

CORPORATE SOCIAL RESPONSIBILITY - STRATEGIES IN EUROPEAN STYLE

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Social responsibility approaches mainly actions of improving the quality of life at the level of community and presupposes integrity, strong values and a balance between the long and short term management. Corporate Social Responsibility (CSR) in Romania is represented by more and more initiatives in the last years. New corporative foundations have been set up, new corporative programmes have been developed, specific marketing campaigns, donor programmes and even social campaigns supported by companies. This paper approaches CSR from the perspective of small and medium enterprises (SMEs) providing the advantages and limitations of adopting the voluntary CSR practices in the business strategy.

Key words: social responsibility, corporate social responsibility, SMEs

CSR has also become an integral part of the debate over globalization. Governments and pressure groups argue that companies should develop policies to tackle the downsides to the expansion of international trade, particularly in developing countries. They share the belief of multinational companies are becoming even more powerful actors in the world economy. Consequently, businesses must also accept greater responsibility for the by-products of globalization – such as environmental degradation and social dislocation. Thus, CSR provides one means by which businesses could help manage globalization.

At the same time, globalization has increased competitive pressures on businesses and made multinationals more vulnerable to consumer boycotts and campaigns – as Shell, Nestle and Gap have found out to their cost. CSR campaigners have learnt that they can often achieve results by pressuring a company to modify its behaviour, rather than appealing to governments to legislate. Some businesses, particularly those working in politically sensitive industries such as oil or pharmaceuticals, now prefer to anticipate the complaints of critics. For these companies, CSR is becoming a central element of their business strategies.

In the last few years, governments have also begun to promote CSR as a means of enlisting business help in raising social and environmental standards. However, most businesses remain adamant that CSR must be a business –led and voluntary process. They argue that government intervention should be limited to ‘soft’ policy measures¹⁸⁴, such as information provision and the spread of best practice.

But corporate social responsibility cannot easily be disentangled from broader issues of public policy. CSR touches on subject as diverse as labour market and environmental law, intellectual property laws, international trade and even foreign policy. Governments must decide when businesses should be encouraged to tackle voluntarily social or environmental problems, and when legislation is required.

A number of EU governments, most notably in Britain, Denmark and the Netherlands, regard CSR as way as reconciling their aspirations for higher social and environmental standards with a pro-business agenda.

Corporate social responsibility should form an integral part of the EU’s efforts to find innovative and flexible solutions to long - standing social and environmental problems, while maintaining the competitiveness of European business. The promotion of CSR does not necessarily imply the dilution of existing standards, nor the full scale withdrawal of governments from social and environmental policy. Governments will continue to set strategic goals –but they must then consider whether voluntary or legislative measures provide the most suitable means of achieving them.

Policy-makers employ a confusing array of terms to debate corporate social responsibility. The British Foreign and Commonwealth Office, for instance, uses the phrase “*corporate citizenship*” when it is developing ethics guidelines for companies operating overseas.

The EU is finding it even harder to arrive at a common definition of corporate social responsibility. CSR has become part of the vocabulary of many European languages even more recently than in the English –speaking world. A straight translation does not always convey the right meaning.

Many of the business practices, which are now commonly described as “*corporate social responsibility*”, are not recent innovations. Companies have long undertaken philanthropic work particularly in the form of donating money, and lending skilled workers to local communities.

Business, policy makers and NGO’s are most divided over whether CSR should be regarded as purely voluntary practice, or whether some form regulation is also necessary to ensure that companies behave in a more socially and environmentally responsible manner. Companies fear that unless CSR remains voluntary, it will provide governments with an excuse to introduce new environmental and social legislation.

For the moment, the EU appears to have accepted the argument that CSR is a voluntary, business-led practice. The European Commission has defined CSR as a “*concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis.*”¹⁸⁵

An EU committee defined CSR, consisting of high level member-state representatives, has also emphasized the voluntary nature of CSR. The committee defined CSR in a practical manner, listing 12 separate practices – ranging from encouraging life-long learning to promoting respect for human rights amongst suppliers – which constitute socially responsible behavior.¹⁸⁶

However, a number of influential charities and pressure groups argue that business will never take their social and environmental responsibility seriously if CSR remains voluntary. They claim that from many companies, CSR is no more than a cosmetic exercise, designed to ward off the threat of new legislation.

Above all, governments continue to set the legislative framework for the corporate sector. At times, they may choose to encourage business to meet voluntary goals, such as reduction in energy usage, as part of their environmental or social strategy. Governments may equally decide to promote corporate social responsibility. Governments still have a choice: if they decide that corporate social responsibility is not helping more to meet their social and environmental goals, they can always resort to legislation.

European Union governments –such as Britain, Denmark and the Netherlands – are leading attempts to devise a public policy approach to CSR. However, there is as yet no clear “*European*” approach to corporate social responsibility. Individual member-states have their own specific policy priorities. These range from dealing with labour market problems, to improving the behaviour of multinational companies in developing countries, reflecting both the overriding concerns of their electorates and the structure of their business sector. Moreover, a number of EU countries – particularly those with highly developed regulatory systems –have until recently shown little interest in, and sometimes outright hostility to, CSR.

The British and Dutch governments have promoted CSR as a means of tackling problems caused by multinational in developing countries. A disproportionately large number of European multinational companies, working in politically sensitive sectors such as oil and pharmaceuticals, are based in these two countries. Both countries are also home to powerful and vocal NGOs such as Oxfam and Novib.

Indeed, Britain the first, and to date, the only government to have appointed a minister with specific responsibility for overseeing corporate social responsibility – a post held at the time of writing (June 2003) by Stephen Timms. First appointed in 1999, the minister is based in the Department of Trade and Industry. British businesses have mainly welcomed the new appointment.¹⁸⁷

The Dutch government has also sought to foster fair trade initiatives. More ambitiously, the Dutch have linked the provision of export credit guarantees – used to underwrite orders abroad –with corporate social responsibility.

Denmark is also actively developing a public policy approach to CSR. However, the Danish government has focused its efforts on tackling domestic issues such as labour market exclusion and local environmental problems.

The Danish government has also developed a social index to help companies monitor their performance on social issues. Businesses are able to benchmark their performance against similar companies and can use the index in discussions with stakeholders. But companies are under no obligation to adopt the index and do not have to reveal the results to the public. Equally, the Danish government introduced a system of green accounting in 1995. The system made it compulsory for 1200 heavy polluting companies to publish details of their environmental performance, while a further 200 companies have chosen to follow the same system voluntary.

Not all EU member-states have adopted CSR policies with enthusiasm. Germany, Austria and to a lesser extent France, remain sceptical as to whether corporate social responsibility can help to tackle social and environmental problems. Indeed, in some European countries there is a lingering suspicion that CSR is unnecessary Anglo-American import which, with its emphasis on voluntarism, represents an attack on the traditional legally-based social model. Trade unions in these countries are especially unenthusiastic about the spread of CSR across Europe, fearing that it could actually lead to a dilution of their hard-won workplace rights.

Businesses and politicians in Germany and Austria, for instance, argue that their domestic law already requires companies to act in a socially responsible manner. They point to the presence of employee and other stakeholder representatives on German two-tier boards, as an example of CSR policies in action. However, some German multinationals, especially those with large US or UK markets – such as BASF, DaimlerChrysler, Siemens and Volkswagen – have endorsed global CSR guidelines the UN global compact.

Moreover, governments and businesses in the Mediterranean countries such as Italy and Spain have not yet widely embraced CSR. A high proportion of businesses remain in family ownership and companies have traditionally adopted a paternalistic approach to employees and the local community.

There is some evidence that EU member-states are beginning to think alike on CSR, despite these differences of approach. For instance, fair trade schemes now operate in 11 EU member-states, including “*laggards*” such as Italy.

As far back as 1993, the European Union began to debate whether it should develop a strategy to promote corporate social responsibility. The Commission published a paper which appealed to businesses to help tackle social exclusion. In response to this plea, a number of European business leaders and the Commission teamed up to establish CSR Europe in 1996. CSR Europe supported by 60 member companies, now provides links between 15 member-state based CSR organizations, representing around 1200 European businesses.

But it is only in the last three years that corporate social responsibility has become a key issue for the Union. EU heads of government made CSR a specific EU policy commitment at the Lisbon summit in March 2000, appealing to companies “*corporate sense of social responsibility regarding best practices on lifelong learning, work organization, equal opportunities, social inclusion and sustainable development*”.¹⁸⁸ At the Gothenburg summit in June 2001, member-states called on the Commission to publish a paper detailing possible further policy steps. The Commission responded to this request by publishing a green paper on CSR in July 2001. After a further period of consultation, the Commission issued a communication in July 2002, detailing its next steps including the establishment of a CSR forum.

Many European businesses have also expressed concern that the Commission’s new-found interest in CSR may simply be an attempt to reintroduce stalled social and environmental legislation via the back door.

The EU should certainly not have sole competence for the development of CSR policies. The debate on CSR ranges from local communities to the global discussion about the role of multinationals in developing countries. But the EU can and should play a major role in devising CSR policies for three good reasons.

First, the EU provides a natural arena for member-states to share their experiences of CSR policies and help spread best practice.

Second, the EU already has the power to make laws in a number of areas directly related to CSR, such as trade with developing countries and the environment. Member-states which want business to help tackle social and environmental problems need to make that case at the European level.

Moreover, EU laws often make it difficult for member-states to adopt CSR measures unilaterally. As already discussed, the Belgian social-labelling scheme may fall foul of EU single market rules. The EU needs to consider when government intervention to encourage CSR is permissible, especially in relation to the use of public procurement contracts or tax incentives.

Finally European multinational companies are at the forefront of promoting CSR policies, particularly in relation to the developing world.

Although a decade has passed since the EU first discussed the subject of corporate social responsibility, the Commission is only now beginning to develop common policies for the Union to follow. In October 2002, the Commission formally launched a European “*multi-stakeholder forum*” on CSR. The forum – which brings together around 40 representatives from businesses, unions, NGOs and academia – will lead further discussions on four topics: spreading CSR best practice, development and trade, fostering CSR among small and medium-side enterprises (SMEs) and the convergence and transparency of CSR reporting and verification.

The EU is right to reject the calls from the European Parliament and some NGOs to impose tough reporting and verification requirements on European companies. CSR reporting and verification is in its infancy: there simply is not a tried and tested model. Competing codes, management standards and verification mechanisms need to prove their worth.

Conclusions

An increasing number of European companies are promoting their corporate social responsibility strategies as a response to a variety of social, environmental and economic pressures. They aim to send a signal to the various stakeholders with whom they interact: employees, shareholders, investors, consumers, public authorities and NGOs. In doing so, companies are investing in their future and they expect that the voluntary commitment they adopt will help to increase their profitability.

Generally, a growing involvement of European businesses in CSR is observable. This is not at least attributed to the fact that companies increasingly realise the necessity of improving business' image by showing commitment to social issues and/or the introduction of business ethics rules and, therefore, include CSR activities in the daily business routines. So, the raised awareness of consumers increasingly appreciating CSR practices is an important incentive for further development of respective corporate activities which may then be used for gaining a competitive advantage compared to other market players.

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