooperation between corporations, global stakeholders and scholars through all the phases of the research has yielded important results, despite the increased coordination costs, particularly in terms of achieving a fruitful balance between academic rigour and managerial relevance. We see this as the foundation of a new model for conducting academic research in this area, and suggest policy-makers and research funding agencies take this experience into account as they search for ways to enhance the quality of future research endeavours. The existence and pursuit of a stable relationship and commitment to cooperation between research centres, business corporations and key stakeholders might be viewed as a necessary condition, and recognised as such, for the development of research plans that can aspire to real breakthrough results, with both academic as well as managerial audiences.

4. RARE – Rhetorics and Realities - Analysing Corporate Social Responsibility in Europe – <http://www.rare-eu.net>

Consortium: The consortium was lead by Ökō-Institut (Germany) and consisted of the Fridjof Nansen Institute (Sweden), Stockholm Environmental Institute (Sweden), Fondazione Eni Enrico Mattei FEEM (Italy), Budapest University of Technology (Hungary), Institut für Sozialökologische Forschung (Germany), and Peter Wilkinson Associates (UK).

Purpose and principal findings: In the course of 2006, the RARE project conducted surveys on Corporate Social Responsibility (CSR) in selected European industries – the banking, oil and fish processing sectors. In addition, CSR activities specifically among SMEs were surveyed in the automotive supply chains in Austria and Hungary. CSR issues focussed on the mitigation of climate change, minimising the risk of chemicals, sustainable fisheries, promotion of gender equality and countering bribery. The reports cover the elements necessary to integrate CSR into day-to-day corporate activities – from the creation of a vision to its implementation, monitoring and the measurement of impact.

The main findings include:

- **Principles and commitment:** Companies in the different sectors have preferences for different terms when describing their commitment and responsibilities towards society and the environment. For example, while the oil companies preferably use the terms 'Corporate Responsibility' and 'Corporate Social Responsibility', fish processors also strongly employ the term 'Business Ethics'. The concept of CSR, which is promoted by the European Commission in their CSR Strategy, has therefore not yet become generally established. Large companies and SMEs across all sectors view their voluntary activities on social and environmental issues above all as a means to ensure compliance with mandatory legislation rather than to go beyond compliance, as is foreseen in the Commission's CSR concept.
- **Strategy:** When translating CSR commitment into strategies, different prominence is given in each of the sectors to the issue areas that we looked at and no common pattern may be denominated. While the countering of bribery is the strategically most important issue in the oil and banking sector, followed by the mitigation of climate change in the oil sector and the promotion of gender equality in the banking sector, the fish processing sector attributes no strategic relevance to these issues and focuses on sustainable fisheries issues and on chemicals issues instead. The SMEs surveyed consider as most important environmental impact reduction – however, not including climate change – and the countering of bribery. These findings imply that there is not one general level of issue importance, but that issue importance varies with the sectors and is tightly related to the companies' core business, rather than to their wider sphere of influence.
- **Process and implementation:** The focus on core business is mirrored when analysing CSR implementation (instrument use, activities, organisational set-up), though the relation between the implementation efforts and the strategic importance assigned to the issues is not always consistent. Only a few of the respondent SMEs in the automotive sector, for example, carry out any anti-bribery measures despite the importance they generally

attribute to the issue. A differing 'maturity' of the industries with regard to CSR can be deduced among others from the widely varying use of CSR instruments. While the surveyed companies in the banking and oil sectors use an average of 17 instruments per company, the fish processing sector lags behind with nine instruments.

The SMEs polled tend to make use of less formalised CSR instruments. Among the standardised instruments they favour management systems, above all ISO 9001 and ISO 14001. Banks prefer as CSR instruments forms of stakeholder engagement and cooperation, company specific codes of conduct, and non-financial reporting based on the Global Reporting Initiative. Oil companies, on the other hand, preferably endorse the Global Compact, the OECD Guidelines for Multinational Enterprises, the Responsible Care Initiative, ISO 14001, and the Global Reporting Initiative. In the fish processing sector, the FAO Code of Conduct for Responsible Fisheries, the Marine Stewardship Council certification, and the Hazard Analysis and Critical Control Point (HACCP) system are most popular.

- Outcome, performance and impact:** When it comes to CSR performance, it emerges that the respondents from the fish processing and the oil sectors are rather reluctant to assess their CSR performance as gathered over the last years. To the extent they evaluate how their social and environmental performance has improved through CSR, this evaluation is cautiously optimistic, at least with regard to the issues the companies attribute strategic importance to. Respondents from the banking sector more confidently assert that their impacts range from rather high in the area of countering bribery to medium in mitigating climate change and promoting gender equality. In comparison, the SMEs in the automotive sector are most reserved when it comes to claiming CSR impacts and identify progress above all in the environmental field. Respondents from the oil, banking and fish processing sectors assess differently which CSR instruments contribute most to their CSR performance. While in the fish processing sector, for example, the MSC label is regarded as very important, oil companies view 'company-specific' instruments as most effective to improving CSR performance. The reluctance of many of the companies surveyed – with the exception of banks – to specify performance improvements is caused, among other factors, by the fact that few companies systematically measure their own performance. Impact evaluation is hampered by a lack of key performance indicators (KPIs) which ought to be monitored over a specific period of time. This is problematic as measurement is the basis for judgements on the social or environmental impacts achieved by CSR activities, as well as for systematic review and improvement processes.

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This publication examines the results of socio-economic research projects on Corporate Social Responsibility (CSR) funded under the European Union's Sixth Framework Programme for research and Technological Development. In this review, the research carried out is put in the context of developing the concept of Corporate Social Responsibility as well as the evolving European Union policy in this area. As the document analyses different aspects of the issue, from strategies through instruments to outcomes in a comprehensive way, identifying also knowledge gaps and possible future trends, it should provide informative reading to all parties interested in the topic.

